



**CONCORDIA UNIVERSITY  
FOUNDATION**

# Statement of Investment Policy

for the assets managed by Concordia University Foundation

Approved by the Board of Directors of Concordia University Foundation on October 30, 2017 and revised on May 29, 2018

*This Statement of Investment Policy replaces the Statement of Investment Policy for the Endowed and Short Term Fund Assets of the Concordia University Foundation Investment Pool that that was effective on March 1, 1994 and amended as at April 4, 2012 with effect from January 1, 2012, which is repealed.*

## CONTENTS

CONTENTS.....	2
SECTION 1 🌀 PURPOSE AND BACKGROUND .....	4
Context.....	4
Investment Philosophy.....	6
SECTION 2 🌀 ALLOCATION OF RESPONSIBILITIES.....	8
SECTION 3 🌀 ASSET ALLOCATION AND INVESTMENT GUIDELINES.....	9
Role and Importance of Asset Allocation.....	9
Tactical Allocation Policy.....	10
Strategic Asset Allocation.....	10
Investment Guidelines .....	12
SECTION 4 🌀 INVESTMENT POLICY STATEMENTS AND REBALANCING POLICY ..	14
SECTION 5 🌀 CONFLICT OF INTEREST POLICY AND DISCLOSURE REQUIREMENTS .....	15
SECTION 6 🌀 MISCELLANEOUS TOPICS.....	15
APPENDIX A 🌀 INVESTMENT POLICY STATEMENT FOR VBIMP .....	15
APPENDIX B 🌀 HEDGING OF FOREIGN CURRENCY EXPOSURE.....	18
APPENDIX C 🌀 INVESTMENT POLICY STATEMENT FOR STP .....	19
Investment Objectives .....	19
Investment Guidelines .....	19
Investment Universe .....	20
Operational Setup .....	20
APPENDIX D 🌀 SECURITIES LENDING.....	21
APPENDIX E 🌀 ALTERNATIVE INVESTMENTS.....	22
APPENDIX F 🌀 INVESTMENT POLICY STATEMENT FOR LTP .....	23
Statement of Investment Beliefs.....	23
Investment and Risk Objectives of the LTP .....	23
Investment Policy LTP Portfolio .....	24
APPENDIX G 🌀 INVESTMENT POLICY STATEMENT FOR MTP .....	25
Statement of Investment Beliefs.....	25
Investment and Risk Objectives of the MTP .....	25
Investment Policy MTP Portfolio.....	26
APPENDIX H 🌀 INVESTMENT POLICY STATEMENT FOR IIP .....	27
Investment and Risk Objectives of the IIP.....	27
APPENDIX I 🌀 RESPONSIBLE INVESTMENT POLICY .....	28
Integrated ESG framework.....	28
APPENDIX J 🌀 INVESTMENT POLICY STATEMENT FOR PROGRAMS.....	30

Investment and Risk Objectives of the Programs ..... 30  
Investment Policy Portfolio for the Programs..... 30  
APPENDIX K  INVESTMENT POLICY STATEMENT FOR IMPACT INVESTMENTS .. 31  
GLOSSARY OF ABBREVIATIONS ..... 33

## SECTION 1 PURPOSE AND BACKGROUND

### Context

The Concordia University Foundation (“CUF”) has been established to invest and manage funds for the benefit of Concordia University (“CU”). The gifts received by CUF for investment purposes are intended for each of seven distinct programs and the assets of the first five of these programs (the “Programs”) are invested and managed by Concordia University Foundation:

1. **Endowment Program (“EP”)**: EP’s objective is to invest the endowed funds as requested by their donors and stipulated in the specified gift agreement. The primary goals of the EP are:
  - i. Generate return on investments in order to grow at an annual rate equal to the annual rate of increase in the Canada All-Items Consumer Price Index, after distributions and fees. Current annual distribution rate for EP equals the disbursement quota set by the CUF funding policy at 3.5%;
  - ii. Avoid capital encroachment of the overall EP;
  - iii. Limit the underwater value of a donation to 12 months or less.

In order to ensure that the primary goals of the EP are achieved, EP’s assets will be invested in the Long Term Pool, the Sustainable Investment Pool and the Short Term Pool, as defined herein.

2. **Sinking Fund Program (“SFP”)**: SFP’s objective is to invest funds intended for the payment of CU’s unfunded capital liabilities related to its property type investments. Those funds are targeted to be paid back to CU by 2042. The amount of CU’s unfunded capital liabilities is determined in its annual four-year rolling capital budget that is approved by its Board of Governors (“BoG”). The primary goals of the SFP are:
  - i. Generate return on investments in order to minimize the University’s sinking fund annual contribution as per its amortization schedule as defined by its annual four-year rolling capital budget that is approved by BoG;
  - ii. Meet the unfunded capital liability target from the annual four year rolling capital budget that is approved by BoG;
  - iii. Begin to de-risk the asset allocation when the targeted disbursement period is less than 10 years.

In order to ensure that the primary goals of the SFP are achieved, SFP’s assets will be invested in the Long Term Pool, as defined herein.

3. **Employee Liability Benefit Program (“ELBP”)**: ELBP’s objective is to invest the funds intended to be disbursed for the financial management of CU’s Benefits Portfolio as determined by the operating budget that is approved by BoG. The primary goals of the ELBP are:
  - i. Protect the transferred capital;
  - ii. Generate return on investments in order to minimize the CU’s contribution towards its employee benefits portfolio as defined by its annual operating budget that is approved by BoG;
  - iii. Have the necessary liquidity to be able to transfer the funds back to CU at their required time period.

In order to ensure that the primary goals of the ELBP are achieved, ELBP's assets will be invested in the Medium Term Pool and the Short Term Pool, as defined herein.

4. **Donated Restricted funds Investment Program ("DRIP"):** DRIP's objective is to invest unspent donation fund balances within CU's Trust Funds. The primary goals of the DRIP are:
  - i. Protect the transferred capital;
  - ii. Generate return on investments in order to realize a diligent growth of capital in relation to the time period;
  - iii. Have the necessary liquidity to be able to transfer the funds back to CU at their required time period.

In order to ensure that the primary goals of the DRIP are achieved, DRIP's assets will be invested in the Medium Term Pool and the Short Term Pool, as defined herein.

5. **Illiquid In-kind Restricted Donations Program ("IIRD"):** IIRD's objective is to manage illiquid in-kind restricted donations until they become liquid. In order to ensure that this goal is achieved, IIRD's assets will be managed on an investment by investment basis in the Illiquid In-kind Pool, as defined herein, for as long as they are illiquid and thereafter, when their market value is realized, the cash proceeds will be transferred to other CUF programs.

The assets of the following two programs are not invested and managed by Concordia University Foundation.

6. **Van Berkomp Investment Management Program ("VBIMP"):** The VBIMP was created due to a donation by Mr. J. Sebastian Van Berkomp. It invests all its assets in a portfolio of stocks with a small market capitalization managed by graduate students of the John Molson School of Business in compliance with the investment policy statement provided in [Appendix A](#).
7. **Special Endowments Program ("SEP"):** The SEP aggregates the assets managed by their donors, who are all professional investors. The annual distribution rates for the Special Endowments are established by the donors that fund them.

The annual distribution rates for EP and SEP will be reviewed every three years in light of actual and expected future returns and economic and financial market conditions. However, they should always be at least equal to the disbursement quota set by the Canada Revenue Agency.

