

# Statement of Investment Policies and Guidelines for OCAD University

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## Section 1: Background

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### 1.1 OCAD University: Statement of Investment Policies and Guidelines

- OCAD University (the University) will maximize opportunities to use its Endowment and Restricted Funds (together, the “Funds”) to further its objective as set out in section 3 of the *Ontario College of Art & Design University Act, 2002* and within the restrictions of the Funds.
- The University takes a long-term view of its investment approach, informed by the need for financial sustainability.
- The University should be open and transparent about the reasoning behind its choices and the approaches adopted.
- The University will seek to ensure that it receives a wide range of advice and consults widely before it makes changes to its investment approach.

### 1.2 Description of the OCAD University Funds

This Statement of Investment Policies and Guidelines (“SIPG”) applies to all Funds invested by the University.

The Endowed Funds consist of externally or internally restricted contributions received by the University where the endowment principal is required by the donor or the Board of Governors, where applicable, to be maintained permanently. The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donors or the Board, where applicable.

The Restricted Funds consist of externally or internally restricted contributions received by the University where the principal and investment income is to be used for specific purposes as specified by the donor or the Board where applicable.

### 1.3 Purpose of the Statement of Investment Policies and Guidelines

The Board has prepared this SIPG to address the manner in which the Funds shall be invested. Professional management of the assets entrusted to the University is essential to its mission.

The SIPG is intended to:

- a) Define and assign the responsibilities of all involved parties
- b) Establish the investment objectives, principles and philosophies for the Funds



- c) Specify the long-term asset mix of the Funds and provide guidelines within which the Investment Manager(s) may formulate and execute investment decisions
- d) Establish a basis for evaluating investment results of the Funds

## Section 2: Fund Governance: Roles and Responsibilities

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### 2.1 Responsibilities of the Board

The OCAD University Board of Governors is entrusted as a fiduciary of the Endowed and Restricted Funds.

The Board has the ultimate responsibility for the governance, overall management of, and decision-making authority, for the Funds. In fulfilling its responsibilities, the Board may delegate certain duties and responsibilities to committees of the Board, including the Investment Committee in its role of fiduciary.

### 2.2 Responsibilities of the Investment Committee

The Investment Committee is a standing committee constituted by the Board of Governors under the By-Laws of the University, and is charged with the responsibility for:

- a) Overseeing the University's investment activities, including achieving the University's objectives of investing and managing its funds, particularly Endowed and Restricted Funds.
- b) Developing appropriate investment policies and objectives
- c) Monitoring investment performance against investment objectives
- d) Determining and monitoring any deviation from policy within the approved asset mix ranges
- e) Making recommendations to the Board concerning the engagement and termination of Investment Managers, consultants providing performance measurement/investment advice and investment custodians
- f) Recommending any changes to the endowment spending guidelines for the Funds
- g) Reviewing, at least annually the significant risks and uncertainties that may affect the University's investment policies and practices
- h) Maintaining an understanding of legal and regulatory requirements and constraints applicable to the Funds
- i. As a standing committee of the Board, the Investment Committee shall comply with its reporting role as described in the Board Bylaws



### 2.3 Responsibilities of the Investment Manager

The Investment Manager(s) are appointed by the Board based on the recommendation of the Investment Committee. The Investment Manager(s) responsibilities include, but are not limited to, the following:

- a) Adhering to the SIPG and follow the recommendations of the Investment Committee
- b) Advising the Investment Committee of any recommendations to modify or deviate from the SIPG
- c) Staying informed about investment opportunities and about economic conditions in general
- d) Meeting the Investment Committee at least four times a year, providing the Investment Committee with quarterly reports of portfolio holdings and a review of investment performance and attending further meetings if necessary at the discretion of the Chair.
- e) Providing an annual review to the Investment Committee on the portfolio including a review of risk management practices and including reporting as to ESG as set out in section 3.3.
- f) Adhering to the compliance requirements of the SIPG, as outlined in Appendix A.

### 2.4 Responsibilities of Management

Management is responsible for the day-to-day operations of the Funds, including adherence to the SIPG and the supervision of employees and agents.

