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<b>Approval authority</b>	Foundation & Alumni Relations Board of Directors
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## 1.0 Purpose

- 1.1.** The Investment Policy exists as an important framework for the Board's fiduciary duty to protect the Foundation's invested assets and ensure the assets are used to fulfil the Foundation's vision and mission.
- 1.2.** The purpose of this policy is to set out the terms and conditions under which the assets of the Pooled Endowment Fund ("Endowment") are invested. The goals are:
- 1.2.1.** to preserve the capital of endowment assets.
  - 1.2.2.** to maximize risk-adjusted returns of the Endowment and at least earn the expected required rate of return (5% net of fees).
  - 1.2.3.** to maintain the liquidity necessary to meet all spending requirements as per the 5% CRA disbursement quota (included in Section 5.3) and as outlined in the Endowment and Management Spending Policy.

## 2.0 Scope

- 2.1** The Board has a fiduciary duty to provide effective governance over financial management, accountability and stewardship of the Foundation's assets while fulfilling the Foundation's vision and mission:
- 2.1.1** Vision: A Nova Scotia where the educational journey is equitable, safe and accessible to all.
  - 2.1.2** Mission: Stewarding relationships and leveraging resources to improve lives and strengthen communities.
- 2.2** The Investment Committee ("Committee") acts in an advisory role to the Board and is delegated the following responsibilities:
- 2.2.1** Annual review and revisions to this policy.
  - 2.2.2** Review of new investment products with the Investment Manager and recommending changes to the current asset mix.
  - 2.2.3** Monitor Investment Manager performance to ensure adherence to the Investment Policy.

- 2.2.4** Recommend the appointment of new Investment Managers to the NSCC Foundation Board of Directors as required to ensure compliance with public procurement requirements and contracts.

- 2.3.** The Foundation team are responsible for the operational administration of the endowment, adhering to the Endowment Management and Spending Policy.

## 3.0 Definitions

Term	Definition
Board	NSCC Foundation and Alumni Relations Board of Directors
Capital	The original donation(s) to capital of an endowment and any additional appreciation from inflation with the intent of being held in perpetuity.
CRA	Canada Revenue Agency is a federal agency that administers tax laws for the Government of Canada, most provinces and territories, international trade legislation, and other benefit and incentive programs delivered through the tax system. It oversees the registration of Canadian charities.
Endowment	A restricted donation made to the Foundation by a donor in which the principal value is invested. A portion of the earned income from the investment supports a specified purpose as defined by the donor through a formal gift agreement.
ESG	Environmental, Social, and Governance relating to sustainable and socially responsible investing.
Foundation	NSCC Foundation and Alumni Relations – a charitable Foundation and a department of NSCC.
FTSE Canada Universe Bond Index	Measures the performance of the Canadian Dollar denominated investment-grade fixed income market, covering Canadian government provincial and corporate bonds. The index is designed to track the performance of marketable government, provincial, and corporate bonds outstanding in the Canadian market.
Illiquid Investment	Any investment with a settlement date greater than three days.
Investment Committee	An advisory sub-committee of the Foundation and Alumni Relations Board of Directors. Referred to as the Committee.
Investment Earnings	The realized gains, unrealized gains, dividend income, and interest income earned or received from the endowment in a specified period.
Investment Manager	The appointed Investment Manager who manages the endowment on behalf of the Foundation.
Risk	The probability of occurrence of losses is relative to the expected return on any particular investment due to the unpredictability of market direction.
Fees	All direct expenses incurred to properly manage, control, and report on the investment activities of the endowment, including investor relation expenses and administration costs.
Market Value	The current value of the endowment, including capital and net investment earnings and cash available for disbursement.
MSCI Emerging Markets Net Index (CAD)	Captures large and mid-cap representation across 20+ Emerging Markets (EM) countries. EM country classification is determined by MSCI's Market Classification Framework which considers economic development, size, liquidity, and accessibility criteria to classify developed and emerging countries. The MSCI EM index covers approximately 85% of the free floated-adjusted market capitalization in each country.
MSCI World Net Index	A broad equity index that represents large and mid-cap equity performance across 20+ developed countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.