The Programs differ in their funding and investment objectives, their investment horizon, risk appetite, liquidity and inflation protection needs. Therefore, the Investment Committee (the "Committee"), has created four investment pools: the Long Term Pool ("LTP"), the Medium Term Pool ("MTP"), the Short Term Pool ("STP") and the Illiquid In-kind Pool ("IIP"), collectively the "Portfolio", with the aim to accommodate the individual investment needs of the Programs.

This statement of investment policy (the "Policy") has been prepared to provide guidelines for the prudent and effective management of the Programs' assets, which has a direct impact on the achievement of the above-mentioned goals.

CUF's Board of Directors ("BoD") has assigned responsibility for the oversight of the Portfolio to its Committee. The BoD has also delegated the day to day financial governance and management of the CUF Portfolio to the Office of the Treasurer, Financial Services of Concordia University (the "Delegate").

The VBIMP and SEP assets are invested as specified above, under the monitoring of the Delegate.

### **Investment Philosophy**

**Risk Management:** The primary driver of all investment decisions will always be risk management. Although the Committee recognizes that to meet return expectations requires the assumption of certain levels of risk, no investment decision will be taken without first applying strict risk measurement and management principles in the asset allocation and Investment Manager selection processes.

- a) The primary consideration in the measurement of risk will always be the preservation of capital. This can be defined as the avoidance of the permanent loss of capital for this purpose.
- b) Risk will be managed in a number of ways enumerated throughout this Policy, which will include but will not be limited to the following:
  - i. Diversify among and within asset classes and investment strategies. To limit the overexposure to a single security and/or Investment Manager, diversification constraints will be put in place as described in [Section 3](#).
  - ii. Establish appropriate risk metrics and monitor, from both a quantitative and qualitative standpoint, each Investment Manager and each Program. Perform, in a proactive way, the changes required to alleviate the issues identified.
  - iii. Monitor at minimum, on a quarterly basis the compliance of the investment managers ("Investment Managers") that manage assets in segregated accounts with their investment policy.
- c) The following risks will be monitored:
  - i. **Market risk**

Appropriate risk metrics will be established and monitored at both the individual Investment Manager and Program level. The foreign currency risk will be managed as described in [Appendix B](#).
  - ii. **Credit risk**

The credit risk associated with the money market investments will be monitored as described in [Appendix C](#).
  - iii. **Liquidity risk**

A prudent liquidity management approach will be established to ensure that the Programs maintain the liquidity required to meet their disbursement commitments. Liquidity risk includes both the underlying holdings in an investment fund and the provisions for making redemptions from that fund. Redemption provisions will be evaluated for consistency with underlying security holdings in order to reduce the risk of forced selling of holdings at inopportune times caused by other investors in the fund. The Delegate will monitor the redemption provisions and will identify lock-ups, gates and withdrawal restrictions in quarterly reports.

**Loans:** In case of temporary liquidity emergency needs, the Committee can borrow from CU an amount limited to 5 million CAD for a term of up to a month.

**iv. Securities lending risk**

When securities lending activity is performed by an external, third party lending agent, the Delegate will monitor the fulfillment of the requirements enumerated in [Appendix D](#).

**v. Leverage risk**

The leverage obtained through currency hedging and securities lending is permitted. The leverage obtained through borrowing money will not be used by the Committee to exceed the asset allocation ranges of the Policy, except when it is used for the purpose described, and in compliance with the terms stated, in the loans paragraph of this section.

Leverage can be used by external managers in order to increase the exposure to an asset class.

The level of leverage used by the managers that manage a segregated account will be disclosed in the investment management agreements and monitored closely by the Delegate.

**vi. Operational and legal risk**

The IT staff of Concordia University ensures the proper operation of the IT equipment used by the Delegate and provides the training required to minimize the cyber risk to which its IT equipment and staff could be exposed. In order to maintain business continuity, the Delegate will ensure that appropriate back-up IT equipment and procedures, as well as a disaster recovery plan, are in place.

The Delegate will ensure that appropriate procedures and controls are in place in order to minimize the risk of loss due to internal and external operations.

Legal documentation for all accounts, investment subscriptions, external managers, investments in private investment funds (private equity, real assets, and hedge funds), and derivatives will be reviewed, negotiated and approved for execution by internal and/or external legal counsel. The Delegate, in consultation with Concordia University's Office of the General Counsel, will exercise diligence to ensure that all contracts are legally binding and enforceable in a suitable venue. The Delegate will seek the assistance, review, and advice of legal counsel whenever it is prudent to do so. The Concordia University Office of the General Counsel has primary responsibility for the engagement of outside legal counsel for investment matters.

The Delegate will ensure that its employees are fully aware of their roles and responsibilities and they receive proper training with respect to the regulations and legislation specific to their operations in order to avoid fines and penalties for noncompliance.

When daily data on the underlying securities held in a segregated account is not available from a third party provider, the assets will only be invested in investment funds.

All managers must be registered with the United States Securities and Exchange Commission or with a similar regulatory body, if they are domiciled outside of the United States, or must qualify through Canadian or US law for an exemption from the registration requirement.

**Asset Allocation:** Asset allocation is the key determinant of Programs' performance and, therefore, commitments to asset allocation targets and objectives will be maintained through a disciplined rebalancing and tactical re-allocation program.

## SECTION 2 ALLOCATION OF RESPONSIBILITIES

The Committee will:

- Establish the Policy, including the Responsible Investment Policy and Impact Investment Policy;
- Monitor at least quarterly the financial performance and risk results of the Policy and its Programs;
- Review and evaluate every three years the Policy, including a re-assessment of the return expectations, risk tolerance, time horizon and Investment Policy Portfolio; Review at least annually the required growth rate in the context of the development of the Programs;
- Review and evaluate the Programs' performance at least annually;
- Review and evaluate, both quantitatively and qualitatively the Investment Managers' performance at least annually. This shall include an evaluation of the rates of return achieved relative to objectives established and monitoring of the degree of risk assumed in pursuit of the objectives;
- Retain the authority to delegate any responsibilities not specifically mentioned herein.

The Delegate will:

- Provide strategic investment planning, market research, analysis and resulting recommendations for the Committee's considerations with respect to the Committee's responsibilities outlined in [Section 2](#);
- Select the Investment Managers, either through searches, active due diligence of specialized investment strategies or from the investment strategies held at the Pension Plan for the Employees of Concordia University ("PPECU") and, if necessary, other specialists as required;
- Implement all approved investment strategies including contractual negotiations, asset allocations and transitions when required;
- Manage tactical asset allocation policy and ensure it conforms with the terms outlined in [Section 3](#);
- Monitor and provide, at least quarterly, performance, risk, Investment Manager and tactical analytical reports to support governance oversight and compliance responsibility of the Committee as outlined in [Section 2](#) and recommend corrective action(s) if necessary;
- Oversee CUF service-providers and Investment Managers including performance, risk and contractual monitoring and operational due diligence when required;
- Manage the STP program in conformity as outlined in [Appendix C](#);
- Manage the currency hedging program in conformity as outlined in [Appendix B](#);
- Manage the security lending program in conformity as outlined in [Appendix D](#);
- Implement the Responsible Investment Policy provided in [Appendix I](#) and report on PRI initiatives
- Implement the Impact Investment Policy provided in Appendix K and report regularly;
- Provide deal sourcing services for the impact investments;
- Select the custodian ("Custodian") to hold the Program's assets.

