

# **NOVA SCOTIA COMMUNITY COLLEGE (NSCC) FOUNDATION**

## **INVESTMENT POLICY**

*Revised June 2020*

### **1.0 VISION and MISSION**

- 1.1 The Foundation Vision is inspired philanthropy and enhanced student success.
- 1.2 The Foundation Mission is dedicated to advancing the Nova Scotia Community College's Vision, Mission and Promise through philanthropy and prudent investment management.

### **2.0 GOALS OF THE POLICY**

- 2.1 The goals of this policy are:
- (i) To maximize risk-adjusted returns of the endowment funds and annual cash flow management consistent with accepted risk tolerance levels.
  - (ii) To preserve in real dollar terms the capital of endowment assets.
  - (iii) To at least earn the expected required rate of return as per the Endowment and Management Spending policy (3.5% net of inflation and fees) over a four-year rolling period for the portfolio to accommodate the Foundation's annual income disbursement.

### **3.0 RESPONSIBILITIES/ACCOUNTABILITIES:**

- 3.1 The Board has the responsibility to oversee the management and financial reporting processes of the Foundation while satisfying itself that the resulting information reasonably reflects the organization's financial position.
- 3.2 The Investment Committee acts in a financial advisory capacity to propose recommendations to the Board regarding the:
- Annual development and revisions to this policy including formulation of investment philosophy and asset mix strategy.
  - Monitoring of investment performance on an ongoing basis to ensure expectations are met.
  - Monitoring of the investment manager at least annually and recommending the appointment of a new investment manager as required.

- 3.3 The Foundation's Management Team is responsible for preparing financial reports, ensuring the effectiveness and efficiency of financial processes and developing effective internal controls.
- 3.4 More detailed roles and responsibilities are outlined in the Endowment Management and Spending Policy for reference.

#### **4.0 PERMITTED INVESTMENTS**

- 4.1 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).
- 4.2 The investment manager may hold any part of the portfolio in one or more pooled funds managed by the Manager. It is expected that the pooled funds be operated within constraints reasonably like those contained in this Policy. The Manager shall notify the Committee in the event that a pooled fund exhibits, or may exhibit, any significant departure from this Policy.
- 4.3 Fund investments include:
- Cash investments (T-bills, commercial paper and bankers acceptances) will be rated no lower than R-1 low or its equivalent, or will be in no bond rated below BBB or its equivalent by the DBRS. No more than 10% of the cash component may be invested in paper of a single issuer.
  - The credit quality of the fixed income portion of the portfolio must have an average credit quality of BBB - or better. No more than 25% of the overall fixed income allocation may be invested in instruments with a credit quality less than BBB - and no more than 20% of the fixed income portion of the portfolio may be invested outside of Canada.
  - Investment in Canadian conventional mortgages is permitted. No more than 50% of the overall fixed income allocation may be invested in domestic conventional (non-guaranteed) mortgages on income producing commercial, residential and industrial properties.
  - All equity investments (Canadian, US and foreign) will be in companies which trade on a recognized major exchange. At no time can shares in a single company represent more than 5% of the overall portfolio based on market value.
  - Alternative investments such as real estate and infrastructure are permitted investments as part of the Foundation's overall investment strategy.

#### 4.4 Exception: Gift of Shares

- Normal business practice is to redeem gifts of shares to cash on the day received. As per the approval of the Board and NSCC Executive, 38,000 of TD Bank common shares were gifted by the Donald R. Sobey Foundation and held in a non-fee account with the investment manager.
- Investment income generated by these shares will fund the Donald R. Sobey Bursary and will be automatically received to the NSCC Foundation bank account quarterly.
- The market value of the shares will increase or decrease in the applicable quarter and be reflected in unrealized gains or losses on the financial statements accordingly.
- These gifts of shares will not be redeemed to cash in whole or in part unless the Donald R. Sobey Foundation is in agreement (i.e. no encroachment of capital).

#### 4.5 Derivatives

- The Manager may use derivatives, such as swaps, options, futures and forward contracts, for hedging purposes, to protect against losses from changes in interest rates and market indices, for non-hedging purposes, and as a substitute for direct investment.
- 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 (such as Absolute Return) and limited to no more than 15% of the Foundation's portfolio.

### 5.0 RETURN AND RISK OBJECTIVES

5.1 The pooled endowment fund must be constructed in such a manner as to target the long-term desired outcome of the Foundation as indicated in section 2.0.

5.2 The Foundation's pooled endowment fund return objective is to generate a total investment return over a four-year rolling period greater than the policy benchmark return which 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 (\$C)  
 5% MSCI Emerging Markets Net Index (\$C)  
 5% FTSE Canada 30-day T-bill Index

5.3 Diversification amongst asset classes is provided through the asset allocation guidelines in section 6.0. Diversification within each asset class is provided by limiting the percentage of the market value of Foundation assets invested in a single issuer noted in section 4.3.

