

# Investment Policy Statement

## ALMA MATER SOCIETY OF QUEEN'S UNIVERSITY

<b>Responsibility</b>	Investment Committee Chair
<b>Approved by</b>	Board of Directors
<b>Date initially approved</b>	November 27, 2020
<b>Date last revised</b>	November 27, 2020



## Table of Contents

I.	Purpose .....	1
II.	Administration .....	1
III.	Investment Manager .....	1
IV.	Conflict of Interest.....	1
V.	Exercising Voting Rights.....	1
VI.	Investment Objectives .....	2
VII.	Performance Objectives.....	2
VIII.	Asset Mix.....	2
IX.	Risk Guidelines.....	2
X.	Fixed Income.....	3
XI.	Equities .....	3
XII.	Communication.....	3
XIII.	Investment Reports.....	4
XIV.	Monitoring .....	4
XV.	Standard of Care.....	4
XVI.	Prudent Investment Standard of Care .....	4
XVII.	Responsibilities of the Board and Investment Committee .....	5

## **I. Purpose**

The purpose of this IPS is to provide direction and an accountability structure in the execution and management of the Alma Mater Society of Queen's Investment Fund (Fund) investment portfolio.

## **II. Administration**

The Investment Manager provides policy advice where appropriate and ensures that investments are managed consistent with the policies set out in this IPS and with all applicable legal requirements, including the Trustee Act (Ontario).

## **III. Investment Manager**

The Investment Manager is responsible for:

- i. Ensuring that the investments are managed in accordance with the requirements of this IPS and with all applicable legal and regulatory requirements and constraints.
- ii. Guaranteeing all investments conform to the stated goal of the exclusion of investments in the Global Industry Classification Standard (GICS®) Energy Sector.

The Investment Manager will make direct investments in stocks and bonds. Investments in structured products (except in bank sponsored short term deposit funds), derivatives (except in stripped coupons and residuals), mutual funds and exchange traded funds (ETFs) will not be permitted, in part to guarantee the exclusion of investments in the GICS® Energy Sector.

## **IV. Conflict of Interest**

The Investment Manager must disclose any actual or perceived conflict of interest to the Investment Committee. A conflict of interest exists when a fiduciary has an interest of sufficient substance and proximity to his/her duties and powers with respect to the investment portfolio that it could impair or potentially affect the Investment Manager's ability to render unbiased advice or to make unbiased decisions affecting the investments.

## **V. Exercising Voting Rights**

The Investment Manager is responsible for exercising the voting rights for the shares in their respective portfolios, using the best interests of the Fund as the sole voting criterion.

## **VI. Investment Objectives**

The investment objectives are to generate cash flow and grow the investment portfolio, while preserving and protecting capital invested.

The funds will be invested in a mix of publicly traded fixed income and equity securities. The Investment Manager will adhere to the general objectives of the portfolio, and manage the funds in such a way as to be able to respond, from time to time, to periodic cash requirements.

## **VII. Performance Objectives**

Preserve the purchasing power of the capital invested (that is, exceed the annual rate of the Consumer Price Index-CPI on a rolling five-year basis), while benefiting from the long-term returns expected of prudently managed investments.

## **VIII. Asset Mix**

<b>Asset Classes</b>	<b>Asset Mix within the Portfolio</b>
Fixed Income	40 – 80%
Equity	20 – 60%

At any point in time the Investment Manager might strategically, or for the purposes of anticipated cash disbursements, designate some portion of the fixed income and/or the equity asset classes to cash or cash-equivalents. The Investment Manager will monitor the asset mix on a monthly basis and, should the asset mix move materially outside the stipulated range, will take appropriate rebalancing action.

## **IX. Risk Guidelines**

Derivatives will not be used as any risk reduction or return enhancement within the portfolio. The maximum level of risk permitted will be defined in the subsequent sections “Fixed Income and Equities.”