Each Investment Manager will:

- Conduct bi-monthly update calls and upon request, meet with the Delegate, at least annually;
- Provide the Delegate with monthly valuations of the portfolio within its mandate;
- Provide the Delegate with written quarterly reviews and analysis of investment performance and risks assumed as well as summaries/opinions on expectations for future returns on various assets classes and proposed investment strategies;
- Fulfill the mandate given by the Committee, subject to applicable legislation and the constraints and directives contained in this Policy and in any supplementary document provided by the Committee;

- Inform the Delegate promptly of any constraints or elements of the Policy that could prevent attainment of the objectives;
- Where the assets are managed in a segregated account, provide the Delegate with quarterly certificates of compliance with their investment policy for the quarter just ended; and
- Inform the Delegate of any fundamental change in its investment style and the level of risk inherent therein, including changes in key personnel.

The Custodian will:

- Provide the administrative services outlined in the Custodial Services Agreement;
- Provide the Delegate with periodic portfolio reports of all assets of the Portfolio and transactions during the period; and
- Provide the Delegate with the annualized time-weighted rates of return for the Pool and each asset class for quarterly periods, and the asset mix at the end of each quarter calculated on market value.

## SECTION 3 ASSET ALLOCATION AND INVESTMENT GUIDELINES

### Role and Importance of Asset Allocation

**Priority:** The asset allocation decision is generally regarded as the primary driver of risk management and a total risk-adjusted return enhancement investment management process.

**Purpose:** The purpose of a Strategic Asset Allocation is to provide a range of investment weights that has the potential to produce the risk-adjusted return objective and meet current and future liabilities, with a robust risk management system in place. By allocating funds among several asset classes and investment strategies, there is an increased probability of achieving the risk and return objectives of the Programs.

**Traditional Investments:** Traditional Investments are defined as liquid, publicly traded, unlevered, transparent investment asset classes including cash or cash equivalents, equities, fixed income, commodities and currencies. These assets can be invested in directly, through exchange-traded funds (ETFs), or through Investment Funds managed by Investment Managers.

**Investments through derivative instruments:** The use of derivative instruments traded on an exchange or over the counter and including, without being limited to, future and/or forward contracts, options, swaps, share purchase warrants or share rights, is permitted only if their management is entrusted to a Specialized Investment Manager ("SIM"). Their use in portfolios managed on a segregated basis will be regulated by constraints imposed on the level of leverage, the credit rating of the counterparties, the exposure to each counterparty as well as other constraints that are judged to be appropriate for the investment selected. Those constraints will be clearly described in the contract that will be signed with the SIM and their monitoring will be done based on data provided by an independent party on a daily basis.

**Alternative Investments:** In addition to the foregoing, and within the scope of the pools' asset allocation strategy, other asset classes, such as alternative investments (see [Appendix E](#)), will be included. Their inclusion may improve the risk-return trade-off in the pools' performance by broadening the available asset classes and strategies. If deemed necessary, a significant portion of the Portfolio may be allocated to alternative investment

asset classes and investment strategies. In addition, given the nature of the program and its sources of funding, CUF reserves the right to invest in Real Estate properties that are for the eventual or current intended usage of the University.

**Impact Investments:** Impact Investments are investments that satisfy the criteria provided for in [Appendix K](#).

### **Tactical Allocation Policy**

**Purpose:** Tactical allocation and reallocation of assets ("Tactical Allocation") within the Policy may help reduce the risk of the Portfolio's investments and increase its returns over time. The goal of Tactical Allocation is therefore, to increase the Portfolio's risk-adjusted investment returns over time.

**Allocation Ranges:** Any Tactical Allocation must be executed within the framework of the Strategic Asset Allocation Ranges listed in the Policy. If the required changes cannot be made due to liquidity issues, the Delegate, who may seek the advice and counsel of an external consultant ("External Consultant"), will make recommendations for corrective action to the Committee.

**Delegation:** Because Tactical Allocation is a dynamic function, the Committee delegates the authority and responsibility for initiating and/or approving Tactical Allocation to the Delegate, who may seek the advice and counsel of an External Consultant to assist with this function.

### **Strategic Asset Allocation**

The following asset classes and investment strategies were selected in order to design for each Program a portfolio which will be able to fulfill its long term goals and objectives set forth in [Section 4](#):

#### **CASH AND EQUIVALENTS**

Investments in cash and cash equivalents ensure that liquidity is available for the Programs requiring important cash inflows and outflows. The cash is invested in the STP as described in [Appendix C](#).

#### **EQUITY**

Equity investments provide long term real growth via capital gains and dividends and offer global diversification. At the same time, they will also experience volatility and potential drawdowns over shorter time horizons. They could be classified as follows:

##### **Long Only, Publicly Traded, Equity**

The managers in this space take typically un-hedged, long only positions in exchange traded equity securities. Active managers use both quantitative and qualitative fundamental analysis in choosing which securities to invest in. They are not traders, but investors, meaning that they typically have very long time horizons when investing in what they identify as under-valued stocks. Their aim is to outperform a market index. The passive managers aim to deliver a return that replicates closely that of a market index. Both active and passive managers tend not to use leverage.

##### **Private Equity**

Defined as equity capital that is not quoted on a public exchange, private equity (PE) consists of investors and funds that make investments directly into private companies, or conduct buyouts of public companies that result in a delisting of public equity. Capital for private equity is raised from retail and institutional investors, and can be used to fund new technologies, expand working capital within an owned company, make acquisitions, or to strengthen a balance sheet. With the exception of multi-billion dollar institutions, most institutional PE investments are made through PE funds, which purchase, operate, and then sell between 3-6 companies over the life cycle of each fund. There are as well niche investment opportunities in minority interests into General Partnerships in Institutional Private Equity Managers that combine the advantages of investing in a diversified private equity portfolio with the convenience of harvesting a percentage of the fees paid by the Limited Partners to their General Partners.

## **FIXED INCOME**

Fixed income investments provide interest income and liability matching characteristics. They could be classified as follows:

### **Long Only, Publicly Traded, Fixed Income**

The managers in this space take typically un-hedged, long only positions in exchange traded fixed income securities. In their aim to outperform a market index, they use both quantitative and qualitative fundamental analysis to deliver income and capital appreciation by assuming credit and interest rate risk. The passive managers aim to deliver a return that closely replicates that of a market index. Both active and passive managers tend not to use leverage.

### **Private Debt**

Managers of private debt investments are looking for opportunities that include distressed debt, real estate debt, mezzanine financing, structured assets and direct lending. From the moment when a loan is granted until it is fully repaid, they maintain direct contact with the borrowers, pro-actively monitor their ongoing creditworthiness and directly administer the investments. Private debt investments represent an attractive source of diversification and interest income.

## **ALTERNATIVE INVESTMENTS**

While the Programs' portfolios are designed to have a diversified and well-balanced asset mix, the following strategies, better explained in [Appendix E](#), are intended to specifically offset the directionality of the allocations to equity and fixed income asset classes.

### **Private Real Estate**

While it is impractical for CUF to invest in Private Real Estate directly, it can invest in private pools designed to give access to the private markets in these areas. The models in the private space are very similar to publicly traded real estate, except that the assets are less liquid and the returns are expected to be higher. The assets are usually purchased (using leverage) as equity, creating dependable long term cash flows through rent (whether apartments, industrial space, office, retail, or other sources).

