

3.M-2016: Investment Policy

1. Policy Statement

This St. Mary's University Investment Policy is intended to provide guidelines for the prudent investment of St. Mary's University Investment Funds. Investment Funds provide an important source of income to support operations, programs and capital needs at St. Mary's University (University) to achieve strategic goals and objectives and attain a level of financial strength and sustainability over the long-term. The University is a registered charity and not subject to income tax.

This Investment Policy (the 'Policy') establishes and communicates the University's investment principles and philosophies, objectives, roles and responsibilities, and governance guidelines. The Policy supports the Board in meeting its fiduciary duty with respect to oversight for investment decisions. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical. The Policy sets out guidelines for the Board of Governors, the Finance Committee and Administration to:

- Provide a framework for funds available for investment;
- Determine appropriate investment types and durations;
- Measure the acceptable rate of return;
- Balance current spending needs with expected future requirements;
- Protect the real purchasing power of Investment Funds while achieving stability in year to year spending;
- Attain real increases in spending through capital appreciation from new gifts, capital investment and capitalization of investment earnings; and
- Consider non-financial investment criteria such as ethical, environmental, social and governance factors to align with the mission of St. Mary's University.

2. University Investment Funds

The University has accumulated funds from donors for specific purposes, and holds residual funds from operations that are not immediately required for operating purposes

Approval Authority	Responsible Office	Effective Date	Date Last Revisited	Review Frequency
Board of Governors	Finance	December 12, 2016	December 12, 2016	Every 5 years

(collectively the 'Investment Funds'). Specifically the Investment Funds comprise:

2.1 Endowment Fund

The Endowment Fund consists of permanently-restricted contributions for which the principal amount must be maintained in perpetuity while the annual income may be disbursed to the University for restricted or unrestricted purposes.

2.2 Restricted Fund

The Restricted Fund consists of internally and/or externally-restricted contributions for specific programs, capital development, student awards or other purposes.

2.3 Unrestricted Fund

The Unrestricted Fund consists of previous years' excess of operating revenue over expenses and unrestricted donations not immediately required for operating or capital purposes. The amount of unrestricted funds varies throughout the year and over time due to the cyclical nature of cash flows.

2.4 Pledged Fund

The Pledged Fund consists of a portion of the Unrestricted Fund pledged as security to the City of Calgary on the Long-term Loan effective December 15, 2014. Under the terms of the Credit Agreement between St. Mary's University and the City of Calgary, St. Mary's must maintain a minimum market value at least equal to the principal balance on the long-term loan for the balance of the loan period. This requirement is formalized in a Securities Control Agreement between the City of Calgary, St. Mary's University and Richardson GMP Securities.

3. Investment Principles and Philosophies

3.1 University Interests

Investments shall be made solely in the interest of the University in accordance with this policy.

3.2 Prudent Investments

University Investment Funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person in a like position would exercise under similar circumstances and in a manner the Finance Committee reasonably believes to be in the best interest of the University.

3.3 Diversification

Investment of the Investment Funds shall be diversified so as to yield target or above-target returns within acceptable levels of risk to minimize the potential of large losses, and without undue reliance on a single market and/or strategy. Investment Funds will deploy multiple asset classes and strategies.

3.4 External Investment Managers

The University shall engage external Investment Managers of varying styles and philosophies to attain the Fund's objectives. Through this Policy, the University will provide a mandate to Investment Managers to provide direction regarding specific strategy, performance objectives, permitted investments, investment constraints, and investment manager communication expectations.

3.5 Environmental, Social and Governance (ESG) Factors

Investment Funds shall be invested in a manner to maximize risk adjusted returns. The University believes that over the long term, companies that exhibit responsible corporate behaviour with respect to environmental, social and governance (ESG) factors will have a positive impact on the University's Investment Policy long-term financial performance. The assessment of ESG factors along with the assessment of the business, management and financial metrics will enhance the identification of good investment opportunities and to help mitigate risk to Investment Funds. The University will encourage its external Investment Managers to develop and enhance their ESG assessment capabilities.

