

Investment Policy for Endowment and other Long Term Investments

Office of Administration:	Office of Vice-President, Administration
Approval Authority:	Board of Governors
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Next Review:	October 2018
Review History :	

1. Purpose

1.1 This Policy ("the Policy") applies to the assets held in the Laurentian University Endowment Fund ("the Fund") and other long term investments. It contains investment objectives, investment guidelines, and monitoring responsibilities.

1.1.1 The Fund will be managed in accordance with all applicable legal requirements notwithstanding any indication to the contrary which might be construed from the Policy.

1.1.2 With respect to any portion of the Fund invested in pooled funds, provisions of the investment policy statement of such pooled fund shall prevail over those of this Policy to the extent that they are in conflict.

2. Scope

2.1 The responsibility for the investment of the Fund lies with the Board of Governors which delegates oversight to the Finance Committee.

2.2 The Board of Governors delegates to the Finance Committee responsibility for the following:

- a. Appointment and monitoring of agents and advisors.
- b. Appointment of a custodian ("the Custodian") and through the University Administration appointment of one or more money managers

c. Evaluation of investment performance relative to benchmarks.

2.3 Any person or organization to whom the Board of Governors delegates responsibilities or has responsibility with respect to the investment of the Fund must adhere to the provisions of the Policy.

3. Definitions/Principles:

3.1 The primary purpose of the Fund is to provide annual funding of scholarships and bursaries and other expenditures contemplated under endowed gift agreements from private donors while maintaining the long-term inflation adjusted purchasing power of the Fund. The target rate of return for the fund is to allow for withdrawals of up to 5%.

3.2 In addition to those funds used to provide scholarships and bursaries, the Fund may include other long-term funds available for investment purposes.

3.3 The long-term objective of the Fund is to maintain the long-term inflation adjusted purchasing power of the invested assets, after payment of scholarships, bursaries and other expenditures contemplated under endowed gift agreements from private donors, while ensuring that the Fund is also prudently invested to protect the capital against undue financial and market risk in both the short and medium terms.

3.4 Based on both the long-term and short-term needs of the Fund, the Fund may need to invest in Equity based investments to help preserve or increase the value of the Fund relative to inflation.

3.5 Benchmark for investment return:

a. Overall, long-term rates of investment return are expected to be maximized based on an appropriate level of risk. However, it is understood that, in any one year, even periods as long as a decade, the annual rate of return on the Fund may be significantly above or below the targeted investment return.

b. The primary performance objective is to ensure that assets achieve a time-weighted rate of return over 5-year periods that exceeds the total return achieved on a portfolio represented by 45% of DEX Universe Index, plus 5% of DEX Real Return Bond Index, plus 30% of S&P/TSX Composite Index, plus 8% of Russell 1000 Composite Index (expressed in Canadian Dollars), plus 12% of MSCI EAFE Index (expressed in Canadian Dollars).

- c. A secondary performance objective is to ensure that the rate of return achieved on each pooled fund in which any portion of the Fund is invested, over moving 4-year periods, ranks above its respective median fund of established pooled fund surveys.

3.8 Conflict of Interest:

- a. Any person having discretionary authority over the investment of the Fund is deemed a fiduciary. This generally includes, but is not limited to a member of the Board of Governors, along with anyone to whom the Board of Governors may delegate discretionary authority, such as the Manager.
- b. A conflict of interest is deemed to exist when a fiduciary has an interest of sufficient substance and proximity to his/her duties and powers with respect to the Fund to impair his/her ability to render unbiased advice or to make unbiased decisions affecting the Fund.
- c. A fiduciary must disclose any actual or perceived conflict of interest in writing as soon as possible along with all relevant details to the chairperson of the Finance Committee who, in turn, discloses it to all Finance Committee members at the appropriate time.

4. Policy Statement

4.1 The Fund may only be invested in pooled or mutual funds that are in turn, invested in the following asset categories:

- a. Cash
- b. Demand or term deposits
- c. Short term notes
- d. Treasury bills
- e. Bankers acceptance
- f. Commercial paper
- g. Investment certificates issued by banks, insurance companies or trust companies
- h. Bonds and non-convertible debentures
- i. Mortgages and other asset-backed securities
- j. Convertible debentures
- k. Real estate
- l. Common stocks, preferred stocks & income trusts

- m. Resource properties
- n. Venture capital
- o. Derivative financial, commodity or currency related instruments such as rights, options, warrants, forwards, futures or swaps to control risk or to increase returns

4.2 The holdings referenced in section 4.1.o. are typically used to:

- a. Create an asset mix position consistent with the target allocations and only in the asset classes set out in this Policy;
- b. Manage the duration of the fixed income portfolio;
- c. Manage the credit exposure of the fixed income portfolio;
- d. Replicate the investment performance of interest rates or a recognized capital market index either alone or in combination with cash market securities;
- e. Increase the Fund's revenue by selling covered calls;
- f. Change the currency exposure of a foreign portfolio;
- g. Reduce risk as part of a hedging strategy; and
- h. Add diversifying alpha sources within that fund, while maintaining beta exposures to the asset class.

4.4 The target asset allocation for the Fund is:

Asset Class (Group)	Target
Canadian Universe Bonds	45%
Canadian Real Return Bonds	5%
Fixed Income	50%
Canadian Equities	30%
US Equities	8%
International & Emerging Equities	12%
Equity	50%

4.5 The target asset allocation has been established pursuant to the Funds' characteristics and investment objectives.

- 4.6 The Manager shall ensure that allocations will be maintained within a +/- 4% tolerance band of the stated "Target" above using a combination of cash flows in and out of the Fund and a rebalancing program as required.
- 4.7 Bonds include all mortgages and preferred shares and all fixed income securities having a maturity of one year or more when issued.
- 4.8 Canadian Equities shall include common stocks, income trusts and convertible securities of Canadian issuers.
- 4.9 U.S. Equities shall include common stocks and convertible securities of U.S. issuers.
- 4.10 EAFE Equities shall include common stocks and convertible securities of non-Canadian and non-U.S. issuers in developed equity markets.
- 4.11 Emerging markets include common stocks and convertible securities of issues that are not part of Canadian or U.S. securities nor part of the EAFE universe.
- 4.12 Securities held in a pooled fund are classified on the basis of the assets comprising the major portion of such pooled funds.
- 4.13 Derivative instruments along with any collateral held thereon are included in their asset class comprising the securities whose return or price serves as the basis for the pricing of such derivative instruments.