Subject: Investment Governance Policy

1.0 Preamble

1.1 The Board of Governors ("Board") of Simon Fraser University ("the University") has the responsibility, pursuant to section 27(2)(o) of the University Act, "to administer funds, grants, fees, and endowments and other assets."

1.2 The University has established an Endowment Fund and a Non-Endowment Fund ("Funds" or "Investment Funds"). Assets of the Funds are invested to generate investment earnings that are an important source of income for a variety of University purposes. The successful investment management of the Funds will have a direct effect on the ability of the University to achieve its academic and research goals.

2.0 Purpose

2.1 This document constitutes the Investment Governance Policy ("IG Policy") adopted by the Board, and will apply to the Investment Funds. It describes the governance structure established for the investments in the Funds and sets out the requirements for their ongoing, successful investment management.

3.0 Scope

3.1 This policy applies to all of the Funds owned by the University excluding related entities and the pension plan funds.

4.0 Definitions

4.1 Benchmark Portfolio means
A reference portfolio constructed on the basis of the objectives for the liquidity and risk of, as well as the return on, the investments. The Benchmark Portfolio serves as a basis for comparison of the performance of the actual Funds.

4.2 Finance and Administration Committee means
A standing committee of the Board.

4.3 Investment Advisory Committee ("IAC") means
Comprised of five (5) investment experts appointed by the Board and provides an advisory role to the Board on investment matters. It operates under a non-voting mandate.

4.4 Spending Income Allocation Rate means
The percentage rate set by the Board on the recommendation of the Vice-President, Finance & Administration ("VPFA"). See Endowment Management Policy, GP 20, Section 4.4.

4.5 Investment Management Agreement means
Agreement between the University and an external professional investment manager which defines the investment style and expectations that the manager will follow in the investment of funds under their management. See Section 5.2.6.
5.0 Policy

5.1 Investment Objectives

5.1.1 The investment management of the Funds will be made in a manner that reflects the different objectives of those Funds, and will be accounted for accordingly.

5.1.2 Each Fund will be managed to balance the investment risk, return and liquidity objectives of those Funds.

a) The primary investment return objective of the Endowment Fund is to earn, over the mid and long term, an absolute annual rate of return that exceeds the annual rate of increase in the Consumer Price Index plus the Spending Income Allocation Rate, net of investment expenses.

b) The primary investment return objective of the Non-Endowment Fund is to earn, over the mid- to long-term, an absolute annual rate of return that exceeds the annual rate of increase in the Consumer Price Index by 3.0%, net of investment expenses.

c) The primary risk objective of the Funds is to preserve the value of the invested capital over the differing time horizons and investment objectives of the various Funds.

5.2 Investment Principles

5.2.1 The Funds are to be invested in accordance with Section 57 of the University Act which states that the University: "must, when investing...make investments that a prudent person would make."

5.2.2 The following principles will be followed in the investment of the Funds:

a) The selection of investments in the Funds should be made in the context of the total portfolio, with a reasonable expectation of a fair return or capital appreciation;

b) The investment objectives can best be achieved by investing in a diverse mix of asset classes, economic sectors and geographic markets with varied investment characteristics which will be determined by the Board with advice from the IAC;

c) The VPFA will appoint and use external professional investment management for all equity and fixed income investments with the expectation that professional management can add value, relative to a static benchmark portfolio, through opportunistic security selection;

d) Multiple fund managers may be selected to ensure investment style diversification. The advantage of retaining multiple investment managers will be balanced with the disadvantage of over-diversification and excessive investment management and administrative costs;

e) No entity, including the investment managers, the Custodian or a representative of the University, may lend, pledge or otherwise encumber any of the Funds’ assets, except through a Securities Loan or University-related Business Entity Loan Agreement approved by the VPFA.

6.0 Roles and Responsibilities

6.1 Governance Structure

6.1.1 The governance structure established for the investment of the Funds is designed to ensure that the investments are managed prudently, appropriately and in compliance with the applicable legislation and this IG Policy. The principal levels of responsibility are described in this section.