3.6 Exposure to Non-Canadian Currencies

The Canadian equity market represents approximately 2% of total world equity market in terms of total capitalization. Non-Canadian investments are included to add diversification and reduce volatility of returns. Surveys of Canadian University endowment holdings indicate that some foreign exchange exposure is appropriate to provide additional diversification benefits. However non-Canadian investments need not necessarily incur gains or losses from increases or decreases in the value of the Canadian dollar relative to currencies in other countries. Foreign currency exchange volatility can be managed through currency hedging techniques, and the extent of currency hedging deployed will be assessed from time to time.

3.7 Liquidity

Investment Funds must maintain sufficient liquidity to fund the withdrawals made throughout each fiscal year to support the annual spending allocations and operating cash requirements of that Fund. Cash is to be employed productively by investment in short term cash equivalents to provide safety, liquidity, and return. Administration will notify the investment managers well in advance of the withdrawal orders to allow sufficient time to build up necessary liquid reserves outside of the strategic allocation.

4. Roles and Responsibilities

The St. Mary's University Board of Governors is entrusted with the overall care of University Investment Funds and has established an Investment Policy to ensure prudent management of these Funds.

4.1 Finance Committee

The Finance Committee (the "Committee") is a standing committee of the Board of Governors (the "Board") and is charged with responsibility for the investment of University Funds. The Finance Committee will utilize due care and prudent investment strategies in order to maintain the financial integrity and long-term sustainability of the University and ensure that the University's guiding principles as outlined in the Mission and Vision Statements are upheld at all times.

The Committee must discharge their duties solely in the interest of the University and for the exclusive purpose of meeting the financial objectives of the University. The Committee is authorized to engage the services of other service provider(s) who possess the necessary skill to facilitate the investment objectives of the University. The Committee will require those service provider(s) to adhere to any policies adopted by the Board.

The Committee has the following responsibilities:

- Review, approve and submit for Board approval an Investment Policy which addresses asset allocation, spending guidelines, risk tolerance, investment horizon, and total return objectives;

- Review, approve, and submit for Board approval investment objectives and guidelines relating to eligible investments, asset mix, permitted investments, geographical and asset class diversification and concentration restrictions, performance objectives and reporting requirements for Investment Managers;
- Review and approve the selection of qualified Investment Managers and counsel, as required, to meet investment objectives;
- Monitor investment performance against investment objectives and adherence to policy and guidelines; and
- Review and assess existing and new control procedures for safeguarding of Investment Funds and for ensuring compliance to policies and regulatory requirements.

4.2 Administration

The University's President and Vice-President Finance and designates (the "Administration") are required to discharge their duties solely in the interest of the University and for the exclusive purpose of meeting the financial objectives of the University. The Administration is responsible for the management of Investment Funds, subject to the oversight of the Committee, including the following roles and responsibilities:

- Reviewing reports provided by Investment Managers;
- Administering new resources to be added to University Investment Funds;
- Monitoring and communicating liquidity and spending requirements of the Investment Funds;
- Managing the day-to-day cash flow requirements of the University, including working capital management;
- Implementing, executing and communicating to all appropriate parties all policies and decisions approved by the Finance Committee; and
- Monitoring the performance of Investment Managers, including compliance with this Policy, and report to the Committee at least annually.

4.3 Investment Managers

The Administration will enter into written agreements with Investment Managers approved by the Committee establishing the scope of services and the mandate of the Investment Manager. Investment Managers must observe and operate within all guidelines, constraints, and philosophies as outlined in this Policy. Specific responsibilities of the Investment Managers include the following:

- Investing assets under their management in accordance with the guidelines, objectives and restrictions approved by the Committee as outlined in this Policy;
- With the exception of the Pledged Fund, exercising discretionary authority over the assets entrusted to them, including decisions to buy or sell individual securities, and to alter asset allocation as permitted by the investment guidelines and restrictions outlined in this Policy;
- Providing investment portfolio reports as follows:
 - On a monthly basis, provide Administration with portfolio valuations and investment performance reports.
 - On a quarterly basis, provide the Finance Committee and Administration with a report of portfolio activity, investment valuations, and performance.
 - On an annual basis, provide a presentation to the Finance Committee and Administration including an overview of portfolio valuations and performance as well as future investment strategy.
 - The Finance Committee may request additional reporting and as required, to discharge their responsibilities.
- Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of the investment process or the progress towards the investment objectives of the Investment Funds.
- Informing the Administration regarding any significant change in the investment management organization such as changes to portfolio management personnel, ownership structure, investment philosophy, and other relevant factors.
- Exercising and directing voting rights, at all times acting prudently and in the best interest of the University.
- Informing St. Mary's of any non-compliance with guidelines immediately upon recognition detailing the nature of non-compliance and remedial action taken.
- Adhering, at all times, to the Code of Ethics and Standards of Professional Conduct adopted by the Institute of Chartered Financial Analysts.

4.4 Fiduciary Responsibilities

All of the aforementioned parties - Board of Governors, Finance Committee, Administration, and Investment Managers - are to be considered fiduciaries of the Investment Funds, and as such shall exercise the care, diligence and skill in the administration, investment and management of the Funds that a person of ordinary prudence would exercise in dealing with the property of another person. Fiduciaries

shall use all relevant knowledge and skill that they possess or, by reason of their profession, business or calling, ought to possess.

5. Objectives

The investment objectives for Investment Funds reflect a balance between the preservation of capital and total return on investment from income streams, capital appreciation, and growth.

5.1 Risk Objective and Tolerance

The Board of Governors and Finance Committee recognize and acknowledge that prudent risk must be assumed in order to achieve the long-term investment objectives of the University Investment Funds, and there are uncertainties and complexities associated with investing in capital markets. The Board and Committee acknowledge that the greatest risk is the failure to meet the return objective in the investment horizon.

In establishing the overall risk tolerance for the Investment Funds, The University's ability to withstand short and intermediate term variability was considered. The University's prospects for the future, investment time horizon, current financial condition and level of funding in the portfolio suggest collectively some shorter-term fluctuations in market value and rates of return may be tolerated in the portfolio in order to achieve longer-term investment objectives.

5.2 Endowment Fund

5.2.1 Rate of Return

The long-term investment objective of the Endowment Fund is to earn an investment return sufficient to provide for annual spending requirements while preserving the real (inflation adjusted) purchasing power of the Endowment Fund after accounting for inflation, and administrative costs (investment management fees and fund operating expenses). Investment returns in excess of the long-term return goal shall be reinvested to increase the principal of the Endowment Fund. The target rate of return shall consist of the following:

Endowment Fund – Rate of Return Objectives	
Spending rate	3.5% - 5.0%

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Inflation rate	1.0% - 2.5%
Administrative fees	0.5% - 1.0%
Long-term rate of return goal	5.0% - 8.5%

5.2.2 Spending Policy

The spending policy for the Endowment Fund is determined in accordance with the wishes of the donor as stated in the Endowment Agreement. The annual spending commitment will generally be the greater of the annual real rate of return or the spending commitment approved in the Endowment Agreement.

5.2.3 Liquidity

The short-term liquidity requirements for the Endowment Funds are expected to be minimal. The Administration will notify Investment Managers of any cash requirements well in advance of the withdrawal request in order to allow for the accumulation of liquid reserves.

5.2.4 Time horizon

The Endowment Fund investment objectives are based on an investment horizon of greater than ten years. As such, asset allocation guidelines are based on a long-term horizon. Interim fluctuations in rates of return should be viewed with appropriate perspective.