### **Global Infrastructure**

Global Infrastructure (GI) investments tend to be less volatile than equities over the long term, and generally provide a higher yield. As a result, many institutional investors choose to invest in GI for its defensive characteristics (typically assets provide essential services in both regulated and unregulated industries). As for Private Real Estate, it is impractical for CUF to invest in GI directly, although CUF can invest in GI through specialized private funds, such as those that invest in transportation infrastructure (toll roads and bridges), water infrastructure, or energy infrastructure.

### **Others**

The following alternative investments are also permissible:

- investments in Farmland and Timberland strategies, which have very similar characteristics to Private Real Estate investments;
- investments in Life Insurance Policies.
- investments in Venture Capital.

### **Absolute Return Strategies**

Absolute return strategies aim to produce a positive return, even when public markets are volatile, flat or falling. The strategies employed by an absolute return fund manager vary greatly and are less constrained than that of the long-only manager.

All of the above may be either Canadian or non-Canadian investments, subject to the legal requirements and to the constraints of this Policy.

### **Investment Guidelines**

**Prohibited investments:** Prohibited Investments are:

- a) Investments precluded by law or regulation;
- b) Investments in asset classes or investment strategies not contemplated in any part of the Policy, without the written consent of the Committee.
- c) Investments otherwise expressly excluded in the Policy.

**Permissible investments:** Any investment that is not a Prohibited Investment is permissible under the Policy.

**Diversification:** To limit the Portfolio risk associated with holding individual securities (e.g., non-systematic risk), diversification requirements and other risk management requirements are as follows:

- a) **Diversification relative to asset classes:** In order to diversify the Programs' portfolios, investments will include the following asset classes:
  - equity;
  - fixed income;
  - alternative investments.
- b) **Diversification relative to a single security:** Notwithstanding securities representing units held in any pooled investment or investment fund, or fixed income securities issued by a sovereign rated AAA by at least two nationally recognized statistical rating organization (NRSRO), at no time should a single security

holding represent more than 10% of the assets that are managed in an individual segregated account. This limit does not apply to a security whose purpose is to provide exposure to a widely diversified set of other securities, such as an ETF, total return swap or futures contract or to the securities used in the STP or to the derivative instruments used for currency hedging purposes.

- c) **Diversification relative to a single Investment Manager:** Any Investment Manager operating within any asset class would typically not manage more than 15% of the outstanding investable assets of a Program.
- d) **Diversification relative to an Investment Management Company:** The Portfolio's assets managed by an **Investment Management Company** in one or more investment strategies and in one or more investment funds or segregated accounts should not represent more than 25% of its assets under management, calculated by including the Portfolio's assets that the **Investment Management Company** manages.

**Benchmarks:** Due to the wide range of markets in which the investments shall be made, appropriate benchmarks shall be established for each specific investment vehicle. They shall reflect the investment opportunity set or risk profile of each investment. These benchmarks shall be established prior to investment and shall be documented with each Investment Manager.

**Currency:** The Portfolio may invest in any currency without restriction. The Committee or its Delegate may, at any time, place guidelines and/or restrictions regarding exposure to foreign exchange risks, to be followed up by the Investment Managers. Notwithstanding the fact that investments may be in various currencies, the Investment Managers' reporting shall be made in the currency in which the investment was made.

**Investment valuation:** The purpose of the valuation is to determine the fair value of the investments made in order to calculate the return of the Programs. The fair value may be determined from the following sources, in the order given below:

- i. From the Custodian of the Portfolio's assets who purchases market pricing quotations;
- ii. From closing prices reported in trade publications, e.g., the Wall Street Journal;
- iii. From Internet sites for regulated mutual funds;
- iv. From estimates of market values using prices of comparable securities, e.g., matrices; and
- v. From reasonable estimates based on professional judgment.

The investments not traded on an organized market will be valued at least on a quarterly basis to the extent practical. For liquid alternative investments, the valuation will be made by an independent Administrator / Valuation Agent who will send the net asset value directly to the Custodian. For investments in private equity, private debt and illiquid alternative investments, the financial statements will be audited at least on an annual basis by a provider of audit services, independent of the manager.

**Responsible Investments:** As CUF became a signatory to the United Nations' Principles for Responsible Investment (PRI) on 23 January 2018, the assets managed by CUF in accordance with the objectives and constraints established in this Policy will be also subject to the Responsible Investment Policy provided in [Appendix I](#).

## SECTION 4 INVESTMENT POLICY STATEMENTS AND REBALANCING POLICY

The Investment Policy Statements for the pools are provided in [Appendix F](#) for LTP, [Appendix G](#) for MTP, [Appendix C](#) for STP and [Appendix H](#) for IIP.

Mindful of the double structure of the Portfolio (i.e. Programs and pools), the Delegate shall review, on a quarterly basis and using the information provided by the Custodian, the asset mix of the Portfolio in order to ensure that the proportion of the assets (on a market value basis) allocated to each asset class within each pool and to each pool within each Program falls within the strategic asset allocation ranges defined for the pools in the same appendices as their Investment Policy Statements and for the Programs in [Appendix J](#).

At the end of each quarter, if the allocation to one or more asset classes falls outside the ranges permitted in a certain pool, the overall allocation should be rebalanced such that the allocation to such asset classes is brought back within the permitted range. The Delegate shall provide appropriate written instructions to the Custodian, as well as each Investment Manager, to implement the transfer of funds. In doing so, the following guidelines will apply, to the extent practical:

- 1) Where an asset class exceeds the maximum allowable limit, the assets from such class shall be liquidated so that it is rebalanced to the half-way point between its target weight and the higher threshold. Liquidated assets shall be allocated to the asset class which has an allocation closest to its lower threshold up to the point where that second asset class reaches the half-way point between its target weight and the lower threshold. If all liquidated assets have not been allocated, they shall then be allocated to the asset class with an allocation next closest to its lower threshold, and so on until all liquidated assets are invested.
- 2) Where an asset class falls below the minimum allowable limit, the assets shall be liquidated from the asset class which has an allocation closest to its upper threshold up until either one of the asset classes reaches the half-way point between its target weight and the closest threshold. If the asset class being liquidated has reached its half-way point weight, but the underweight asset class<sup>1</sup> has not, assets shall be liquidated from the asset class with an allocation next closest to its upper threshold, and so on, until the underweight asset class reaches its half-way point weight.

---

<sup>1</sup> Herein defined as an asset class which falls below its lower threshold.

## SECTION 5 CONFLICT OF INTEREST POLICY AND DISCLOSURE REQUIREMENTS

### Individuals Governed by the Guidelines

These guidelines apply to:

- a) Any member of the Committee or its Delegate;
- b) The Investment Managers;
- c) A Custodian; and
- d) Any employee or agent retained by the Committee or by a person listed in a) to c) to provide services to the Portfolio.

**Conflict of Interest:** Persons listed above must disclose any direct or indirect material association or material interest or involvement in aspects related to their role with regard to the fund's investments that would result in any potential or actual conflict of interest.

Without limiting the generality of the foregoing, this would include benefit from any asset held in the fund, or any significant holdings, or the membership on the boards of other corporations, or any actual or proposed contracts.

