

# Investment Policy

This document is the parent policy for any College or Divisional procedures. Questions regarding this policy are to be directed to the identified Policy Administrator.

<b>Functional category</b>	Finance
<b>Approval date</b>	August 26, 2022
<b>Effective date</b>	August 26, 2022
<b>Policy owner</b>	Vice President, Administration and Chief Financial Officer
<b>Policy administrator</b>	Director, Financial Services and Controller

## Objective

The objective of this policy is to ensure NorQuest College (college) provides appropriate and effective stewardship of college funds.

This Investment Policy for NorQuest College provides guidelines (subject to the investment limitations in the [Board of Governor's Policy No. 7](#)) within which the college's investment portfolio is to be effectively and ethically maintained, managed and enhanced.

Authority to establish this policy is derived from the [NorQuest College Board of Governor's Policy No. 7](#), which delegates responsibility for the college's financial planning and operational activities to the President and CEO, and [Board Policy No.5](#), which delegates authority to the President and CEO to establish policies and procedures for the college's management and operation.

## Policy

College funds will be invested in accordance with the following:

## **Policy Statements**

### **1. Types of college Funds**

- 1.1. The college has three main types of funds available for investment: operating reserves, endowment and capital:

Operating reserves available for investment generally include the accumulated excess of revenue over expenditures (normally set aside as ‘accumulated surplus from operations’ or ‘internally restricted net assets’ for future use), revenues typically received in advance of the year in which they are earned (including deferred revenues and externally restricted contributions), and accumulated longer term liabilities where ‘cash’ payment is deferred well into the future. These funds are available for short-term, medium-term and long-term investments.

Endowment funds are donations received to be held to perpetuity, with the income designated to fund specific educational purposes (e.g., scholarships, bursaries).

Capital funds available for investment generally include deferred revenues for capital projects received in advance of the period in which they will be expended.

- 1.2. To enable the college to maximize the rates of return and simplify investment management, available funds will be allocated to the fund types (portfolios) by the Director, Financial Services and Controller, or designate, based on an analysis of the short, medium and long-term cash needs of the college.

Allocations to the endowment fund will be in accordance with endowment agreements.

### **2. Primary Investment Considerations**

- 2.1. The primary investment objective is to ensure all funds are prudently invested in accordance with this Policy, and that investments are selected to match the anticipated cash flow requirements and investment objectives of the college. These goals necessitate incurring generally accepted investment risks through ownership of financial securities to obtain a reasonable rate of return, provide growth and

income that align with college obligations, and preserves capital amounts.

Investments will be made in the best interests of the college.

College funds will be invested in accordance with the following:

### **Policy Statements**

#### **3. Types of college Funds**

3.1. The college has three main types of funds available for investment: operating reserves, endowment and capital:

Operating reserves available for investment generally include the accumulated excess of revenue over expenditures (normally set aside as 'accumulated surplus from operations' or 'internally restricted net assets' for future use), revenues typically received in advance of the year in which they are earned (including deferred revenues and externally restricted contributions), and accumulated longer term liabilities where 'cash' payment is deferred well into the future. These funds are available for short-term, medium-term and long-term investments.

Endowment funds are donations received to be held to perpetuity, with the income designated to fund specific educational purposes (e.g., scholarships, bursaries).

Capital funds available for investment generally include deferred revenues for capital projects received in advance of the period in which they will be expended.

3.2. To enable the college to maximize the rates of return and simplify investment management, available funds will be allocated to the fund types (portfolios) by the Director, Financial Services and Controller, or designate, based on an analysis of the short, medium and long-term cash needs of the college.

Allocations to the endowment fund will be in accordance with endowment agreements.

#### 4. Primary Investment Considerations

4.1. The primary investment objective is to ensure all funds are prudently invested in accordance with this Policy, and that investments are selected to match the anticipated cash flow requirements and investment objectives of the college. These goals necessitate incurring generally accepted investment risks through ownership of financial securities to obtain a reasonable rate of return, provide growth and income that align with college obligations, and preserves capital amounts.

Investments will be made in the best interests of the college.

#### 5. Authorized Investments

For each type of college fund, the minimum, target, and maximum for each type of qualifying investment, based on market value, is identified in this policy. Additional investment Qualifications and Limitations (section 3.5) work in concert with the authorization of Investments.

##### 5.1. Operating Reserve Funds

The primary objective for the investment of Operating Reserve funds is income through the use of a balanced mix investment products with a low to medium level of risk tolerance. Liquidity and availability of the majority of the funds will also be maintained to address operational requirements.

The Operating Reserve Asset Allocation ranges includes:

<b>Operating Reserve</b>	<b>Minimum</b>	<b>Benchmark</b>	<b>Maximum</b>
Cash and Short-Term Funds	0%	4%	50%
Fixed Income	22%	32%	42%
Equity	21%	31%	41%
Hedge Strategies	8%	18%	28%
Alternatives	0%	15%	25%

##### 5.2. Endowment Funds

The primary consideration for the Endowment funds is growth through the use of a larger exposure to equity type investments and a moderate

commitment to other investment products with a medium to high level of risk tolerance.

Endowment Fund Allocation includes:

<b>Security</b>	<b>Minimum</b>	<b>Benchmark</b>	<b>Maximum</b>
Cash and Short-Term Funds	0%	0%	50%
Fixed Income	5%	15%	25%
Equity	48%	58%	68%
Hedge Strategies	2%	12%	22%
Alternatives	0%	15%	25%

The endowment fund investment earnings will be allocated in accordance with the [Donation Policy](#).

