

**BRANDON UNIVERSITY FOUNDATION**  
**Investment Policy Statement**  
October 19, 2018

**Section 1 – Background**

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**1.01 Purpose of the Foundation**

The Brandon University Foundation is dedicated to promoting the advancement of higher education at Brandon University and improving the quality of its facilities and activities by raising and managing funds for future operating and capital expenditures, research and student awards.

The Foundation provides funds annually for scholarships and bursaries, research, and other university activities which are typically funded through endowment funds. Additionally, the Foundation raises specific-purpose funds from time to time for building projects or other university activities which will need to be invested until payment is required.

**1.02 Background of the Foundation**

Foundation activities were carried out for many years under the aegis of Brandon University. The Foundation was incorporated in 1980 by “an act to incorporate Brandon University Foundation, S.M., c.89.” It was “continued” in 1987/88, an activity required of all corporations and foundations at that time. The first funds were transferred from the University to the Foundation in 1989 in the amount of \$3,949,020, being comprised of \$860,729 of Trust Funds and \$3,088,291 of Endowment Funds.

**1.03 Governing Authorities**

The investment of the funds is governed by the articles of the Brandon University Foundation Act, which was amended June 29, 1998. Section 5(e) of the Act mandates that the Foundation may, “subject to the limitations imposed by any trust, make investments exercising the judgement and care that a person of prudence, discretion, and intelligence would exercise in administering the property of others.”

The Board of Directors of the Foundation sets additional guidelines from time to time.

## Section 2 – Overview

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### 2.01 Definitions

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| 1. Agent                | A company, organization, association, or individual, as well as its employees, who are retained by the Board to provide specific services with respect to the investment, administration, and management of the Fund                           |
| 2. Board                | Board of Directors of the Brandon University Foundation  |
| 3. Custodian            | A financial institution responsible for safekeeping a firm's or individual's financial assets  |
| 4. Endowed Funds        | Funds managed to retain as long as possible, initial investment capital and capitalized excess earnings, while making funds available for distribution, at an annually approved rate, which is normally expected to be generated from earnings |
| 5. Foundation           | The Brandon University Foundation  |
| 6. Fund                 | The Brandon University Foundation Investment Portfolio   |
| 7. Board of Governors   | Board of Governors of Brandon University   |
| 8. Investment Manager   | Professional Investment manager hired to manage the assets of the Fund   |
| 9. Management Committee | A sub-committee made up of Board members as defined by the Brandon University Foundation bylaws  |
| 10. Inflation           | Statistics Canada's all items CPI measure  |

### 2.02 Goals of the Fund

- a) To achieve a positive real rate of return, net of all expenses and fees, in excess of distributions, in order to maintain an inflation-adjusted level of annual income.
- b) To protect, in real terms, the capital of the Foundation.

The Fund has competing demands for current disbursement needs and long-term growth of the Fund's assets. This investment policy sets out investment guidelines that are intended to allow for a balancing of these competing demands.

### **2.03 Purpose of Investment Policy Statement**

The purpose of the Investment Policy Statement is to provide an investment framework for the Fund so that the goals of the Fund might be achieved within a level of risk that is acceptable to the Board.

The Investment Policy Statement is also a communications tool between the Board and the Investment Manager to ensure the management of the Fund is consistent with the Foundation's objectives and requirements.

### **2.04 Investment Constraints**

#### Domain

Although investments may be made primarily in Canada or the U.S., there are no restrictions in this regard.

#### Cash Disbursements

The rate of cash disbursements from endowed funds is recommended annually by the Board and approved by the Board of Governors. Disbursements for specific purpose trusts and other funds are made as scheduled.

#### Liquidity

Liquidity is needed primarily for cash disbursements. Liquidity for any specific-purpose trust fund is needed when due.

#### Time Horizon

The endowment funds are expected to be perpetual, when possible. The specific-purpose trust funds will last until disbursement is scheduled.

#### Legal

The main legal restrictions are those that apply to all Foundations in Manitoba and those imposed specifically by the Brandon University Foundation Act.

#### Taxation

The Foundation is a registered charity and is therefore exempt from payment of income taxes.