**Procedure on Disclosure:** The person involved in the conflict must disclose the nature and extent of the conflict to the Committee or its Delegate in writing or request to have it entered in the minutes of a meeting of the Committee upon first becoming aware of the conflict. The disclosure must be made orally if knowledge of the conflict arises in the course of a discussion at a meeting of the Committee.

If the party does not have voting power on decisions affecting the fund, the party may elect not to participate in the activities related to the issue in conflict, or the party's activities may continue with the approval of the Committee.

If the party disclosing the conflict does have voting power, the party's activities may continue with respect to the issue in conflict only with the unanimous approval of the other participants with voting rights. In this situation the party in conflict may elect not to participate with respect to the issue in conflict, but the party must not participate without the unanimous approval of the other members. The notification made by the party in conflict shall be considered a continuing disclosure on that issue, subject to any future notification by the party, for the purpose of the obligations outlined by these guidelines.

## SECTION 6 MISCELLANEOUS TOPICS

**Delegation of Voting Rights:** The Investment Managers are delegated the responsibility of exercising all voting rights acquired through the fund's investments. If applicable, the Investment Managers shall provide on a quarterly basis to the Delegate a report on voting activities and shall advise the Delegate when a vote is on a matter of exceptional nature.

## APPENDIX A INVESTMENT POLICY STATEMENT FOR VBIMP

## Investment Philosophy

Invest in high quality, well-managed, but mispriced small-cap companies in North America and holding them for the long term. Such companies should incorporate as many of these characteristics as possible: outstanding management, sustainable competitive advantages, generating free cash flows, consistent record of a high return on capital and trading below intrinsic value primarily based on a discounted cash flow analysis.

## Investment Objectives

- Selecting stocks with a potential to double in value over five years or less with low downside risk.
- To outperform a passive small-cap benchmark comparing 50% S&P / TSX Small-Cap Total Return Index and 50% Russell 2000 Total Return Index (\$CAD) by a minimum of 2% over a moving four or five year moving average annual basis.
- To invest in North American small-cap stocks using a “bottom-up” investment strategy.

## Investment Constraints

- Cash Reserves: Not more than 5% of the market value of the total portfolio.
- Small-Cap Index funds – Canadian & U.S.: Not more than 5% of the market value of the total portfolio and not longer than for a 3 month period.
- Definition of Small-Cap Stock: The maximum capitalization of a Canadian and/or U.S. small-cap stock must not exceed \$4 billion in market capitalization at the time of purchase. The minimum capitalization of a Canadian and/or U.S. small-cap stock must not be less than \$100 million in market capitalization at the time of purchase. The “sweet” spot for investing should focus on the bottom quartile of the universe.
- Winners: The portfolio may hold up to a maximum of 25% in securities that have appreciated above the \$4 billion maximum of the total capitalization of the Canadian and/or U.S. stock markets taken as a whole.
- Asset allocation between Canadian & U.S. Small-Cap Stocks:

Asset	Minimum (%)	Benchmark (%)	Maximum (%)
Canadian Small-Cap Stocks	35	50	65
U.S. Small-Cap Stocks	35	50	65
	<b>Total</b>	<b>100%</b>	

- Turnover: Stock turnover should be no more than 40% per year.
- Purchase criteria: Candidates for investment must meet the investment philosophy of the Program.
- Minimum/Maximum Number of Stocks:
  - The total portfolio will hold a minimum of 20 stocks and a maximum of 30.
- Minimum/Maximum Market Weight for an Individual Stock:
  - The minimum market weight for an individual stock is 1% and the maximum is 7%.

## Sell Criteria

Stock weights that increase beyond 7% market weight are automatically trimmed back to 7% if the stock remains attractive. If the stock has reached its potential and valuation is now significantly higher than the five-year valuation norm for the company, the stock should be sold.

### **Risk Management**

- No individual company should have more than 3x debt / EBITDA at the time of purchase.
- High quality companies' with track records of revenue, earnings and free cash flow generation with a strict focus on valuation.
- Adequate portfolio diversification between stable growth sectors of the market: as a guideline, none of the GICS sector classifications should represent more than 40% of the total portfolio.
- De-emphasize cyclical and commodity stocks.
- Evaluate the upside/downside ratios on investment candidates.

### **Investment of Cash Holdings**

The cash holdings of both the US and CAD accounts will be invested overnight using the investment vehicle used by the Concordia University Foundation.

### **Transition Period**

To allow a reasonable portfolio buildup, some Investment Constraints need to be relaxed.

- 1) The Transition Period lasts until 20 stocks are included in the portfolio. Before that the minimum number of stocks are below 20.
- 2) The minimum market weight for an individual stock is 1% and the maximum is 7%, based on a total investment amount of CAD 1 million.
- 3) As long as less than 20 stocks are included in the portfolio, cash reserves can exceed more than 5% of the market value of the total portfolio.
- 4) During the Transition Period the asset allocation between Canadian & U.S. Small-Cap Stocks can deviate from the minimum / maximum portfolio as well as GICS sector weight restrictions, but should be kept if reasonably possible.
- 5) A benchmark will be applied at the end of the Transition Period and will be the specified benchmark in the Investment Objectives.
- 6) The conversion from CAD to USD and from USD to CAD will be performed using the conversion method used by Concordia University Foundation.

## **APPENDIX B HEDGING OF FOREIGN CURRENCY EXPOSURE**

To the extent possible, the investments in external managers will be made in Canadian currency if they offer this possibility. If the exposure of the Portfolio to a foreign currency exceeds 10% of its market value, the Committee may delegate to its Delegate the passive or dynamic hedging of the exposure to this foreign currency. The instruments to be used for the hedging are foreign currency forward contracts, foreign exchange swaps, foreign currency future contracts as well as spot trades. The maturity of the foreign exchange swaps, the foreign currency forward and future contracts can range from one to 12 months. When the maturity of the derivative instruments is longer than one month, the notional value of the hedging position will be adjusted accordingly at each month-end. Furthermore, currency hedging is to be performed by a single currency manager or delegated to the Delegate.

## APPENDIX C INVESTMENT POLICY STATEMENT FOR STP

### Investment Objectives

The key objective of the STP manager is to optimize the spread between the cash earnings and earnings of the FTSE TMX Canada 91 Day Treasury Bill Index in a manner which:

- safeguards principal;
- ensures that all cash is invested in a timely manner;
- maintains a diversified portfolio of high quality investments; and
- ensures that the forecasted cash flow needs are met.

### Investment Guidelines

The following investment guidelines must be adhered to when making selection decisions on types of investments:

- The STP will hold no more than 10% in one particular issuer excluding Government of Canada, United States Government, Provincial Governments, and their Agencies;
- The issuers of the short term securities that could be purchased by the STP will have a minimum DBRS rating of R1 (low) or equivalent from another nationally recognized statistical rating organization ("NRSRO"), as provided in the table below. Credit ratings of issuers will be monitored and updated in case of any changes. In case of split ratings, the lowest rating will be retained.

