

**University of Prince Edward Island
Endowment and Special Purpose Funds**



Investment Policy Statement (IPS)

October 2021

University of Prince Edward Island	Policy No. govbrdgn10012	Revision No. 4
Policy Title: Endowment and Special Purpose Funds – Investment Policy Statement		Page 1 of 22
Creation Date: March 20, 2000	Version Date: November 23, 2021	Review Date: November 23, 2026
Authority: Board of Governors Finance and Audit Committee	Responsibility: Endowment Oversight Committee	Access: W

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1.0 Purpose

- 1.1 The purpose of this Investment Policy Statement (“the Statement”) is to serve as a guide to the University, the Endowment Oversight Committee, investment managers, and any agent or other person(s) who is(are) able to influence decisions related to the assets.
- 1.2 This Statement applies to the assets held in trust with respect to the Endowed and Special Purpose Fund Accounts (“Restricted Funds”). It contains management guidelines, investment objectives, investment guidelines, and monitoring procedures.
- 1.3 Restricted Fund Account assets (“the Fund”) will be managed in accordance with all applicable legal requirements notwithstanding any indication to the contrary, which might be construed from this policy.
- 1.4 The goal is to ensure that all Parties involved in the management of the Fund’s assets clearly understand the investment beliefs and philosophy and of the Fund’s fiduciaries.
- 1.5 The process of determining investment policies and objectives include, but are not limited to, the following:
 - 1.5.1 Identifying assets that have characteristics best suited to meet the spending obligations and ongoing viability of the Fund within the risk tolerance of the University.
 - 1.5.2 Providing sufficient diversification to eliminate unnecessary risk.
 - 1.5.3 The basic goal is to ensure that the Fund, together with expected cash flows, shall be invested in a continued, prudent, and effective manner to optimally meet the spending obligations.

2.0 Scope

- 2.1 The responsibility for the investment of the Fund and development of policies relating to the investment of Restricted Funds lies with the Endowment Oversight Committee ("the Committee"), under authority of the University's Board of Governors and the Finance & Audit Committee.
- 2.2 The membership and mandate of the Committee is described in the separate and related policy Endowment and Special Purpose Funds – Governance and Administration.
- 2.3 The Committee may delegate some of its responsibilities with respect to the investment of the Fund to agents and advisors. In particular, the services of a custodian ("the Custodian") and of one or more investment managers ("the Manager") are retained.
- 2.4 The Committee maintains an active role with respect to the following: Policy Title: Endowment & Special Purpose Funds – Investment Policy Statement Policy No. govbrdgnl0012
 - 2.4.1 Development of policies governing investment of Restricted Funds for approval by the University's Finance & Audit Committee of the Board of Governors;
 - 2.4.2 Formulation of an Investment Policy Statement and manager mandates;
 - 2.4.3 Appointment and monitoring of agents and advisors; and
 - 2.4.4 The evaluation of investment performance.
- 2.5 Any person or firm to whom the Committee delegates responsibilities with respect to the investment of the Endowment Investment Pool must adhere to the provisions of the Investment Policy Statement.

3.0 Definitions

- 3.1 **University:** means the University of Prince Edward Island
- 3.2 **Endowment Oversight Committee:** means the committee appointed by the University President to develop, review, recommend and implement governance and administration policy for the endowed and special purpose funds.
- 3.3 **Investment Manager:** mean the firm engaged to manage the assets of the Fund. Management of the assets means the purchase and sale of securities within the guidelines laid out in this statement.
- 3.4 **Custodian:** means the firm engaged to safeguard the assets of the fund.
- 3.5 **Limited Partnership Agreement:** means the agreement that the University signed for investments in real assets. The key purpose of the agreement is to limit the liability of the University to no more than the total investment in the assets covered under the agreement.
- 3.6 **Endowed and Special Purpose Fund Accounts:** means the Trust Fund accounts created and managed by the University for restricted donations as described in the Endowment and Special Purpose Funds Governance and Administration policy
- 3.7 **Endowment Investment Pool:** means all special purpose and endowment investments that do not have specific investment restrictions prescribed by the donor.
- 3.8 **Restricted Funds:** means all Special Purpose and Endowed Funds