#### Risk

The time horizon and requirement for a relatively high long term rate of return in the Fund necessitates the allocation of a large portion of the portfolio to equities. These are expected to have a higher long term rate of return compared to fixed income investments. The inclusion of a "large portion" of equity investments is expected to increase the risk profile of the Fund.

## Section 3 – Asset Mix and Diversification Policy

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### 3.01 Fund Return Expectations

#### Total Return

The long-term objective of the Fund is to achieve a positive real rate of return, net of all fees, expenses, and distribution. Total Return – Relative

On a four-year rolling basis, the annual rate of return of the Fund, net of investment related fees and expenses, is expected to exceed that of the benchmark return.

### 3.02 Asset Mix

The Fund benchmark and asset mix component ranges, at market values, follow. The asset mix components will vary within the ranges at the discretion of the Investment Manager.

	<b>Minimum</b>	<b>Benchmark</b>	<b>Maximum</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Cash and Short-Term Investments</b>	<b>0%</b>	<b>5%</b>	<b>30%</b>
<b>Fixed Income</b>	<b>15%</b>	<b>30%</b>	<b>45%</b>
<b>Equities</b>	<b>35%</b>	<b>65%</b>	<b>75%</b>

### 3.03 Portfolio Structure

If unusually large projects attract trust funds which amount to a significant part (more than 15%) of the Fund, a separate Investment Policy Statement may be prepared for these moneys.

## Section 4 – Permitted and Prohibited Investments

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### 4.01 Diversification

No single investment, except for the obligations of, and debt guaranteed by, the Government of Canada or its Provinces, may exceed 6.5% of the market value of the total portfolio.

## **4.02 Minimum Quality Requirements for Fixed Income & Preferred Investments**

### **a) Quality Standards**

- i) The minimum quality standard for individual bonds or debentures is “BBB” or equivalent as rated by a recognized bond rating agency at the time of purchase.
- ii) The minimum quality standard for individual short-term investments is “R-2” or equivalent as rated by a recognized bond rating agency, at the time of purchase.
- iii) Deposits on account at any of the Schedule 1 Canadian Chartered Banks or their subsidiaries.
- iv) All investment shall be reasonably liquid (i.e., in normal circumstances the position should be capable of liquidation within 1 month).

### **b) Split Ratings**

In cases where the recognized Bond Rating Agencies do not agree on the credit rating, the security will be classified according to the methodology used by FTSE Russell, which states:

- i) If two agencies rate a security, use the lower of the two ratings;
- ii) If three agencies rate a security, use the most common, and;
- iii) If all three agencies disagree, use the middle rating.
- iv) If four agencies rate a security, there is a similar methodology.

### **c) Downgrades in Credit Quality**

The Investment Manager will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a recognized bond rating agency to below the purchase standards set out in the Investment Policy Statement:

- i) Within twenty business days of the downgrade, the Investment Manager will advise the Foundation, in writing, of the course of action taken, or to be taken, by the Investment Manager, and their rationale; and
- ii) The Investment Manager will provide further reporting of the situation in the event of material change from what had previously been reported.

**d) Rating Agencies**

For purposes of the Policy, the following rating agencies shall be considered to be “recognized bond rating agencies”:

- i) DBRS
- ii) Standard & Poor’s
- iii) Moody’s Investor Services
- iv) Fitch Ratings

**4.03 Maximum Quantity Restrictions**

The Investment Manager shall adhere to the following restrictions:

**a) Common Shares**

- i) No one equity holding (issuer) shall represent more than 10% of the market value of the target equity component in the benchmark referenced in 3.03 Asset Mix of the Fund.
- ii) No one holding (issuer) shall represent more than 10% of the voting shares of a corporation.

**b) Preferred Shares**

- i) A minimum of 90% of the preferred shares must be rated “P2” or better.
- ii) A maximum of 10% of the preferred shares may be rated “P3”.
- iii) Convertible preferred shares of lower quality may be included if considered by the Manager to be investments in the Equity section of the portfolio.

