

| FOUNDATION INVESTMENT POLICY |                               |                        |                |
|------------------------------|-------------------------------|------------------------|----------------|
| <b>Effective Date</b>        | May 20, 2017                  | <b>Policy Type</b>     | Administrative |
| <b>Responsibility</b>        | Vice-President Administration | <b>Cross-Reference</b> |                |
| <b>Approver</b>              | Executive Council             | <b>Appendices</b>      |                |
| <b>Review Schedule</b>       | Every 3 years                 |                        |                |

## 1. Policy Statement

- 1.1. Grande Prairie Regional College (“GPRC” or “College”) shall discharge its responsibility with respect to maintaining, managing and enhancing the GPRC Foundation’s (“Foundation”) investment portfolio in a prudent manner.

## 2. Background

- 2.1. The Foundation’s Investment Policy is to define the framework and parameters governing the prudent investment of the Foundation’s portfolio investment funds.
- 2.2. Concurrently, the Board of Governors and the Investment Committee recognize that the achievement of these goals necessitates the incurring of generally accepted investment risks inherent through ownership of financial securities and so states as a policy that the incurring of such financial, market, inflationary, interest rate and business cycle risks must at all times be for the protection of principal and assurance of income.
- 2.3. Responsibility for recommendations to change this Investment Policy rests with the Investment Committee of the College, with input from the Foundation Chair. External Investment Managers are retained to manage fund assets in compliance with the College Foundation Investment Policy.

## 3. Policy Objective

- 3.1. The overall objective of the portfolio is to contribute to the current and long-term funding requirements for Grande Prairie Regional College. The primary objectives, in priority order, of investment activities shall be:
  - 3.1.1. Management - Ensure College funds are prudently invested. The College shall ensure the costs incurred relating to the management of the investments are reasonable.
  - 3.1.2. Investments - Investments shall be undertaken in a manner that seeks to ensure the preservation of investment capital in real terms to maintain the purchasing power of assets. Such preservation will have the intent of inflation-proofing the portfolio.
  - 3.1.3. Return - The investment of the Foundation funds shall be structured with the objective to provide, over the long term, a balance between investment returns and an acceptable level of risk after due consideration of yield, term, security and diversification.
  - 3.1.4. Liquidity - The operating funds shall remain sufficiently liquid to allow the College to meet its cash flow requirements which may be reasonably anticipated.

## 4. Scope

- 4.1. This policy applies to all investment activities relating to the GPRC Foundation funds.

## 5. Definitions

- 5.1. "Investment Committee" – The Investment Committee shall consist of the following members of Grande Prairie Regional College:
  - 5.1.1. President and CEO
  - 5.1.2. Vice-President Academics and Research
  - 5.1.3. Vice-President Administration (Chairperson)
  - 5.1.4. Vice-President External Relations
  - 5.1.5. Director, Financial Services
  - 5.1.6. Alumni/Foundation Board Chair or designated public member from the Alumni/Foundation Board
- 5.2. "Benchmark" - the point of reference used for comparison purposes of the performance of a predetermined set of securities. It may be based on published indexes or may be customized to suit an investment strategy.
- 5.3. "Credit rating" - the perceived ability of the borrower to pay what is owed on the borrowing in a timely manner; it represents the ability of an entity to withstand adverse impacts on its cash flows.
- 5.4. "Credit risk" - the risk of loss caused by a counterparty's or debtor's failure to make a promised payment.
- 5.5. "Derivative" - a financial instrument whose value depends on the value of an underlying asset or factor (e.g., a stock price, an interest rate, or an exchange rate).
- 5.6. "Impairment" - the diminishment in value as a result of carrying (book) value exceeding fair value and/or recoverable value.
- 5.7. "Liquidity" - the ability to purchase or sell an asset quickly and easily at a price close to fair market value. It is the ability to meet short-term obligations using assets that are the most readily converted into cash without delay, at relatively low cost, and in relatively large quantities.
- 5.8. "Option" - a financial instrument that gives one party the right, but not the obligation, to buy or sell an underlying asset from or to another party at a fixed price over a specific period of time.
- 5.9. "Portfolio" - a collection of investments, real and/or financial, formed from Foundation initiatives and endowments.
- 5.10. "Purchasing on margin" - an investor borrows a portion of the money required to purchase a certain amount of securities. In futures markets, there is no borrowing so the margin is more of a down payment or performance bond.