4.0 Investment Beliefs

- 4.1 This Statement reflects several decisions taken by the Committee acting on behalf of the University both at the time of the Statement's development, and at subsequent reviews. These decisions, in turn, incorporate certain beliefs held by the University at the time the decisions were made and approved.
- 4.2 To the extent that these beliefs remain consistent over time, so too should those elements of the Statement that rest upon them. The purpose of this section is to set forth the beliefs so that the historical context in which decisions were made will be better understood by readers and users (both current and future) of the Statement.
- 4.2.1 The investment approach should seek long-term growth within a framework of managed investment risk, to limit the potential to reduce spending in the future.
- 4.2.2 A Fund-specific investment approach provides the best opportunity to meet the dual investment goals of long-term growth and acceptable levels of investment risk. This means the Fund's asset allocation approach could look different from other funds.
- 4.2.3 Most of the variability in the investment returns, and the implied risk inherent in the Fund, can be explained by the strategic asset mix selected. As a result, the strategic asset mix decision is key to determining the risk profile of the Fund.
- 4.2.4 The allowable components (asset classes) to be considered for Fund composition are:
- 4.2.4.1 Canadian and foreign fixed income securities (including cash)
 - 4.2.4.2 Canadian commercial mortgages
 - 4.2.4.3 Private debt
 - 4.2.4.4 Canadian equities
 - 4.2.4.5 Global equities
 - 4.2.4.6 Emerging market equities
 - 4.2.4.7 Private equity
 - 4.2.4.8 Real estate
 - 4.2.4.9 Infrastructure
- 4.2.5 The Fund should be focused on achieving long-term growth with capital preservation in down markets to maximize the probability of achieving the long-term objectives of the Fund.
- 4.2.6 Active security selection can add value through added return or risk reduction, thereby justifying fees. This does not preclude the use of passive strategies for asset classes where the belief is less strong.

- 4.2.7 Over the long-term, tactical active asset mix decisions can not provide significant improvement in the risk/return profile of the Fund. This does not preclude the use of active asset allocation strategies for individual manager mandates.
- 4.2.8 Over the long term, equities will earn higher rates of return than fixed income securities. The University expects to get compensated for taking on equity risk with a premium over the long term.
- 4.2.9 A well-diversified portfolio incorporating multiple asset classes tends to reduce the implied risk inherent in the Fund.
- 4.2.10 For certain asset classes, utilizing multi-manager mandates can provide additional diversification in the Fund over utilizing a single manager.
- 4.2.11 An equity investment manager with a global view and global investment opportunity set has the potential to improve the risk/return profile of the Fund versus separate (fixed) allocations to U.S. and International (“EAFE”) equities.
- 4.2.12 The allocation to illiquid investments will be made with consideration for overall Fund liquidity requirements.
- 4.2.13 Over the long term, the impact of currency fluctuation on non-Canadian equity rates of return is negligible. As a result, hedging foreign currency exposure for the equity exposures is not implemented at the Fund level. This does not preclude individual investment managers from implementing currency management at the mandate level should they deem it necessary.
- 4.2.14 The use of specialist managers across asset classes can provide broader access to “best in class” investment opportunities than using a single manager for all asset classes.
- 4.2.15 Alternative asset classes in a diversified portfolio can impact returns and/or Fund risk. Thus, as more investment opportunities become available to the Fund, the University will consider them for inclusion into the Fund.
- 4.2.16 The University believes that companies that have good Environmental, Social, and Governance (“ESG”) practices are preferred investments. As such, ESG considerations will be incorporated into the ongoing investment manager monitoring and selection process.
- 4.2.17 The use of the knowledge and expertise of independent third-party advisors is required to assist with the development, implementation, and

monitoring of this Statement, investment strategy, and selection of investment managers.

