



**Special Resolution II.6**

# **Statement of Investment Policies and Procedures**

Trent University Endowment Fund

May 10, 2024

Prepared by Trent University with the assistance of TELUS Health (formerly LifeWorks)  
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## Contents

Special Resolution II.6.....	1
Statement of Investment Policies and Procedures.....	1
Contents.....	2
Section 1—Overview .....	4
1.01 Purpose of Statement .....	4
1.02 Fund Background .....	4
1.03 Objective of the Fund .....	5
1.04 Investment and Risk Philosophy.....	6
1.05 Environmental, Social And Governance (ESG) .....	7
1.06 Administration.....	7
Section 2—Asset Mix and Diversification Policy .....	8
2.01 Portfolio Return Expectations .....	8
2.02 Expected Volatility.....	8
2.03 Asset Mix.....	8
Section 3—Permitted and Prohibited Investments.....	11
3.01 General Guidelines .....	11
3.02 Permitted Investments .....	11
3.03 Minimum Quality Restrictions .....	13
3.04 Maximum Quantity Restrictions .....	14
3.05 Prior Permission Required.....	16
3.06 Prohibited Investments .....	16
3.07 Securities Lending.....	16
3.08 Borrowing.....	17
Section 4—Monitoring and Control .....	18
4.01 Delegation of Responsibilities .....	18
4.02 Performance Measurement.....	19
4.03 Compliance Reporting by the Investment Managers .....	20
4.04 Standard of Professional Conduct.....	21
Section 5—Administration.....	22
5.01 Conflicts of Interest .....	22

5.02 Related Party Transactions ..... 23

5.03 Appointing and Monitoring the Investment Managers..... 24

5.04 Dismissal of an Investment Manager ..... 24

5.05 Voting Rights..... 25

5.06 Valuation of Investments Not Regularly Traded ..... 25

5.07 Policy Review ..... 25

Appendix A - Glossary of Terms ..... 26

Appendix B – The Investment Policy of Jarislowsky Chair Accounts ..... 32

## Section 1—Overview

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### 1.01 Purpose of Statement

This Statement of Investment Policies and Procedures (the “Policy”) provides the framework for the investment of the assets of the Trent University Endowment Fund (the “Fund”). Its purpose is to guide the Board of Governors of Trent University (the “Board”) in ensuring that funds donated to the University are managed responsibly and with a view to producing real capital and income growth to support the University’s academic mission.

This Policy is based on the “prudent person portfolio approach” to ensure the prudent investment and administration of the assets of the Fund.

### 1.02 Fund Background

Trent University (the “University”) was created by the Ontario Legislature in April 1963. The Fund was established early in the University’s history to help support its academic mission. The investment of endowment assets enables the University to annually distribute funds that support a broad range of worthy activities including student scholarships and bursaries.

The Fund contains assets donated to the University directly, and through certain government matching programs. Assets are pooled for investment purposes. The purpose of the Fund is to provide a secure source of capital, on which expenditures are drawn from the earnings while the principal remains intact.

The University is a registered charity and, under the Federal Income Tax Act, is exempt from income tax. The Board, by special resolution, establishes a formula for calculating the rate of annual distribution from the Fund (currently a maximum of 3.5%). The Board’s spending policy is reviewed periodically by the Audit & Investment Committee of the Board (the “Committee”).

For financial accounting purposes, retained gains (in dollars) in each endowed fund are recognized in the Fund.

The annual expendable funds may be spent according to any conditions of the gift, retained in an expendable trust account, or reinvested in the Fund. The endowed fund can be liquidated to create expendable funds, with the written approval of any two of the following unique individuals: the Chair of the Board, a Vice-chair of the Board, the Chair of the Executive Committee, the President, a Vice-President of the University, the Secretary of the Board, and the Associate Vice-President, Finance. Each signing authority must be a distinct individual, and no individual may hold more than one of these designated roles for the purposes

of signing. This requirement is subject to the guidelines outlined in the Policy and the conditions of a gift.

All interest earned from the investments, including all realized profits, interest and dividend income are reinvested in the Fund.

The University may accept endowed funds with different investment objectives from the Fund, subject to the guidelines outlined in this Policy. These funds will not be co-mingled with the Fund but will be managed and reported on separately under the direction of the Committee.

On May 12, 2022, a donor agreement between the Jarislowsky Foundation and Trent University was reached. A \$2 million gift from the Jarislowsky Foundation was matched by a \$2 million contribution from Trent University. A copy of the investment policy for these funds can be found in Appendix B – The Investment Policy of Jarislowsky Chair Accounts. These funds will not be subject to the guidelines in this Policy and will be overseen by the Committee.

### **1.03 Objective of the Fund**

The University's long-term goal is to achieve real capital and income growth to offset future distributions which support the University's teaching/research mission. The Fund must earn a real rate of return over a trailing four-year period of 4.6%, gross of fees and expenses, to meet its following obligations:

- Annual distribution target of 3.5%;
- Allowance of a maximum 1.1% for investment management fees and operational expenses; and
- Maintain the purchasing power of the endowed capital (defined as the annual change in the Canadian Consumer Price Index).