- 5.11. “Security” - a documentation of ownership that proves ownership of stocks, bonds and other investments.
- 5.12. “Short selling” - selling a security that the seller does not own but is committed to repurchasing eventually. It is used to capitalize on an expected decline in the security’s price.

**6. Guiding Principles**

6.1. Asset Mix

6.1.1. The portfolio shall be invested in fixed income and other income producing instruments as outlined in section 6.2. The asset mix will be adjusted according to the capital market expectation in a way that produces the desired mix of target returns while adhering to the investment objectives, subject to the following parameters:

| Instrument         | Target Allocation | Minimum Allocation | Maximum Allocation |
|--------------------|-------------------|--------------------|--------------------|
| Cash & Equivalents | 2%                | 0%                 | 30%                |
| Fixed Income       | 78%               | 50%                | 85%                |
| Equities           | 20%               | 10%                | 30%                |
|                    | 100%              |                    |                    |

6.1.2. If the weightings of the above investments fall above or below the aforementioned allocation, the portfolio shall be rebalanced at the end of each quarter to the indicated minimums and maximums providing economic feasibility.

6.2. Eligible Investments

The Portfolio may be invested in the following investment types subject to the restrictions described in Section 6.3:

6.2.1. Cash and Equivalents

- 6.2.1.1. Cash on hand.
- 6.2.1.2. Highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less at the date of reporting and are subject to an insignificant risk of change in value.

6.2.2. Fixed Income

- 6.2.2.1. Government obligations (i.e. treasury bills, strip coupons, debentures and/or bonds) issued directly or indirectly by the federal government, agency (Canadian or US), or any of the provinces.
- 6.2.2.2. Canadian chartered bank securities (guaranteed investment certificates, discount notes, deposit receipts, term notes, certificates of deposit, bankers acceptances, bonds, and strip coupons).
- 6.2.2.3. Securities of foreign banks or Canadian affiliates of foreign banks provided that the obligations are guaranteed.

- 6.2.2.4. Preferred shares in Canadian Corporations.
- 6.2.2.5. Commercial paper, bonds, debentures and strip coupons issued by Canadian companies.
- 6.2.2.6. Exchange Traded Funds in either Bonds or Preferred Shares.

### 6.2.3. Common Equity

- 6.2.3.1. Common shares listed on a recognized exchange.
- 6.2.3.2. American Depository Receipts listed on a recognized exchange.
- 6.2.3.3. Third party managed funds for which the fund objectives are consistent with the objectives of this policy.
- 6.2.3.4. Income trusts and investment trusts.
- 6.2.3.5. Exchange Traded Funds

### 6.3. Investment Limitations

The investments of the Portfolio are subject to the following limitations:

#### 6.3.1. Credit Ratings

- 6.3.1.1. Minimum credit quality limits are established to reduce the Fund's credit risk exposure. The purchase of any individual securities carrying a credit rating below 'A' for bonds or 'A1'/'R1' for commercial paper, or "Pfd-2" for Preferred Shares is strictly prohibited. The purchase of any Exchange Traded Funds carrying an average credit rating below "A" or "Pfd-2 is strictly prohibited. Credit ratings used will be from one or more of the following ratings agencies: Canadian Bond Ratings Service, Dominion Bond Rating Service, Standard and Poor's Credit Rating Service, and Moody's Investor Services.
- 6.3.1.2. If the credit rating of a security is subsequently downgraded below the minimum credit rating limit, the Director of Financial Services, in consultation with the Investment Manager, will determine whether the security should be liquidated expeditiously or held for strategic reasons.

#### 6.3.2. Speculative Trading

- 6.3.2.1. Investment strategies shall be of a long-term buy and hold nature, with changes in positions mandated by sound analysis of economic and industry fundamentals. GPRC is restricted from engaging in any investment activity that would be considered speculative in nature.

#### 6.3.3. Leveraged Investments

- 6.3.3.1. Any investment activity that may possibly expose GPRC or the Foundation to liability beyond the amount invested is prohibited. The use of derivatives, options, purchasing on margin and short selling of securities is expressly prohibited.