- 4.2.18 All strategic investment decisions that will define the risk profile of the Fund will be approved by the University.
- 4.2.19 The investment management of the Fund assets should be delegated to professional investment management firms. The selection of the investment management firms will be made by the University with assistance from advisors.
- 4.2.20 Investment managers will have the freedom to select investment securities in accordance with their investment mandate and the overall Statement.
- 4.2.21 The University believes that costs are important when considering the implementation of the portfolio. Performance expectations will be considered net of fees.
- 4.2.22 The University believes that, where applicable, there should be separate policy documents to frame the governance and decision-making process with respect to the operation and management of the Fund (e.g., The Endowment and Special Purpose Funds - Governance and Administration Policy).
- 4.2.23 The University understands that a regular review of the Fund and all policies relative to overall objectives will be necessary to evaluate the effectiveness of the Fund in achieving the long-term goals. This statement will be reviewed at least annually but can be reviewed more frequently if deemed necessary by the Committee. This will include the review of the investment manager(s) relative to their specific investment mandates.
- 4.2.24 All investment beliefs herein will be subject to the:
- 4.2.24.1 Availability of investment strategies for the size of the Fund.
 - 4.2.24.2 Availability of appropriate administrative and custody structure.
 - 4.2.24.3 Availability of appropriate and efficient reporting and governance structures.
 - 4.2.24.4 Availability of appropriate fee structures.
- 4.2.25 Where the overriding beliefs are potentially violated, priority will be given to the more efficient and cost-effective investment approaches available.

5.0 Investment Objectives and Constraints

Return Objectives

- 5.1 Further details with respect to performance monitoring evaluation as well as the benchmark calculation methodology are outlined on page 17 and within each specific investment mandate in Appendix A.
- 5.2 With prudent consideration of the objectives and constraints of the Fund, the investment strategy can be directed toward long-term growth of the Fund without significant concern for short-term liquidity requirements.
- 5.3 The primary objective of the Fund is to maintain or grow the spending of the Fund in real terms.
- 5.4 The **BENCHMARK INVESTMENT OBJECTIVE** of the Fund is to add value through judicious management, over returns that would have been realized through a benchmark of passive investments.
- 5.5 The **RELATIVE PERFORMANCE OBJECTIVE** of the Fund is to rank at or above the median over four-year periods of an appropriate investment universe of similarly managed portfolios as designated by the University.

Risk Objectives

- 5.6 The uncertainty of future economic and investment conditions calls for prudent diversification in the investments of the Fund to reduce risk. This is enhanced by retaining managers with different investment styles and through investing in multiple asset classes. The different investment mandates are detailed in Appendix A.
- 5.7 With prudent consideration of the objectives and constraints of the Fund, the total risk tolerance of the Fund can be classified as moderate.
- 5.8 The Fund risk exposure will be measured by using the standard deviation of the investment returns as well as other risk-adjusted return calculation measures.
- 5.9 In general, the true risk in the Fund is the “probability of loss”. The risk measurements utilized should be viewed as proxies in determining the probability of investment loss.
- 5.10 Each measure of risk will be evaluated on a quarterly basis for each investment manager and compared to other comparable funds primarily over rolling four-year periods. In addition, the correlation of returns among investment managers will be reviewed.

- 5.11 Risk exposure should generally rank at the median of comparable funds. Risk-adjusted returns are expected to consistently exceed comparable market indices and consistently rank above the median over four-year periods.

Investment Constraints

- 5.12 In addition to the specific constraints with respect to portfolio construction that are within the sections of this Statement that follows, the following outlines some broad policy development and implementation constraints.
- 5.13 **Liquidity:** The main risk associated with maintaining insufficient liquidity in the Fund is the risk that the University will be forced to liquidate assets in unfavorable market conditions to meet spending obligations. The Fund's current investment strategy should provide sufficient liquidity.
- 5.13.1 **Legal.** The Fund is a registered charity with Canada Revenue Agency ("CRA") and must comply with the rules outlined by CRA with respect to Charitable organizations. In addition, the Fund must comply with the provisions set out in the governing documents of the Fund and other common law provisions.
- 5.13.2 **Taxes:** The Fund is exempt from any taxation as per CRA legislation. It should be noted that failure to comply with the CRA requirements, could result in de-registration of the Fund at which time the tax-exempt status could be revoked.
- 5.13.3 **Time horizon:** The Fund's investment time horizon is an important aspect in formulating the investment strategy. The objective of the University is to have the Fund exist in perpetuity. However, for investment planning purposes, the University assumes that the investment time horizon of the Fund is at least 15 years.

