



King's University College Foundation Statement of Investment Policies and Procedures

1. Overview

1.1 Purpose of Statement – This Statement of Investment Policies and Procedures (the “SIPP” or “Statement”) provides the framework for the investment of the endowment assets of King’s University College Foundation (the “Foundation”). The SIPP contains investment objectives, investment guidelines, and monitoring procedures. The Foundation assets (the “Fund”) will be managed in accordance with all applicable legal requirements notwithstanding any indication to the contrary which might be construed from the SIPP.

1.2 Organizational Objectives – To achieve a long-term rate of return that in real terms shall equal or exceed the annual student awards funded by the Foundation. The purpose of the Foundation’s endowed Fund is to allow for withdrawals of up to 4% of the Fund annually and still maintain the purchasing power of the invested sum. Any excess of this rate of return will be used as a reserve to offset years in which the objective is not achieved and cover operating costs of the Foundation, as outlined by the funding formula. While the long-term objective of the Foundation is to maintain the long-term purchasing power of the invested assets in inflation-adjusted (i.e., “real”) terms, after disbursement of student awards, the Committee understands the need to ensure that the Foundation is also prudently invested to protect the capital against undue financial and market risk in both the short and medium terms.

1.3 Risk Philosophy – The Foundation views that the value of the Fund should be preserved over time in real terms in order to maintain the future purchasing power of its assets. The focus should not only be to preserve the Fund but to also grow the real value of the assets over time. Based on both the long-term and short-term needs of the Foundation, the Committee understands that the Foundation may need to invest in Equity based investments to help preserve and increase the value of the Fund relative to inflation.

1.4 Responsibilities – The Foundation is the legal administrator of the Fund and is, therefore, responsible for all matters relating to the administration, interpretation and application of the Fund, including developing, monitoring and amending this SIPP. The Finance and Investment Committee (the “Committee”) has been established by the Foundation for the purpose of assisting the Foundation with the administration of the Fund. The responsibility for the investment of the Foundation lies with the Committee. The Committee may delegate some of its responsibilities with respect to the investment of the Foundation to agents and advisors. Any person to whom the Committee delegates responsibilities with respect to the investment of the Foundation must adhere to the provisions of the SIPP. The Committee maintains an active role with respect to the following:

- formulation of the Statement and investment manager (the “Manager”) mandates
- appointment and monitoring of agents and advisors
- evaluation of performance

2. Asset Allocation

2.1 Investment Objectives – The investment objective for the Foundation is long-term capital appreciation, i.e., to achieve a minimum annualized rate of return of 4% in excess of the Canadian Consumer Price Index over moving four-year periods. Overall, long-term real rates of return are expected to be maximized given the level of risk deemed appropriate by the Committee. However, it is understood that, in any one year, even periods as long as a decade, the annual real rate of return on the Foundation may be significantly above or below the targeted investment return.

2.2 Asset Mix – The long-term asset mix outlined below will be determined by the following factors:

- to achieve the investment objectives as noted above
- the projected long term return expectation from equities and fixed income securities
- to reflect a risk/return trade-off assessed by the Committee on the basis of long-term prospects in the capital markets
- the historic and expected future correlation of returns between various asset classes

<u>Asset Class</u>	<u>Minimum</u>	<u>Benchmark</u>	<u>Maximum</u>
Canadian Equities	5%	12%	20%
Global Equities	23%	33%	43%
Emerging Markets Equities	0%	7%	15%
Total Equities	32%	52%	72%
Canadian Bonds	10%	20%	30%
Global Credit	0%	5%	11%
Global Unconstrained Bonds	0%	5%	11%
Cash or Cash Equivalents	0%	0%	10%
Total Fixed Income	10%	30%	50%
Global Listed Infrastructure	0%	10%	20%
Global Listed Real Estate	0%	8%	15%
Total Listed Real Assets	0%	18%	35%

The Fund’s actual asset allocation is monitored monthly relative to the target allocations and ranges established above. The Manager shall systematically rebalance the Legacy Fund according to the terms of the Investment Management Agreement, and before any asset is outside the minimum or maximum allocation above.

The Committee may approve temporary changes, as appropriate, to the asset allocations and ranges above.

2.3 Canadian Equities – Canadian Equities shall include common stocks, income trusts and convertible securities of Canadian issuers.

2.4 Global Equities – Global Equities shall include common stocks, income trusts and convertible securities of non-Canadian issuers in developed equity markets.

