

<b>Investment Policy</b>			
<b>Policy Sponsor</b>	Vice President, Finance and Administration and Chief Financial Officer	<b>Category</b>	Board
<b>Policy Contact</b>	Director, Financial Services	<b>Effective Date</b>	September 13, 2019
<b>Approved By</b>	The Governors of Athabasca University	<b>Review Date</b>	September 13, 2024
<b>Approved Date</b>	September 13, 2019		

## 1. Purpose

This policy provides guidance to ensure oversight of the University's Investments and the management of strategic asset mixes in various portfolios. These principles flow from best practices, The Governors of Athabasca University's Investment Beliefs, its risk tolerance, as well as the expectations for achieving returns within risk parameters. This policy addresses the need for each investment portfolio to be effectively managed in accordance with the principles and beliefs set out in this policy.

## 2. Scope

This policy applies to the University's investments. The funds available for investment are drawn from the Endowment Fund, unspent Operating Funds and Restricted Funds. The Board establishes overall responsibility for the Investment Policy, including the determination of guiding principles and the investment beliefs foundational to decisions. The Board Finance & Property Committee makes recommendations to The Governors of Athabasca University in relation to this policy and is supported by the Investment Advisory Committee. This policy, together with its appendices and procedure, addresses the primary investment objectives for asset mixes by time-horizon, as well as the investment management expectations, including monitoring and risk management. Any person to whom responsibilities for carrying out decisions related to the management of University's Investments must also adhere to this policy.

### 3. Definitions

<b>Active Management</b>	A portfolio management strategy where the manager makes specific investment decisions with the goal of outperforming an investment benchmark index or target return.
<b>Asset Class</b>	Broadly speaking, assets can be assigned to one of the core asset classes (e.g., stocks, bonds, cash, etc.).
<b>Asset Mix</b>	The eligible asset classes distributed into portfolios with various time horizons.
<b>Board</b>	The Governors of Athabasca University
<b>Conflict of Interest</b>	Any situation that falls into the definition of an actual, potential, or perceived conflict of interest as defined in the <i>Code of Conduct and Conflict of Interest Guidelines for the Board of Governors</i> or <i>Code of Conduct for Members of the University Community</i> .
<b>Endowment Fund</b>	A Restricted Fund where the capital value is invested and maintained, and the annual investment income supports the specified purpose. It is a legal arrangement known as a charitable purpose trust where the financial holdings within are held in perpetuity, with the income designated for specific educational purposes (e.g., scholarships, academic chairs).
<b>External Fund Manager</b>	A contracted third-party investment manager engaged by the University to invest funds on their behalf.
<b>Finance &amp; Property Committee</b>	Assists the Board in its oversight of the financial plans, policies, investments, practices, and performance of the University and approved capital projects, including information technology projects.
<b>Investment Advisory Committee</b>	Assists the Board Finance & Property Committee in fulfilling its oversight responsibilities with respect to the investment of the University's unspent Operating and Restricted Funds, and the Endowment Fund.
<b>Investments</b>	Investments of the University made up of the four portfolios, based on time horizon and set out in Appendix B: short-term portfolio, medium-term portfolio, long-term portfolio, and long-term endowment portfolio.

<b>Liquidity</b>	A measure of how easy it would be to liquidate an investment. This is normally measured in time and is dependent on how active the market is for that asset class.
<b>Long-Term Portfolio</b>	The portfolio in which funds are invested when the funds are not likely to be expended in the next five years. This portfolio can be made up of Operating or Restricted Funds.
<b>Long-Term Endowment Portfolio</b>	The portfolio in which the University's Endowment Fund is invested. This portfolio will be held in perpetuity based on the trust agreements for the individual endowments. It therefore has the longest possible investment horizon.
<b>Medium-Term Portfolio</b>	The portfolio in which funds are invested when they are expected to be expended within one to five years. This portfolio can be made up from operating or restricted sources.
<b>Operating Funds</b>	Financial holdings of the University derived from grants, or fees, or donations, where the use is at the discretion of the University and is not restricted. They include surpluses from operations and net working capital, and are available for short-term, medium-term and long-term investment.
<b>Passive Management</b>	A portfolio management strategy designed to closely replicate the investment weighting and returns of a benchmark.
<b>Portfolio</b>	A grouping of financial assets created to meet the investment objectives of the University.
<b>Restricted Funds</b>	Financial holdings of the University, the use of which is restricted to a specified special purpose by the grant contributor, or the donor, or Board motion. They include grants and donations that must be maintained until the specified activity, for which the restriction exists, occurs. These are normally short term in nature but on occasion they may be either medium or long term in nature and are available for investment generally.
<b>Risk Tolerance</b>	The level of acceptable risk as determined by the Board.
<b>Short-Term Portfolio</b>	The portfolio in which funds are invested when they are expected to be expended within one year.
<b>University</b>	Athabasca University

