

	<p><b>Policy Sponsor:</b> Office of the VP Finance &amp; Administration</p>	<p><b>Approval Date:</b> November 20, 2013</p>
<p><b>Statement of Investment Policies and Guidelines of the Endowment Funds</b></p>	<p><b>Responsible Unit:</b> Treasury and Investment Services</p>	<p><b>Revisions:</b> March 30, 2017 January 27, 2021</p>

Dalhousie University's (the "University") core educational programming is funded primarily from public (i.e. government) and user (i.e. student tuition and fees) sources. Enrichment activities, those which allow the University to pursue excellence, must seek funding from non-core sources. A principal source for funding enrichment activities has been and will continue to be the University's Endowment Funds (the "Endowment Funds")

The Endowment Funds have a two-fold mission:

1. To foster an environment of academic excellence where superior teaching, learning and research can be pursued.
2. To enable the University to achieve an enhanced level of financial strength and independence in its operations over the long run.

- 3.1 This Policy defines and assigns the responsibilities of all involved parties.
  - 3.2 This Policy establishes the investment objectives, principles and philosophies for the Endowment Funds.
  - 3.3 This Policy offers general guidance and limitations to all non-University investment managers (the "Investment Managers") regarding the investment of the Endowment Funds. Investment Managers will be subject to specific objectives, criteria and limitations as defined in their mandate and investment management agreement with the University. The design and content of these mandates and agreements will be guided by and be consistent with this Policy unless otherwise approved by the Investment Committee.
  - 3.4 This Policy establishes a basis of evaluating investment results of the Endowment Funds.
  - 3.5 This Policy establishes the relevant investment horizon for which the Endowment Funds will be managed.
  - 3.6 In general, the purpose of this Policy is to outline an approach which will guide the investment management of the Endowment Funds toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.
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- 4.1 The Dalhousie University Board of Governors is entrusted with the care of Endowment gifts, and has established an Endowment Management Policy to ensure prudent management of these gifts.
  - 4.2 The Finance, Audit, Investment, and Risk ("FAIR") Committee is a standing committee constituted by the Board of Governors under the By-Laws of the University, and is charged with the responsibility for;
    - a. review

4.3 The Investment Committee is a standing committee

- d. reviewing and recommending qualified Investment Managers to the Investment Committee, and drafting mandates and agreements for approved Investment Managers;
- e. reviewing and valuing the performance of Investment Managers, ensuring adherence to policy guidelines and monitor investment objective progress, and to identify any significant business or personnel developments;
- f. designing, implementing and operating control procedures for safeguarding of the Endowment Funds' assets and for ensuring compliance

- a. Discretionary investment management including decisions to buy or sell individual securities, and to alter asset allocation as permitted by the mandate guidelines.
- b. Reporting, on a timely basis, quarterly investment performance results.
- c. Providing monthly valuation and returns of the investment portfolio.
- d. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of the investment process or the progress towards the investment objectives of the Endowment Funds.
- e. Informing the Administration regarding any qualitative change in the investment management organization: Examples include changes in portfolio management personnel

- 5.1 Investments shall be made solely in the interest of Dalhousie University in accordance with this policy.
- 5.2 The Endowment Funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person in a like position would exercise under similar circumstances and in a manner the Investment Committee reasonably believes to be in the best interest of the University.
- 5.3 Investment of the Endowment Funds shall be diversified so as to yield target or above-target returns within acceptable levels of risk to minimize the risk of large losses, and without undue reliance on a single market and/or strategy.
- 5.4 The Endowment Funds' investments will be made utilizing a specialty approach with Investment Managers.
- 5.5 The Endowment Funds will deploy multiple asset classes and strategies.
- 5.6 The Endowment Funds will deploy multiple Investment Managers in each major traditional asset class to provide for additional diversification in terms of both investment and business risk.
- 5.7 The Endowment Funds shall be invested in a manner to maximize risk adjusted returns. Dalhousie University believes that over the long term, companies that exhibit responsible corporate behavior with respect to environmental, social and governance (ESG) factors will have a positive impact on long-term financial performance. The assessment of ESG factors along with the assessment of the business, management and financial metrics will enhance the identification of good investment opportunities and to help mitigate risk to the Endowment Funds.
- 5.8 The Endowment Funds will encourage its external investment managers to develop and enhance their ESG assessment capabilities. The Administration will include ESG assessment progress and capabilities in each investment manager's annual review.
- 5.9 The Endowment Funds will include ESG assessment capabilities when evaluating investment managers for new mandates.
- 5.10 The Endowment Funds shall utilize external Investment Managers of varying styles and philosophies to attain the Funds' objectives.
- 5.11 Leverage may be deployed in individual strategies, but leverage at the total fund level of the Endowment Funds is not permitted. For greater certainty, derivatives used as part of an investment strategy shall not result in greater economic leverage at the total fund level of the Endowment Fund.
- 5.12 The Endowment Funds are to maintain sufficient liquidity to fund the withdrawals made throughout each fiscal year to support the annual spending allocations.
- 5.13 Cash is to be employed productively by investment in short term cash equivalents to provide safety, liquidity, and return.