2.5 Emerging Markets Equities – Emerging Market Equities shall include common stocks, income trusts and convertible securities of issuers that are not part of Canadian or Global equity markets.

2.6 Canadian Bonds – Bonds include all mortgages and preferred shares and all fixed-income securities having a maturity of one year or more when issued.

2.7 Global Credit – Global Credit includes high-yield corporate bonds, securitized credit, loans, bonds issued by emerging market countries, and investment grade bonds.

2.8 Global Unconstrained Bonds – Global Unconstrained Bonds include active strategies that are independent of the current market environment. The asset class includes fixed-income securities of both Canadian and non-Canadian issuers, including non-Canadian investment grade and high-yield sovereign and corporate bonds as well as bonds issued by emerging market countries.

2.9 Global Listed Infrastructure – Global Listed Infrastructure includes investments listed on a global equity exchange in companies that develop, maintain, service or manage infrastructures around the world.

2.10 Global Listed Real Estate – Global Listed Real Estate includes investments listed on a global equity exchange in companies and entities that own, construct, develop, manage, finance or sell real property, including real estate investment trusts (REITS). For the avoidance of doubt, such entities and real property may be anywhere in the world. Further, these holdings will not include directly owned real estate.

2.11 Classification – Securities held in a pooled fund are classified based on the assets comprising the major portion of such pooled funds.

3. Permitted Investments

3.1 Investments – The list of permitted investments and constraints outlined below apply to all relevant mandates. Additional constraints may be imposed on the Manager through their specific mandate. When assessing pooled funds, where the pooled fund Manager’s policy differs, the pooled funds policy will take precedence. The following investments may be made either directly, through pooled or mutual funds, through private partnerships, or through insurance contracts:

- Cash
- Demand or term deposits
- Short term notes
- Treasury bills
- Banker’s acceptances
- Commercial paper
- Investment certificates issued by banks, insurance companies or trust companies
- Bonds and non-convertible debentures
- Mortgages and other asset-backed securities
- Convertible debentures
- Publicly traded real estate
- Publicly traded infrastructure
- Common stocks, preferred stocks & income trusts

3.2 Derivatives – Derivatives such as options, futures, swaps and forward contracts on any security allowable under this Statement are permitted, including but not limited to index option and futures, index participation units and equivalents. Derivatives may be used:

- to hedge (i.e. reduce) fully or partially any investment risk, including market interest rate, credit, liquidity and currency risk
- to replicate the investment performance of an underlying asset, groups of assets, interest rates or a recognized capital market index either alone or in combination with cash market securities
- to effect cash and asset mix rebalancing

In addition, within pooled fund investments, derivatives may also be used:

- to manage the duration of the fixed income portfolio
- to manage the credit exposure of the fixed income portfolio
- to increase the Fund’s revenue by selling covered calls
- to change the currency exposure of a foreign portfolio
- to add diversifying sources of investment return while maintaining exposures to the benchmark for the asset class

Derivatives shall not be used to create leverage or for speculative purposes.

The Manager shall be responsible for assessing all counter party risk associated with derivative instruments, with regard to credit rating and total exposure limits for each derivative securities dealer and bank. The minimum credit quality for the counter party of any derivative transaction

shall be consistent with the credit quality requirements set out in the Fund Manager’s mandate. The managers shall implement internal procedures and controls in order to ensure that derivatives are used in compliance with this Statement and their mandate at all times.

4. Performance Objective

4.1 Performance Objectives – The primary performance objective of the Fund is to meet or exceed the benchmark plus an Active Management Premium of 0.65%, net of all investment management expenses, over moving four-year periods. The benchmark is based on a passive index strategy constructed as follows:

Asset Class	Policy Benchmark	Weight
Canadian Equities	S&P/TSX Capped Composite Index	12%
Global Equities	MSCI World Index Net	33%
Emerging Markets Equities	MSCI Emerging Markets Net	7%
Canadian Bonds	Bloomberg Barclays Canada Aggregate Index	20%
Global Credit	50% ICE BofAML Global High Yield Bond Hedged (CAD), 20% JP Morgan EMBI Global Diversified Hedged (CAD), 10% Bloomberg Barclays U.S. Corporate Investment Grade Hedged (CAD), 20% Bloomberg Barclays U.S. Treasury Bills 1-3 Months Hedged (CAD)	5%
Global Unconstrained Bonds	S&P Canada Treasury Bill Index + 2.5%	5%
Cash or Cash Equivalents	FTSE Canada 91 Day Treasury Bill Index	0%
Global Listed Infrastructure	S&P Global Infrastructure Net	10%
Global Listed Real Estate	FTSE EPRA Nareit Developed Real Estate Net	8%

4.2 Peer-Relative Return Objective – The Asset Class Fund is expected to achieve at least a return of the median fund over rolling four-year periods as measured by a nationally recognized survey. Individual pooled funds will also be expected to rank above its respective median over rolling four-year periods using a universe of established pooled fund surveys.