#### **Distribution Policy**

It is the policy of the Committee to distribute, following each calendar year, an amount calculated as follows:

The annual distribution rate from the Endowment Fund will be 3.5% of the average market value of the total Endowment over a trailing four-year period, as of the end of the prior calendar year. The distribution rate of 3.5% assumes a 4.6% real rate of return, gross of fees and expenses, over the long term for the Fund. The formula is as follows:

$$\text{\$Distribution}(T) = \text{MV}(4 \text{ yr avg}) * .035$$

where  $\text{\$Distribution}(T)$  equals the total distribution in dollar terms and  $\text{MV}(4 \text{ yr avg})$  equals the four-year average market value of the Fund

Unless otherwise determined by the Committee, the distribution amount shall be paid out regardless of the actual income or appreciation experienced that fiscal year. Amounts earned in excess of the distribution allocation may be held in an expendable account or added to the capital and reinvested.

The Committee will review the distribution policy and performance of the Fund at least annually to ensure the appreciation of the Fund is adequate to sustain the following items:

1. Purchasing power of the Fund by growing the Fund at the rate of inflation;
2. The annual distribution rate of the Fund to maintain a constant pay out to meet its longer-term commitments; and
3. Investment management fees and operational expenses.

The Committee may adjust the distribution rate as it deems appropriate to ensure the items mentioned above are sustained.

### **Operational Expenses**

The management and operation of the Fund incur various expenses that are essential to its ongoing administration and investment management. These operational expenses include, but are not limited to, custodial fees, auditing fees, and other administrative costs directly related to the oversight and management of the Fund. Operational expenses include fundraising expenses but exclude investment management fees paid to the Fund's investment managers.

Operational expenses profiles are to be reviewed annually as part of the SIPP review process. This review will ensure that all operational costs are necessary, reasonable, and aligned with the Fund's financial goals and budgetary constraints. The Committee shall assess variations in operational expenses and make adjustments as needed to optimize financial management and cost-efficiency of the Fund.

### **1.04 Investment and Risk Philosophy**

The Board's investment objective set out in Section 1.03 is consistent with the overall investment risk level that the Fund could assume in order to meet the obligations of the Fund and is to be measured over rolling four-year periods. The Fund should be prudently managed to help avoid excessive volatility in annual distributions.

To achieve its long-term investment goals, the Fund must invest in assets that have uncertain returns. However, the University attempts to reduce the overall level of risk by diversifying among the asset classes and further diversifying within each individual asset class.

The Fund has a moderate to moderately high tolerance for risk.

### **1.05 Environmental, Social And Governance (ESG)**

“ESG” refers to the environmental, social and governance factors relevant to an investment that may have a financial impact on that investment.

The Board’s primary objective is to ensure an appropriate balance between the need to seek long-term performance to ensure optimal return on investment, and to ensure that those returns are delivered in as stable a manner as possible (given the behaviour of the investment markets).

Alongside this primary objective, the University is committed to being actively engaged in contributing to climate change abatement and environmental sustainability, and to being responsive to select donor interest in socially responsible investment options. Investment managers are reviewed with ESG principles in mind. The intention is to see that investment managers do incorporate ESG considerations into the investment decision making process for their funds, alongside the achievement of the primary objectives described above.

The Committee believes that consideration of ESG factors into the investment process and manager selection is in line with the core beliefs and key areas that are of importance to the University.

### **1.06 Administration**

The Board is responsible for ensuring the prudent management of the Fund. The Board designates a senior administrative official in the University who is responsible to the Board for the administration of the Fund. The senior administrative official may invest any part of the Fund not assigned to the investment managers in short term investments or other investments, under the direction of the Committee, and is subject to the guidelines specified in this document. The Board has also appointed the Committee to whom the Board has delegated certain oversight responsibilities, as set out in the Committee’s terms of reference in section 5.03.

## Section 2—Asset Mix and Diversification Policy

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### 2.01 Portfolio Return Expectations

The investment managers appointed by the Committee to manage the assets of the Fund (the “Investment Managers”) are expected to achieve a satisfactory return through a diversified portfolio, consistent with acceptable risks and prudent management.

The long-term target of the Fund, measured over rolling four-year periods, is to achieve a total annual real rate of return of at least 4.6%. This target rate of return is established to meet the financial obligations as set out in section 1.03, including maintaining the purchasing power of the endowed capital, covering annual distribution targets, and accommodating investment management fees and operational expenses. The four-year rolling period investment objective is to earn, gross of fees and expenses, the target policy benchmark return indicated in 4.02 below. Where active management is utilized, an additional objective is for each active Investment Manager to earn a four-year rolling period return, net of fees, that exceeds their benchmark. The long-term asset mix policy has been established in order to provide a reference for long-term return requirements which are consistent with the Fund’s distribution requirements at a risk level acceptable to the Committee.

### 2.02 Expected Volatility

The volatility of the Fund is directly related to its asset mix, specifically, the balance between the asset classes chosen in the asset mix reflected in Section 2.03. The volatility of the Fund should be similar to the volatility of the Benchmark Portfolio set out in Section 4.02.