**c) Fixed Income**

- i) Investments in any one security or issuer shall not exceed 10% of the market value of the target bond component in the benchmark referenced in 3.03 Asset Mix of the Fund, with the exception of Government of Canada and Provincial obligations and their guarantees.
- ii) Up to 10% of the target Bond component in the benchmark referenced in 3.03 Asset Mix of the portfolio may be held in Convertible bonds.

**d) Prohibited Investments**

The Investment Managers shall not:

- i) Invest in companies for the purpose of managing them.
- ii) Purchase securities on margin for a period longer than seven trading days, without the prior approval of the Foundation.
- iii) Engage in short sales.
- iv) Make any investment not permitted by this Policy.

**e) Borrowing**

The Fund shall not borrow money without the prior approval of the Foundation and the Board of Governors, subject to applicable legislation.

**4.04 General Guidelines**

In general, and subject to the restrictions noted below, the Fund may invest in any of the following asset classes and investment instruments.

**4.05 Permitted Investments**

**a) Canadian and Foreign Equities**

- i) Common and convertible preferred stock listed on a recognized exchange.
- ii) Debentures convertible into common or convertible preferred stock.
- iii) Rights, warrants, and special warrants for common or convertible preferred stock.
- iv) Instalment receipts, American Depository Receipts or other recognized depository receipts.
- v) Exchange traded index participation units (i.e.: iShares and Standard and Poor's Depository Receipts (SPDRs)).
- vi) Income Trusts, including real estate investment trusts (REITs), in jurisdictions that provide limited liability protection to unit holders.
- vii) TSX Exchange traded limited partnerships.
- viii) Private placement equity where the Investment Manager determines the security will become eligible for trading on a listed exchange within a reasonable and defined timeframe and the issuing company is publicly listed on a recognized exchange.

**b) Fixed Income**

- i) Bonds, debentures, notes, non-convertible preferred stock, and other evidence of indebtedness of Canadian or developed market foreign issuers.
- ii) Mortgage-backed and asset-backed securities.
- iii) Term deposits and guaranteed investment certificates.
- iv) Private placements of bonds.

**c) Cash and Short-Term Investments**

- i) Cash on hand and demand deposits.
- ii) Mortgage-backed and asset-backed securities maturing in less than one year.
- iii) Treasury bills issued by Canadian Federal and Provincial governments and their agencies or equivalent for sovereign governments of developed markets.
- iv) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including banker's acceptances.
- v) Commercial paper and term deposits maturing in less than one year.

**d) Real Estate**

Investment in real estate by way of participation in a pooled fund is permissible. While it is recognized any real estate pooled fund in which the Foundation participates is governed by its own investment policy, desirable traits in selection of a real estate manager and pooled fund include:

- i) An institutional investment focus.
- ii) A core style of real estate investing that is predominantly focused on developed income producing properties.
- iii) A well diversified portfolio by property type and by region.
- iv) Measured use of leverage, not to exceed 75% on individual properties and 60% on Total Fund assets.

**e) Other Investments**

- i) Investments in open or closed ended pooled funds provided that the assets of such funds are permissible investments under the Policy,

- ii) Deposit accounts of the custodian can be used to invest surplus cash holdings,

**f) Derivatives**

The use of derivatives (such as options, futures, and forward contracts) is permitted to protect against losses from changes in exchange rates, interest rates, and market indices; and for non-hedging purposes, as a substitute for direct investment. Sufficient assets or cash must be held to cover commitments due to the derivatives transactions. No derivatives can be used for speculative trading or to create a portfolio with leverage.

**g) Pooled Funds**

Investment in pooled funds is permissible. Pooled Funds are governed by the policies for each fund. The Investment Committee (Board/Management Committee) shall, with the assistance of the Investment Manager, review the guidelines for any pooled fund investment to determine that they are appropriate.

## **Section 5 – Monitoring and Control**

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### **5.01 Delegation of Responsibilities**

The Management Committee of the Foundation assists the Board in fulfilling its responsibility.