5. Investment Risk

5.1 Market Risk – Market risk is managed and mitigated through diversification between asset classes is provided through the asset allocation guidelines set forth in this Policy. Within each asset class, there will be a prudent level of diversification subject to the asset mix limits based on market value.

5.2 Security Risk – Specific security risk is mitigated by limiting to 10% or less the percentage of the market value of Fund assets invested in a single security or group of related securities not guaranteed by the government of Canada or of a Canadian province and by restricting investments in a group of equities whose returns are expected to be highly correlated.

5.3 Liquidity Risk – Liquidity risk is managed and mitigated by investing in funds that own assets that trade substantially on large public markets with significant liquidity and accordingly are liquid themselves. Such risk is further managed by limiting investments in real estate through the asset allocation guidelines set forth in this Policy, by restricting the use of private placements, by limiting to 10% or less the percentage of a single public issue to be held by the Fund, by limiting to 25% or less the percentage of the Fund to be invested in mortgages or other asset-backed securities, and by requiring that all stocks trade on a recognized exchange unless permission is obtained from the Committee.

The Committee will provide liquidity requirements of the Foundation to the Investment Manager at least quarterly, with one month notice in advance.

5.4 Credit Risk – Credit risk is managed and mitigated by an expectation that 75% or more of the Fund’s fixed income securities will have a minimum credit rating of BBB or its equivalent as rated by DBRS Limited, Fitch Ratings Inc., Moody’s Investors Service, or Standard & Poor’s Rating Service. The Investment Manager will report to the Committee if the proportion of investment-grade fixed-income securities falls below 75%.

5.5 Currency Risk – Currency risk is controlled by limiting investments in foreign stocks through the asset allocation guidelines set forth in this Policy and by limiting to 25% or less the percentage of the Fund held in fixed-income investments denominated in foreign currencies that are not 100% hedged into Canadian dollars.

5.6 Quality Requirements – Minimum quality requirements will be established by the Investment Committee and listed in each of the Fund Manager’s specific mandate and may vary between managers within an asset class and across asset classes (copies of Fund Managers specific mandates are available for review in the Office of the Vice-President, Finance and Administration).

6. Responsible Investing and Voting Rights

6.1 Responsible Investing – The Responsible Investing Framework consists; but is not limited to: directives, frameworks and any other amendments thereto recommended by the Responsible Investing Working Group within the mandate provided to it through a motion approved at the meeting of the Foundation on May 19th 2021 (“the Framework”). The Manager shall adhere to the Framework to ensure that they focus on the integration of environmental, social, and governance (“ESG”) factors for investments decisions.

The Foundation and Manager agree that the Manager shall review their compliance with the Framework on a periodic basis, but not less than annually, and submit a report to the Foundation regarding same.

6.2 Voting Rights – All voting rights on Fund securities are delegated to the Manager. The Manager is expected to exercise all voting rights related to investments held by the Fund in the interests of the Foundation. The investment manager will satisfy the Committee that it has appropriate proxy voting policy procedures in place. The Manager will confirm to the Committee, on at least an annual basis, compliance with the Investment Manager’s proxy voting procedures.

7. Conflicts of Interest

7.1 Description – A conflict of interest exists whenever an investment manager or an employee of an investment manager, or a member of the Committee, may benefit from knowledge of, participation in, or by virtue of, an investment decision or holding of the Fund.

7.2 Participants – This standard applies to the Foundation and the members of the Committee, as well as to all agents employed by them, in the execution of their responsibilities, (the “Affected Persons”). An “agent” is defined to mean a company, organization, association or individual, as well as its employees who are retained by the Committee to provide specific services with respect to the investment, administration and management of the assets of the Fund.

7.3 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 could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of Fund’s assets.

Further, it is expected that 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 Committee.

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 employee deals in the course of performance of his or duties and responsibilities for the Fund.

It is incumbent on any Affected Person who believes that he or 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 Committee in writing, or request to have entered in the minutes of the meeting of the Committee at the earliest convenience:

- a) Upon first becoming aware of the conflict
- b) At the meeting in which the matter in issue is discussed
- c) At the first meeting in which he or she knows or ought to have known that he or she has an interest in the matter discussed

For the purposes of (b) above, the disclosure must be made verbally if knowledge of the conflict arises in the course of a discussion at the meeting.