Nationally recognized statistical rating organization	Commercial Paper/ Short Term Debt	Long Term Debt
DBRS Limited	R-1 (low)	A (low)
Fitch, Inc.	F2	A-
Moody's Canada Inc.	P-2	A3
Standard & Poor's Ratings Services (Canada)	A-2	A-

In addition to short term ratings, long term ratings will also be used to determine creditworthiness of issuers as there is a strong relationship between the two. Whenever possible, credit ratings from at least two NRSRO will be used to judge creditworthiness. In the event that the long term rating falls below the minimum requirement but the short term rating is maintained, a decision will be made whether to sell or not based on the maturity date of the security. If it is greater than six months the security will be sold and if it is below six months the security will be kept. The following allowed limits will be respected when investing STP's assets:

Credit Rating (DBRS rating)	Allowed limits**
R-1 (high)*	5% - 100%
R-1 (middle)*	5% - 100%
R-1 (low)*	25% - 50%

\* Or equivalent from another credit rating agency

\*\* Calculated with respect to the amount invested in issuers other than Government of Canada or United States Government, Provincial Governments and their Agencies

- Rebalancing can be done if required based on monthly cash flows to maintain STP's weightings of issuers below the allowable limits;
- All transactions must be completed on a best execution basis;
- To be able to provide liquidity, up to 10% of STP's assets will be invested in highly liquid securities such as Canada Treasury bills which can be converted to cash quickly and with a minimum loss of capital;
- Purchases of debt instruments issued by Concordia University and use of leverage are not permitted.

The following risks will be managed by altering the asset mix of the STP:

- Market risk
- Credit risk and exposure to counterparties
- Liquidity risk

### **Investment Universe**

STP will invest in high quality money market securities of Canadian and US issuers with a maturity of one year or less. The USD cash could be invested in US money market securities which respect the constraints listed in this policy. The following securities are acceptable for these purposes:

- T-Bills issued by the Government of Canada and the United States Government
- Fixed income securities issued by Agencies of the Governments of Canada and the U.S. Government
- Provincial T-Bills/Promissory Notes
- Banker's Acceptances (BA's)
- Bearer Deposit Notes (BDN's)
- Commercial Paper (CP)
- Cashable Guaranteed Investment Certificates (GIC's) issued by Canadian chartered banks
- Bonds and Floating Rate Notes (FRN's) of highly rated issuers
- Cash (CAD and other currencies as required)

STP will also use foreign exchange spot trades to obtain the amounts of Canadian and foreign currencies required for different payments.

- Sale and Repurchase Agreements (REPO)

### **Operational Setup**

All transactions will be entered in Bloomberg as this is the primary record keeping system. The STP's securities will be held in a segregated account opened by CUF with its Custodian. The performance for this account will be calculated by the Custodian.

## APPENDIX D SECURITIES LENDING

Securities lending by the pools may be utilized to increase the total risk-adjusted investment returns of the Portfolio.

**Evaluation Criteria:** Prior to participating in any securities lending program, the Delegate will evaluate:

- a) Indemnification provisions;
- b) Reinvestment guidelines and terms of the lending, including the maturity of loans as well as the securities purchased;
- c) Liquidity provisions and risks;
- d) Any counterparty risks to be undertaken;
- e) Credit risks to be undertaken; and
- f) Resources required to monitor compliance with the agreement.

Additionally, the Delegate will periodically review the securities lending lines by counterparty. If used, a securities lending agent must be an organization rated A- or better by a NRSRO.

## APPENDIX E ALTERNATIVE INVESTMENTS

1. **Definition:** Alternative investments (Alternatives) can be defined as investments that are generally not included in the traditional investment classes. There are two major types: those that are Alternatives because of how they are traded or not traded (based on investment methods) and those that are Alternatives because of what is traded (those where the assets are non-traditional). The first type covers the absolute return strategies and the second one covers strategies such as investments in real estate, infrastructure, farmland and timberland.
2. **Instruments:** In addition to instruments common to traditional investing, Alternatives may include the use of leverage, the use of short-selling securities, and the expanded use of derivatives (including, but not limited to, swaps, options and futures) to execute investment strategies. These instruments may be used to manage risk and/or enhance returns.
3. **Criteria:** The Committee may elect to include various Alternatives as part of the Portfolio's Strategic Asset Allocation. When making this determination, the following factors will be taken into consideration:
  - a) Additional policies and objectives that address the unique return and risk characteristics of Alternatives, and limits in the strategic plan;
  - b) Well-defined, substantiated economic rationale for the prospective investment and its overall importance in the Portfolio;
  - c) CUF's organizational resources in terms of staffing, culture and managerial discipline, and its ability to measure and monitor performance, risks, and costs;
  - d) Expanded due diligence efforts;
  - e) Development of appropriate benchmarks for comparison of returns and risk, and review of investment performance through industry cyclical downturns or bear markets;
  - f) Review of the Portfolio's liquidity needs to determine if the investment cash flows are adequate;
  - g) Selection of Investment Managers whose experience and ability enables them to carry out the task of measuring and managing risk within their investment universe;
  - h) Construction of alternative portfolios over time, with potential staggered start dates and/or investment periods to smooth the maturity, returns, and cash flows to further mitigate the risks (especially in the case of illiquid Alternatives);
  - i) Consideration of management fees for Alternatives that are often higher than those for traditional investments, and evaluation of enhanced risk management and/or returns expected versus said fees.

## APPENDIX F INVESTMENT POLICY STATEMENT FOR LTP

### Statement of Investment Beliefs

The investment beliefs regarding the investment of the capital held in the LTP are as follows:

- The time horizon applicable is “long term”;
- The LTP assets should be well diversified by asset class, strategy, geography and risk factors;
- Risk factors to be considered include equity risk, inflation risk, deflation risk, interest rate risk, credit risk, cash-flow risk, foreign exchange risk, risk of permanent loss of capital and operational risk among others;
- Equities will provide the highest nominal and real investment returns over the long term, but with the highest level of risk;
- It is beneficial to include asset classes that are not publicly traded in order to both reduce the volatility of the portfolio and capture return opportunities not available in public markets;
- In addition to equities, which provide higher returns than other assets, and bonds, which provide coupon income and diversification versus equities, it is beneficial to include alternative investments such as:
  - Real estate
  - Infrastructure or Others
  - Absolute Return Investments
  - Impact Investments
- In addition to acting as inflation hedges over the long term, real estate and infrastructure provide stable and meaningful cash flows expected to exceed bond coupon income as well as the prospect for longer term capital gains;
- Active managers should have a demonstrated ability to add value in both rising and falling markets;
- In view of the long term investment horizon of this program and the absence of requirements for regular distributions, illiquid investments are advisable;
- Impact investments, included as a standalone asset class with its own Investment Policy Statement disclosed in Appendix K, will be used to enable CUF’s social impact mission while maintaining the LTP investment and risk objectives by an implementation approach that will aim an optimal return on capital.

### Investment and Risk Objectives of the LTP

Over the long term, the objective for the LTP is to grow at an annual rate equal to 6.25%, after all investment management fees and administrative expenses. The annual required growth rate for the LTP will be reviewed periodically in light of the actual and expected future returns and economic and financial market conditions.

The risk objectives, set only for the liquid part of the LTP (the Liquid Assets, as shown in the Strategic Allocation table below), are as follows:

- a downside deviation (calculated over a rolling 6-year<sup>2</sup> period by using the monthly returns, with respect to a 0% minimum acceptable return, and annualized) inferior to 5%;
- less than 10% of the Inter-Asset/Strategy Correlations, calculated over a rolling 6-year period by using the monthly returns, superior to 70%;

The violation of any of those objectives will be reported by the Delegate to the Committee. The Delegate will

---

<sup>2</sup> The 6-year period is expected to represent the length of an economic cycle.

proceed with changes in the asset allocation within the boundaries set in this Policy, and/or will make recommendations for corrective action to the Investment Committee if the changes to be made exceed these limits.

