CAPILANO UNIVERSITY	POLICY		
Policy No.	Officer Responsible		
B.201	**Vice-President, Finance and Administration**		
Policy Name			
Investment Policy			
Approved by	Replaces	Category	Next Review
Board		**Finance**	**June 2028**
Date Issued	Date Revised	Related Policies, Reference	
January 25, 2005	**June 27, 2023**	**Board Governance Manual**	

Table of Contents

1 Overview

1.1 Purpose of University Fund

The purpose of the Capilano University Fund ("University") is to provide financial support to the University in a variety of initiatives in pursuit of its mission. The funds may be used to fund awards, capital needs, programs, and research initiatives at the University. Collectively, the portfolios are known as the "Fund".

1.2 Purpose of this Policy

This Investment Policy (the "Policy") establishes the framework of principles and guidelines for the investment oversight of the University to ensure that the assets of the University are invested in a prudent and effective manner. This Policy is designed to ensure an appropriate balance between the Fund's return objectives and its risk tolerance.

1.3 Nature of the University

The University is expected to benefit intended recipients in perpetuity. The medium term investment horizon allows the University to absorb some short term volatility of return in order to achieve higher returns over the longer term. Maintaining the purchasing power of capital against the erosive effect of inflation is essential to protect the interests of future generations. Liquidity needs are moderate provided the University's cash disbursement requirements can be achieved.

1.4 Prudent Person Approach

The University operates under the authority of the University Act of British Columbia, which authorizes the boards and trustees of societies to make investments that a "prudent person" would make. Investments will be evaluated in terms of their impact on overall portfolio return and risk.

1.5 Tax Considerations

All investments are subject to legislative requirements under the Income Tax Act (ITA). The University is a registered charity and is exempt from income taxes under Section 149 of the ITA.

2 Governance

2.1 Roles and Responsibilities

a) The Board of Governors of the University (the “Board”) has the ultimate responsibility to ensure that the Fund is invested and managed in accordance with the prudent person principle.

b) In fulfilling its responsibilities, the Board delegate investment and investment oversight activities to employees of University (“Staff”) and the Investment Management Committee of the Board of Governors of Capilano University (“Committee”) where appropriate. Any reference in the Policy to the Board shall be interpreted as referencing the appropriate delegate.

c) The Board may rely on independent experts for certain aspects of the Fund’s operations where expert knowledge is required or where a perceived or actual conflict of interest exists.

d) The Board shall retain one or more independent professional investment managers (the “Manager(s)”) to invest the Fund assets. Managers for the Fund’s assets must be registered and in good standing with a securities commission appropriate for their jurisdiction.

2.2 Delegation of Duties

2.2.1 The Investment Management Committee (the “Committee”)

The responsibilities of the Committee with respect to the Fund are outlined in Section 3 Duties and Responsibilities in the Investment Management Committee Terms of Reference.

2.2.2 University Staff (the “Staff”)

Staff will support the Committee in fulfilling its responsibilities and will perform duties as directed by the Committee.

2.2.3 Investment Manager(s) (the “Manager(s)”)

A Manager is retained to manage assets of the University and has the following tasks and responsibilities:

a) Accept, adhere, and manage assets to this Policy and also to the specific written guidelines (“Mandate”), and contract, agreed between the Manager and the Board. The Mandate includes discretion limits, diversification requirements, quality standards, performance expectations and reporting requirements;

b) Comment on the prevailing market conditions and the anticipated impact for investment strategy;
c) Monitor the mandate asset allocation and rebalance as outlined in the Policy;
d) Provide investment activity reports, investment performance reports, proxy voting Policy and non-routine votes on an annual basis; and compliance with this Policy and Mandate on a quarterly basis.
e) When requested, meet with the Committee to discuss how the investment performance of each portfolio was achieved and discuss future investment strategies;
f) Comply with the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute;
g) Exercise and direct voting rights acquired through portfolio investments;
h) Process transactions requested by the University;
i) Inform the Committee of any change in investment process, personnel and any other significant changes as soon as practicable;
j) Provide annual updates on ESG and Responsible Investment policies and initiatives.

2.2.4 The Investment Consultant (the "Consultant")

The Committee may choose to engage the Consultant to assist it in meeting its fiduciary obligations. The Consultant will:

a) Advise the Committee regarding the optimal approach to investing in order to meet University's Policy;
b) When requested, meet with the Committee to discuss investment performance of the Fund and potential future investment strategies;
c) Provide quarterly updates on Fund investment performance against University objectives and performance targets, diversification characteristics of the University, the investment risk taken and how well risk is being used to earn investment return;
d) Provide an assessment of Fund Manager performance and firm changes;
e) When requested, assist with structuring the Fund, including manager searches and setting asset mix.