#### 6.3.4. Diversification

6.3.4.1. With respect to fixed income instruments, not more than five percent (5%) of the market value of the investment portfolio may be invested in a single security with the exception of securities issued by a federal or provincial government, or Canadian chartered bank securities with a credit rating of 'A' or higher, or exchange traded funds with an average credit rating of 'A' or 'Pfd-2' at the time of purchase.

6.3.4.2. Equity allocations into the United States and Foreign markets shall not exceed 60% of the total equity holdings. No more than 5% of the portfolio value may be invested in any individual equity security, with the exception of third party managed funds and exchange traded funds.

### 6.3.5. Foreign Currency

6.3.5.1. Foreign currency limits are established to reduce the Portfolio's exposure to foreign exchange rate fluctuations related to the portion of the investment portfolio that is invested in foreign securities. Aggregate holdings in investments denominated in a currency other than the Canadian dollar will be limited to 60% of the market value of the equity instruments in the portfolio.

### 6.3.6. Tobacco-related Investments

6.3.6.1. In compliance with motion 5037/2005 passed by the Grande Prairie Regional College Board of Governors on April 28, 2005, the College will not invest in any tobacco-related investment instruments.

## 6.4. Impairment of Financial Instruments

6.4.1. The Investment Manager will bring forward to the Investment Committee any declines in value that are assessed as being other than temporary on a semi-annual basis.

## 6.5. Compliance Monitoring

6.5.1. The Investment Committee shall monitor investment activities to ensure compliance with investment limitations, and shall receive semi-annual compliance reporting from all investment managers. Any exceptions shall be documented in an Investment Exception Report along with the reasons for non-compliance and action plan to address the exception.

## 6.6. Benchmarks

6.6.1. The investments of the portfolio shall be managed in accordance with the parameters specified within this Policy. The portfolio will be measured against a weighted asset class benchmark. Each asset class will be measured against an appropriate index. The following indexes (or successive equivalents) shall be used to evaluate the portfolio:

| Asset Class          | Weight | Benchmark Index   |
|----------------------|--------|---|
| Cash and Equivalents | 2%     | FTSE TMX 30 day T-Bill Total Return                                   |
| Fixed Income         | 78%    | FTSE TMX Universe Bond Total Return                                   |
| Equities             | 20%    | Blend of S&P/TSX Composite Total Return Index/MSCI World Equity Index |

6.6.2. It is expected that the gross returns for each category and total portfolio shall meet or exceed the respective benchmark return. Performance relative to the index shall be monitored on a semi-annual basis by the Vice-President Administration. If underperformance relative to the respective benchmark is observed in any three consecutive years, results will undergo a subjective attribution analysis by the Investment Committee.

## 6.7. Payment and safekeeping

6.7.1. Payment for securities in the portfolio will be conducted in an investment account for GPRC. Securities purchased will be held in safekeeping by a dealer or financial institution approved by the Investment Committee.

## 6.8. Monitoring

6.8.1. The Investment Committee shall monitor and review the investment managers on an ongoing basis, giving consideration to, among other things:

6.8.1.1. Investment performance in relation to the objectives outlined in this Policy

6.8.1.2. Consistency of an investment manager's investment activities, style and philosophy with its stated style and strategy.

6.8.1.3. Investment manager's compliance with this Policy.

6.8.1.4. Investment manager's staff turnover and the role of key personnel in the investment decisions.

6.8.1.5. Characteristics of an investment manager's firm (e.g., ownership, growth in assets, client retention etc.).

6.8.1.6. Investment manager's fees and commissions.

6.8.2. Reasons for considering the termination of the services of an investment manager include, but are not limited to, the following factors:

6.8.2.1. Performance results, which over a reasonable period of time, are below the objectives established for their mandate.

6.8.2.2. Changes in the overall structure of the Portfolio such that the investment manager's services are no longer required.

6.8.2.3. Changes in personnel, firm structure, and investment philosophy, style or approach of the Investment Manager that might adversely affect the potential return and/or risk level of the portfolio.