Term	Definition
NSCC	Nova Scotia Community College
Pooled Endowment Fund	This fund, referred to as the Endowment, allows multiple donor endowments to invest in the same pool of assets. Funds are invested as a single pool to optimize net return and diversification of risk. It includes all individual donor endowment funds reported on a pro-rata basis.
S&P/TSX Capped Composite Index	Imposes capped weights of 10% on all constituents included in the S&P/TSX Composite Index.

## 4.0 Policy

### 4.1 Permitted Investments

- 4.1.1 While investing Foundation capital, an Investment Manager must exercise the care, skill, diligence, and judgment that a prudent investor would exercise in making investments. Permitted investment and prudent investor is referenced from the *Trustee Act* (Nova Scotia).
- 4.1.2 The Investment Manager may hold any part of the portfolio in one or more pooled funds managed by the Investment Manager. It is expected that the investments directed by the Investment Manager comply with this Policy. The Investment Manager shall notify the Committee if a pooled fund exhibits any significant departure from this policy.
- 4.1.3 Fund investments include:
  - 4.1.3.i Cash investments (T-bills, commercial paper, and bankers' acceptances) will be rated no lower than R-1 low or its equivalent. No more than 10% of the cash component may be invested in paper of a single issuer.
  - 4.1.3.ii The credit quality of the fixed income portion of the portfolio must have an average credit quality of BBB (low) or better. No more than 25% of the overall fixed income allocation may be invested in instruments with a credit quality less than BBB (low).
  - 4.1.3.iii Investment in Canadian conventional mortgages are permitted within the Alternatives Investments allocation. No more than 15% of the overall portfolio allocation may be invested in domestic conventional (non-guaranteed) mortgages on income producing commercial, residential, and industrial properties.
  - 4.1.3.iv All equity investments (Canadian, US and foreign) will be in companies which trade on a recognized major exchange. Other than the exception noted in sections 4.1.4 and 4.2.3, at no time can shares in a single company represent more than 5% of the overall portfolio based on the market value.
  - 4.1.3.v Alternative investments, including but not limited to absolute return strategies, mortgages, real estate, and infrastructure, are permitted investments as part of the Foundation's overall investment strategy.

## **4.1.4 Exception: Gift of Shares**

- 4.1.4.i As per Board approval, 38,000 Toronto Dominion bank (TD) common shares were gifted by a donor and are held in a non-fee account with the Investment Manager.
- 4.1.4.ii Investment earnings generated by these shares will fund the Sobey Awards and will be automatically received to the NSCC Foundation bank account quarterly.
- 4.1.4.iii Unrealized gains or losses on these shares will be reflected in the Foundation financial statements accordingly.
- 4.1.4.iv These gifts of shares will not be redeemed to cash in whole or in part without prior consent from the Sobey Family.

## **4.1.5 Derivatives**

- 4.1.5.i The Investment Manager may use derivatives, such as swaps, options, futures, and forward contracts, for hedging purposes, to manage interest rate and market risk, and as a substitute for direct investment.
- 4.1.5.ii With prior written approval of the Committee, the Manager may use derivatives for speculative trading or to create a portfolio with leverage. Any use of derivatives for leverage or speculative purposes is limited to alternative strategies and limited to no more than 15% of the Foundation's portfolio.

## **4.2 Risk and Return**

**4.2.1** The Endowment must be constructed in such a manner as to target the long-term objectives of the Foundation as indicated in section 1.2.

**4.2.2** The Committee will evaluate the Investment Managers' performance based on a return objective to exceed the policy benchmark return, net of fees, over four-year rolling periods. The policy benchmark is calculated based on:

- 15% FTSE Canada Short Term Overall Bond Index
- 15% FTSE Canada Universe Bond Index
- 20% S&P/TSX Capped Composite Index
- 40% MSCI World Net Index (CAD)
- 5% MSCI Emerging Markets Net Index (CAD)
- 5% FTSE Canada 30-day T-bill Index

**4.2.3** Diversification amongst asset classes is provided through the asset allocation guidelines noted in sections 4.1.3 and 4.3.