6.1.2 The Board has ultimate authority and fiduciary responsibility for the administration of the investment of the Funds and will make investment policy decisions which most significantly impact the Funds’ investment risk and return objectives based on recommendations from the IAC and the VPFA.
6.1.3 The Board on the recommendation of the President, will appoint members to the IAC, pursuant to section 27(2)(c) of the University Act, to act in an investment advisory role to the Board (see Appendix A for terms of reference).

a) The IAC and the VPFA will monitor the investment performance of the Funds. Reports on the investment performance are made at least quarterly by the VPFA to the Finance and Administration Committee of the Board.

b) The IAC and the VPFA will review this IG Policy annually and the VPFA will advise the Board of any changes that may be required, including reviewing and approving any recommended changes to the approved categories of investments and/or asset mix ranges.

c) The VPFA will review the capital requirements of the University on a quarterly basis and ensure that there is sufficient Working Capital to meet these requirements. If Working Capital is deemed to be inadequate, additional capital may be sourced from the Non-Endowment Fund.

6.1.4 The Board delegates the operational responsibilities for investment management of the Funds to the VPFA. The VPFA will report on Funds activities to the Board at least quarterly. The daily management and operational oversight of the Funds rests with the Treasurer.

6.1.5 The VPFA and Treasurer will establish investment management operating procedures.

6.2 Investment of Funds

6.2.1 The Board of Governors will approve a list of categories of investments. The VPFA, with advice from IAC, will document a list of Board approved categories of investments [see Appendix B]. Until such time as the Board approves a new category of investments, any investment not in an approved category will be prohibited. Notwithstanding any other limitations, any donation to the University is permitted under Section 57 of the University Act.

6.2.2 The Board will approve the investment asset mix ranges. The VPFA, with advice from the IAC, will document the investment asset mix ranges for each of the Funds [see Appendix 8.2]. The VPFA will maintain the asset mix of the Funds within the specified ranges. At the end of each quarter any asset class outside the range will be rebalanced to the mid-point of the range as soon as is practical, but no later than the end of the following quarter.

6.2.3 The VPFA, with advice from the IAC, will establish and document a Benchmark Portfolio for each Fund. If the IAC believes that the Benchmark Portfolio established for a Fund cannot meet the investment objectives over the following five-year period, it will work with the VPFA to develop an alternative Benchmark Portfolio.

6.2.4 The VPFA will appoint a Custodian to hold the assets of the Funds in safekeeping.

6.2.5 The selection of investment managers will be made in a prudent manner, based on criteria established and documented by the VPFA.

6.2.6 Each investment manager will operate under the terms of an Investment Management Agreement with the University, as agreed to with the VPFA. The agreement will include guidelines and constraints to ensure risk, return, and liquidity is controlled and the requirement to inform the VPFA of any changes in the investment manager’s firm that could have a material impact on the management of the funds.

6.2.7 The VPFA will make any changes in the investment managers as is deemed necessary to meet the investment objectives.

6.3 Monitoring of the Funds

6.3.1 The VPFA will monitor the performance of each of the investment managers on a monthly basis as well as the overall performance of the Funds.
6.3.2 The VPFA will meet with the IAC on a quarterly basis and will report on the performance of the Funds and results of meetings with the investment managers since the previous IAC meeting. Any concerns about an investment manager’s performance will be noted in the minutes of the IAC’s meeting with the VPFA.

6.3.3 The VPFA will forward the minutes of the IAC meetings to the Board and the Finance and Administration Committee.

6.4 Conflict of Interest

6.4.1 The conflict of interest guidelines for the Funds will be consistent with the overall guidelines for the University. To the extent that certain situations may create a conflict of interest not covered by the University’s guidelines, the VPFA will establish additional guidelines as required.

6.4.2 All securities will be purchased through normal public market sources, unless the purchase price approximates the prevailing market price from some other recognized source and is negotiated on an arm’s length basis.

6.5 Voting Rights

6.5.1 The VPFA will develop procedures for the exercise of voting rights acquired through the investments of the Funds.

7.0 Authority

7.1 This policy is administered under the authority of the Vice-President, Finance and Administration.

8.0 Interpretation

8.1 Questions of interpretation or application of this policy will be referred to the President and the Chair of the Board, who will make a decision which will be final.

9.0 Appendix A

9.1 Terms of Reference

The Investment Advisory Committee (IAC or Committee) is comprised of five (5) investment experts appointed by the Board of Governors (Board). The purpose of the IAC is to provide investment advice and oversight to the university treasury function and to act in an advisory capacity to the Board on investment matters. The IAC operates under a non-voting mandate. The work of the IAC is framed by the Investment Governance Policy (B10.09). The Committee is responsible for:

9.1.1 Providing high-level direction to the Vice-President, Finance and Administration (VPFA) regarding investment management decisions.