### 2.03 Asset Mix

#### (a) Total Asset Mix

Taking into consideration the investment and risk philosophy of the Fund, the following asset mix (at market value) has been established:

<b>Assets</b>	<b>Minimum %</b>	<b>Benchmark %</b>	<b>Maximum %</b>
Canadian Equities	5.0	10.0	15.0
Global Equities	30.0	40.0	50.0
<b>Total Equities</b>	<b>40.0</b>	<b>50.0</b>	<b>60.0</b>



<b>Assets</b>	<b>Minimum %</b>	<b>Benchmark %</b>	<b>Maximum %</b>
Bonds	15.0	25.0	35.0
<b>Total Fixed Income</b>	<b>15.0</b>	<b>25.0</b>	<b>35.0</b>
Real Estate	7.5	12.5	17.5
Infrastructure	7.5	12.5	17.5
<b>Total Alternatives</b>	<b>15.0</b>	<b>25.0</b>	<b>35.0</b>

For purpose of the total asset mix described above, the Investment Managers' asset class pooled funds are deemed to be 100% invested, even though these funds may contain a portion held in cash and cash equivalent instruments.

In the absence of a sufficient allocation to one or more of the above asset classes, particularly Alternatives, assets will be temporarily pro-rated across the remaining asset classes until a suitable allocation can be made.

The Committee shall monitor the asset mix at least quarterly and take action as needed to rebalance the asset mix or bring the allocation to each asset class back within the stated ranges as outlined above. The Committee may permit the allocation to an asset class to fall outside the stated ranges on a temporary basis when it considers such action to be prudent.

Upon triggering a rebalancing event, the following steps will be taken:

- Assess the deviation of the current asset mix from the target allocation.
- Determine the transactions required to realign the portfolio with the target allocation, considering the cost-effectiveness of potential trades.
- Prioritize the use of cash flows (e.g., donations, distributions, contributions) to minimize transaction costs associated with rebalancing.
- Execute trades of investment manager pooled funds in a manner that minimizes costs and market impact subject to approval by the Investment Committee.



## Section 3—Permitted Investments

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### 3.01 General Guidelines

The investments of the Fund must comply with the requirements and restrictions set out in the Income Tax Act (Canada) and any relevant regulations.

### 3.02 Permitted Investments

The Investment Managers may invest in any of the following asset classes and investment instruments listed below.

#### (a) Canadian and Global Equities

- (i) Common and convertible preferred stock;
- (ii) Debentures convertible into common or convertible preferred stock provided such instruments are traded on a recognized public exchange or through established investment dealers;
- (iii) Rights warrants and special warrants for common or convertible preferred stock;
- (iv) Instalment receipts, American Depository Receipts and Global Depository Receipts;
- (v) Units of real estate investment trusts (REITs);
- (vi) Units of income trusts domiciled in jurisdictions that provide limited liability protection to shareholders;
- (vii) Units of limited partnerships which are listed on the TSX exchange; and
- (viii) Exchange traded index-participation units (e.g. iShares; SPDRs).

#### (b) Bonds

- (i) Bonds, debentures, notes, and other evidence of indebtedness of Canadian, supranational or developed market foreign issuers whether denominated and payable in Canadian dollars or a foreign currency;
- (ii) Mortgage-backed securities;
- (iii) Asset backed securities;
- (iv) Term deposits and guaranteed investment certificates;
- (v) Investments in good quality foreign issuers of debt in Canadian dollars (i.e., maple bonds) are allowed;

(vi) Private placements of bonds subject to Section 3.03 below, provided that they are marketable and meet the liquidity and minimum issue size requirements for inclusion in the FTSE Canada Universe Bond Index;

(vii) Real return bonds.

**(c) Cash and Short Term Investments**

(i) Cash on hand and demand deposits;

(ii) Canadian Treasury bills issued by the federal and provincial governments and their agencies;

(iii) Sovereign short-term debt instruments of developed countries, with maturities not exceeding 180 days;

(iv) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances;

(v) Commercial paper and term deposits;

(vi) Other money market instruments (maturity not exceeding 365 days).

**(d) Alternatives**

(i) Infrastructure private investments such as open-ended funds and LP structures. This may cover any geographical area;

(ii) Real Estate private investments such as open-ended funds and LP structures. This may cover any geographical area.

**(e) Other Investments**

(i) Investments in open-ended or closed-ended pooled funds provided that the assets of such funds are permissible investments under this Policy;

(ii) Deposit accounts of the Fund's custodian can be used to invest surplus cash holdings;

(iii) Currency forward and futures contracts to hedge the currency risk of investment positions in non-Canadian dominated securities;

(iv) Index-linked futures contracts/swaps are permissible derivative investments for stock/bond exposure.

**(f) Fund Structures**

While the guidelines in this Policy are intended to guide the management of the Fund, it is recognized that, where pooled funds are held, there may

be instances where there is a conflict between this Policy and the investment policy of a pooled fund. In that case, the pooled fund policy shall dominate, subject to the compliance reporting procedures outlined in Section 4.03. However, the Investment Managers are expected to advise the Committee in the event of any material discrepancies between the above guidelines and the pooled fund's own investment guidelines. In addition, the Investment Managers will ensure that the Committee has received a copy of the most recent version of the pooled fund policy and of any amendments made to the pooled fund policy.