5.3 Restricted Fund

5.3.1 Rate of Return

The investment objective of the Restricted Fund is to preserve the real value of internally and externally restricted funds to support capital and program requirements while earning a modest return to augment the University's resources after recovering administrative fees. The target rate of return shall consist of the following:

Restricted Fund – Rate of Return Objectives	
Spending rate	1.0% - 3.0%
Inflation rate	0.0% - 1.0%
Administrative fees	0.0% - 0.5%
Long-term rate of return goal	1.0% - 4.5%

5.3.2 Spending policy

The spending policy for the Restricted Fund is determined in accordance with the restrictions of the contribution, capital requirements, and cash flow requirements of the University. Given that the Restricted Fund includes contributions restricted for major capital projects, spending requirements may vary widely from one period to the next.

5.3.3 Liquidity

The short-term liquidity requirements for the Restricted Fund will be based on the spending requirements of the associated program or capital project. The Administration will notify Investment Managers of any significant cash requirements well in advance of the withdrawal request in order to allow for the accumulation of liquid reserves.

5.3.4 Time horizon

The Restricted Fund investment guidelines are based on an investment horizon of immediate to less than three years. As such, asset allocation guidelines are based on a short-term perspective to minimize interim fluctuations in value.

5.4 Unrestricted Fund (Excluding the Pledged Fund)

5.4.1 Rate of return

The investment objective of the Unrestricted Fund is to provide a source of funds for immediate operating and capital cash flow requirements while earning an investment return to future operating, capital and program needs, after recovering administrative fees. The target rate of return shall consist of the following:

Unrestricted Fund (Excluding the Pledged Fund) – Rate of Return Objectives	
Spending rate	3.5% - 4.5%
Inflation rate	0.0% - 1.0%
Administrative fees	0.0% - 0.5%
Long-term rate of return goal	3.5% - 6.0%

5.4.2 Spending policy

The spending policy for the Unrestricted Fund is determined based on operating and capital cash flow requirements of the University. Spending requirements may vary widely from one period to the next.

5.4.3 Liquidity

Short-term liquidity of the Unrestricted Fund will be based on the cash flow requirements for operating and capital needs. The Administration will notify Investment Managers of anticipated cash requirements well in advance of the withdrawal request in order to allow for the accumulation of liquid reserves.

5.4.4 Time horizon

The Unrestricted Fund investment guidelines are based on an intermediate investment horizon of three to ten years. As such, asset allocation guidelines are based on a medium-term perspective so interim fluctuations in value should be viewed with this perspective.

5.5 Pledged Fund

5.5.1 Rate of return

The investment objective of the Pledged Fund is to earn an investment return sufficient to provide for annual spending requirements (including the annual loan repayment) while preserving the real (inflation adjusted) purchasing power of the Pledged Fund after accounting for administrative fees. The target rate of return shall consist of the following:

Pledged Fund – Rate of Return Objectives	
Spending rate	3.5% - 5.0%
Inflation rate	1.0% - 2.5%
Administrative fees	0.5% - 1.0%
Long-term rate of return goal	5.0% - 8.5%

5.5.2 Spending policy

The spending policy for the Pledged Fund is determined based on operating cash flow requirements of the University to fund the annual loan repayment.

5.5.3 Liquidity

The short-term liquidity requirements for the Pledged Fund are expected to be minimal. The Administration will notify Investment Managers of

anticipated cash requirements well in advance of the withdrawal request in order to allow for the accumulation of liquid assets.

5.5.4 Time horizon

Pledged Fund investment objectives are based on an intermediate to long-term investment horizon that reflects the need to avoid interim fluctuations and earn a meaningful rate of return to fund the annual loan repayment commitment. As such, asset allocation guidelines are based on an intermediate-term horizon with due regard to the requirement to maintain a balance, at all times, is at least equal to the principal balance of the long-term loan as required by the Credit Agreement with the City of Calgary, scheduled to be fully repaid in December 2034.

5.5.5 Security Control Agreement

There is a Security Control Agreement in place between the University, the City of Calgary and Richardson GMP that sets out the requirements for management of the Pledged Account.

6. Asset Allocation

The Investment Manager shall analyze the economy and markets with a view to determine which of the above asset classes are more likely to offer attractive risk/return characteristics for the University Investment Funds within the respective time horizon.