## 4. Guiding Principles

### 4.1. General

- a) Investments will be made in the best interests of the University.
- b) This policy is based upon best practices, the Board's investment beliefs, and the Board's guidance regarding Risk Tolerance and expected return. The Board's Investment Beliefs are found in Appendix A to this policy and may be amended from time to time.
- c) The Vice President, Finance and Administration and Chief Financial Officer is the senior officer responsible for the management of the University's Investments, providing direction to the Director, Financial Services, who is responsible for the procedure associated with implementation of the Investment Policy.
- d) The primary investment objective is to ensure Investments are prudently invested in accordance with this policy. Investments are allocated to the individual portfolios, as set out in Appendix B, based upon the anticipated cash flow needs.
- e) Each of the portfolios making up the University's Investments have differing objectives and how they can be prudently invested to achieve those objectives will differ. Prudent investment of the University's financial holdings necessitates incurring investment risks through ownership of financial instruments and securities.
- f) The University is bound by applicable legislation and legal requirements affecting both the University and the investment industry. Those standards include Public Sector Accounting Standards.

### 4.2. Investments: Allocation Characteristics

- a) The University's investments come from unspent Operating and Restricted Funds and the Endowment Fund.
- b) Allocations
  - i. Portfolios derived from unspent Operating and Restricted Funds may have short, medium or long-term investment horizons based upon the cash flow needs associated with the source of funds.
  - ii. Endowment funds are held in perpetuity and thus have a long-term investment horizon.

- iii. In order to maximize investment returns, portfolios should be invested in a manner that matches the investment horizons of the Operating, Restricted, or Endowment Funds as established by the Vice President, Finance and Administration and Chief Financial Officer or designate.
- iv. Allocations to portfolios should be in accordance with relevant legislation, agreements (including donor agreements) and contracts.

#### **4.3. Asset Mix and Objectives**

- a) Target asset mixes should reflect the Board's appetite for risk. The Asset Mix is the most important determinant of investment return.
- b) The Asset Mix of each portfolio, including the minimum, target and maximum for each type of qualifying investment, based on market value, are integral to this policy.
- c) The Assets Mixes as approved by the Board are set out in Appendix B and may be amended from time to time.
- d) Additional investment qualifications and limitations should be developed for each investment portfolio in accordance with the Board's recommended mix of investments and the Investment beliefs in Appendix A.
- e) All portfolios are expected to add value, through prudent management at the risk level acceptable to the University, to achieve a rate of return, net of all fees and expenses, measured over moving four-year periods, of at least equal to the rate of return of the benchmark provided to the third party portfolio manager by the University.

#### **4.4. Benchmarks**

- a) The University should monitor its investment returns in comparison to relevant benchmarks.
- b) Active management of portfolios involves higher management fees, and as such actively managed portfolios' rate of return should be in excess of the relevant benchmark for each Asset Class.
- c) Investment manager performance should be monitored over a multi-year period.

- d) Passive management of funds should be expected to mirror the relevant benchmark for each Asset Class.
- e) Benchmarks are defined and set out in Appendix B of this policy.

#### **4.5. Rebalancing**

- a) In order to ensure that investment risks are in accordance with the Board's guidance, the Asset Mix should be rebalanced quarterly within the minimum and maximum ranges, based on market values of the investments.
- b) The target allocations and minimum and maximum ranges should be reviewed regularly and revised if necessary.

