

Investment of Funds Policy

This document is the parent policy for any College procedures or regulations. Questions regarding this policy are to be directed to the identified Policy Administrator.

Policy Statement:

Recognizing the need to be prudent with public funds, the College invests funds in a manner that will yield the highest returns with moderate risk, and without compromising its daily cash flow requirements.

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| Sponsor: | Finance |
| Policy Owner: | President & CEO |
| Policy Administrator: | Executive Assistant, President & CEO and Board of Governors |
| Approved By: | Board of Governors |
| Approval Date: | June 12, 2024 |
| Effective Date: | June 12, 2024 |

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| Objective: | The objective of this policy is to establish overarching investments principles. |
| Guidelines: | <p>1. Scope of this Policy This policy relates to the investment of any funds of the College, and any other legal entities that are consolidated with the accounts of the College from time to time.¹</p> <p>2. General Principles Investments will be made in the best interests of the College.</p> <p>Investments that adhere to the investments standards and procedures that a reasonable and prudent person would apply in respect of a portfolio to avoid undue risk and obtain a reasonable return consistent with the fund's objectives are permitted provided these otherwise comply with the College's investment policy and procedures.</p> <p>3. Funds Covered by this Policy The funds covered by this policy may include:</p> <ul style="list-style-type: none"> A. endowment funds, B. special purpose or restricted funds, and C. funds referred to as unrestricted funds in accordance with generally accepted accounting principles as outlined by the Canadian Institute of Chartered Accountants. <p>4. Investment Objectives The portfolio is expected to add value, through prudent management at the risk level acceptable to the College, as a publicly funded organization, to achieve a rate of return, net of all fees and expenses, over time, to preserve capital in real terms, while meeting the College's liquidity needs.</p> <p>Short term bonds to be held to support withdrawals. In the event that the short</p> |

term bonds are insufficient to meet the full withdrawal amount, the balance of the withdrawal will be met by liquidating a portion of the long term investments.

5. Asset Mix

Target, minimum and maximum allocations for each qualifying investment, based on market value are outlined below:

| Asset Class | Minimum Allocation | Target Allocation | Maximum Allocation |
|----------------------|--------------------|-------------------|--------------------|
| Cash | 0% | 2% | 10% |
| Fixed income: | 60% | 63% | 70% |
| Short-term | | 5% | |
| Long-term | | 58% | |
| Equities: | 30% | 35% | 40% |
| Canadian Equity | 5% | 11% | 25% |
| US Equity | 5% | 13% | 25% |
| International Equity | 5% | 11% | 25% |
| Alternative | 0% | 0% | 5% |
| Total | | 100% | |

All asset classes may be held as either segregated securities or pooled fund form or both.

6. Risk Guidelines

Cash and Cash Equivalents

At least R1, using the rating of the Dominion Bond rating Service (“DBRS”) or equivalent.

Fixed income

Maximum holding of the fixed income portfolio by credit rating are:

| Credit quality | Maximum holding by market value |
|------------------|---------------------------------|
| BBB | 30% |
| BB | 2%* |
| Preferred Shares | P2 or higher |

*to accommodate only, a downgraded bond, after purchase and deemed appropriate to continue to hold as recommended by Portfolio Manager.

Ratings refer to Dominion Bond Rating Service (DBRS), Standard & Poor’s Global Ratings or Moody’s Investors Service and are at time of purchase.

This investment policy strictly prohibits any investment activity that would be considered speculative in nature. The purchase of specific equities, derivatives, futures, royalty income trusts, real estate investment trusts, options, purchasing on margin and short selling of securities is expressly prohibited.

Any investment or activity that may possibly expose the College or any of its subsidiary entities to liability beyond the amount invested, is also prohibited.

Investment funds shall not be loaned to any member of the Board of Governors or

employee of the College.

7. Allocating Investment Income

This investment policy includes the funds of different legal entities. These different types of funds are discussed under Sections 1 and 3. Total funds invested with a portfolio manager will be comprised of several different components or pools of funds, at any one time.

This investment policy requires that one rate of return will be applied equally to the endowments.

Revenue and capital gains will be accumulated to the Endowment as described by the Management of Endowments and Special Purpose Funds Policy. College management will distribute accumulated interest, dividends and/or other non-capital gains revenue as bursaries, scholarships or awards, as per the wishes of the donor.

Non-Endowment restricted funds or special purpose funds will have interest applied as described in the Management of Endowments and Special Purpose Funds Policy.