6.0 Permitted Categories of Investments

- 6.1 All investments must be legal investments within the laws that govern the Fund. Investments in the categories below may be made directly by the purchase of securities, or indirectly by the purchase of pooled investment funds, mutual funds, or other limited liability corporate structures.
- 6.1.1 Publicly traded common stocks, units of an income trust, convertible debentures, or preferred securities.
 - 6.1.2 Publicly traded bonds, debentures, notes, mortgages, or other debt instruments of governments, government agencies, or corporations that are denominated in Canadian dollars.
 - 6.1.3 Publicly traded bonds, debentures, notes, mortgages, or other debt instruments of governments, government agencies, or corporations that are denominated in non-Canadian dollars.
 - 6.1.4 Privately placed bonds and commercial mortgages
 - 6.1.5 Guaranteed investment contracts or the equivalent of insurance companies, banks, or other eligible issuers, which invest primarily in such instruments.
 - 6.1.6 Term deposits or similar instruments issued or unconditionally guaranteed by trust companies or banks.
 - 6.1.7 Cash or money market securities issued by governments, government agencies, or corporations.
 - 6.1.8 Direct and listed investments in Canadian real estate.
 - 6.1.9 Direct and listed investments in Canadian and non-Canadian infrastructure
 - 6.1.10 Pooled or segregated funds and limited partnerships which may invest in any or all the above instruments or assets, subject to such funds being an eligible investment for the Fund.
- 6.2 In the case where a pooled fund or other structure is used for policy implementation, the investment policy of the pooled fund(s) or fund structure will take precedence with respect to the implementation of the investment guidelines herein. The investment manager(s) is expected to provide notice to the University for any pooled fund or fund agreement amendments.

7.0 Policy Asset Mix and Rebalancing

Long-Term Policy Asset Mix

7.1 The long-term Policy Asset Mix, as approved by the University, is as follows:

Asset Class	Target Allocation (Market Value)
Core Plus Fixed Income	10%
Commercial Mortgages	5%
Canadian Equities	20%
Global Equities	30%
Canadian Real Estate	17.5%
Global Infrastructure	17.5%

Risk and Return Characteristics

7.2 Based on 2021 capital market assumptions the long-term Policy Asset Mix is expected to have the following return profile:

Time Period	Median	5 th Percentile
5-Year Return	5.7%	-1.2%
10-Year Return	5.9%	1.0%
15-Year Return	6.2%	2.0%
20-Year Return	6.3%	2.6%

7.3 Return assumptions and the policy characteristics will be reviewed and updated on a regular basis.

Approved Policy Limits and Rebalancing

7.4 Over time, and based on market fluctuations, the market value of each asset class will deviate from the long-term Policy Asset Mix. As the University believes that the optimal risk and reward profile of the Fund is defined by the long-term Policy Asset Mix, there is a desire to maintain an alignment of the actual asset mix of the portfolio with the long-term Policy Asset Mix.

- 7.5 The approach to monitoring and rebalancing the portfolio will be based on both a calendar time frame as well as percentage deviation tolerance. The portfolio will be reviewed on a quarterly basis (March 31, June 30, September 30, December 31) and rebalancing will be triggered if the actual asset mix of the portfolio is outside the maximum and minimum tolerance limits below:

Asset Class	Minimum Allocation (Market Value)	Target Allocation (Market Value)	Maximum Allocation (Market Value)
Core Plus Fixed Income	5%	10%	15%
Commercial Mortgages	0%	5%	10%
Canadian Equities	15%	20%	25%
Global Equities	25%	30%	35%
Canadian Real Estate	12.5%	17.5%	22.5%
Global Infrastructure	12.5%	17.5%	22.5%