6.1 Endowment Fund

The commitment ranges for various asset classes for the Endowment Fund are as follows:

Asset Class	Asset Mix as Percentage of Endowment Fund Market Value		
	Minimum %	Target %	Maximum %
Total Fixed Income	30.0	40.0	60.0
Bonds	30.0	35.0	60.0
Cash and equivalents	0.0	5.0	10.0
Total Equities	40.0	60.0	70.0
Canadian Equities	10.0	20.0	30.0
US Equities	10.0	15.0	30.0
International Equities	0.0	15.0	25.0

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Other Investments/Alternatives	0.0	10.0	25.0

6.2 Restricted Fund

The commitment ranges for various asset classes for the Restricted Fund are as follows:

Asset Class	Asset Mix as Percentage of Restricted Fund Market Value		
	Minimum %	Target %	Maximum %
Total Fixed Income	30.0	40.0	60.0
Bonds	30.0	35.0	60.0
Cash and equivalents	0.0	5.0	10.0
Total Equities	40.0	60.0	70.0
Canadian Equities	10.0	20.0	30.0
US Equities	10.0	15.0	30.0
International Equities	0.0	15.0	25.0
Other Investments/Alternatives	0.0	10.0	25.0

6.3 Unrestricted Fund

The commitment ranges for various asset classes for the Unrestricted Fund are as follows:

Asset Class	Asset Mix as Percentage of Unrestricted Fund Market Value		
	Minimum %	Target %	Maximum %
Total Fixed Income	10.0	30.0	50.0
Bonds	0.0	25.0	50.0
Cash and equivalents	10.0	5.0	30.0
Total Equities	50.0	70.0	90.0
Canadian Equities	15.0	25.0	35.0
US Equities	5.0	20.0	25.0
International Equities	5.0	15.0	25.0
Other Investments/Alternatives	0.0	10.0	25.0

6.4 Pledged Fund

The commitment ranges for various asset classes for the Pledged Fund are as follows:

Asset Class	Asset Mix as Percentage of Pledged Fund Market Value		
Minimum %	Target %	Maximum %	

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Asset Class	Minimum %	Target %	Maximum %
Total Fixed Income	30.0	40.0	60.0
Bonds	30.0	35.0	60.0
Cash and equivalents	0.0	5.0	10.0
Total Equities	40.0	60.0	70.0
Canadian Equities	10.0	20.0	30.0
US Equities	10.0	15.0	30.0
International Equities	0.0	15.0	25.0
Other Investments/Alternatives	0.0	10.0	25.0

6.5 Rebalancing

The allocation to each asset class may vary as much as plus or minus 10% depending on new contributions, cash outflows, market conditions, and fluctuating periodic returns. The upper and lower limits are not intended to impose absolute limits on asset allocation, but rather to suggest targets considered normal. The allocations are intended to trigger the need for rebalancing to bring the allocations closer to the target allocations in this Policy.

7. Investment Guidelines and Constraints

7.1 Permitted Investments

7.1.1 Cash and equivalents

Includes cash, money market, government treasury bills or bonds maturing in 365 days or less; term deposits, guaranteed investment certificates, and bankers' acceptances.

7.1.2 Fixed Income Securities

Includes Canadian government issued bonds and debentures and corporate bonds and debentures.

7.1.3 Equities

Includes Canadian, US, and non-North American common and preferred shares, income trusts, rights warrants and subscription receipts, and convertible debentures. Note that non-public companies may be included if they will become public in a reasonable period of time.

7.1.4 Other Investments and Alternative Strategies

Includes mutual and pooled funds which invest in securities. Alternative strategies include hedge funds. For non-traditional assets, no direct

investments will be made. Rather, investments will be made in only approved, diversified, well-established funds or multi-strategy managers will be utilized, due to the limited allocation to this asset class.

7.2 Prohibited Investments and transactions

7.2.1 Prohibited investments

Includes, but is not limited to, commodities and futures contracts, private equity, venture capital investments, limited partnerships, direct investment in real estate properties (Note that REIT's are a permitted investment), and interest-only, principal- only, and residual tranche collateralized mortgage obligations (CMOs).