#### **4.6. Quality and Limitations**

- a) Given that it would be cost prohibitive to invest in separately managed investment accounts it is appropriate to utilize pooled funds.
- b) In order to ensure clarity and enable effective and prudent investment management in alignment with the Boards guidance on risk, a written agreement should be reached with each external investment manager outlining liquidity requirements, discretion limits, diversification, quality standards, performance expectations, prohibited investments, and reporting requirements.

#### **4.7. Monitoring and Risk Management**

In order to ensure alignment with the Boards objectives and risk tolerance the Investment Advisory Committee should monitor and assess the performance of all External Fund Managers in accordance with the Investment Advisory Committee Terms of Reference.

#### **4.8. Valuation of Investments**

As market values are the most effective basis for monitoring investment performance, market values should be used for the purposes of oversight and monitoring of investments and investment managers.

#### 4.9. Conflicts of Interest

- a) The University, its employees, investment managers, investment custodians, or any delegates thereof should avoid any conflicts of interest as defined in the *Code of Conduct and Conflict of Interest Guidelines for the Board of Governors, or Code of Conduct for Members of the University Community*.
- b) External Fund Managers will be subject to their own, appropriate conflict of interest policy.

#### 4.10. Restrictions on Borrowings

The University's Investments can be used as collateral for borrowings (as per [Post-Secondary Learning Act](#) ).

### 5. Applicable Legislation and Regulations

[Post-Secondary Learning Act](#)

### 6. Related Procedures/Documents

[Code of Conduct and Conflict of Interest Guidelines for the Board of Governors](#)

[Code of Conduct for Members of the University Community](#).

[Endowment Management Policy](#)

[Investment Procedure](#)

### History

<i>Date</i>	<i>Action</i>
September 13, 2019	Revised Policy Approved (The Governors of Athabasca University Motion #240-04)
January 14, 2019	Revised Policy Approved (The Governors of Athabasca University Motion #205-04)
March 26, 2015	Revised Policy Approved (The Governors of Athabasca University Motion #196-05)
January 22, 2015	Revised Policy Approved (The Governors of Athabasca University Motion #194-08)
June 8, 2012	Revised Policy Approved (The Governors of Athabasca University Motion #177-4)
June 10, 2011	Revised Policy Approved (Athabasca University Governing Council #173-2)

March 27, 2009	Revised Policy Approved (Athabasca University Governing Council #165-5)
June 17, 2005	Revised Policy Approved (Athabasca University Governing Council #150-5)
March 27, 2004	Policy Approved (Athabasca University Governing Council #145-5 )



**Appendix A: Investment Beliefs**

The following beliefs provide a foundation for the development of policy related to investments and provide guiding rationale for Board members to base their decision making in relation to Athabasca University’s Asset Mix.

<b>INVESTMENT BELIEFS</b>	
1	The strategic asset allocation decision is a long-term decision and is the most important factor in determining investment risk and return.
2	Achieving higher returns generally requires taking more risk. The strategic asset mix should represent a balance between the University’s ability to absorb risk and the desire for higher returns.
3	Regular rebalancing to the strategic asset mix is necessary to ensure portfolio risk does not drift from the intended level.
4	Diversification within and across Asset Classes can reduce risk over the long term without compromising expected returns.
5	Investing in active strategies can provide downside protection and the potential to add value. Success with active management requires strong conviction on the part of the investor, based on robust research regarding the efficiency of the markets in which the University invests. Passive management should be used where there is not a reasonable chance of selecting an active manager that will outperform after fees.

6	Investee corporations that effectively reduce risk associated with environmental, social and governance (ESG) factors can reasonably be expected to increase the creation of shareholder value over longer time frames. It is appropriate for investment managers to consider ESG factors in managing investments.
7	Tactical asset allocation strategies (market timing) do not add consistent, long-term value at an acceptable level of risk.
8	Administrative, custodial, advisory and investment management fees have a significant impact on long term results and should be managed carefully.
9	Investment managers should be monitored on an ongoing basis for changes in their organization, investment process and key investment personnel, and quarterly for investment performance against relevant peer groups and indices. Investment performance should generally be evaluated over a 4-year period, consistent with industry best practices. Investment performance evaluation will also consider an investment manager's investment strategy. Emphasis should be placed, not only on the level of returns, but also on the amount of risk taken to achieve those returns.
10	Investment beliefs and the strategic asset mix should be reviewed at least every 5 years.