**4.2.4** Within an investment program and engagement strategy that incorporates Environmental, Social and Governance (ESG) factors into their investment decisions, the Investment Manager is expected to:

- 4.2.4.i Be a signatory to the United Nations Principles for Responsible Investment

(PRI) to have a Responsible Investing Policy and to integrate Environmental, Social, and Governance (ESG) factors into its investment management processes

- 4.2.5** The Investment Manager will ensure that the Endowment maintains adequate liquid assets to meet endowment disbursements. The Endowment will hold no more than 25% illiquid alternative investments.

## 4.3 Asset Allocation

- 4.3.1** The asset allocation policy seeks to balance the objective of earning a satisfactory return on fund assets while mitigating risk, considering the capital market expectations and liquidity needs of the Foundation.

- 4.3.2** Target asset mix and ranges are as follows:

Asset Class	Target Asset Mix	Minimum	Maximum
<b>Cash</b>	<b>0%</b>	<b>0%</b>	<b>10%</b>
<b>Fixed Income</b>			
Core Plus Bonds	15%	0%	20%
High Yield Bonds	0%	0%	10%
<b>Total Fixed Income</b>	<b>15%</b>	<b>10%</b>	<b>30%</b>
<b>Diversified Equities</b>			
Canadian	20%	15%	35%
Foreign	45%	30%	50%
Global Equities	40%	30%	45%
Emerging Markets Equities	5%	0%	10%
<b>Total Diversified Equities</b>	<b>65%</b>	<b>45%</b>	<b>70%</b>
<b>Alternative Investments</b>	<b>20%</b>	<b>0%</b>	<b>25%</b>

## 4.4 Monitoring and Reporting

- 4.4.1** On a quarterly basis, the Investment Manager will provide the following written reports:

- Portfolio summary, valuation & structure
- Performance review (as compared to benchmark) and commentary
- Detailed transaction statement
- Investment Policy Compliance Report

And the below items could be requested to provide the following as needed:

- Portfolio holdings
- Proxy voting records
- Other ESG reporting including carbon footprint, engagement examples, and/or other relevant portfolio metrics, as available

**4.4.2** The Investment Manager will meet with the Committee on a quarterly basis to provide commentary and presentation of:

- An economic outlook and summary of portfolio strategy including successes and failures of each asset class.
- Forward-looking investment views and plans considering the Foundation's position.
- Any changes in the management of the Endowment's investment strategy, including changes in the status of the firm and its personnel.

**4.4.3** Each quarter, the Committee will evaluate the Endowment performance based on the benchmark outlined in section 4.2.2, fund objectives, strategy, long-term expected risk, returns and other qualitative factors that may impact on the ability to achieve desired investment goals.

## **4.5 Conflicts of Interest**

**4.5.1** A conflict of interest, whether actual or perceived, is defined for the purpose of this policy as any event in which the Board, an employee of the Foundation, any Manager or delegate, the custodian, or any person directly related to any of the foregoing, knowingly permits his/her interest to conflict with his or her duties or powers relating to the investment of the endowment assets or to any other matter relating to the Endowment which may benefit materially from the knowledge of and participation in an investment decision.

**4.5.2** Any actual or perceived conflict of interest shall immediately be disclosed in writing to the Committee. The Committee will then determine whether a conflict of interest exists and, if determined that it does exist, will take all necessary and appropriate measures to remedy the situation. All disclosures pertaining to a conflict of interest will be recorded in the Committee minutes.

## **5.0 Policy Supports**

5.1 Endowment Management & Spending Policy

5.2 Fundraising Policy

5.3 STARS Technical Manual including sections:

5.3.1 PA 04: Sustainable Investment Program

5.3.2 PA 05: Investment Holdings

5.4 CRA annual spending requirements for charities - disbursement quota