## 6.0 ASSET ALLOCATION

6.1 The investment manager must consider the following criteria in planning the investment of Foundation assets, in addition to any others that are relevant to the circumstances:

- (a) General economic conditions
- (b) Possible effects of inflation or deflation
- (c) Impact of each investment or course of action to the overall Foundation portfolio
- (d) Expected total return from income and the appreciation of capital
- (e) Investment fee structure
- (f) Liquidity needs, regularity of income and preservation or appreciation of capital

6.2 Target asset mix and ranges to meet investment goals are as follows:

<b>Asset Class</b>	<b>Target Asset Mix</b>	<b>Minimum</b>	<b>Maximum</b>
<b>Cash/Money Market</b>	<b>0%</b>	<b>0%</b>	<b>10%</b>
<b>Fixed Income</b>			
Canadian Universe Bond	7.5%	0%	20%
High Yield Bond	0%	0%	10%
Core Plus Bond	7.5%	0%	20%
Conventional Mortgages	15%	0%	20%
<b>Total Fixed Income</b>	<b>30%</b>	<b>25%</b>	<b>45%</b>
<b>Diversified Equities</b>			
Canadian	20%	15%	35%
Foreign	45%	30%	50%
Low Volatility Global	20%	15%	35%
Global Equity	20%	15%	35%
Emerging Markets	5%	0%	10%
<b>Total Diversified Equities</b>	<b>65%</b>	<b>50%</b>	<b>70%</b>
<b>Alternative Investments</b>			
Multi-Strategy Alpha	5%	0%	15%
<b>Total Alternative Investments</b>	<b>5%</b>	<b>0%</b>	<b>15%</b>

## 7.0 MONITORING AND REPORTING

7.1 On a quarterly basis, the investment manager will provide the following written reports:

- Portfolio Summary
- Performance Review (as compared to benchmark)
- Portfolio Structure
- Reinvested Income Distribution
- Portfolio Valuation
- Transaction Statement
- Investment Commentary
- Investment Policy Compliance Report

7.3 The investment manager will meet with the Investment Committee on a regular basis (at least semi-annually) 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 necessary changes in the fund's investment strategy, including changes in the status of the firm and its personnel
- an explanation of investment performance in comparison to the Foundation's mission and return objectives

7.4 Each quarter, the Investment Committee will evaluate the pooled endowment fund performance based on the benchmark portfolio outlined in section 5.2, fund objectives, strategy, long-term expected risk, returns and other qualitative factors that may impact the ability to achieve desired investment goals.

7.5 Annually, the Investment Committee will evaluate the Investment Manager's performance based on the four-year rolling average returns as compared to the fund's objectives, investment performance, and meeting reporting requirements and risk taken to achieve such performance.

7.6 The Investment Manager will meet with the Board during the Foundation's AGM.

## **8.0 CONFLICT OF INTEREST**

8.1 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 Fund which may benefit materially from the knowledge of and participation in an investment decision.

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

## 9.0 VOTING RIGHTS

- 9.1 The responsibility of exercising and directing voting rights acquired through Foundation investments are delegated to the investment manager who will always act in the best interest of the Foundation.

## 10.0 POLICY REVIEW

- 10.1 Policy review will occur every year in order to assess the expectations and outcomes of this policy and ensure investments are maximizing risk-adjusted returns to achieve the best benefit to donors and to NSCC's strategic priorities.

## 11.0 DEFINITIONS

**Investment Committee:** an advisory sub-committee of the Foundation's Board.

**Board:** Refers to the Foundation's 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.

**DBRS:** Dominion Bond Rating Service. A globally recognized provider of timely credit rating opinions that offer insight and transparency across a broad range of financial institutions, corporate entities and government bodies and various structured finance product groups.

**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.

**Foundation:** Refers to the NSCC Foundation.

**Foundation Management Team:** Refers to the Executive Director, Senior Development Officer, and Manager, Donor Care.

**FTSE Canada Universe Bond index:** provides benchmark performance standards for Canadian fixed income investments.

**Investment earnings:** The realized gains, unrealized gains and interest income earned or received from the pooled endowment fund in a specified period of time.

**Investment risk:** The probability of occurrence of losses relative to the expected return on any particular investment due to the unpredictability of market direction.

**Investment manager:** Refers to the appointed investment manager who manages the endowment on behalf of the Foundation.

**Investment management fees:** All direct expenses incurred to properly manage, control, and report on the investment activities of the endowment, including investor relations expenses and administration costs.

**Market value:** The current value of the pooled endowment fund, including capital and market stabilization (net investment earnings) and cash available for disbursement.

**MSCI Emerging Markets Net Index (\$C):** Morgan Stanley Capital International stock market index, captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

**MSCI World Net Index (\$C):** Morgan Stanley Capital Global stock market index, captures large and mid-cap representation across 23 Developed Markets countries.

**NSCC:** Refers to the Nova Scotia Community College.

**Pooled endowment fund:** Allows multiple donor endowments to invest in the same pool of assets. Funds are invested as a single pool in order to optimize net return and diversification of risk. The pooled endowment fund includes all individual endowment funds reported on a pro-rata basis.

**S&P/TSX Capped Composite Index:** is the benchmark Canadian index, representing approximately 70% of the total market capitalization on the Toronto Stock Exchange (TSX) with about 250 companies included in it.



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Dave Saxton  
Chair, NSCC Foundation Board of Directors

*June 25, 2020*

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Date



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Dale Noseworthy  
Treasurer, NSCC Foundation Board of Directors

*June 25/20*

\_\_\_\_\_  
Date

Next Review Date: March 2021