ALGONQUIN COLLEGE ENDOWMENT FUNDS

STATEMENT OF INVESTMENT POLICIES & GOALS

Replaces Policy dated ~~December 12, 2005~~June 8, 2009
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SECTION 1 – Introduction

1. This Policy provides guidelines within which the College's Endowed funds are to be effectively maintained, managed and enhanced.

2. The Board of Governors of Algonquin College has responsibility for approving the investment policies of the College and for monitoring the performance of the fund's investments relative to established benchmarks.

3. The management of the assets of the Endowment Fund is delegated to the Finance Department of the College, who will engage a professional investment consultant through a competitive process to act on the College's behalf with quarterly due diligence monitoring.

4. The Algonquin College Endowment Fund has the following objectives:

   - to provide a steady flow of income, in perpetuity, to meet expenditure requirements as defined in Section 4 of this policy. Ideally the income stream should grow each year in order to maintain the purchasing power of the funds being disbursed; and

   - to increase the market value of the funds so that capital, in real terms, is maintained. This is achieved by increasing the balance held in the endowment funds by an annual amount that offsets the inflationary erosion of this fund.

5. To meet the above objectives, the College invests its endowed funds in a diversified portfolio of Canadian~~, US~~ and Global~~International~~ equities and Canadian and US Fixed Income instruments.

6. Endowment funds are invested in accordance with this policy, unless otherwise bound by contract or by donor specifications.

SECTION 2 - GENERAL PHILOSOPHY

1. Endowed funds are to be held by the College in perpetuity, with the primary objective for the portfolio to achieve a rate of return sufficient to meet their annual obligations as defined in Section 4 of this policy and grow at a rate greater than inflation to ensure maintenance of their value.

2. An asset mix policy of 65% in equities~~,~~ and ~~30~~35% in Fixed Income~~ and 5% in Cash or Cash Equivalents~~ will provide an investment strategy that will balance the competing needs of a stable income stream and ~~a~~ long term growth of the endowed funds.

3. External investment counsel will manage the Fund. The Investment Counsel will report to the Finance Department of the College on the performance of the Fund no less frequently

than quarterly. The performance of the Fund will be reported at least annually to the Board of Governors of the College.

4. All investment activities must be conducted in accordance with the Code of Ethics and Standard of Professional Conduct adopted by the Association for Investment Management and Research.

5. It is intended that this policy comply with all relevant government legislation and regulations.

6. Assets held in the endowment fund will be classified and accounted for as assets "available for sale" (Per CICA Handbook Section 3855) with the exception of those Fixed Income assets which are specifically classified as "held to maturity".

SECTION 3 - ASSET MIX POLICY AND ITS PRACTICAL IMPLICATIONS

1. The table below lists the asset classes that may be used and it presents the total fund asset mix policies, referred to as the Benchmark, together with the maximum and minimum exposures for each asset class.

	Benchmark	Range
Cash or Cash Equivalents..	~~5~~0%	0-~~10~~5%
Fixed Income ……...	~~30~~35%	~~20~~25-~~40~~45%
Canadian Equities……..	~~50~~22%	~~40~~12-~~60~~32%
~~US Equities……..……..~~	~~10%~~	~~5-15%~~
~~International~~ Global Equities……	~~5~~43%	~~0~~33-~~10~~53%

2. If more than one investment counsel is employed, each will be given an asset mix (which may differ from one investment counsel to another), such that the aggregate of the delegated asset mixes will be the mix defined above for the total Fund.

3. The asset mix above should be the one followed by the Fund, in the absence of any opinion on the part of investment counsel that any asset class offers particularly favorable opportunities at any time. If such opinions are approved, the Fund should deviate approximately from the asset mix policy, within limits to be prescribed to each investment counsel.

SECTION 4 - EXPENDITURE RATE

1. The College maintains separate general ledger accounts for all sources of endowed funds.

2. An expenditure rate set by the Board of Governors (currently 4%) of the Fund Book Value at the end of the previous fiscal year shall be applied to all endowments listed at that date.

3. The difference between the total fund rate of return and the expenditure rate will be reinvested. This is intended to preserve the real value of funds over time.

4. Notwithstanding the above, where required by donor specification, the expenditure rate will be in accordance with the specific goals of the program or donor.