**(g) Derivatives**

Derivatives of equity, fixed-income or currency-related investments, futures and/or forward contracts, swaps, options, warrants, depository receipts, rights or other similar instruments are all permitted for the purposes of exposure and/or hedging. The exposure should be consistent with the Fund's investment objectives and guidelines laid out in this document.

Any derivative will be measured against its underlying exposure. Derivatives cannot be used for speculative purposes or to leverage the portfolio. Similarly, the Fund may indirectly invest in derivatives through its investment in pooled or mutual funds, if the objectives and strategies of these funds permit.

**3.03 Minimum Quality Restrictions**

**(a) Quality Standards**

Within the investment restrictions for individual portfolios, all portfolios may hold a prudently diversified exposure to the intended market.

- i. The minimum quality standard for individual bonds and debentures is 'BBB' rating or equivalent as rated by at least two of the three recognized bond rating Agencies at the time of purchase. Unrated bonds should be assigned a rating by the Investment Manager before purchase.
- ii. The minimum quality standard for individual short term investments is 'R-1' or equivalent as rated by at least two of the three recognized bond rating agencies, at the time of purchase.
- iii. The minimum quality standard for individual preferred shares is 'P-1' or equivalent as rated by at least two of the three recognized bond rating agencies, at the time of purchase.
- iv. All investments shall be reasonably liquid.

**(b) Split Ratings**

In cases where recognized bond rating agencies do not agree on the credit rating, the bond will be classified according to the methodology used by FTSE Canada, which states:

- i. If two agencies rate a security, use the lower of the two ratings;
- ii. If three agencies rate a security, use the middle of the three ratings; and
- iii. If four agencies rate a security, use the middle of the three lowest ratings.

**(c) Downgrades in Credit Quality**

- i. An active Investment Manager, based on its own internal credit analysis, may invest in fixed income securities with credit ratings that do not meet the Quality Standards described above in Section 3.03 (a), as rated by the Recognized Rating Agencies described in 3.03 (d), provided that it supplies a detailed report on the credit ratings for fixed income securities in the portfolio or pooled fund in question, at least semi-annually.
- ii. A passive Investment Manager will not comply with the above notification requirements. Its reporting will be limited to the compliance reporting as described under Section 4.03.

**(d) Ratings Agencies**

For the purposes of this Policy, the following rating agencies shall be considered to be a 'recognized bond rating agency':

- i. Dominion Bond Rating Service;
- ii. Standard and Poor's;
- iii. Moody's Investors Services; and
- iv. Fitch Ratings.

**3.04 Maximum Quantity Restrictions**

**(a) Total Fund Level**

No securities of any one company or organization shall represent more than 10% of the total market value of the Fund.

**(b) Individual Investment Manager Level**

The Investment Managers shall adhere to the following restrictions:

i. Equities

- a. No one equity holding or private placement shall represent more than 10% of the total market value of the Investment Manager's equity portfolio.
- b. No one equity holding shall represent more than 10% of the voting shares of a corporation.
- c. No one equity or private placement holding shall represent more than 10% of the available public float of such equity or private placement security.
- d. No more than 15% of the Canadian equity portfolio shall be invested in income trusts and limited partnerships.

ii. Bonds and Short Term

- a. Except for federal and provincial bonds, no more than 10% of an Investment Manager's bond portfolio may be invested in any one company or affiliated group of companies.
- b. No more than 15% of the market value of an Investment Manager's bond portfolio shall be invested in bonds rated 'BBB'.
- c. Net foreign currency exposure is limited to no more than 5% of the market value of the bond portfolio.
- d. No more than 20% of the market value of the bond portfolio may be held in foreign issuer bonds.
- e. No more than 10% of the market value of the bond portfolio shall be invested in direct mortgages backed by Canadian real estate.

iii. Pooled Funds

The investment by the University in a pooled fund may not exceed 10% of the market value of the pooled fund.

### **3.05 Prior Permission Required**

The following investments are permitted provided that prior permission for such investments has been obtained from the Committee:

- (a) Direct investments in resource properties;
- (b) Direct investments in venture capital financing;
- (c) Investments in a pooled fund that conflicts with this Policy;
- (d) Investments in private placement equities;
- (e) Derivatives other than those otherwise permitted by this Policy;
- (f) Commercial and residential mortgages secured against Canadian real estate;
- (g) Private Placement Bonds.

Private placement bonds that do not qualify for inclusion in the FTSE Canada Universe Bond Index are only permitted subject to all of the following conditions:

- (a) The issues acquired must be at least 'A' or equivalent rated;
- (b) The total investment in such issues must not exceed 10% of the market value of the Investment Manager's bond portfolio;
- (c) The Investment Manager's portfolio may not hold more than 5% of the market value of any one private placement; and
- (d) The Investment Manager must be satisfied that there is sufficient liquidity to ensure sale at a reasonable price.

### **3.06 Prohibited Investments**

The Investment Manager shall not:

- (a) Purchase securities on margin or engage in short sales;
- (b) Invest in debt instruments issued by the University; or,
- (c) Make any investment not specifically permitted by this Policy.

### **3.07 Securities Lending**

The investments of the Fund may, with the approval of the Committee, be loaned for the purpose of generating revenue for the Fund subject to the provisions of the Income Tax Act (Canada) and its applicable regulations.