### 5.3. Capital Funds

The primary objective for the investment of Capital Funds is safety through the use of a mix of bonds and money market funds with a low level of risk tolerance.

The Capital Fund Asset Allocation range includes:

<b>Medium-term funds</b>	<b>Minimum</b>	<b>Benchmark</b>	<b>Maximum</b>
Short term bonds	0%	75%	100%
Cash and cash equivalents	0%	25%	100%

### 5.4. Rebalancing

The funds will be prudently managed at all times within the acceptable ranges, based on market values of the investments. To ensure the portfolio stays within the allowable ranges, rebalancing will occur as required based on changing market values. The 'Benchmark' ranges will be reviewed annually and revised if necessary.

### 5.5. Quality and Limitations

Investment restrictions and quality levels apply within the context of overall fund objectives and the minimums and maximums described above.

Investment managers may use segregated or pooled funds which include a variety of investment instruments, as long as investments are limited to those instruments described below. Other limitations, based on type of investment instrument and portfolio are also described.

#### 5.5.1. Fixed Income Investment Instruments

Shorter-term notes and other evidences of indebtedness of governments, corporations, banks and trust companies, whether acquired separately or as part of an investment pool, shall have a rating of at least R-1 (low) and A (low), as measured by Dominion Bond Rating Services (DBRS) at the time of acquisition.

Bonds, debentures, real return bonds, and other debt securities, whether acquired separately or as part of an investment pool, shall have a minimum rating of “BBB-” or better for any individual issuer, as measured by Dominion Bond Rating Services at the time of acquisition, or the equivalent thereof according to a recognized bond rating service. The maximum “BBB-” exposure will be 20% of any fixed income fund or pool. The average credit quality of the overall bond portfolio holdings will be at least “A-“. In the case of private placements not rated by a recognized bond rating service, active managers shall apply standards consistent with a minimum “BBB” rating. Any and all private placement investments require prior approval of the Finance and Audit Committee.

The amount of fixed income investment instruments issued by any single corporation will be limited to 10% (5% for “BBB-”) of the market value of the respective portfolio, if acquired separately, or respective pool, if acquired as part of an investment pool, at time of acquisition. There will be no limits on fixed investments held or guaranteed by the Federal and provincial governments.

#### 5.5.2. Equity Investment Instruments

Investments in Canadian equities (segregated or pooled) will be limited to those stocks listed in the S&P/TSX composite index, or any other exchange regulated by a provincial securities commission. U.S. and international equities (segregated or pooled) are limited to shares listed and traded on recognized major stock exchanges.

Equity investments can include common shares of Canadian, foreign and emerging markets equity, income trusts, warrants, preferred shares, American depository receipts, convertible debt and initial public offerings, and other similar investments. Investment managers may use pooled unit trusts, mutual fund vehicles or limited partnerships that include any of these categories.

The portfolio shall be diversified to avoid undue exposure to any single economic sector, industry group or individual security. Normally, participation in all classes of any issuer's equity securities will not exceed 10% of the market value of a specific equity investment pool.

### 5.5.3. Alternative Investment Instruments

Investments in Private Client Loans are limited to secured loans to private companies. Normally, no single loan will comprise greater than 30% of the value of the private client loan portfolio.

Real Estate investments involve the provision of equity investments in real estate properties. No single property will exceed 25% of the portfolio. Normally, individual properties are financed with debt between 40 and 60% of the market value of the property. The maximum indebtedness of a single property cannot exceed 80% of the market value at acquisition and the aggregate indebtedness of the portfolio cannot exceed 65% of the portfolio market value at the time money is borrowed.

Infrastructure investments will be in a mix of energy and traditional infrastructure projects including but not limited to power generation, electricity, hospitals, roads, etc. Counterparty credit risk will be limited to A based on available ratings from S&P, Moody's and DBRS.

### 5.6. Investment Performance

Actual performance of the colleges' investments will be assessed based on a comparison to a variety of benchmarks including standard market indexes, other colleges, and any other method deemed appropriate by the Finance and Audit Committee. The 'Benchmark' range will be used as the basis for assessment against these benchmarks.

## 6. Valuation of Investments

The college will record all investments in accordance with Public Sector Accounting Standards (PSAS).

## 7. Security on Borrowings

Investment funds can be used as collateral for borrowings (as per [Post-Secondary Learning Act](#) section 72(2)).

## 8. Investment Management

The Vice President, Administration and Chief Financial Officer ensures through the Director, Financial Services and Controller, who is responsible for the implementation of the *Investment Policy*, the administration of investments and custodial activities.

## Definitions

**Endowment:** A restricted donation made to the college where the capital value is invested, and the annual investment income (residual) is used for a specified educational purpose (e.g. scholarship, research, learning enhancements, etc.). All cash or property gifted to the college for the purposes of an endowment fund becomes the property of the college. The principal of the endowed fund is retained, administered, and managed by the college in accordance with its investment policy. Endowed funds generally are meant to exist in perpetuity; therefore, the specified educational purpose must be funded from the annual residual that is generated from the principal investment.

## Related information

### NorQuest College

- [Board of Governor's Policy No. 7](#) (includes investment limitations)
- [Code of Conduct Policy](#)
- [Donation Policy](#)

### External

- [Post-Secondary Learning Act](#)

## Next review date

May 2026

## Revision history

February 2014: new (replaces Standard Practice 6.10: Investment of College Funds)

June 2014: revised

June 2018: revised

August 2019: Compliance Office template & reorganization update

August 2022: reviewed as per Policy and Procedure Framework Procedure to reflect a revised investment product structure and mix. Approved by the Board of Governors.