## **X. Fixed Income**

Guidelines for Fixed Income are as follows:

- i. Bonds, both interest bearing and compound, "BBB(low)" (investment grade) rated or better, based on DBRS (Dominion Bond Rating Service or equivalent) ratings. Canadian dollar denominated bonds issued by Canadian governments or corporations only. A downgrade below BBB(low) will require sale of the security within 180 days.
- ii. Treasury Bills issued by the Canadian Government or any of the Provinces.
- iii. Money market instruments issued by a Canadian Corporation. Such instruments to be rated R-1 middle or better by DBRS (or equivalent) and have an initial maturity of less than two years. A downgrade below R-1 will require sale of the security within 30 days.
- iv. Term Deposits or similar instruments issued by or unconditionally guaranteed by a major Canadian Bank, Trust Company or Credit Union.
  - v. Cash deposited with a Canadian bank owned investment dealer.
- vi. Preferred shares rated P2(low) or higher, as rated by DBRS (or equivalent). A downgrade below P2(low) will require sale of the security within 180 days.
- vii. Cash on deposit, or equivalent, with a Canadian Chartered Bank.

*Limitations:* No one issuer shall exceed 10% of the overall portfolio, unless the issuer is a Canadian bank, municipality, province or the Government of Canada, in which case the maximum is 20%.

## **XI. Equities**

Guidelines for Equities are as follows:

- i. Investments will be well diversified across industry sectors.
- ii. No one equity holding will represent more than 10% of the value of the asset class.
- iii. Not more than 15% of the asset class will be invested in companies with a market capitalization of less than \$250 million at the time of purchase.
- iv. No short sales, private placements, or transactions on margin will be executed in the portfolio. Warrants and/or installment receipts, however, may be purchased.

## **XII. Communication**

In addition to monthly statements and individual transaction reports, a quarterly and annual report will be provided by the Investment Manager.

### **XIII. Investment Reports**

Each quarter the Investment Manager will provide a written report with the following information:

- i. Market value of the portfolio.
- ii. Transaction summary during the quarter.
- iii. Asset allocation.
- iv. Rates of return comparisons with FTSE Universe Bond Index, MSCI, S&P/TSX Composite and the S&P500.
- v. Summary detail of each corporate holding in the portfolio.

### **XIV. Monitoring**

The Investment Manager will meet with the Investment Committee of the Board of Directors (“the Board”) to present a report annually. The Investment Manager will present in the report information consistent with the quarterly report and information as required by the auditors.

### **XV. Standard of Care**

The Investment Manager will comply, at all times and in all respects, with the Code of Ethics and Standards and Professional Conduct promulgated by the CFA Institute.

### **XVI. Prudent Investment Standard of Care**

In accordance with the Trustee Act (Ontario), the standard of care that shall apply to the investments of the Fund shall be the care, skill, diligence and judgment that a prudent investor would exercise in making similar investments.

In accordance with the Trustee Act (Ontario), the Investment Manager shall consider the following criteria in making investments, in addition to other factors that may be relevant:

- i. General economic conditions.
- ii. Possible effect of inflation or deflation.
- iii. The role that each investment or course of action plays within the overall investment portfolio.
- iv. Expected total return from income and the appreciation of capital.
- v. Need for liquidity, regularity of income and preservation or appreciation of capital.

## **XVII. Responsibilities of the Board and Investment Committee**

The Board has ultimate authority over and responsibility for the investments of the Fund.

To assist it in the performance of the duties of the Board and to ensure that the Fund's investments meet the Fund's stated objectives, the Board:

- i. Has established an Investment Committee to have oversight of the investments of the Fund. The Investment Committee shall at all times remain under the direction and control of the Board and shall report to the Board as required as outlined below.
- ii. Will review all other reports and recommendations of the Committee with respect to the investments and this IPS and take appropriate action.

The Investment Committee shall have the following duties in addition to those set out in Board Policy for the Investment Committee:

- i. Maintain an understanding of the legal and regulatory requirements and constraints applicable to the investments and keep the Board fully apprised of these.
- ii. On an annual basis review this IPS and make appropriate recommendations to the Board regarding its amendment.
- iii. Formulate specialized instructions and mandates for the Investment Manager which will derive from, reflect and be consistent with the provisions of this IPS.
- iv. Regularly monitor performance and compliance with this IPS and report on these matters to the Board.

The composition, rules of order and specific duties of the Investment Committee are set out in Board Policy section 6.7.

Contact person	President or Investment Committee Chair
Date of next review	November 2021
Related policies, procedures and guidelines	Board Policy Manual
Policies superseded by this policy	N/A