The University's Finance Office will be responsible for the following:

- a) Ensuring compliance with legal and University requirements
- b) Acting as the day to day liaison between the Investment Committee and the Investment Manager(s) and Custodian
- c) Keeping the Investment Committee informed of all material issues and developments relating to the management of the Funds
- d) Managing the cash flow available to Investment Manager(s) and advising the Investment Manager(s) of anticipated cash flows to and from the Funds, including any material developments on an interim or annual basis
- e) Ensuring the execution of contractual agreements between the University and the Investment Manager(s) and Custodians
- f) Preparing an annual fee analysis



## 2.5 Responsibilities of the Custodian

The Custodian is appointed by the Investment Committee. The Custodian shall perform the duties required of it pursuant to written agreements entered into from time to time with the University and in accordance with any applicable regulation.

# Section 3: Fund Overview and Investment Implications

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## 3.1 Nature of the Funds

The SIPG applies to all Funds invested by the University. The portfolio may include more than one account segregated for reporting purposes but managed as a single pool in order to optimize net return and diversification of risk. The accounts included within the portfolio and managed as a single pool are to be determined by the Investment Manager in accordance with instructions provided by Management (the University's Finance Office).

## 3.2 Long-Term Rate of Return Goal

Funds are to be managed within the level of risk identified within the SIPG and in the context of Total Return which is defined as the sum of income and realized and unrealized capital gains/losses from investments. The overriding objective is to:

- a) Maximize the Funds total long-term investment return while incurring a prudent amount of investment risk
- b) Generate sufficient income to support annual spending requirements and meet statutory requirements
- c) Protect the purchasing power of the capital base of the Funds
- d) Provide sufficient liquidity at all points in an economic cycle

## 3.3 Support for the United Nations Principles of Responsible Investing

The University supports the [United Nations Principles of Responsible Investing initiative](#) (the "UN Principles") launched formally in April 2006. Responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole. It recognises that the generation of long-term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems.

The UN backed initiative developed Six Principles of Responsible Investing. The Six Principles offer possible actions for incorporating ESG issues into investment practices across asset



classes. Responsible investment is a process that must be tailored to fit each organization’s investment strategy, approach and resources. The Principles are voluntary and aspirational.

The University delegates the investment management of its Funds to external Investment Managers who must adhere to policies and guidelines established by the Investment Committee and approved by the Board.

The University’s support for the UN Principles will be enacted through an evaluation process of its current and future Investment Managers based on their consideration of the United Nations Six Principles of Responsible Investing. The process of evaluation will be developed after research into existing and best practices.

### 3.4 Endowment Spending Guidelines

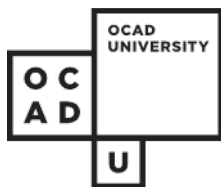
Available spending allotments (payouts) for any fiscal year of the University are established by the Board from time to time. The spending level allows investment income to be used to support the endowment commitments. Considerations in setting the spending levels are historical total returns of the portfolio, regulatory requirements, capital preservation and post-secondary best practices. Spending will commence once the endowment has existed for at least one full year.

## Section 4: Investment Parameters

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### 4.1 Permissible Investments and Investment Strategies

General	No more than 10% of any asset class shall be invested in the securities of a single issuer (excluding the Government of Canada and Provincial Government securities rated Single A or better).
Fixed Income	Bonds rated single A or better (without prior approval to deviate from the Investment Committee)
Equities	Not more than 75% of the portfolio by market value
Currency	At least 50% of the portfolio must be denominated in Canadian dollars



Derivatives	Not permitted without prior approval of the Investment Committee
Securities Lending	Not permitted without prior approval of the Investment Committee

#### 4.2 Long-term Asset Mix Policy

The long-term performance of the Funds is primarily determined by the long-term asset mix policy. The approach of broad diversification across various asset classes within the asset mix is the Board's most important risk management and control tool. The Board will review the long-term asset mix policy annually.

