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	**Policy 47**	**A**	**March 2020**
Date Issued	Date Revised	Related Policies, Reference	
January 25, 2005	**March 19, 2019**	**B.306**	

1 PURPOSE

1.1 Investment earnings are an important source of funding for the University. Therefore the protection and enhancement of the principal assets of all the University's portfolios is crucial if the University is to meet the expectations of stakeholders – be they students, academics, government, or donors. The purpose of this policy is to establish guidelines to ensure that the assets of Capilano University (the University) and the Capilano University Foundation (herein both referred to as the University) are invested in a prudent and effective manner.

2 INVESTMENT PORTFOLIOS — GENERAL DISCUSSION

2.1 The University has two investment portfolios, which can be broadly categorized by the type of spending obligations. Spending obligations dictate liquidity requirements, and thus have significant implications for investment time horizons. The two investment portfolios are:

a) **Short-term Portfolio:** Surplus cash flows that may be needed in the near term (< 1 year) or earlier, and that relate to timing differences between sources and uses of funds. For example, the University receives its tuition revenue in concentrated amounts during certain months of the year, while expenditures for the delivery of courses occur more evenly throughout the year. Other sources are flow through or restricted funding arrangements whereby the University receives funds for a specific purpose, but there is a delay in the outlay of those funds, such as funds received for the purchase of capital items, awards financed on an annual or flow-through basis, and funds received from a variety of provincial or federal agencies for specific program deliverables. In each of these cases, an opportunity exists to invest these funds to defray additional operating costs of the University, but the investments must have a high degree of liquidity, as well as a low propensity for returns to be volatile. The investments may be directed toward short term Government of Canada Treasury

Bills, Provincial Treasury Bills, or the Government of BC's Central Deposit Program.

b) **Long-term Portfolio:** Represents longer liability streams, including endowments and fund surpluses set aside for future use. Investment policies and practices must ensure that this portfolio may be able to sustain a stable flow of funds for the intended recipients or purposes. This requires maintaining the purchasing power against the erosive effect of inflation. Liquidity is not paramount as long as the regular payment requirements can be achieved. Given a longer investment time horizon, this portfolio is able to absorb some volatility of return in order to obtain the long-term benefits of those asset classes that have historically provided superior rates of return. The investments may be directed toward short-term Government of Canada Treasury Bills, Bankers' Acceptances of Schedule "A" Canadian Banks, R1 rated commercial paper, appropriately rated bonds and mortgages, or appropriately rated preferred and common shares.

3 INVESTMENT OBJECTIVES

Short-term Portfolio

a) to maximize returns on excess funds not needed for operating purposes within acceptable levels of risk

b) to ensure sufficient liquidity exists to meet cash disbursements as they become payable

Long-term Portfolio

a) to provide adequate cash flow to meet cash disbursement objectives (liquidity)

b) to provide growth in cash flows to meet rising expenditures over the long term (growth expectations)

c) to protect the value of the fund against the erosive effect of inflation by preserving capital in real terms (capital preservation)

3.2 It is recognized that these objectives have competing demands for current cash flow and long-term asset growth. Operationally, the objectives are to be achieved by adopting an investment framework that emphasizes total return. Cash management is related but distinct – cash requirements are to be budgeted and communicated to the investment managers to ensure that cash is available when needed and in the appropriate amount.

4 ASSET MIX

4.1 This investment policy may not attempt to stratify the list of assets eligible for inclusion in either the short-term or long-term portfolio. In selecting appropriate assets, the following criteria, in addition to any other relevant criteria, should be considered:

a) general economic conditions

b) the possible effect of inflation or deflation
c) the expected tax consequences of investment decisions or strategies
d) the role that each investment plays within the overall portfolio
e) the expected total return from income and appreciation of capital
f) needs for liquidity, regularity of income and preservation or appreciation of capital

4.2 Investment managers should comply with the entire Code of Ethics and Standards of Professional Conduct as set forth by the CFA Institute and, when selecting investments for the long-term portfolio, shall comply with Standard III C of the Standards of Professional Conduct. This standard requires that investment managers, when taking an investment action for a specific portfolio or client, consider its appropriateness and suitability for such portfolio or client. In considering such matters, investment managers shall take into account:

a) the need and circumstances of the client;
b) the basic characteristics of the investment involved;
c) the characteristics of the total portfolio; and
d) Environmental, Social and Governance factors (ESG).

4.3 Environmental, 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 investment managers 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 Investment Managers, the Investment Committee should consider how investment 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).

Derivatives, defined as options, forward exchange contracts or futures may only be used to hedge foreign currency exposure.

With the exception of commercial mortgages, all investments shall be in assets that are the subject of regular price quotation by recognized investment dealers in Canada or listed on a recognized Canadian, US, or foreign country stock exchange.

Investment managers may provide recommendations subject to the general guidelines herein to achieve reasonable diversification and shall ensure that the fund is invested in quality securities. In judging quality, investment managers should be guided by the position of an issuer within the economy or company within its industry; earnings and dividend history; financial strength; debt rating; rate of return on capital, and other relevant factors.

Investment managers may recommend the appropriate asset mix and strategy based on this policy and present this to the University quarterly or some more frequent period, should circumstances prevail that could have a material impact on the investment strategy. A list of the current investment parameters shall be maintained at all times and be available to the University for review.

5 TARGET ASSET ALLOCATIONS AND RANGES – LONG TERM FUND

5.1 The strategic investment mix for the long-term portfolios of both the University and the Foundation is set forth in the tables below. The Investment Management Committee has been established to oversee the investments through a professional investment manager. The Investment Management Committee's principal duties are detailed in Board Policy 306. The Investment Management Committee will be directed by the Investment Management Guidelines.

The Investment Management Committee has the latitude to invest up to the maximums as per the table below. Should the investment manager wish to invest funds outside the investment mix maximums on a short-term basis, the proposed deviation shall first be discussed with the Investment Management Committee to obtain its agreement.

UNIVERSITY ASSET MIX

Asset Class	**Range or Max**	**Benchmark or Target**
Fixed Income	Range 40% to 60%	Benchmark 50%
Total Equities	*Range 40% to 60%*	*Benchmark 50%*

FOUNDATION ASSET MIX

Asset Class	**Range or Max**	**Benchmark or Target**
Fixed Income	Range 30% to 50%	Benchmark 40%
Total Equities	*Range 50% to 70%*	*Benchmark 60%*

The investment manager with the Investment Management Committee will set an estimated target return annually and disclose it annually through the University's budgeting process.

6 SUMMARY

6.1 The Investment Management Committee and the Investment Manager will adhere to a detailed Investment Management Guideline which the Investment Management Committee will review at least once per year and revise as necessary.