Such loans must be secured by cash and or/readily marketable government bonds, treasury bills and/or letters of credit, discount notes, banker's acceptances of Canadian chartered banks or high quality, liquid equities. The amount of collateral taken for securities lending should reflect OSFI standards and best practices in local markets. This market value relationship must be calculated at least daily.

The terms and conditions of any securities lending program will be set out in a contract with the Fund's custodians which, at all times, ensure that the University has a current list of those institutions that are approved to borrow the Fund's investments. If the Fund is invested in a pooled fund, security lending will be governed by the terms and conditions set out in the pooled fund contract.

### **3.08 Borrowing**

The Fund shall not borrow money, except to cover short-term contingency and the borrowing is for a period that does not exceed ninety days, subject to the written permission of the Board.

## Section 4—Monitoring and Control

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### 4.01 Delegation of Responsibilities

(a) The Board and The Audit & Investment Committee

The Board has responsibility for overseeing the Fund administered by the senior University official as stated in Section 1.06 of this Policy. The Board is also responsible for amending this Policy upon the review and recommendation of the Committee.

The Committee will:

- i. Assist the Board in fulfilling its fiduciary duties and provides direction to the Vice-President, Finance and Administration with respect to the Fund;
- ii. May hire or terminate the Investment Manager(s) at its discretion, without obtaining the approval of the Board;
- iii. Develop the Policy for the Fund;
- iv. Review the Fund policy statement at least annually;
- v. Make recommendations regarding the appointment or dismissal of Investment Managers, custodians, consultants and others as required;
- vi. Monitor and co-ordinate the activities of the Investment Managers and other service providers to the Fund; and
- vii. Review and evaluate the investment performance of the assets of the Fund, including asset allocation and the rates of return achieved relative to established objectives.

The Committee can also delegate certain functions relating to the management and administration of the Fund to external organizations, as outlined below:

(b) Investment Managers

The Investment Managers will:

- i. Invest the assets of the Fund in accordance with this Policy;
- ii. Meet with the Committee as required and provide written reports regarding their past performance, their future strategies and other issues requested by the Committee;

- iii. File quarterly compliance reports, unless the investment is in a mutual fund (see Section 4.03);
- iv. Reconcile their own records with those of the Fund's custodian, at least monthly;
- v. Provide quarterly a performance report in a form acceptable to the Committee. The performance should be provided for the total portfolio managed by the Investment Manager and for each major asset class; and,
- vi. Where investment via a pooled fund or mutual fund has been authorized by the Committee, the Investment Manager will provide the Committee with copies of each pooled fund's audited financial statements within 180 days of the pooled fund's fiscal year end.

**(c) Custodian/Trustee**

The custodian/trustee will:

- i. Maintain safe custody over the assets of the Fund;
- ii. Execute the instructions of the Board, the Committee and the Investment Manager; and,
- iii. Record income and provide monthly financial statements to the University or as required.

**(d) Investment Consultant**

The investment consultant will:

- i. Assist in the development and implementation of this Policy;
- ii. Monitor the performance and asset allocation of the Fund on a regular basis;
- iii. Support the Committee on matters relating to investment management and administration of the Fund; and,
- iv. Meet with the Committee as required.

**4.02 Performance Measurement**

For purposes of evaluating the performance of the Fund and the Investment Manager, all rates of returns are measured over rolling four-year periods, and on a time-weighted return basis.

**(a) Total Fund**

- The long-term target performance objective of the Fund is to outperform the CPI by at least 4.6% over four-year rolling periods, on a gross of fees and expenses basis.

Investment weightings and performance of the Fund are to be tested regularly against a Benchmark Portfolio comprising:

<b>Policy Benchmark</b>	<b>%</b>
S&P/TSX Composite Total Return Index	10.0
MSCI ACWI Net Total Return Index (in Canadian dollars)	40.0
FTSE Canada Universe Bond Index	25.0
Real Estate 6% annual return (in Canadian dollars)	12.5
Infrastructure 6% annual return (in Canadian dollars)	12.5

**4.03 Compliance Reporting by the Investment Managers**

The Investment Managers are required to complete and deliver a compliance report to the Committee each quarter. The compliance report will indicate whether or not the Investment Manager was in compliance with this Policy during the quarter.

In the event that the Investment Manager is not in compliance with this Policy, the Investment Manager is required to advise the Committee immediately, detail the nature of the non-compliance and recommend an appropriate course of action to remedy the situation.

The Fund may invest in pooled funds with separate investment policies. Should a conflict arise between those investment policies and this Policy, the Investment Manager is required to advise the Committee as per section 3.02(f).

The Fund may invest in mutual funds with separate fund prospectuses. In this case, at inception the Investment Manager is required to provide the prospectus to the Committee and identify any areas in which the investment policy of the mutual fund may not be fully compliant with this Policy. Subsequent to this initial disclosure, the Investment Manager must notify the Committee if it is not in compliance with its own policy or fund prospectus.

#### **4.04 Standard of Professional Conduct**

The Investment Managers are expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute. All professional service providers are expected to comply with the standards of their professions and general prudence.

The Investment Managers will manage the Fund with the care, diligence and skill that an investment manager of ordinary prudence would use in dealing with endowment funds. Each Investment Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.