5. The expenditure rate will be reviewed by the Board of Governors of the College every five years for appropriateness.

SECTION 5 - INVESTMENT PERFORMANCE BENCHMARKS

1. Given the asset mix policy of the Fund, the return of the Fund will be measured against the sum of the benchmarks for each asset class multiplied by the performance of the indices as follows:

Canadian ~~Stocks~~Equities - S&P/TSX Composite Index
~~U.S. Stocks - S & P 500 Index~~
~~Non-Canadian, non-U.S. Stocks~~Global Equities - MSCI ~~EAFE~~ World (ex Canada) Index
Fixed Income - ~~Scotia McLeod~~DEX Universe Bond Index
Cash & Cash Equivalents - ~~Government of Canada~~DEX 30 day T-Bills

2. Professional investment counsel have been selected in the expectation that their combined judgements will, over time, enable the Fund to earn a return in excess of the neutral return specified above, after payment of transaction costs and investment management fees.

3. Accordingly, the most important performance benchmark against which the Fund~~=~~'s actual performance will be compared is the neutral return specified above.

4. While the total performance of the Fund is the main consideration, the Finance Department will also monitor the performance of each money manager's ability to make sound judgment calls and investment decisions for the performance of the Fund.

SECTION 6 - REVIEW PROCEDURES

1. The Finance Department of the College shall review the performance of each investment counsel against the relevant benchmarks and objectives on a quarterly basis, with a view to measuring progress towards the relevant investment objectives.

2. The Finance Department of the College shall meet with each investment counsel at least annually to discuss their performance and investment strategy.

SECTION 7 – VOTING RIGHTS

1. (a) When Fund investments are made, voting rights may be acquired. The exercise of these voting rights is delegated to the Investment Counsel, with the instruction that they should be cast in favour of any proposals which, in the opinion of the Investment Counsel, secure or enhance the investment value of the relevant security, and against any proposals which, in the opinion of the Investment Counsel, expose to risk or reduce the investment value of the relevant security.

   (b) If the Investment Counsel or any of their officers has any pecuniary interest, direct or indirect, in any matter on which the Fund has a right to vote, the Investment counsel shall bring this to the attention of the Finance Department, who is given discretion to,

      (i) instruct the Investment Counsel to exercise the voting right in line with the principles described in (a) above, on the grounds that the relevant pecuniary interest is not material; or

      (ii) instruct the Investment Counsel how to cast the Fund's vote, having considered the principles described in (a) above.

APPENDIX A - PERMITTED INVESTMENTS

1. In general and subject to the restrictions noted below, the Fund may be invested in any of the investment instruments listed below.

   a) **Equities**

   This asset class is defined as being made up of common shares, mutual funds, convertible bonds, convertible and/or preferred shares and index funds. Derivative holdings (option contracts) may not be purchased under any circumstance. Equity instruments representing individual corporations or equity related indices must be listed on New York, American, National Association of Securities Dealers Automated Quotes (NASDAQ), Chicago or Toronto.

   b) **Fixed Income**

   This asset class may include bonds (Canada and the United States), debentures, GICs, strip bonds and investment grade corporate debt instruments as listed below.

   - Provincial bonds and provincial guaranteed bonds, when purchased must have a minimum credit rating of A- or A (low) (as rated by the Canadian Bond Rating Service and the Dominion Bond Rating Service, respectively)

   - Residual or strip coupon instruments representing direct debt obligations to the Government of Canada or a Province of Canada must have a minimum credit rating of A- or A(low).

   - Corporate bonds or debentures, when purchased, must have a minimum credit rating of A- or A (low) with the limitation that holdings of such bonds may not exceed ~~20~~50% of the~~-~~ market value of the bond portion of the portfolio.

   c) **Cash or Cash Equivalent**

   This asset class is defined as being made up of cash deposits, money market securities, Canada Savings Bonds, GICs, bonds with maturity of one year or less, Government of Canada Treasury Bills, bankers' acceptances and term deposits. Money market securities must be rated R-1 or/and may include mutual fund money market instruments offered by Canadian Mutual Fund Companies.

2. The portfolio should hold a prudently diversified exposure to the intended market.

3. Investments may be made in the above asset classes either directly, or by holding units of a pooled, segregated or mutual fund investing in one or more of the asset classes.