**Appendix B: Investment Portfolios and Benchmarks**
**1. Investment Portfolios**

Specific asset mixes for each time-horizon investment portfolio are integral to this policy and are as follows:

**a) Short-Term Portfolio**

- i. Short-term investment opportunities arise where cash is required within one year for regular operations or other planned spending initiatives. Investment yield, while important, will be subordinate to security and liquidity considerations.
- ii. The Short-Term Portfolio is intended to achieve investment security and sufficient liquidity and availability of operating cash as needed. The investments must be daily valued and able to be redeemed in less than three trading days. The Short-Term Portfolio Asset Mix will be:

<b><u>Short-term Portfolio</u></b>	<b><u>Minimum</u></b>	<b><u>Target</u></b>	<b><u>Maximum</u></b>
Cash & Money Market	40%	50%	60%
Short-Term Bonds	40%	50%	60%
<b>Total Cash &amp; Fixed Income</b>		<b>100%</b>	

**b) Medium-Term Portfolio**

- i. Medium-term investment opportunities arise where plans exist to use the financial holdings within one to five years for future operating, or capital commitments. The Medium-Term Portfolio Asset Mix is:

<b><u>Medium-Term Portfolio</u></b>	<b><u>Minimum</u></b>	<b><u>Target</u></b>	<b><u>Maximum</u></b>
Cash & Money Market	0%	0%	10%
Short-Term Bonds	53%	63%	73%
Mortgages	7%	12%	17%
<b>Total Cash &amp; Fixed Income</b>	<b>65%</b>	<b>75%</b>	<b>85%</b>

Canadian Equities	0%	4%	8%
Global Equities, ACWI	3%	8%	13%
Global Equities, Low Volatility	8%	13%	18%
<b>Total Equities</b>	<b>15%</b>	<b>25%</b>	<b>35%</b>

- c) Long-Term Portfolio
- i. Long-term investment opportunities arise where the University's financial holdings are not likely to be expended in the next five years. The Long-Term Portfolio Asset Mix is:

<b><u>Long-term Operating Portfolio</u></b>	<b><u>Minimum</u></b>	<b><u>Target</u></b>	<b><u>Maximum</u></b>
Cash & Money Market	0%	0%	10%
Short-Term Bonds	34%	44%	54%
Mortgages	7%	12%	17%
<b>Total Cash &amp; Fixed Income</b>	<b>46%</b>	<b>56%</b>	<b>66%</b>
Canadian Equities	3%	8%	13%
Global Equities, ACWI	11%	16%	21%
Global Equities, Low Volatility	15%	20%	25%
<b>Total Equities</b>	<b>34%</b>	<b>44%</b>	<b>54%</b>

- d) Long-Term Endowment Portfolio
- i. The Endowment Portfolio is held in perpetuity. The Long-Term Endowment Portfolio Asset Mix is:

<b><u>Long-Term Endowment Portfolio</u></b>	<b><u>Minimum</u></b>	<b><u>Target</u></b>	<b><u>Maximum</u></b>
Cash & Money Market	0%	0%	10%

Short-Term Bonds	18%	28%	38%
Mortgages	5%	10%	15%
<b>Total Fixed Income</b>	<b>28%</b>	<b>38%</b>	<b>48%</b>
Canadian Equities	7%	12%	17%
Global Equities, ACWI	19%	24%	29%
Global Equities, Low Volatility	21%	26%	31%
<b>Total Equities</b>	<b>52%</b>	<b>62%</b>	<b>72%</b>

The Endowment Fund investment earnings will be allocated in accordance with the [Endowment Management Policy](#).

## 2. Benchmarks

It is important that the benchmarks for each Asset Class be clearly defined. They are as follows:

<b>Asset Class</b>	<b>Benchmark</b>
Cash & Money Market	FTSE Canada 91 Day T-Bill Index
Short-Term Bonds	FTSE Canada Short Term Bond Index
Mortgages	FTSE Canada Short Term Bond Index + 1%
Canadian Equities	S&P/TSX Capped Composite Total Return Index
Global Equities, ACWI	MSCI ACWI Net Total Return Index (CAD)
Global Equities, Low Volatility	MSCI World ex-Canada Net Total Return Index (CAD)