- 7.6 If at any quarterly review, any asset class breaches the maximum or minimum limits, the rebalanced allocation will be made to the mid-point between the long-term policy target allocation and the maximum or minimum limit that has been breached (for example, if the global equity allocation exceeded 35%, the target allocation for rebalancing will be 32.5%, not the 30% target).
- 7.7 Notwithstanding the regular quarterly review of the asset mix, the University can decide to rebalance the portfolio at any time where policy limits are breached or expected to be breached. The “mid-point” rebalancing rule as outlined in 5.6 will apply at any time rebalancing occurs.
- 7.8 Due to potential liquidity constraints with respect to real estate, infrastructure, commercial mortgages, temporary breaches of rebalancing rules will be allowable until such time that the transactions can be executed

8.0 Lending of Cash and Securities

- 8.1 The lending of securities through the Custodian is prohibited. However, the University agrees that, where pooled funds are used, the securities lending policies of the underlying pooled fund custodian(s) will take precedent.
- 8.2 The assets of the Fund may not be pledged, hypothecated, or otherwise encumbered in any way except to the extent that temporary overdrafts occur in the normal course of business.

9.0 Voting Rights

- 9.1 The responsibility of exercising and directing voting rights acquired through the Fund's investments shall normally be delegated to the investment managers, who shall always act prudently and in the best interest of the Fund.
- 9.2 While the University reserves the right to direct or override the voting decision of any investment manager, it is recognized that voting rights are not enforceable to the extent that the Fund is invested in pooled funds.
- 9.3 The voting record of each investment manager shall be reviewed annually to determine investment manager alignment with the Fund's interests.

10.0 Related Party Transactions

- 10.1 Related Parties of the Fund include:
 - 10.1.1 The University, its employees, and the Endowment Oversight Committee.
 - 10.1.2 The investment managers hired to invest the assets of the Fund.
 - 10.1.3 The Custodian of the Fund as appointed by the University.
 - 10.1.4 Any persons, firms, or companies engaged by the University to assist in the management of the Fund.
- 10.2 Assets of the Fund may be invested in the securities of or involved in a transaction with a Related Party only to the extent permitted under applicable legislation. To the extent that applicable legislation permits Related Party transactions that are nominal or immaterial to the Fund, a transaction shall be considered nominal or immaterial if it involves an amount equal to less than 0.1% of the market value of the Fund's assets.

11.0 Conflicts of Interest

- 11.1 A conflict of interest, whether actual or perceived, is defined for the purposes of this Statement as any event in which a Related Party may benefit materially from knowledge of, participation in, or by virtue of, an investment decision or holding of the Fund.
- 11.2 Should a conflict of interest arise, the party in the actual or perceived conflict, or any person who becomes aware of a conflict-of-interest situation, shall immediately disclose the conflict to the University.
- 11.3 The party to the conflict shall thereafter abstain from decision-making with respect to the area of conflict, and a written record of the conflict shall be maintained by the University.
- 11.4 Further details regarding the University Conflict of Interests policy can be found at https://files.upei.ca/policy/conflict_of_interest_policy_govbrdgnl0018.pdf

12.0 Valuation of Investments Not Traded on Public Exchanges

- 12.1 The fair value of all regularly traded securities held in the Fund shall be determined by market-based pricing and recorded in the custodial accounts. Where any asset is not regularly traded, the fair value thereof shall be determined at least annually by independent, qualified appraisers and recorded in the respective custodial accounts.
- 12.2 Where the market for an investment is not active, such as for private equity, private debt, real assets, and over-the-counter derivatives, fair value should be determined by valuation techniques that make maximum use of inputs observed from markets, such as a multiple of earnings derived from a set of publicly traded comparable companies.
- 12.3 Additional techniques include the use of recent arm's-length transactions, the current fair value of another investment that is substantially the same, discounted cash-flow analysis, pricing models, or other generally accepted industry valuation methods.
- 12.4 The method utilized to value the security will be disclosed at the time of valuation.

