

Policy Information	
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Approved by:	Board of Governors
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Executive Responsible:	VP Finance & Corporate Services
Administrator Responsible:	VP Finance & Corporate Services
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INVESTMENT

Policy Statement

Investment earnings are an important source of funding for the College of New Caledonia (CNC; the College). This policy establishes a clear investment framework to ensure the College's assets are invested in both a prudent and effective manner.

Purpose / Rationale

This Statement of Investment Policies and Procedures (the Policy) establishes the framework of principles and guidelines for oversight of the College's investments. This Policy is designed to ensure an appropriate balance between the return objectives and risk tolerance for each Investment Fund (the Fund(s)): *Operating Fund*, *Endowment Fund*, and the *Research Forest Fund*.

Roles and Responsibilities

1. The Board of Governors of the College of New Caledonia (the Board) has the ultimate responsibility to ensure that the Fund is invested and managed in accordance with the *Prudent Investor Approach*.
2. The Board has established the Finance and Audit Committee (the Committee). The Vice President Finance & Corporate Services provides management support to the Committee. The assets are to be administered by the Committee to ensure prudent investment and operation of the Fund. The Committee is responsible for monitoring the investment results and makes recommendations to the Board on all aspects of the investment of the Fund, including development of policies, determination of asset mix, and appointment and termination of investment managers and other external service providers. The Committee will recommend to the Board changes or modifications to this Policy from time to time.

3. In fulfilling its responsibilities, the Committee may delegate some activities to employees of the College (Staff) where appropriate. The Committee will engage suitable personnel, monitor the activities undertaken by the selected personnel, and will retain responsibility for such activities. Any reference in the Policy to the Committee will be interpreted as referencing the appropriate delegate.
4. The Committee may rely on independent experts for certain aspects of investment operations where expert knowledge is required or where a perceived or actual conflict of interest exists.
5. The Committee may retain one or more independent professional investment managers (the Manager(s)) to invest Fund assets. Managers for the Funds' assets must be registered and in good standing with a securities commission appropriate for their jurisdiction.

Principles / Guidelines

6. Primary Investment Objective

- 6.1. The primary investment objective is to generate sufficient short- and long-term investment returns to enable the organization to achieve its spending objectives, while preserving the inflation-adjusted capital value of each Fund.
- 6.2. The Board has established a long-term return objective of 3% above the rate of inflation (as represented by the Consumer Price Index).
- 6.3. It is understood that returns may be well above or below this objective in any given year, depending on the capital market environment. Achievement of this objective should be evaluated over a complete market cycle (i.e., over at least a four-year period).

7. Risk Considerations

- 7.1. CNC recognizes the asset classes most likely to produce the highest returns are also likely to exhibit the greatest volatility. Conversely, the asset classes likely to be the least volatile are likely to produce the lowest returns over time. The Funds are characterized by moderate risk aversion and are able to accept some short-term volatility in order to achieve higher long-term returns. To the extent possible, risk will be reduced through thoughtful diversification and by applying appropriate restrictions on the quality of securities held.

8. Asset Allocation Guidelines

- 8.1. The Board has adopted a target asset allocation policy designed to provide ample diversification, suitable liquidity and a prudent balance of risk and expected return. The target allocations along with allowable ranges are detailed in the tables below by individual fund:

Operating Fund (Investment Orientation: Conservative):

Asset Class	Target Allocation	Permitted Range
Cash and short-term	2%	0% - 5%
Core Fixed Income	53%	45% - 75%
Non-core Fixed Income	10%	0% - 15%
Total Cash and Fixed Income	65%	50% - 75%
Canadian Equity	13%	5% - 25%
US Equity	14%	5% - 25%
International Developed Markets	7%	2% - 20%
International Emerging Markets	0%	0% - 4%
Total Equities	35%	25% - 50%

Endowment Fund (Investment Orientation: Balanced/Growth):

Asset Class	Target Allocation	Permitted Range
Cash and short-term	1%	0% - 5%
Core Fixed Income	23%	20% - 50%
Non-core Fixed Income	11%	0% - 15%
Private Debt	0%	0% - 10%
Total Cash and Fixed Income	35%	25% - 55%
Canadian Equity	22%	5% - 25%
US Equity	25%	5% - 25%
International Developed Markets	12%	5% - 20%
International Emerging Markets	6%	0% - 7%
Private Equity	0%	0% - 10%
Total Equities	65%	45% - 75%
Commodities	0%	0% - 6%
Infrastructure	0%	0% - 6%
Real Estate	0%	0% - 6%
Total Real Assets	0%	0% - 10%