2.3 Standard of Care

The Standard of Care required of the Board is that they will exercise the care, skill, diligence and judgement that a prudent investor would exercise in making investments in light of the purposes and distribution requirement of the University.

The Committee and their appointed advisors shall exercise the degree of care, skill, diligence and judgement that a person of ordinary prudence would exercise in dealing with the property of another person.

The Committee members and their appointed advisors who possess, or because of their profession or business ought to possess, a particular level of knowledge or skill relevant to their responsibilities to the Fund, shall employ that particular level of knowledge or skill in the interest of the Fund.

3 Investment Objectives and Risk Considerations

3.1 Primary Investment Objective

The primary investment objective of the Fund is to generate sufficient long term investment returns to enable the University to meet its annual cash disbursement objectives, while preserving, and where possible, growing the inflation-adjusted capital value of the Fund.

The Board has established a long-term return objective of CPI + 3% (net of investment management fees).

It is understood that returns may be well above or below this objective in any given year, depending on the capital market environment. Achievement of this objective is evaluated over a rolling 4-year basis.

3.2 Secondary Investment Objective

The secondary investment objective is to exceed by 0.75% over rolling four-year periods the returns that would have been achieved by passively investing in the benchmarks, weighted according to the target allocations detailed below.

Asset Class	Benchmark	Target
Short Term Bonds	FTSE Canada Short Term Bond Index	30%
High Yield Bonds	FTSE Canada Universe Bond Index	10%
Mortgages	FTSE Canada Short Term Bond Index	5%
Total Fixed Income		**45%**
Canadian Equity	S&P/TSX Composite Index	15%
Global Equity	MSCI World Index ($C, Net)	25%
Total Equities		**40%**
Alternative Investments	Consumer Price Index (1 Month Lagged) + 4%	15%
Total Alternatives		**15%**
Total		**100%**

3.3 Relative Ranking Objective

The Fund's Relative Ranking Objective is to rank in the 40th percentile or better on moving 4-year periods when compared to a representative sampling of relevant funds.

3.4 Asset Component Objectives

The following table details the value-add objectives relative to the corresponding benchmark for each asset component, evaluated over rolling four-year periods.

Asset Class	Benchmark	Value-Add Objective
Short Term Bonds	FTSE Canada Short Term Bond Index	0.25%
High Yield Bonds	FTSE Canada Universe Bond Index	0.50%
Mortgages	FTSE Canada Short Term Bond Index	0.50%
Canadian Equity	S&P/TSX Composite Index	1.50%
Global Equity	MSCI World Index ($C, Net)	1.50%
Alternative Investments	Consumer Price Index (1 Month Lagged) + 4%	0

In addition, where applicable, each asset component is expected to rank in the 40th percentile or better over rolling four-year periods relative to a representative universe of similar funds.

3.5 Risk Considerations

The Board recognizes that the asset classes most likely to produce the highest returns are also likely to exhibit the greatest volatility. Conversely, the asset classes likely to be the least volatile are likely to produce the lowest returns over time. The Fund is characterized by moderate risk aversion and is able to accept some short-term volatility in order to achieve higher long-term returns. To the extent possible, risk will be reduced through thoughtful diversification and by applying appropriate restrictions on the quality of securities held.

4 Asset Allocation Guidelines

The Board has adopted a target asset allocation policy designed to provide ample diversification, suitable liquidity and a prudent balance of risk and expected return. The target allocations along with allowable ranges are detailed in the table below:

Asset Class	**Target**	**Minimum**	**Maximum**
Cash & Equivalents	0%	0%	5%
Short Term Bonds	30%	22.5%	37.5%
High Yield Bonds	10%	0%	12.5%
Mortgages	5%	0%	7.5%
Total Fixed Income	**45%**	**37.5%**	**52.5%**
Canadian Equity	15%	10%	20%
Global Equity	25%	20%	30%
Total Equities	**40%**	**30%**	**50%**
Alternative Investments	15%	10%	20%
Total Alternatives	**15%**	**10%**	**20%**

The Fund may be rebalanced based on the annual reviews or when an asset class breaches its predetermined limits. Adherence to the above ranges may not be possible during periods of asset mix transition.