If the Affected Person does not have voting power on decisions affecting the Fund, such Affected Person may elect not to participate in the activities related to the issue in conflict, or such Affected Person may continue his or her activities with the approval of the Committee.

If the Affected Person disclosing the conflict does have voting power, such Affected Person may continue in his or her activities in respect to the issue in conflict only with the unanimous approval of the other members of the Committee with voting rights. In this situation the Affected Person may elect not to participate with respect to the issue in conflict. The notification made by the Affected Person shall be considered a continuing disclosure on that issue, subject to any future notification by such Affected Person, for the purpose of the obligations outlined by this SIPP.

8. Monitoring

8.1 Performance Measurement – As of the end of each quarter, the market value of each pooled fund in which the Foundation is invested shall be calculated. Investments in any pooled fund that are not regularly traded shall be valued by the pooled fund’s Custodian according to a methodology acceptable to the Manager and the Committee.

8.1.1 Evaluation – Each quarter, the Fund performance shall be evaluated. Such evaluation will be focused on objectives set for the Foundation and for the Investment Manager. Monitoring will also include at least an annual presentation by the Investment Manager to the Committee.

8.1.2 Performance Reporting – The Investment Manager shall report to the Committee to:

- provide information concerning new developments affecting the Investment Manager and its services
- review the transactions in the latest period including any rebalancing activity, and the assets held at the end of the period and explain how they relate to the strategy advocated
- explain the latest performance

8.2 Compliance Reporting – Each quarter, the investment manager will provide a letter of compliance indicating whether or not the investment manager(s) was in compliance with the SIPP, their own investment policies and instances where such provisions were violated during the compliance period under review.

8.2.1 Non-Compliance – In the event the investment manager is not in compliance, the Committee must determine an appropriate course of action to remedy the situation.

8.3 Standard of Professional Conduct – The Manager(s) is expected to comply, at all times and in all respects, with a policy regarding codes of conduct and ethics that is consistent with the Code of Conduct and Ethics established by the CFA Institute. The Manager(s) will provide, at least once a year, a letter of compliance to the Committee.

The investment manager(s) will manage the Fund assets with the care, diligence and skill that an investment manager of ordinary prudence would use in dealing with foundation assets. The investment manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.

The Committee should ensure that the appropriate standard appears in the Fund documents relating to investing in stocks or bonds which reflect the Foundation's ethics and social standards, and that it is monitored annually.

8.4 Selecting Investment Managers – In the event that a new investment manager must be selected or additional investment manager(s) added to the existing investment managers, the Committee will detail the selection process and criteria used for adding an investment manager. The criteria used for selecting an investment manager will be consistent with the investment and risk philosophy set out in this SIPP.

8.5 Monitoring of Investment Managers – At least annually, the Committee will monitor and review the:

- a) Assets and net cash flow of the Fund
- b) Investment manager's financial stability, staff turnover, consistency of style and record of service
- c) Investment manager's current economic outlook and investment strategies
- d) Investment manager's compliance with this SIPP
Investment performance of the assets of the Fund in relation to the rate of return expectations outlined in this SIPP and the asset mix is within the stated benchmark guidelines

8.6 Dismissal of 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 which are below the stated performance benchmarks
- b) Changes in the overall structure of the assets such that the investment manager's services are no longer required
- c) Change in personnel, firm structure or investment philosophy which might adversely affect the potential return and/or risk level of the portfolio

9. Failure to adhere to this SIPP

9.1 SIPP Review – This SIPP shall be reviewed, and either confirmed or amended, by the Foundation or the Finance and Investment Committee, at least annually.

Material changes in the following may cause a revision:

- Long-term risk/return tradeoffs in the capital markets
- Fund objectives or obligations, including cash flow requirements
- Risk tolerance
- Shortcomings of the SIPP that emerge in its practical application, or substantive modifications that are recommended to the Committee by the Investment Manager
- Legislative environment

The membership and duties of the Finance and Investment Committee are defined by the King's University College Foundation Finance and Investment Committee Terms of Reference.

Original	Reviewed	Revised	Approved
Sept 2005	Nov 2021	Nov 2021	Nov 2021
	Reviewed		Approved
	Nov. 2, 2022		Nov. 2, 2022
	Nov. 1, 2023		Nov. 1, 2023