Research Forest Fund (Investment Orientation: Balanced):

Asset Class	Target Allocation	Permitted Range
Cash and short-term	1%	0% - 5%
Core Fixed Income	29%	25% - 50%
Non-core Fixed Income	10%	0% - 10%
Private Debt	0%	0% - 10%
Total Cash and Fixed Income	40%	25% - 55%
Canadian Equity	15%	5% - 25%
US Equity	25%	5% - 25%
International Developed Markets	15%	5% - 20%
International Emerging Markets	5%	0% - 7%
Private Equity	0%	0% - 8%
Total Equities	60%	45% - 75%
Commodities	0%	0% - 6%
Infrastructure	0%	0% - 6%
Real Estate	0%	0% - 6%
Total Real Assets	0%	0% - 8%

- 8.2. Target allocations may change between policy review periods provided that investments remain within permitted ranges. Adherence to the above ranges may not be possible during periods of asset mix transition.

9. Restrictions and Constraints for Investments

The types of securities in which the Funds will be invested are:

- 9.1. Listed common stocks, convertible debentures, bail-ins, warrants, special warrants or preferred securities;
- 9.2. Real estate investment trusts and/or income trusts that do not expose the Funds to third party liability exposure;
- 9.3. Cash and equivalents to meet liquidity considerations that are held in two distinct investment accounts:

- 9.3.1. Shorter-term requirements: sufficient funds to cover one year of expected expenses, held in highly-liquid, low-volatility instruments and not included in the allocations for cash in other portfolios. Staff will advise the Manager annually regarding these required balances, which may be offset by funds held in a current account or provincial Central Deposit Program, etc.; and
 - 9.3.2. Managed portfolios: nominal cash allocations shown in the above tables represent strategic floats in support of the mid to long-term investment strategies.
- 9.4. Fixed income instruments, subject to core and non-core fixed income allocations which include:
 - 9.4.1. Bonds, mortgage-backed securities, asset-backed securities, debentures, mortgages, notes or other debt instruments of governments, government agencies, or corporations;
 - 9.4.2. Guaranteed investment contracts or equivalent of insurance companies, banks or other eligible insurers;
 - 9.4.3. Bankers acceptances, term deposits or similar instruments issued or unconditionally guaranteed by major trust companies or banks;
 - 9.4.4. Cash, or money market securities issued by Canadian federal, provincial, or municipal governments, government agencies, or crown corporations; and
 - 9.4.5. Pooled funds provided that such pooled funds are managed within constraints similar to those outlined in this policy.
- 9.5. Alternatives including private debt, private equity, commodities, infrastructure, and real estate investments pre-vetted and recommended by one of Canada's top six financial institutions (top six as ranked by market capitalization) and in accordance with the following process for the use of alternatives:
 - 9.5.1. The Manager will research and recommend alternatives from among those vetted by its head-office staff or from equivalent recommendations among the top six Canadian financial institutions.
 - 9.5.2. Before recommending, the Manager will also weigh the potential alternative against portfolio adjustments which would be required in order to maintain acceptable overall risks to the targeted portfolio.
 - 9.5.3. The Manager will then make a recommendation to Staff highlighting the alternative's risks and liquidity constraints, as well as its overall suitability for inclusion within the permitted range.
 - 9.5.4. Staff will determine whether the fee structure, liquidity constraints, and overall terms of the investment are acceptable.

9.6. Except as may form part of an approved alternative asset program, Funds may not be directly invested in:

- 9.6.1. Real assets in which a direct ownership position is taken;
- 9.6.2. Raw commodities or derivative instruments related thereto;
- 9.6.3. Collectibles;
- 9.6.4. Non-listed shares; and
- 9.6.5. Derivative instruments not specifically permitted by this Policy.

9.7. In addition, the Funds will not:

- 9.7.1. Purchase any securities or other assets that are not permitted by this Policy;
- 9.7.2. Purchase securities on margin or engage in short sales; and
- 9.7.3. Borrow money, pledge, or otherwise encumber any of the assets of the Funds.

10. Valuation of Investments

- 10.1. Investments in publicly traded securities shall be valued monthly at their market value. Alternative assets are subject to valuation protocols specified in each relevant agreement.
- 10.2. Investments in pooled funds and like vehicles comprised of publicly traded securities shall be valued according to the unit values published at least monthly by the pooled fund Manager and verified by the pooled fund's Custodian.