5 Permitted Categories of Investments

5.1 Subject to the Asset Allocation Guidelines and Restrictions of this Policy, the Fund may invest in any or all of the asset categories and subcategories listed below:

a) Cash and equivalents issued by governments or corporations, term deposits or similar instruments of trust and insurance companies, and banks;
b) Canadian and foreign fixed income including bonds, debentures, GICs, notes or other debt instruments;
c) Mortgage loans, asset backed and mortgage-backed securities;
d) Public equities, convertible debentures or preferred securities, share purchase warrants and rights, exchange traded funds (ETFs), depositary receipts, interests in limited partnerships, real estate investment trusts and income trusts unless holding such limited partnerships or trusts would be considered by CRA to be carrying on an unrelated business;
e) Private Investments consisting of securities and notes not publicly traded, whether debt or equity, of private companies. Investments are to be made by means of limited

partnerships including limited liability partnerships and other commingled investment vehicles;

f) Real assets such as Real Estate and Infrastructure, when held indirectly through pooled or private vehicles such as a limited partnership including a limited liability partnership or Investment Fund or deposit administration contract;

g) Guaranteed investment contracts or equivalent of insurance companies, banks or other eligible issuers, which invest primarily in such instruments;

h) Annuities, deposit administration contracts or other similar instruments regulated by the Insurance Companies Act or comparable provincial law, as amended from time to time;

i) Pooled or segregated funds and limited partnerships which may invest in any or all of the above instruments or assets.

5.2 Derivative financial instruments may be used provided that the usage has been specifically approved in the Manager Mandate and is consistent with this Policy. In no event may derivatives be used to create leverage.

6 Restrictions and Constraints for Fund's Investments

6.1 Cash & Equivalents

a) The short-term portion of the total Fund shall be invested in liquid securities with a term to maturity of no more than one year, or held in cash;

b) All Short-Term investments shall be rated DBRS R-1 low or higher by the Dominion Bond Rating Service or equivalent internationally recognized rating service;

c) Not more than 10% of the short-term component of the Fund shall be invested in any one issuer except for securities of, or guaranteed by:

   i. The Government of Canada or a Qualifying Canadian Province; or
   ii. A Schedule A Canadian bank.

6.2 Fixed Income

Short Term Bond Portfolio

a) All bonds in the portfolio should be high quality, with the majority of bonds being rated "A low" or higher by the Dominion Bond Rating Service or equivalent internationally recognised rating service.

b) The Manager has the discretion to purchase "BBB" rated bonds (including convertible and other high yield securities) to a maximum of 35% of the total market value of the Short Term Bond portfolio, unless otherwise stated in the mandate statement.

c) No more than 10% of the total portfolio will be invested in any one government issuer or corporate issuer, other than the Government of Canada or Province. The Committee shall review all security positions greater than 5% at market value.

d) If an investment credit rating is downgraded to below a "BBB" rating, the Manager will inform the University of their strategic reason to maintain a position in the asset. If the

Committee is not satisfied, the Manager will dispose of the downgraded security as expeditiously as possible without compromising the portfolio.

e) The average duration range of the bond portfolio will be ± 1 year of the duration of the Short Term Bond Index.

High Yield Bond Portfolio

a) Majority of bonds should be rated by the Dominion Bond Rating Service or equivalent internationally recognised rating service. The Manager has the discretion to invest in unrated bonds to a maximum of 10% of the total market value of the High Yield Bond portfolio, unless otherwise stated in the mandate statement
b) No more than 10% of the total portfolio will be invested in any one government issuer or corporate issuer, other than the Government of Canada, Province, or the US Sovereigns. The Committee shall review all security positions greater than 5% at market value.
c) No more than 70% of the total portfolio will be invested in non-Canadian securities, unless otherwise stated in the mandate statement.

6.3 Mortgages

No direct investment in mortgages is permitted. Investments in mortgages can be made through pooled or limited partnership vehicles. Each investment shall maintain appropriate diversification by geography, sector and maturity.

6.4 Public Equity

a) The strategy should reflect prudent diversification by region, country, industry sector and number of companies.
b) In the interest of diversification, not more than 10% of each Canadian and Global equity portfolio at market value, shall be invested in the common stock, preferred shares or other equity issues of any one corporation. The Committee shall review all security positions greater than 5% at market value.
c) The Manager will advise the Committee in writing when the manager owns/controls 10% or more at market value of one security or company in the portfolio.
d) All equity investments shall be publicly traded on recognized stock exchanges or through organised facilities upon which market prices are readily available.
e) Maximum of 20% of the global equity portion of the total fund may be invested in emerging markets.

6.5 Alternative Investments

a) Maximum exposure to alternative investments is limited to 20% of the portfolio at the time of purchase. A security will be deemed to be illiquid if its resale is prohibited by agreement or statute or if the security cannot be readily sold into the market at a reasonable competitive price during usual market conditions.

b) Investments in Private Debt, Private Equity, Infrastructure, and Real Estate are typically made by means of limited partnerships including limited liability partnerships or related fund vehicles. Each investment shall maintain appropriate diversification by geography and sector and prudent use of leverage.