6.1 The investment strategy of the Dalhousie Endowment Funds is to emphasize total return. Specifically, the primary objectives in the investment management of Endowment Fund assets shall be:

- a. Preservation of Capital – To preserve the real (inflation adjusted) purchasing power of endowment assets after accounting for endowment spending, inflation and costs of portfolio management.
- b. To produce sufficient investment returns to provide at least 4.95% of real returns (initial program spending rate of 4.25% plus an allowance up to 0.70% for investment management and administration expense) over rolling 4-year periods to achieve smooth and predictable inflation-adjusted spending.
- c. Upon the achievement of (a) and (b), the Funds have a secondary objective to grow the corpus by 1% through investment returns in excess of the 4.95% real return target.
- d. The Endowment Funds are to keep risk at a reasonable level to avoid large absolute investment losses and to keep volatility below the Funds’ benchmark target.

7.1 An investment strategy of investing completely in government-issued debt securities will generally provide predictable and stable returns, but these returns will not be sufficient to achieve the spending and capital preservation objectives of the Endowments. Consequently, the Endowment Funds will invest in a diversified group of assets and strategies with defined allocations to earn the returns required while keeping the risks of volatility and capital loss within reasonable and tolerable limits. The assets of the Endowment Funds will be rebalanced according to the Rebalancing Policy (Appendix 2) to maintain the Endowment Funds’ risk profiles.

7.2 The Endowment Funds will deploy the following asset mix to meet their investment objectives:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Range</u>
Canadian Equities	12.5%	10% - 16%
U.S. Equities	15.0%	12% - 19%
Non North American Equities	<u>15.0%</u>	<u>12% - 19%</u>
	42.5%	35% - 55%

8.1 Subject to the asset mix and investment guidelines contained in this Policy, investments will be permitted in the following categories:

- a. Cash Equivalents.
  - Canadian Federal and Provincial Government and Agency obligations
  - Term deposits and GICs
  - Banker's Acceptances
  - Commercial Paper
  - Corporate Bonds and Debentures
  - Treasury bills and short term debt obligations of Foreign Governments
  
- b. Fixed Income Securities
  - Canadian Federal and Provincial Government and Agency obligations
  - Municipal bonds
  - Corporate Bonds and Debentures
  - Asset Backed Securities
  - Fixed Income Securities of Foreign Governments and Corporations
  - Private placements
  - Mortgages
  
- c. Equity Securities
  - Common Stock
  - Preferred Stock
  - Installment Receipts, American Depository Receipts (ADRs) or other recognized depository receipts
  - Warrants
  - Rights
  - Convertible Bonds and Debentures
  - Exchange traded index participation units (eg. i60s and SPDRs) and exchange traded funds (ETFs)
  - Income trusts, Real Estate Investment Trusts (REITs), royalty trusts or other publicly listed trust securities registered in jurisdictions that possess limited liability legislation for the unitholders.
  
- d. Derivatives
  - May be used for hedging and risk management including the hedging of foreign currency exposure.
  - May be used to create an exposure to a recognized market index.
  - May be used as part of a portable alpha strategy or beta overlay.
  - Unless a specific type of derivative investment or security is allowed in their particular Investment Management Mandate, the Investment Manager must seek written permission from the University to include derivatives in the University's portfolio. Examples of derivative investments include forwards, futures, options and swaps. Examples of derivative securities include callable bonds and collateralized mortgage obligations.



e. Non-

- f. Borrow money, pledge or otherwise encumber any of the assets of the Endowment Funds, except as permitted to meet short-term cash needs or to the extent that temporary overdrafts occur in the normal course of day-to-day portfolio management, within applicable legislation.
- 9.2 The assets held in the Endowment Funds shall be invested in a name that clearly indicates that the investment is held in trust for the Endowment Funds

- c. The collateral obtained to secure a loan or any securities purchased with such collateral must be either cash or high quality, readily marketable securities.
- d. Title to all collateral must be clear.