13.0 Environmental, Social and Governance (“ESG”) Factors

- 13.1 The University believes that investment managers that integrate ESG factors into the investment process and actively engage with companies on ESG issues will, over the long-term improve sustainability and enhance the performance of the Fund.
- 13.2 The University has adopted the following guidelines to incorporate within the selection and monitoring of investment managers:
 - 13.2.1 Companies that do well in managing ESG matters have less financial risk and perform better financially over the longer term.
 - 13.2.2 Taking ESG matters into account enables investors to better understand, manage and mitigate risks associated with long-term investments.
 - 13.2.3 Companies that employ robust ESG practices are better positioned to generate long-term value for investors than similar companies with less favourable practices.
 - 13.2.4 ESG factors may affect investment performance over time and to varying degrees across companies, sectors, regions, and asset classes.
 - 13.2.5 We prefer companies that are responsible in their operations, adopt good standards of occupational health & safety, and effectively manage stakeholder relationships.
 - 13.2.6 Shareholder engagement initiated through the underlying investment manager is a more effective tool for seeking to initiate change and influence corporate practices than the divesting of investments.

14.0 Performance Monitoring and Evaluation

- 14.1 The Committee will review and assess the performance results for the Fund’s assets and individual investment manager(s) on a **quarterly basis** against a portfolio benchmark (the Policy Asset Mix Portfolio). A secondary comparison will be made against a universe of comparable investment portfolios.
- 14.2 The Policy Asset Mix Portfolio (total fund benchmark) will be calculated as a weighted average of commonly accepted market indices and return targets of the component asset classes weighted to match the long-term Policy Asset Mix of the Fund.
- 14.3 The table below outlines the construction of the Policy Asset Mix Portfolio (i.e., total fund benchmark):

Asset Class	Performance Index	Weight in Calculated Benchmark
Core Plus Fixed Income	FTSE Canada Universe Bond Index +0.5%	10%
Commercial Mortgages	FTSE Canada Short Term Corporate Bond Index	5%
Canadian Equities	S&P/TSX Composite Index	20%
Global Equities	MSCI ACWI Index (C\$, net)	30%
Canadian Real Estate	MSCI/REALPAC Canada Quarterly Property Fund Index	17.5%
Global Infrastructure	CPI + 5%	17.5%

- 14.4 Active management of the Fund is expected to achieve a rate of return, after fees that will exceed by **0.75% per annum**, on average, the return achieved by the Policy Asset Mix portfolio over moving four-year periods.
- 14.5 Although these objectives are expected to be attained over four-year periods, the performance will be reviewed over shorter periods to assess progress towards longer-term goals.
- 14.6 Each investment manager within the particular asset class outlined above has performance objectives and qualitative assessment criteria outlined in their investment mandates (Appendix A).

Appendix A – Investment Mandates

- 1.0 Each of the investment mandates below are currently implemented using pooled investment funds and/or by limited partnership agreement (“LPA”). Although each mandate is expected to be fully invested and broadly diversified across issuer, sector,

and geography as applicable, the specific portfolio limitations, characteristics, and diversification limits are outlined in the respective pooled fund investment policy or LPA.

- 2.0 Except for private market investments (mortgages, real estate, and infrastructure), each mandate has both return and volatility objectives and a particular mandate will be placed “on-watch” when performance fails to achieve objectives within the following tolerance limits:
 - 2.1 Four-year rolling annualized performance below the objective for two consecutive quarters.
- 3.0 If only one of the objectives (return or volatility) is met, a risk-adjusted comparison between the mandate and the index will be factored in determining if the mandate is meeting objectives. Notwithstanding the investment performance, the mandate and/or investment manager may be placed on watch for reasons that they believe could reasonably impair the ability of the mandate to achieve performance objectives.
- 4.0 Performance for periods shorter than four years will be reviewed to the extent that shorter-term performance would impair the ability of the portfolio to achieve the longer-term objectives.
- 5.0 For private market investments, performance benchmarking is more difficult as fully relevant benchmarks do not exist. Performance benchmarking for private markets uses market-based proxies where available and objectives are based on the absolute performance of the mandate.
- 6.0 Independent of the above investment performance analysis, the University shall consider whether any other qualitative circumstances may warrant a change in an investment manager. Such circumstances would include, but not be limited to:
 - 6.1 Significant turnover in the staff of the investment manager(s).
 - 6.2 Change in ownership of investment manager(s).
 - 6.3 Failure of the investment manager(s) to satisfy all the responsibilities set out in the Statement.
 - 6.4 Desire to further diversify the management of the portfolio or to add additional investment manager(s).