## Section 5—Administration

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### 5.01 Conflicts of Interest

#### (a) Responsibilities

This standard applies to members of the Board and the Committee, members of all other committees involved in supporting the work of the Fund and all agents employed by the University in the execution of their responsibilities (the “Affected Persons”).

An “agent” is defined to mean an organization, association or individual, as well as its employees who are retained by the Committee to provide specific services with respect to the investment, administration and management of the assets of the Fund.

#### (b) Disclosure

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Fund’s assets.

Further, it is expected that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the University.

No Affected Person shall accept a gift or gratuity or other personal favour, other than one of nominal value, from a person with whom the employee deals in the course of performance of his or her duties and responsibilities for the Fund.

It is incumbent on any Affected Person who believes that he or she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation to the attention of the Committee immediately. The Committee, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will table the matter at the next regular meeting of the Committee.

An Affected Person who has or is required to make a disclosure as contemplated in this Policy shall normally withdraw from the meeting until the issue causing the conflict has been dealt with. He or she may be present at or take part in the discussions on the issue causing the conflict

only if the voting members of the Committee unanimously agree that circumstances warrant such participation. Regardless of the position taken by the Committee, an individual member may still elect to suspend all activities relating to the conflict. In no case is a member permitted to vote on any resolution to approve a contract or investment transaction in which he or she has a material interest.

Notwithstanding the above, the parties listed above may, instead of adhering to the Conflict of Interests in this section, adhere to an alternate Conflict of Interest Policy that the University and the Board deem reasonable.

## **5.02 Related Party Transactions**

A “related party” is defined to mean the Board or any member of the Board, any officer, director or employee of the University, or any member of the Committee. It also includes the Investment Manager and their employees, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include government or a government agency, or a bank, trust company or other financial institution that holds the assets of the Fund, where that person is not the administrator of the Fund.

The University, on behalf of the Fund, may not enter into a transaction with a related party unless:

- (a) The transaction is both required for operation and or administration of the Fund and the terms and conditions of the transaction are not less favourable than market terms and conditions;
- (b) The combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial to the Fund.

For the purposes of this Section 5.02, only the market value of the combined assets of the Fund shall be used as the criteria to determine whether a transaction is nominal or immaterial to the Fund. Transactions less than 0.5% of the market value of the Fund are considered nominal.

Effective July 1, 2016, the “purchase of securities of a related party, provided [they] are acquired on a public exchange” will no longer be an allowed exemption. This exemption will be replaced with allowing the Fund to indirectly invest in the securities of a related party “if the securities are held in an investment fund or segregated fund in which investors other than the University and its affiliates may invest, and that complies with certain quantitative limits.

### **5.03 Appointing and Monitoring the Investment Managers**

In accordance with its terms of reference, the Committee is responsible for the appointment of the Investment Managers and is not required to obtain the approval of the Board before appointing any Investment Manager, as highlighted under Delegations of Responsibilities in section 4.01 (a). The Committee will monitor and review the:

- (a) Assets and net cash flow of the Fund;
- (b) Investment Managers' organizational and financial stability, staff turnover, consistency of style and record of service;
- (c) Investment Managers' current economic outlook and investment strategies;
- (d) Investment Managers' compliance with this Policy where a manager is required to complete and sign a compliance report; and,
- (e) Investment performance of the assets of the Fund in relation to the rate of return expectations outlined in this Policy, on a quarterly basis.

### **5.04 Dismissal of an Investment Manager**

It is the responsibility of the Committee to monitor the performance of the Investment Manager and to remove the Investment Manager where necessary, in accordance with this section. Reasons for considering the termination of the services of an Investment Manager include, but are not limited to, the following factors:

- (a) Changes in the overall structure of the Fund assets such that the Investment Manager's services are no longer required;
- (b) Change in personnel, firm structure or investment philosophy which might adversely affect the potential return and/or risk level of the portfolio;
- (c) Performance results which are below the stated performance benchmarks; and/or
- (d) Failure to adhere to this Policy.

When one of these or any other serious concern arises, the Committee will normally request a special meeting with the manager to discuss the issue. In any such case, the Committee may recommend corrective action up to and including termination of the services of the Investment Manager. The Committee is not required to obtain Board approval to terminate the services of an Investment Manager.



## **5.05 Voting Rights**

The Board has delegated voting rights acquired through the investments held by the Fund to the custodian of the securities to be exercised in accordance with the Investment Managers' instructions. The Investment Managers are expected to exercise all voting rights related to investments held by the Fund in the interests of the beneficiaries in cases where a pooled fund is used. On an annual basis, the Investment Managers shall report their voting activities to the Committee.

The Board reserves the right to take-back voting rights of assets held in segregated portfolios for specific situations.

## **5.06 Valuation of Investments Not Regularly Traded**

Marketable securities, including investment in a pooled fund comprising of marketable securities, shall be valued by the Custodian/Trustee no less frequently than monthly at their market value.

If a market valuation of an investment is not readily available, an estimate of fair value shall be supplied by the relevant Investment Manager to the Custodian no less frequently than annually. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as discounted cash flow or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time and in accordance with generally accepted industry valuation procedures. This valuation methodology shall also apply to non-tradable investments held directly or through co-investment with other investors.