In general, the Board has a fiduciary responsibility to manage the investments prudently. The Board has delegated authority to the Management Committee, working in conjunction with the Management of the University, to:

- Establish and recommend an investment policy to the Board.
- Recommend appointment of Investment Managers and Custodian.
- Monitor investment performance.
- Monitor compliance with investment policy.
- Liaise with the Investment Manager(s) and Custodian.
- Hire any investment manager and custodian and other advisors that the Committee deems appropriate to fulfill their fiduciary responsibilities.

Responsibility for investment management of the Fund has been delegated to the Investment Manager. Responsibility for safekeeping of the assets has been delegated to a custodian.

In completing the above duties, a number of responsibilities have been delegated:

**a) The Investment Manager(s) will:**

- i) Invest the assets of the Fund in accordance with this Policy.
- ii) Meet with the Board as required, but at least annually, and provide quarterly written reports regarding their past performance, future strategies, and other topics as requested.
- iii) Notify the Board, in writing, of any legal or regulatory proceedings or charges, that must be reported to regulatory authorities, of which the Investment Manager may be aware, against the manager's firm or investment personnel, or against any sub-advisor of that firm's personnel.

**b) The custodian will:**

- i) Maintain safe custody over the assets of the Foundation.
- ii) Execute the instructions of the Board, and Investment Manager as delegated by the Board.
- iii) Record income and provide monthly financial statements as required.
- iv) Ensure the securities of the Fund may not be loaned.

**c) Brandon University will:**

- i) Maintain a record keeping system to account for assets in the Foundation.
- ii) Inform the Investment Manager of the cash flow obligations of the Fund so as to ensure adequate liquidity to meet these obligations.
- iii) Liaise with the Investment Manager and Custodians.
- iv) Prepare management reports and annual audited financial statements.

## **5.02 Performance Measurement**

For purposes of comparison to the benchmark, the performance of the Fund shall be measured quarterly and return calculations shall be as follows:

- Time weighted rates of return.
- Total annualized returns, including realized and unrealized gains and losses and income from all sources, net of fees and investment expenses.

Measurement of the Investment Manager’s performance will be assessed against “Fund Return Expectations: Total return - relative” (Clause 3.01).

### **Combined Fund Benchmark**

The benchmark consists of the following market index total returns weighted as indicated:

<b>Asset</b>	<b>%</b>	<b>Index</b>
Cash	5%	91-day T Bill rate
Bonds	30%	FTSE TMX Canada Universe (or comparable broad Canadian bond index)
Canadian Equities	40%	S&P/TSX Index
Foreign Equities	25%	S&P 500 Index (CAD)
Total	100%	

### **5.03 Monitoring and Rebalancing the Fund’s Asset Mix**

The monitoring and rebalancing of the Fund’s asset mix is the responsibility of the Investment Manager

### **5.04 Reporting by the Investment Manager**

On a calendar quarterly basis, the Investment Manager will provide a performance report and a strategy review for the Fund assets.

### **5.05 Non-Compliance**

In the event that the Investment Manager is not in compliance with this Policy, the Investment Manager is required to advise the Foundation immediately upon discovery of the non-compliance, detailing the nature of the non-compliance and recommending an appropriate course of action to remedy the situation. If it is in the best interest of the Foundation, the Management Committee may permit the Investment Manager, on a temporary basis, to be outside of the guidelines.

## **5.06 Changes in Foundation Guidelines**

If the Investment Manager believes that any Investment Policy Statement Guidelines are inappropriate for any reason or any timeframe, the Investment Manager is responsible for advising the Foundation that a change in the guidelines is desirable and the reasons therefore.

## **5.07 Standard of Professional Conduct**

The Investment Manager is expected, as a minimum, to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute.

The Investment Manager will, subject to the limitations imposed by any trust, make investments exercising the judgement and care that a person of prudence, discretion, and intelligence would exercise in administering the property of others.

## **5.08 Legislation**

The Investment Manager must comply at all times and in all respects with all applicable Federal and Provincial legislation and regulations.

## **Section 6 – Administration**

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### **6.01 Conflicts of Interest**

#### **a) Responsibilities**

This standard applies to the members of the Board and employees of the University who have responsibilities in administration of the Fund, as well as to all agents employed by them, in the execution of their responsibilities related to the Fund assets (the “Affected Persons”).