### Investment Policy LTP Portfolio

The Investment Policy LTP Portfolio has been established in order to provide a reference for long term return requirements which are consistent with the pool objectives at a risk level acceptable to the Committee.

Strategic Allocation table for the LTP

Asset Class	Long Term Target (%)	Minimum Allocation (%)	Maximum Allocation (%)
<b>Equities</b>	<b>50</b>	<b>40</b>	<b>60</b>
Canadian	10		
Global Developed Markets	20		
Emerging Markets	10		
Global Small Cap	5		
Private Equity*	5		
<b>Fixed Income</b>	<b>15</b>	<b>10</b>	<b>25</b>
Canadian Nominal	5		
Global High Yield	5		
Private Debt	5		
<b>Alternatives</b>	<b>35</b>	<b>25</b>	<b>45</b>
Real Estate*	10		
Infrastructure or Others*	10		
Absolute Return	10		
Impact Investments*	5	0	10
<b>Total</b>	<b>100</b>		

\* Illiquid assets. The assets not marked as illiquid are, together, the Liquid Assets.

This portfolio is called the Investment Policy LTP Portfolio. The asset mix can deviate from the above Long Term Target. The Delegate shall review the asset allocation on a quarterly basis, in accordance with [Section 4](#), and decide if rebalancing is required.

## APPENDIX G INVESTMENT POLICY STATEMENT FOR MTP

### Statement of Investment Beliefs

The investment beliefs regarding the investment of the capital held in the MTP are as follows:

- The time horizon applicable is “medium term”, meaning effectively between 2 and 5 years;
- Capital preservation should be emphasized. This can take form both through unconstrained, dynamic investment strategies where the portfolio manager has the priority to be defensive when the risk is off, and to be offensive when the risk is on, in admissible investment classes and strategies as stated in the policy;
- The Pool assets should be well-diversified by asset class, strategy, geography and risk factors;
- Risk factors to be considered include equity risk, inflation risk, deflation risk, interest rate risk, credit risk, cash-flow risk, foreign exchange risk, risk of permanent loss of capital and operational risk among others;
- Equities will provide the highest nominal and real investment returns over the long term, but with the highest level of risk;
- It is beneficial to include asset classes that are not publicly traded in order to both reduce the volatility of the Portfolio and capture return opportunities not available in public markets;
- In addition to equities, which provide higher returns than other assets, and bonds, which provide coupon income and diversification versus equities, it is beneficial to include alternative investments such as :
  - Real estate
  - Infrastructure or others
  - Absolute Return Investments
- In addition to acting as inflation hedges over the long term, real estate and infrastructure provide stable and meaningful cash flows expected to exceed bond coupon income as well as the prospect for longer term capital gains;
- Active managers should have a demonstrated ability to add value in both rising and falling markets.
- Provided the medium term investment horizon of this program and the requirements for regular distributions, the weight of the illiquid investments in this Pool should be reduced.

### Investment and Risk Objectives of the MTP

Over the medium term, the objective for the MTP is to grow at an annual rate equal to 4%, after all investment management fees and administrative expenses. The annual required growth rate for the MTP will be reviewed periodically in light of the spending policy for its underlying programs and of the actual and expected future returns and economic and financial market conditions.

The risk objectives, set only for the liquid part of the MTP (the Liquid Assets, as shown in the Strategic Allocation table below), are as follows:

- a volatility (defined as the annualized standard deviation of monthly returns) inferior to the actual total return, net of fees and expenses, on invested assets;
- a downside deviation (calculated over a 3-year period by using the monthly returns, with respect to a 0% minimum acceptable return and annualized) inferior to 3%;
- the Inter-Asset/Strategy Correlations, calculated over a 3-year period by using the monthly returns, inferior to 70%;

- at least 20% of the assets can be liquidated in 2 days or less.

Violation of any of these objectives will be reported by the Delegate to the Committee. The Delegate will proceed with changes in the asset allocation within the boundaries set in this Policy, and/or will make recommendations for corrective action to the Investment Committee if the changes to be made exceed these limits.

### Investment Policy MTP Portfolio

The Investment Policy MTP Portfolio has been established in order to provide a reference for long term return requirements which are consistent with the pool objectives at a risk level acceptable to the Committee.

Strategic Allocation table for the MTP

Asset Class	Long Term Target (%)	Minimum Allocation (%)	Maximum Allocation (%)
<b>Equities</b>	<b>18</b>	<b>13</b>	<b>23</b>
Canadian	3.5		
Global Developed Markets	7		
Emerging Markets	3.5		
Global Small Cap	2		
Private Equity*	2		
<b>Fixed Income</b>	<b>47.5</b>	<b>40</b>	<b>55</b>
Canadian Nominal	29.5		
Global High Yield	9		
Private Debt	9		
<b>Alternatives</b>	<b>34.5</b>	<b>24.5</b>	<b>44.5</b>
Real Estate*	11.5		
Infrastructure or Others*	11.5		
Absolute Return	11.5		
<b>Total</b>	<b>100</b>		

\* Illiquid assets. The assets not marked as illiquid are, together, the Liquid Assets.

This portfolio is called the Investment Policy MTP Portfolio. The asset mix can deviate from the above Long Term Target. The Delegate shall review the asset allocation on a quarterly basis, in accordance with [Section 4](#), and decide if rebalancing is required.

## **APPENDIX H INVESTMENT POLICY STATEMENT FOR IIP**

The investment beliefs regarding the investment of the capital held in the IIP are as follows:

- The time horizon applicable could be at least “medium term”, effectively meaning between 2 and 5 years to long term;
- Capital preservation should be emphasized and for this purpose the risks associated with the assets included in this pool will be analyzed at least on an annual basis;
- Risk factors to be considered include inflation risk, deflation risk, interest rate risk, credit risk, cash-flow risk, foreign exchange risk, risk of permanent loss of capital and operational risk among others.

### **Investment and Risk Objectives of the IIP**

The assets included in the IIP should provide a reasonable rate of return at an acceptable level of risk that will be determined on a case by case basis.

## APPENDIX I RESPONSIBLE INVESTMENT POLICY

The purpose of this Policy is to define the framework enabling CUF to incorporate considerations related to responsible investment into the management of its assets. It describes the general principles guiding the process of investment analysis and engagement with companies. With this Policy, CUF has the objective of contributing to the acceptance and implementation of ESG criteria while promoting an optimal return on capital.

CUF is a long-term investor who, by becoming a signatory to the UN Principles for Responsible Investment (UNPRI), made the following commitment:

“As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can influence the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

**Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.

**Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.

**Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.

**Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.

**Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.

**Principle 6:** We will each report on our activities and progress towards implementing the Principles.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

We encourage other investors to adopt the Principles.”

The Delegate, in carrying out its responsibilities, won't normally select traded securities itself. Rather, it will seek to identify best-in-class Investment Managers and then allocate capital to them in the form of either segregated account mandates or, more commonly, via investments in commingled investment vehicles. In both cases, however, the assets managed by CUF will be invested in a manner consistent with the framework set out below.