## **5.07 Policy Review**

This Policy should be formally reviewed by the Committee at least annually and may be amended by the Board at any time. A copy of the most current policy is to be provided to the Investment Managers.

## Appendix A - Glossary of Terms

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As used in this Policy:

### **Active Management**

Managing the investments of a fund with the objective of outperforming the return of a broad-based index or combination of broad based indices.

### **American Depository Receipt (ADR)**

Receipt for the shares of a foreign-based corporation held in the vault of a U.S. bank and entitling the shareholder to all dividends and capital gains.

### **Asset**

Anything having exchange value.

### **Asset Classes**

Groups of securities or assets with similar characteristics. These may be broadly defined (equities, bonds) or more narrowly defined (Canadian small cap equities, Real Return Bonds).

### **Basis Point**

One-one hundredth of one percent (0.01%).

### **Bond**

Any interest-bearing or discounted government or corporate security that obligates the issuer to make specified payments of interest and principal to the holder over a specified period.

### **Book Value**

The acquisition cost of an asset, including all direct costs associated with the acquisition, prior to any external financing.

### **Common Stock**

Units of ownership of a public corporation where owners typically are entitled to vote on the selection of directors and other important matters as well as to receive dividends on their holdings, and in the event that a corporation is liquidated, the claims of secured

and unsecured creditors and owners of bonds and preferred stock take precedence over the claims of those who own common stock.

### **Consumer Price Index (CPI)**

The Consumer Price Index for Canada as published by Statistics Canada under the authority of the Statistics Act (Canada).

### **Custodian**

A bank or other financial institution that holds the investment assets of the Plan.

### **Debenture**

A general debt obligation backed only by the integrity of the borrower and documented by an agreement called an indenture.

### **Derivative Instruments or Securities**

Financial contracts that derive their value from the value of an underlying asset (such as a financial instrument, index, or commodity) through contractual relationships. Derivatives include forwards, swaps, futures, options and warrants.

### **FTSE Canada Universe Bond Index**

An index maintained by FTSE Canada that covers all marketable Canadian bonds with term to maturity of more than one year. The purpose of the index is to reflect the performance of the broad Canadian investment grade bond market, including federal, provincial and municipal government issues, as well as corporate issues.

### **FTSE Canada 91-day T-Bill Index**

An index maintained by FTSE Canada that covers Canadian Treasury Bills. The index is constructed by selling and repurchasing Government of Canada T-bills with an average term to maturity of 91 days.

### **Diversification**

The spreading of risk by investing assets in different categories of investments.

### **Duration**

The weighted-average time (in years) to cash flow recovery.

## **Equity**

The ownership interest possessed by a shareholder in a corporation - stocks as opposed to bonds.

## **Foreign Equity**

Ownership in non-Canadian stocks.

## **Foreign Exchange Contract**

A contract for the immediate (spot) delivery of a specified amount of foreign currency in exchange for Canadian dollars.

## **Forwards**

Any over-the-counter (OTC) contract, which calls for the delivery of an underlying asset, for a specified price (the forward delivery price), to be delivered at contract maturity.

## **Futures**

Any exchange-traded contract, which calls for the delivery of an underlying asset at a predetermined maturity date, for a pre-specified price (the futures delivery price), to be delivered at contract maturity.

## **Global Depository Receipt**

A receipt denoting ownership of foreign-based corporation stock shares, which are traded in numerous capital markets around the world.

## **Income Tax Act (ITA)**

The Income Tax Act (Canada) and the regulations made thereunder, as amended from time to time.

## **Income Trust**

An investment structured as a trust that invests in income-producing assets where the revenues, net of expenses, are distributed to investors.

## **Index**

A statistical composite that measures changes in the economy or in financial markets, often expressed in percentage changes from a base year or from the previous month.

**Inflation**

The rise in the prices of goods and services.

**Investment Manager**

An investment manager who is an individual or company with the responsibility for providing investment advice to clients and executing discretionary investment decisions.

**Liquidity**

- (a) The characteristics of a security or commodity with enough units outstanding to allow large transactions without a substantial drop in price, and
- (b) The ability of an individual or company to convert assets into cash or cash equivalents without a significant loss.

**Market Value**

The most probable price that would be obtained for property in an arm's length sale in an open market under conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and willingly.

**MSCI ACWI Net Total Return Index**

An index maintained by MSCI, the MSCI ACWI Index is a free float-adjusted market capitalization index that is designed to represent performance of large and mid-cap stocks across developed and emerging market countries. The Net Total Return Index specifically assumes dividends reinvested after the deduction of withholding taxes.

**Mortgage**

A debt instrument by which the borrower (mortgagor) gives the lender (mortgagee) a lien on property as security for the repayment of a loan.

**Options**

Any contract granting the purchaser of the contract, the right, but not the obligation, to exercise or fulfil the terms and conditions specified in the contract.

**Passive Management**

Managing the investments of a fund with the objective of matching the return of a broad-based index such as the S&P/TSX Composite Index.

## **Policy**

The Statement of Investment Policies and Procedures for the Trent University Endowment Fund.

## **Policy Benchmark**

A portfolio that represents the long-term asset allocation set by the Board of Governors in order to meet the portfolio return expectations.