11. Conflict of Interest

- 11.1. A conflict of interest, whether actual or perceived, is defined for the purposes of this Policy as any event in which a related party may benefit materially from knowledge of, participation in, or by virtue of, an investment decision or holding of the Fund or decision of the Committee.
- 11.2. Should a conflict of interest arise, the party in the actual or perceived conflict, or any person who becomes aware of a conflict of interest situation, will immediately disclose the conflict to the Committee Chair. The party to the conflict will thereafter be excused from meetings and abstain from decision-making with respect to the area of conflict, and a written record of the conflict shall be maintained by the Committee.
- 11.3. Where an actual or perceived conflict of interest arises, the nature and substance of the conflict will be disclosed to all affected parties within 30 days after the conflict has arisen.

12. Voting Rights

- 12.1. The responsibility of exercising and directing voting rights acquired through Fund investments shall normally be delegated to the Manager, who shall at all times act prudently and in the best interest of the Fund.
- 12.2. The Committee reserves the right to direct or override the voting decision of a Manager if in its view such action is in the best interests of the Funds.
- 12.3. It is recognized that voting rights are not enforceable to the extent that the Funds are invested in pooled funds.

13. Policy Review Meetings

- 13.1. This Policy shall be reviewed at least annually, and whenever a major change is necessary. Such review may be triggered by:
 - 13.1.1. a change in the expected projected expenditures of the Funds;
 - 13.1.2. a revision to the expected long-term trade-off between risk and reward on key asset classes;
 - 13.1.3. a shift in the financial objectives and risk tolerance of the Funds,
 - 13.1.4. shortcomings of the Policy that emerge in its practical operation; or
 - 13.1.5. modifications that are recommended to the Committee by an investment manager.
- 13.2. The Committee shall recommend changes to this Policy as required.

14. Loans and Borrowing

- 14.1. No part of the Funds shall be loaned to any persons, partnership or association except as provided in this section.
- 14.2. The Committee may approve the lending of securities through the Fund's custodian, subject to applicable legislation and provided that a minimum, liquid, high quality collateral coverage as required by provincial regulations is maintained at all times. The Committee has decided that the Fund will not participate in security lending.
- 14.3. The above statements do not restrict the Funds from investing in the traditional and alternative asset classes described in this policy.
- 14.4. The assets of the Funds may not be pledged, hypothecated, or otherwise encumbered in any way except to the extent that temporary overdraft occurs in the normal course of business.

- 14.5. The Committee will not borrow on behalf of the Funds except to a limited and temporary extent for the timely payment of Fund expenses or administrative costs.

Definitions

1. Endowment Fund

Endowment funds are held in perpetuity by the College. The principal is invested to maximize long-term performance. Student awards are issued from the earnings on the investments. A portion of income from endowment investments may also be reinvested in the endowment in order to maintain the capital of the endowments.

2. Operating Fund

Operating funds are those required to allow the College to meet its financial obligations. Operating fund investments require a high degree of liquidity.

3. Fixed income instruments:

- Core fixed income includes government bonds, investment grade corporate bonds, GIC's, bail-ins, or equivalent, and global bonds or equivalent, rated BBB or better
- Non-core fixed income includes Canadian preferred shares, high yield bonds, and emerging market bonds or equivalent

4. Prudent Investor Approach

CNC operates under the authority of the [BC College and Institute Act](#), which states "[t]he board may invest for the benefit of the institution money belonging to it and available for investment only as permitted under the provisions of the Trustee Act respecting the investment of trust property by a trustee."

The [Trustee Act](#) specifies "[a] trustee may invest property in any form of property or security in which a prudent investor might invest, including a security issued by an investment fund as defined in the Securities Act."

5. Research Forest Fund

Research Forest funds are earnings from forestry harvesting operations in the College's forest license area. The CNC Research Forest has a mandate to support applied research in forestry, and the Natural Resources and Forest Technology program at CNC. Earnings from the investment of these funds must support the operations of the Research Forest and assist in meeting its obligations and mandate in the long-term. Research Forest funds cannot be used for any other purpose.

Legislative and Collective Agreement References

[BC College and Institute](#)

[Act Trustee Act](#)

Policy Amendment Log

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0	December 2019
1	September 2022
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