Core Plus Fixed Income Mandate

- 7.0 The core plus fixed income mandate will be an actively managed portfolio that invests in bonds, debentures, and other fixed income securities issued by both Canadian and non-Canadian corporations, governments, and other agencies. Foreign currency exposures will be hedged to Canadian dollars as per the underlying investment

manager's policies.

8.0 **Return Objectives:** Produce a return that:

8.1 Is greater than or equal to the FTSE Canada Universe Bond Index return, plus 0.5%.

8.2 Ranks above the median of a survey of returns generated by a relevant peer group.

9.0 **Volatility Objective:** Produce a standard deviation less than or equal to the volatility of the FTSE Canada Universe Bond Index.

Commercial Mortgage Mandate

10.0 The commercial mortgages mandate will be an actively managed portfolio that invests primarily in first mortgages backed by commercial properties across Canada. The mandate is expected to be broadly diversified across borrowers and market sector.

11.0 **Return Objectives:** Produce a return that:

11.1 Is greater than or equal to the FTSE Canada Short Term Corporate Bond Index, plus 0.5%.

Canadian Equity Mandates

- 12.0 Canadian equity mandates will be actively managed portfolios that invest in securities that trade on recognized stock exchanges in Canada. The mandates are expected to be broadly diversified across issuers and market sector.
- 13.0 If more than one manager is used to implement the Canadian equity portfolio, each manager is expected to offer a distinct style offset to minimize total portfolio volatility.
- 14.0 **Return Objectives:** Produce a return that:
- 14.1 Is greater than or equal to the S&P/TSX Composite Index, plus 1.25%.
 - 14.2 Ranks above the median of a survey of returns generated by a relevant peer group.
- 15.0 **Volatility Objective:** Produce a standard deviation less than or equal to the volatility of the S&P/TSX Composite Index.

Global Equity Mandates

- 16.0 Global equity mandates will be actively managed portfolios that invest in securities that trade on recognized stock exchanges anywhere in the World. The mandates are expected to be broadly diversified across issuers, geography, and market sector.
- 17.0 If more than one manager is used to implement the global equity portfolio, each manager is expected to offer a distinct style offset to minimize total portfolio volatility.
- 18.0 **Return Objectives:** Produce a return that:
- 18.1 Is greater than or equal to the MSCI ACWI Index (C\$, net), plus 1.25%.
 - 18.2 Ranks above the median of a survey of returns generated by a relevant peer group.
- 19.0 **Volatility Objective:** Produce a standard deviation less than or equal to the volatility of the MSCI ACWI Index (C\$, net).

Canadian Real Estate Mandate

- 20.0 The Canadian real estate mandate will invest in commercial properties with a focus on industrial properties in major urban centers across Canada. The mandate is expected to be broadly diversified by tenant and lease expiry and maintain a low debt level (maximum 20%).

21.0 **Return Objectives:** Produce a return that:

21.1 Is greater than or equal to the MSCI/REALPAC Canada Quarterly Property Fund Index.

22.0 **Volatility Objective:** Produce a standard deviation less than or equal to the volatility of the MSCI/REALPAC Canada Quarterly Property Fund Index.

Global Infrastructure Mandate

23.0 The Global infrastructure mandate will invest in core infrastructure assets utilizing an open-ended fund structure with an investment focus on regulated brownfield assets within the OECD countries.

24.0 **Return Objectives:** Produce a return that:

24.1 Is greater than or equal to the Canadian CPI + 5.0%