9.1.2 Acting in an advisory role to the Board on investment matters.

9.1.3 Conducting an annual review of the Investment Governance Policy and recommending changes to the Board.

9.1.4 Recommending, in cooperation with the VPFA, categories of investments and investment asset mix ranges to the Board for approval.

9.1.5 Advising the VPFA in the development of Benchmark Portfolios for the Funds and recommending adjustments as required.

9.1.6 Monitoring the investment performance of Funds and investment managers through VPFA reports.

9.1.7 Reviewing reports provided by the Treasurer and recommending adjustments where required.
9.2 Membership

The Committee members are appointed by the Board on the recommendation of the President, pursuant to paragraph 27(2)(c) of the University Act, to act in an investment advisory role to the Board. The composition of the Committee is as follows:

9.2.1 The Committee will have five members.

9.2.2 Members will be appointed for a 6-year term with the option for renewal for subsequent terms with agreement by both the member and the university.

9.2.3 Committee members’ collective experience should, where possible, reflect the approved categories of investments as stated in Policy B10.09.

The IAC will meet quarterly, and on an ad hoc basis as required. It operates under a non-voting mandate.

10.0 Appendix B

10.1 Approved Categories of Investments

10.1.1 Publicly traded equities, including common and preferred shares, warrants, rights, instalment receipts and convertible debentures, all of which may be issued by Canadian or non-Canadian issuers, and American Depository Receipts of companies based outside Canada and the United States, all of which must be in good standing with their auditors and their regulators;

10.1.2 Debt securities of Canadian and non-Canadian issuers, issued in Canadian or non-Canadian currencies, including sovereign, provincial, municipal and corporate bonds, debentures, mortgages, mortgage-backed securities, asset-backed securities, notes and other debt instruments; All investments in fixed income securities shall be in securities that are the subject of regular price quotations by recognized investment dealers and for which ratings are available for the borrower or the debt issuer. The corporate and government bond and debenture portfolio in aggregate shall be maintained within the following ranges according to the credit ratings of the Dominion Bond Rating Service (“DBRS”) or equivalent service:

<table>
<thead>
<tr>
<th>Credit Rating</th>
<th>Percent (Market Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>above A</td>
<td>50% - 100%</td>
</tr>
<tr>
<td>A or below</td>
<td>0% - 50%</td>
</tr>
<tr>
<td>BBB</td>
<td>0% - 20%</td>
</tr>
<tr>
<td>below BBB</td>
<td>0%</td>
</tr>
</tbody>
</table>

10.1.3 Income trusts and real estate investment trusts;

10.1.4 Private placements, with the prior written approval of the VPFA;

10.1.5 Alternative investments, including income-producing commercial, industrial and residential property held in a professionally-managed, diversified, pooled real estate fund, private equities, interests in limited partnerships, all with the prior written approval of the VPFA;

10.1.6 Interest-bearing cash and cash equivalents, including guaranteed investment contracts or term deposits with banks, credit unions, trust companies or insurance companies. Investments for operating cash requirements shall be in Canadian cash equivalents and short term commercial paper rated (minimum rating R-1 Low by the DBRS), an equivalent rating from another agency, or, where not rated, an equivalent level as determined by the market;
10.1.7 Derivatives, options or futures as part of a defensive strategy or to replicate the investment performance of a recognized market index;

10.1.8 Unitized pooled funds or mutual funds consisting of eligible investments in the above categories;

10.1.9 Any investment donated to the University.

10.2 Investment Asset Mix Ranges

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark Asset Mix (%)</th>
<th>Endowment Fund Range (%)</th>
<th>Non-Endowment Fund Range (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Equities</td>
<td>33</td>
<td>28 - 38</td>
<td>25</td>
</tr>
<tr>
<td>Global Equities</td>
<td>32</td>
<td>27 - 37</td>
<td>25</td>
</tr>
<tr>
<td>Fixed Income</td>
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<td>15 - 30</td>
<td>48</td>
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<tr>
<td>Cash and Cash Equivalents</td>
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<td>0 - 10</td>
<td>2</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>10</td>
<td>0 - 20</td>
<td>0</td>
</tr>
</tbody>
</table>