The asset classes, asset allocation targets and permissible ranges for the Funds are as follows:

Asset Class	Target	Permissible Range
Cash & Equivalents	5%	0%-30%
Fixed Income	30%	20%-50%
Canadian Equities	25%	5%-40%
U.S. Equities	25%	15%-40%
International Equities*	15%	10%-25%
<b>Total</b>	<b>100%</b>	

\*Up to 15% of the allocation to International Equities may be invested in Emerging Markets equities

#### 4.3 Diversification

Through its Investment Managers, the University's Funds follow an approach of asset diversification. The purpose of such diversification is to have different segments of the Funds exposed to different investment risks to achieve an averaging of risks and returns in a fashion that reduces the likelihood of an overall decline in value and increases the opportunity for gains.





Diversification of the Funds is maintained in order to:

- 1) reduce the annual total return variability;
- 2) reduce market and credit exposure to any single issuer and to any single component of the capital markets;
- 3) reduce exposure to unexpected inflation; and
- 4) enhance the long term risk-adjusted return potential of the Funds.

#### 4.4 Liquidity

The Funds are managed with a view of providing sufficient liquidity to enable the University to meet all of its future obligations. Investments are selected with consideration given to their effect on liquidity risk within the context of the investment portfolio as well as the income to be derived.

#### 4.5 Benchmarks

The total portfolio performance shall be measured after investment management fees on a Total Fund basis against an appropriate benchmark. The performance benchmark shall be calculated as a combination of financial market indices weighted on the basis of the normal asset mix of the portfolio as detailed in the following table:

Relevant Index	Benchmark Weighting
DEX 91-Day T-Bill Index	5%
DEX Universe Bond Index	30%
TSX Composite	25%
S&P 500 Index (C\$)	25%
MSCI EAFE Index (net)*	15%
<b>Total</b>	<b>100%</b>

\*Up to 15% of the allocation to International Equities may be invested in Emerging Markets equities

Performance of the Investment Manager(s) will be evaluated annually. Emphasis will be placed on the degree to which performance results meet performance goals. The following standard will be used in evaluating investment performance of the Investment Manager(s):



- a) Compliance with the SIPG
- b) Performance over three and five year annualized periods
- c) Reporting and communications to the Investment Committee and Board of Governors
- d) Investment Manager's adherence to their stated investment philosophy and process

## Section 5: Voting Rights

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Voting rights for the Funds are delegated to the Investment Manager(s). The Investment Manager(s) shall maintain a record of how voting rights for the Funds were exercised and report to the Investment Committee when votes were cast against management.

## Section 6: Fees and Expenses

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The Investment Committee shall give consideration to the impact of administrative expenses and external management fees when establishing its long term asset mix policy. The Board receives reports on the performance of the Funds both before and after expenses throughout the year.

## Section 7: Conflict of Interest

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The University's Conflict of Interest policy will apply to the management and operations of the Funds.



## Appendix A: Compliance Report

Investment Manager \_\_\_\_\_ (name of Investment Manager)  
 Compliance Report \_\_\_\_\_  
 for the period \_\_\_\_\_ (date)

		GUIDELINES	COMPLIED WITH POLICY YES/NO *
ASSET MIX (at Market Value)		%	
EQUITIES	CANADIAN		
	U.S.		
	INTERNATIONAL		
FIXED INCOME	FIXED INCOME		
	CASH & EQUIVALENTS		

\* If Policy not complied with, comment on specifics

The undersigned hereby confirms that throughout the reporting period noted above:

1. The management of the Funds was in accordance with all the terms, conditions and guidelines stipulated in the SIPG and Investment Management Agreement dated \_\_\_\_ (together the "Policy").

If not, attached are details of what activities were outside the Policy guidelines, the consequence of such activities to the Funds, and the actions taken to remedy the situation.

2. The Funds were managed in compliance with provisions of the income tax and other legislation, as applicable, which govern the investment of assets.

If not, attached are details of any non-compliance issues.

3. The Investment Manager has complied with the Code of Ethics and Standards of Professional Conduct ("Code and Standards") of the CFA Institute. If not, attached are details of any noncompliance issues.

4. The Investment Manager and/or its professional staff are not currently under investigation by any regulatory authority.

If yes, attached are details of such investigations.

COMPLETED BY: \_\_\_\_\_