It is recognized that certain constraints and policy on voting rights may not be enforceable by the Investment Committee to the extent that the Endowment Funds are invested in pooled or mutual funds, however, where possible:

13.1 Proxies are to be voted in a manner that best serves the financial interests of the Endowment Funds as the sole voting criterion.

13.2 Investment Managers are authorized to decide how to vote a proxy in order to best serve the financial interests of the Endowment Funds.

- a. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification for poor results.
- b. Failure to adhere to any aspect its investment mandate, including communication and reporting requirements.
- c. Significant qualitative changes to the Investment Manager organization. Investment Managers shall be reviewed at least quarterly regarding performance, personnel, strategy, research capabilities, organization and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

Each Investment Manager will provide written acceptance of the Statement of Investment Policy and Guidelines, and any subsequent changes thereto, and comply with the following requirements, unless agreed upon otherwise in writing between the University and the Investment Manager:

- 15.1 Monthly. Cost and market value of fund shares, the number of shares owned and all principal and income cash transactions for the various funds.
- 15.2 Quarterly. In addition to the monthly report and within 30 days:
  - a. Organization
    - i. Key investment and business personnel changes
    - ii. Assets under management
    - iii. Number of institutional clients gained and lost
  - b. Investments
    - i. Confirm adherence to policy guidelines (compliance report)
    - ii. Provide any comments or suggestions regarding constraints, guidelines, etc.
    - iii. Discuss any changes to investment strategy or process
    - iv. Report on any environmental, social and governance (ESG) risks they have discovered in their portfolio. The report shall also include information on any ESG issues that have been identified and discussed with the management of any of the companies that are in the portfolio or information on ESG issues that are made available through industry publications or events.
  - c. Performance
    - i. Present total fund and asset class returns on a quarterly basis.
    - ii. Discuss performance relative to benchmark
    - iii. Provide portfolio characteristics relative to benchmark
  - d. Portfolio Holdings – the immediately following items will be reported monthly for all segregated accounts and at a minimum quarterly for pooled and/or mutual funds.
    - i. Present book value and current market value
    - ii. Listing of individual securities by sector
    - iii. Annual income yield by security
    - iv. Percent allocation to each security

- 15.3 Upon written or oral request
- a. Copies of all documentation in support of any investment activity.
  - b. Certified statement of financial condition of the investment management organization.
  - c. Evidence of suitable insurance coverage of the investment manager's fiduciary responsibilities.

- 16.1 Notwithstanding any other University policy, this standard applies to members of the FAIR Committee, Investment Committee, the Administration, as well as to all agents employed by these Committees, in the execution of their fiduciary responsibilities.

An Agent is defined to mean a company, organization, association, or individual, as well as its employees, retained by the Investment Committee or University to provide specific services with respect to the administration and management of the Fund.

- 16.2 A conflict of interest arises when the personal interests, investments, or future plans of any person or Agent involved in the administration of the Endowment Funds, conflict with his or her duties and powers in respect of the En



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Dalhousie University is the recipient of generous endowment gifts to provide perpetual program support at the University.

The original investment of endowment gifts is required to be maintained in perpetuity. The investment earnings generated from endowments must be used in accordance with the terms established by the donors. Benefactors as well as University policy stipulate that, over time, the economic value must be protected by limiting the amount of earnings that may be expended and reinvesting unexpended earnings.

To meet the foregoing requirement, the University's endowment management policy sets out the following goals:

- to balance present spending needs with expected future requirements.
- to protect the purchasing power of the capital base of endowments while achieving stability in year-to-year spending; and
- to attain real increases in spending through capital appreciation from new gifts, capital investment gains, and the capitalization of investment earnings.

Therefore the endowment spending policy sets guidelines that preserve real capital value and provide advance information on available support to accommodate planning for the full utilization of the available spending allotment. For new endowments, it is important both to provide attainable spending expectations in the early years while ensuring that the capital base has solid footing and will be able to sustain future spending. The spending guidelines that follow are designed to provide for the integrity of the real capital and to facilitate utilization of the annual support available by determining spending levels in conjunction with the University's bu.

- For endowment gifts received between October 1 and March 31

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**DALHOUSIE UNIVERSITY ENDOWMENT FUNDS  
ASSET MIX MANAGEMENT & REBALANCING POLICY**

**PRINCIPLES:**

- Asset mixes maintained within the established ranges of the asset mix policies:

Asset Class	New Target	Range
Canadian	12.5%	10%-16%
U.S.	15.0%	12%-19%
NNA	15.0%	12%-19%
Private Capital		
Rea		