6.8.2.4. Legal or regulatory proceedings against the investment manager, investment personnel or any sub-advisor firm.

6.8.2.5. Changes to the assessments/ratings of third party advisors indicating expectations of future performance.

6.8.2.6. Failure to adhere to this Policy.

**6.9. Reporting**

6.9.1. Semi-annual investment reports shall be prepared for and distributed to the Investment Committee by the Vice-President Administration. These reports shall contain the following information:

- 6.9.1.1. List of all portfolio investments and percentage breakdown by each investment type and credit rating.
- 6.9.1.2. Average term to maturity and duration of the bond portfolio.
- 6.9.1.3. Total return of the portfolio with a comparison to the composite benchmark.
- 6.9.1.4. Comparing return on each asset class of the portfolio relative to the appropriate benchmark.
- 6.9.1.5. Comparing return on the portfolio relative to the portfolio objective.
- 6.9.1.6. Details on compliance with this Policy and details of any non-compliance including steps, if any, taken to address exceptions.

6.9.2. The Investment Committee shall report to the Board of Governors annually with the information set out in items listed above.

**7. Roles and Responsibilities**

| Stakeholder                   | Responsibilities   |
|-------------------------------|--|
| Executive Council             | <ul style="list-style-type: none"> <li>• Approve and formally support this policy.</li> </ul>  |
| Investment Committee          | <ul style="list-style-type: none"> <li>• Oversee and provide strategic advice on the investments of the Fund.</li> <li>• Review and recommend amendments to the Investment Policy.</li> <li>• Monitor investment performance and investment managers.</li> <li>• Monitor investment activities to ensure compliance with established investment parameters.</li> </ul>   |
| Vice-President Administration | <ul style="list-style-type: none"> <li>• Develop and maintain this policy.</li> <li>• Review and approve any exception requests relative to the requirements in this policy.</li> <li>• Take proactive steps to reinforce compliance with this policy by all stakeholders.</li> <li>• Chair the Investment Committee.</li> <li>• Appoint investment managers, custodians and advisors in conjunction with the President and CEO.</li> <li>• Recommend and appoint members to the Investment Committee.</li> <li>• Establish and monitor appropriate procedures, processes, practices and internal controls:                             <ul style="list-style-type: none"> <li>○ to achieve the objectives identified in this Policy;</li> <li>○ for employees and persons to engage in investment activities;</li> <li>○ to safeguard the College funds;</li> <li>○ for custody and safekeeping of investments; and,</li> <li>○ for the accounting and reporting of investment activities.</li> </ul> </li> <li>• Prepare and present semi-annual reporting to the Investment Committee.</li> </ul> |

| Stakeholder                  | Responsibilities  |
|------------------------------|---|
| President and CEO            | <ul style="list-style-type: none"> <li>• Appoint investment managers, custodians and advisors in conjunction with the Vice-President Administration.</li> </ul>   |
| External Investment Managers | <ul style="list-style-type: none"> <li>• Manage funds in accordance with this Policy with the care, diligence and skill that a prudent person skilled as a professional investment manager would use in dealing with public sector monies. The investment manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.</li> <li>• Abide by the Code of Ethics and Standards of Professional Conduct as established by the Investment Industry Regulatory Organization of Canada.</li> <li>• Provide regular investment reporting to GPRC.</li> <li>• Meet with GPRC as required and provide semi-annual written reports regarding performance, portfolio strategy and other issues as required.</li> <li>• Notify the Vice-President Administration immediately, in writing, of changes in ownership, investment philosophy and processes, personnel and organizational structure.</li> <li>• Notify the Vice-President Administration immediately, in writing, of any legal or regulatory proceedings or charges of which the Investment Manager may be aware, against the investment manager’s firm or investment personnel or against any sub-advisor.</li> <li>• Provide semi-annual compliance reports to the Vice-President Administration.</li> </ul> |

**8. Exceptions to the Policy**

8.1. Under certain circumstances, the Vice-President Administration may conclude that though an investment may not meet the criteria outlined in the investment policy statement, the investment may be within keeping of the spirit of the policy. In such an event, the College may deviate from stated policy subject to the following condition:

8.1.1. The Vice-President Administration receives unanimous approval of the investment committee prior to the investment.

**9. Inquiries**

9.1. Inquiries regarding this policy can be directed to the Vice-President Administration.

**10. Amendments (Revision History)**

10.1. May 30, 2017

10.2. Amendments to this policy will be published and circulated to the Institution community.

10.3. This policy shall be reviewed bi-annually by the investment committee to ensure that it remains consistent with the overall objectives of GPRC and prudent and conservative investment practices. This policy may be reviewed and updated more frequently if necessary.

10.4. Post Implementation Approval: December 18, 2018