## **Preferred Stock**

A class of capital stock that pays dividends at a specified rate, usually does not have voting rights and that has preference over common stock in the payment of dividends and the liquidation of assets.

## **Private Placement**

Stocks, bonds or other investments that are issued directly to an institutional investor and are not publicly traded.

## **Real Estate**

Investments with returns derived from rental incomes from properties and gains from development, redevelopment and/or sale of properties including office buildings, multi-unit residential buildings and retail space.

## **Resource Property**

Any property that is,

- (a) A right, license or privilege to explore for, drill for or take petroleum, natural gas or related hydrocarbons;
- (b) A right, license or privilege to;
  - i. Store underground petroleum, natural gas or related hydrocarbons;  
or
  - ii. Prospect, explore, drill or mine for minerals in a mineral resource;
- (c) An oil or gas well or real property, of which the principal value depends on its petroleum or natural gas content, excluding any depreciable property used or to be used in connection with the extraction or removal or petroleum or natural gas there from;

- (d) A real property, of which the principal value depends on its mineral resource content, excluding any depreciable property used or to be used in connection with the extraction or removal of minerals there from; or
- (e) A right to or interest in any property described in clause (a) to (d) above.

### **S&P/TSX Composite Total Return Index**

An index maintained by the S&P/TSX Canadian Index Policy Committee that measures the return on the largest companies that trade on the Toronto Stock Exchange. The index is float-weighted and calculated on a total return basis with dividends reinvested.

### **S&P/TSX Capped Composite Total Return Index**

Contains all the constituents of the S&P/TSX Composite Total Return Index, with weight of any single index constituent capped at 10 percent.

### **Securities Lending Agreement**

An agreement entered into by the trustees of Trent University and a borrower of the securities outlining the terms of the loan.

### **Security**

Any document, instrument or writing commonly known as a security and includes a share of any class or series of shares or a debt obligation of a corporation, a certificate evidencing such a share or debt obligation and a warrant.

### **Segregated Fund or Portfolio**

A fund established by a sponsor that is duly authorized to operate a fund in which money from one or more contributors is accepted for investment and the assets of the fund are maintained by the sponsor as separate and distinct from the general funds of the sponsor.

### **Supranational bonds**

Debt issued by supranational organizations such as the World Bank (IBRD), the European Development Bank (EIB) or Inter-American Development Bank (IADB).

### **Warrant**

A type of security, usually issued together with a bond or preferred stock that entitles the holder to buy a proportionate amount of common stock at a specified price, usually higher than the market price at the time of issuance, for a period of years or to perpetuity.

# Appendix B – The Investment Policy of Jarislowsky Chair Accounts

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## The Investment Policy of JARISLOWSKY CHAIR ACCOUNTS

### 1. Introduction

As per the Donor Agreement between The Jarislowsky Foundation and **Trent University** dated May 12, 2022, the \$2 million gift from the Jarislowsky Foundation matched by \$2 million contribution from Trent University will be managed as a segregated investment, but always under the control and oversight of the Trent University Audit and Investment Committee.

### 2. Investment Objectives & Strategy

The overall investment objective is to ensure that the **Jarislowsky Chair Accounts** will be invested in a prudent and effective manner so as to preserve and enhance capital while generating sufficient return on investment to meet the disbursement requirements of the Trent University Endowment Fund. The performance objective is to provide total returns greater than 7% per annum after all fees measured over rolling 5-year periods.

The investment strategy will be to construct a quality, dividend growth and income focused portfolio of predominately North American equities. Emphasis will be on companies in growing industries with resistance to recessions, inflation and currency fluctuations.

### 3. Investment Guidelines

3.1 The **Jarislowsky Chair Account** will ordinarily be invested as follows:

(a) Equities as follows:

- 82% to 92% in segregated Canadian U.S., and International Equities

(b) Cash or Cash Equivalents as follows:

- 8% to 18% in T-bills and/or Money Market Funds approved by Trent University Audit and Investment Committee.

3.2 The Equity portion of the portfolio shall be invested as follows:

- Total number of positions will be between 35-50.
- Maximum 5% of the total market value of the equity portfolio will be invested in the securities of any single issuer.
- Emphasis on dividend growth stocks with a track record of consistent dividend increases on a yearly basis.
- Under normal economic and political conditions, currency positions are not hedged.
- Maximum 15% of the total market value of the portfolio can be invested in Non-North American equities via American or Global Depository Receipts with no withholding taxes and minimal dividend fees.
- The portfolio will not invest in securities of companies domiciled in emerging markets.
- Maximum 5% of the total market value of the equity portfolio can be invested in securities not currently paying a dividend.
- Maximum 10% of the total market value of the equity portfolio can be invested in 'junior'



companies with a minimum CDN\$1 billion market capitalization.

3.3 Refer to **Appendix A** for additional investment guidelines.

### **Appendix A: Additional Investment Guidelines JARISLOWSKY CHAIR ACCOUNTS**

- Emphasis on dividend paying stocks with average dividend increases of 7% plus per annum over 5-year periods.
- No investments in large authoritarian countries.
- No investments in countries with high foreign currency debts.
- No investments in any country without the strict rule of law.