7.2.2 Prohibited Transactions

Includes, but is not limited to, short selling and margin transactions.

7.3 Investment Constraints

7.3.1 Equity Investment Constraints

Related party transactions are not permitted unless specifically approved by the Board.

The equity portion of the Investment Fund may not concentrate more than 20% in any one industry, based on the Global Industry Classification Standards.

The equity portion of the Investment Fund may not hold more than 10% of the portfolio in a single security.

7.3.2 Fixed Income Investment Constraints

The fixed income portion of the Investment Funds will maintain a minimum BBB weighted average credit quality as recognized by an accredited rating service such as Dominion Bond Rating Service (DBRS), the Standard and Poors Rating Services, or Moody's Credit Reports.

The fixed income portion of the Investment Fund will maintain a maximum 5% exposure to any single corporate security.

7.3.3 Derivatives

Derivatives may be used for purposes that are consistent with the investment objectives of the Investment Funds, provided that the Investment Manager does so in accordance with and subject to the provisions of applicable Canadian securities legislation including National Instrument 81-102.

7.3.4 Ethical Considerations

The University will engage professional Investment Managers who will act with integrity and in accordance with this Policy. The University endeavours to invest ethically, and to avoid investment in companies in unethical industries.

7.3.5 Securities Lending

The University will not enter into securities lending, repurchase or reverse repurchase transactions. The University will not borrow against the Invested Funds through a margin account.

7.3.6 Proxy Voting

The responsibility for exercising and directing voting rights acquired through the investment process shall normally be at the discretion of the Investment Manager. The Investment Manager will note the proxies received for the holdings within their portfolio in accordance with the Investment Manager's internal policies, which shall be made available to the Committee upon request. In the event the University wishes to exercise and direct voting rights acquired through the investment process, it must advise the Investment Manager.

7.4 Investment Manager Evaluation

Performance reports shall be compiled by the Administration at least quarterly and communicated to the Committee for review. The investment performance of total portfolios will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in their respective mandates.

7.5 Conflict of Interest

The Board of Governors, Finance Committee, the Administration and Investment Managers are required to discharge their duties solely in the interests of the University and for the exclusive purpose of meeting the financial objectives of the University. A conflict of interest exists when the personal interests, investments or future plans of any person charged with responsibilities in the administration of University Investment Funds conflicts with his or her duties and powers in respect of the University Investment Funds. Where a conflict of interest exists or might exist, the individual shall disclose his or her interest as soon as possible after becoming aware of the potential conflict. For Investment Managers, at a minimum, the provisions of the Code of Ethics established by the Institute of Chartered Financial Analysts shall apply.

7.6 General Policy Guidelines

7.6.1 Policy Review

The Committee shall review this Policy at least every three years, or sooner at the discretion of the Committee, and provide the Board with a recommendation to reaffirm or amend the Policy.

7.6.2 Exceptions

Investment guidelines and constraints for each Investment Fund are documented within their respective Investment Management mandate.

Any deviation from this, brought about by exceptional circumstances, must receive prior approval by the Board upon the recommendation of the Committee.

7.6.3 Effective Period

This policy will remain in effect until changed or modified by the Board. Where applicable, any such change shall be promptly communicated to the Committee, Administration and Investment Managers.

7.6.4 Applicability

Any Investment Manager, the Committee, Administration, or Custodian providing services in connection with the investment of University Funds shall accept and adhere to this Policy by way of their contract or agreement.

8. Acknowledgements

8.1 This Policy was developed through research of various other policies and references including the following:

- Ambrose University College Ltd. – Investment Policy of the Board of Governors, April 4, 2014
- CFA Institute – Elements of an Investment Policy Statement for Institutional Investors, May 2010
- Dalhousie University – Statement of Investment Policies and Guidelines of the Endowment Funds
- The Calgary Foundation – Statement of Investment Policy for the Primary Endowment Fund