#### **b) Disclosure**

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which would appear to a reasonable person to impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Fund.

No Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Board.

No Affected Person shall accept a gift or gratuity or other personal favour, other than one of nominal value, from a person with whom the individual deals in the course of performance of his or her duties and responsibilities for the Fund.

It is incumbent on any Affected Person who believes that he/she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation to the attention of the Management Committee, through the President of the board, immediately. The President, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will raise the matter and have it recorded in the minutes of the next regular meeting of the Management Committee.

No Affected Person who has or is required to make a disclosure which is determined to be in conflict as contemplated in the Policy shall participate in any discussion, decision, or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure.

## **6.02 Voting Rights**

The Board has delegated voting rights acquired through Foundation investments to the Investment Manager. The Investment Manager is expected to vote all proxies in the best interests of the beneficiaries of the Foundation. In certain international markets, shares may be blocked from transfer prior to a vote. If deemed potentially detrimental to the fund, the Investment Manager may refrain from voting these proxies.

The Board, however, may take back voting rights for specific situations.

The Investment Manager should disclose their proxy voting policies and any changes thereto. The Investment Manager must comply with all regulatory authorities in fulfilling voting rights.

## **6.03 Soft Dollars**

A variety of brokers should be used in order to gain maximum utilization of the services available. It is the responsibility of the Investment Manager to ensure that the commission distribution is representative of the services rendered.

The Foundation does not use soft dollars (i.e., directed commissions) to pay for any goods or services. The Investment Manager may use soft dollars to pay for research and other investment related services with disclosure to the Board, provided they comply with the regulatory standards.

## **6.04 Investment Policy Review**

This Investment Policy Statement may be reviewed and revised at any time, but it must be formally reviewed by the Foundation Board of Directors at least once every five years. This is to ensure it remains current in terms of conditions and requirements of the

Foundation and the Fund. Both the Foundation and the Investment Manager will be party to this review.

## **Section 7 – Investment Managers**

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### **7.01 Selecting of Investment Manager**

In the event that a new Investment Manager must be selected or additional Investment Manager(s) added to the existing Investment Manager, the Foundation Board will undertake an Investment Manager search.

### **7.02 Monitoring of Investment Manager**

Monitoring of the Investment Manager by the Board & Management Committee will be by way of the quarterly investment and non-compliance reports to be provided by the Investment Manager.

### **7.03 Reasons for Terminating an Investment Manager**

Reasons for considering the termination of the services of an Investment Manager include, but are not limited to, the following factors:

- a) Performance results that are below the stated performance objectives over a reasonable period of time which is considered to be that of a normal business cycle of 5 – 7 years.
- b) Changes in the overall structure of the Fund such that the Manager's services are no longer required.
- c) Change in the personnel, firm structure and investment philosophy, style, or approach which might adversely affect the potential return and/or risk level of the portfolio.
- d) Legal or regulatory proceedings against the Investment Manager or its investment personnel, or any sub-advisor firm or that firm's investment personnel.
- e) Failure to adhere to this Policy.

## REVISION OF OBJECTIVES AND POLICY

This Investment Policy Statement will be reviewed every five (5) years or as requested by either party to ensure that it remains current in terms of conditions and requirements of the Foundation and the Fund. Both the Foundation and the Investment Manager will be party to this review.

This Investment Policy Statement has been delivered by the Foundation to the Manager and accepted by the Manager.

*Original signed*

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**For Brandon University Foundation**  
Ms. Tilda Fortier  
Treasurer

*October 19, 2018*

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Date

*Original signed*

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**For Heathbridge Capital Management Ltd.**  
Mr. Rupel M. Ruparelia, CFA  
President

*November 26, 2018*

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Date

*Original signed*

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**For Brandon University Foundation**  
Dr. Steven Robinson  
Interim President and Vice Chancellor  
Brandon University

*October 19, 2018*

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Date

*Original signed*

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**For Heathbridge Capital Management Ltd.**  
Mr. Richard M. Tattersall, CFA, ICD.D  
Senior Vice-President

*November 26, 2018*

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Date