### **Integrated ESG framework**

1. The External Consultant used to select Investment Managers and commingled investment vehicles will rate them on their ESG capabilities and performance. Where possible, the ESG capabilities and performance will be included into CUF's investment selection and monitoring processes. Where it is feasible to do so, CUF

will seek to make investments using segregated account mandates, to facilitate the implementation of tailored ESG considerations and to target tax efficiency where appropriate.

2. Where investments are held through a segregated account mandate or a public equity fund in which CUF is the only investor, CUF may require the investment manager to engage with the management and boards of equity issuers on ESG considerations in order to communicate CUF's views on ESG issues. CUF's objective is to understand the position of the equity issuers and the actions they have taken, or intend to take, with respect to ESG issues. The ultimate goal is to achieve either preservation or enhancement of value for CUF's investments by the mitigation of ESG risks or the incorporation of ESG-related opportunities.
3. The Investment Managers (including, as far as possible, managers of commingled investment vehicles) will be asked to report on ESG matters at least annually. These reports will address:
  - i. ESG integration;
  - ii. discussion of material ESG issues and systemic risks, such as climate change;
  - iii. engagement activities;
  - iv. voting;
4. CUF will adopt a proxy voting policy that is ESG-focused and will apply it, where possible, to all public equity segregated account mandates, as well as to public equity funds in which CUF is the only investor.
5. Where public equity investments are made through commingled investment vehicles, CUF will ensure that their Investment Managers have an appropriate policy to vote proxies in the best interest of the commingled investment vehicle. CUF will, however, encourage the managers to consider adopting ESG-focused proxy voting guidelines.
6. CUF will provide and promote ESG training for its investment professionals.
7. CUF will disclose to its stakeholders how ESG issues are integrated within its investment process.

## APPENDIX J INVESTMENT POLICY STATEMENT FOR PROGRAMS

### Investment and Risk Objectives of the Programs

Over the long term, the objective for the EP and SFP is to grow at an annual rate equal to 6.25%, after all investment management fees and administrative expenses. The annual required growth rate for the EP and SFP will be reviewed every three years in light of the actual and expected future returns and economic and financial market conditions.

Over the medium term, the objective for the ELBP and DRIP is to grow at an annual rate equal to 4%, after all investment management fees and administrative expenses. The annual required growth rate for the MTP will be reviewed every three years in light of the spending policy for its underlying programs and of the actual and expected future returns and economic and financial market conditions.

### Investment Policy Portfolio for the Programs

An investment policy portfolio has been established for each Program in order to provide a reference for long term return requirements which are consistent with the Program objectives at a risk level acceptable to the Committee.

Program	Pool	Long Term Target (%)	Minimum Allocation (%)	Maximum Allocation (%)
EP	LTP	99.5	92	100
	IIP	0	0	4
	STP	0.5	0	4
SFP	LTP	100	99.5	100
	STP	0	0	0.5
ELBP, DRIP	MTP	90	80	95
	STP	10	5	20
IIRD	IIP	managed on an investment by investment basis		

The allocations of each Program to a pool can deviate from the above Long Term Target. The Delegate shall review the allocations on a quarterly basis, in accordance with [Section 4](#), and decide if rebalancing is required.

## APPENDIX K INVESTMENT POLICY STATEMENT FOR IMPACT INVESTMENTS

### Statement of Investment Beliefs

The investment beliefs regarding the investment of the impact investment capital, as defined on page 9 of this Policy held in the LTP are as follows:

- Target annual rate of return of 4%, after inflation and investment management fees
- Medium level of risk, a balanced level of portfolio risk by investing in a spectrum of risk profiles
- Low liquidity, no minimum requirements for liquidity with a preference towards regular replenishing cash flows
- Low-medium exit confidence from a given investment opportunity, commensurate with the type of structure, stage and asset class
- As per the existing Policy, invest  $\leq 25\%$  of the total raise of a given investment, unless it's a small student-led enterprise, and then position size will be up to the discretion of the Committee
- No investment should represent  $>10\%$  of the allocation to impact investments, with exceptions up to the discretion of the Committee
- CUF will adopt a long term orientation, seeking a blend of investment terms, and understanding that 10-12 years is standard for private equity
- Passive management style
- Invest in Canada, with some hyper-local deals in Montreal and Quebec
- All asset classes will be considered
- No restrictions on structure
- CUF will seek a blend of investment stages
- Thematic and asset allocation will be discussed in their respective sections

### Investment and Risk Objectives

Over the medium term, the objective of impact investment portfolio is to grow at an annual rate equal to 4%, after all investment management fees and administrative expenses. The annual required growth rate for the impact investment portfolio will be reviewed periodically in light of the spending policy for LTP's underlying programs and of the actual and expected future returns and economic and financial market conditions.

The risk objectives are the same as for the LTP. Violation of any of these objectives will be reported by the Delegate to the Committee. The Delegate will proceed with changes in the asset allocation within the boundaries set in this Policy, and/or will make recommendations for corrective action to the Committee if the changes to be made exceed these limits.

### Thematic Allocation

CUF will take a broad thematic approach to impact investing. While the core thematic priority will be to find impact investments in Montreal that support youth, CUF recognizes that these will represent a small percentage of the impact investment portfolio due to availability and investment prudence. CUF will diversify the impact investment portfolio by considering a wide variety of impact themes and deals across Canada.

In addition to this, the impact investment portfolio will take into consideration opportunities to support investments that are characterized by:

- a) **Student-led social enterprises:** There are limited opportunities for this group to access capital, which plays an essential role in testing their business models and making the impact possible.
- b) **Local benefits:** CU has a strong history of supporting the local community in Montreal and Quebec, and could continue this through the impact investment portfolio.

### **Asset Allocation**

Diversification across asset classes is a core principle of prudent portfolio management. The impact investment portfolio may be invested across all asset classes including Private Equity, Venture Capital, and Private Real Assets as compelling opportunities allow and are appropriate for the portfolio. Concordia will employ a multi-asset class strategy in order to achieve the blended financial and social returns it is seeking. Initial asset classes that will be considered include (but not limited to) fixed income, private equity, and real assets.

While the impact investment portfolio will remain top-down aware of its overarching goals, investment decisions will ultimately be bottom-up driven based upon the opportunities available for impact investments. The Committee, along with the Delegate and when required an external advisor, will regularly review the asset allocation for the impact investment portfolio and modify these guidelines if further specification is necessary and beneficial.

### **Proxy**

During the period required to source the deals in the impact investment portfolio and/or pending the capital call once the allocations are sourced, liquid ESG product(s) will be used as proxy for the impact investments.

## GLOSSARY OF ABBREVIATIONS

The abbreviations that appear at least twice in the Policy are included in the table below.

<b>Abbreviation</b>	<b>Meaning</b>
BoD	Board of Directors of Concordia University Foundation
BoG	Board of Governors of Concordia University
CU	Concordia University
CUF	Concordia University Foundation
DRIP	Donated Restricted funds Investment Program
ELBP	Employee Liability Benefit Program
EP	Endowment Program
ESG	Environmental, Social and Governance
GI	Global Infrastructure
IIP	Illiquid In-kind Pool
IIRD	Illiquid In-kind Restricted Donations Program
LTP	Long Term Pool
MTP	Medium Term Pool
NRSRO	Nationally Recognized Statistical Rating Organization
PE	Private Equity
SEP	Special Endowments Program
SFP	Sinking Fund Program
SIM	Specialized Investment Manager
STP	Short Term Pool
VBIMP	Van Berkom Investment Management Program