6.6 Derivative Instruments

The use of derivative instruments for speculative or leverage purposes is not permitted.

6.7 Pooled Funds and Like Vehicles

The Fund may invest in pooled funds provided that such pooled funds are expected to be managed within constraints similar to those detailed in this Policy. The manager may hold any part of the portfolio in one or more pooled or co-mingled funds managed by the Manager. It is recognized that conflicts may arise between this Policy and the investment policy of the pooled fund(s). In these cases, the pooled fund policy shall prevail. However, the relevant manager is expected to advise the Committee in the event that the pooled fund exhibits any significant departure from this Policy.

7 Environment, Social, and Governance (ESG)

ESG refers to environmental, social, and governance factors that may have a material impact on an investment.

The University supports and encourages its Manager(s) to incorporate ESG factors, along with other conventional analytical tools, when evaluating investment opportunities and risks. It should be noted that ESG factors are only one aspect of analysis and should not be used as an exclusionary screen to eliminate specific entities or sectors from consideration. Relevant ESG factors will vary by industry and should be applied appropriately to help assess both risk and return.

When selecting Managers, the Committee should consider how managers analyze and integrate ESG factors into their investment activities and determine if they are signatories of the United Nations' Principles for Responsible Investing (UNPRI).

Manager(s) shall provide updates on ESG and/or Responsible Investment policies and initiatives on an annual basis.

8 Valuation of Investments

8.1 Investments in publicly traded securities shall be valued at their market value.

8.2 Investments in pooled funds and like vehicles comprised of publicly traded securities shall be valued according to the unit values published at least monthly by the pooled fund Manager and verified by the pooled fund's Custodian.

8.3 If a market valuation of an investment is not readily available, then a fair value shall be determined by the Manager. For each such non-traded investment, an estimate of fair value shall be supplied to the Manager's Custodian and reported to the Committee no less frequently than quarterly. In all cases, the methodology should be disclosed and applied consistently over time.

8.4 For real and non-traded assets, the Manager shall complete an annual valuation by engaging an accredited independent appraiser to determine the value.

9 Conflicts of Interest

9.1 A conflict of interest, whether actual, potential, or perceived, is defined for the purposes of this Policy as any event in which a Related Party's private interests supersedes or competes with their dedication and obligations to the interests of the University. The Related Party may benefit materially from knowledge of, participation in, or by virtue of, an investment decision or holding of the Fund or decision of the Committee.

9.2 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 Chair. The party to the conflict shall thereafter be excused from meetings and abstain from decision-making with respect to the area of conflict, and a written record of the conflict shall be maintained by the Committee.

9.3 Where an actual or perceived conflict of interest arises, the disclosure will be recorded in the minutes of the meeting.

10 Voting Rights

The exercise of voting rights is delegated to the Manager, who shall at all times act prudently and in the best interests of the fund. It is expected that in the case of pooled funds, proxies will be voted in accordance with the pooled fund guidelines in the best economic interests of all pooled fund participants.

11 Monitoring

11.1 The Committee shall review on a regular basis, as needed, and at least semi-annually:

a) the assets and net cash flow of the Fund,
b) the current economic outlook and investment plans of the Managers,

c) the current asset mix of the Fund,
d) the investment performance of the Fund,
e) the performance of Manager portfolios,
f) the Manager's turnover of personnel, consistency of investment style, discipline in portfolio construction, and record of service,
g) the fees and expenses incurred in managing the Fund, and
h) compliance with this Policy

The Committee shall take such steps as it deems appropriate to address any concerns which may arise from such monitoring.

12 Policy Review Meetings

12.1 This Policy shall be reviewed at least annually, and whenever a major change is necessary. Such review may be triggered by:

a) a change in the expected projected expenditures of the Fund;
b) a revision to the expected long-term trade-off between risk and reward on key asset classes;
c) a shift in the financial objectives and risk tolerance of the Fund,
d) shortcomings of the Policy that emerge in its practical operation; or
e) modifications that are recommended to the Committee by a Manager.

The Committee shall recommend changes to this Policy as required for approval by the Board.

13 Loans and Borrowing

The Managers may not pledge, hypothecate, or otherwise encumber in any way, the assets of the Fund, except to the extent that temporary overdrafts occur in the normal course of business.

The Managers shall not borrow on behalf of the Fund, with the exception of leverage deployed within alternative and real asset investment strategies. Securities lending in pooled funds is permitted through the Custodian of the Fund, subject to applicable legislation and provided that a minimum liquid, high quality collateral coverage of at least 102% of the current market value of the loaned securities is maintained at all times.