8. Portfolio Benchmarks

Asset class returns will be measured relative to the following benchmark indices, over a multi-year period.

| Asset Class | Benchmark Index |
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| Cash and Cash Equivalents | 30 day Government of Canada T-Bills |
| Fixed Income <ul style="list-style-type: none">• Short term• Long term | FTSE Canada Short Term Overall Bond Index FTSE Canada Universe Bond Index |
| Canadian Equities | S&P/TSX Capped Composite Index (C\$) |
| US Equities | S&P 500 (C\$) |
| International Equities | MSCI EAFE (Currency Neutral) |
| Alternative Investments | Linked to the respective alternative investment |

9. Monitoring and Reporting

The portfolio will be monitored annually by the Board of Governors. The Portfolio Manager will provide a listing of all securities held including values at cost and current market value for each investment, along with:

- A. A summary of investment income earned for each asset category, including income received and accrued.
- B. For each asset category, and the portfolio in total, a comparison of actual rate of return achieved compared to the benchmarks, which are referred to in Section 8.
- C. The average term to maturity of the fixed income positions.
- D. A listing of any variation(s) from this investment policy, and a summary of actions taken to correct the variation(s).
- E. Any additional reporting as deemed necessary.

10. Impaired Investments

The College generally holds financial instruments with “Available for sale” intent using the “fair value” method for valuation and reporting. Upon economic, political or world events resulting in the decline of investment values with little expectation

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| | <p>of recovery, as recommended by the college's investment advisor, the assets will be written down to their fair value.</p> <p>When assets have declined in value by 20% or more and have remained at this reduced value for 3 years or more, the assets will be written down to their fair value.</p> <p>11. Delegated Authority and Responsibility Under the Delegation of Authority – Financial Resources Policy, the Board of Governors has delegated to the President & CEO the degree of authority with respect to the investment of funds that a prudent investor might delegate in accordance with ordinary investment practice. This includes actual financial results achieved, managing the portfolio manager, and full compliance with the requirements of this policy. The President may further delegate authority to initiate and complete all investment transactions that are in compliance with this investment policy to the Executive Director, Finance Services. A written summary of all investment transactions completed during a quarter must be provided the President, within five business days of the following month.</p> <p>12. Payment and Safekeeping of Securities Purchased securities shall be stored for safekeeping with the portfolio manager, at a financial institution, or with the College, at the discretion of the Executive Director, Finance Services.</p> <p>13. Exceptions to this Policy The Executive Director, Finance Services may determine that an investment opportunity does not meet the criteria outlined in this policy, although it may be within the spirit of this policy. Under such circumstances, the Executive Director, Finance Services must consult with the President & CEO, and may complete the investment transaction with the written approval of the President.</p> <p>14. Conflicts of Interest For the purposes of this policy, a conflict of interest, actual or perceived, is any event in which a member of the Board of Governors or an employee of the College or any person directly related to any of the foregoing, may benefit materially from the knowledge of, or participation in, an investment decision.</p> <p>Should a conflict of interest arise, the person in the actual or perceived conflict must disclose the conflict of interest to the Board of Governors. Any individual disclosing a conflict of interest must thereafter abstain from decision-making with respect to that area of conflict, and the Board Secretary shall maintain a written record of that conflict.</p> |
| Definitions: | <p>Asset Class is a category of investment, such as cash, fixed income, and equities.</p> <p>Asset Mix is a breakdown of the asset class weights within a portfolio.</p> <p>Benchmark is a standard or point of reference against which the performance of an investment may compared or assessed.</p> <p>Liquidity is a measure of ease in selling an investment.</p> <p>Liquidity needs is a measure of readily accessible money needed to cover expenses.</p> |

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| | <p>Portfolio is a grouping of financial assets invested to meet the objectives of the College.</p> <p>Risk is a variability in investment returns.</p> <p>Risk level is the degree of variability in investment returns that is acceptable. To withstand.</p> |
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| Related Northern Lakes College Documents: | Finance – Donation and Gift Acceptance Policy Finance – Management of Endowments and Special Purpose Funds Policy Governance – Delegation of Authority – Financial Resources Policy |
| Related External Information: | N/A |
| Stakeholders Consulted: | President’s Advisory Team: Apr 13, 2021; May 7, 2024 RBC Phillips Hager & North Investment Counsel Inc.: Apr 8, 2021; Apr 4, 2024 |
| Next Review Date: | June 11, 2029 |
| Revision History: | December 14, 2000: New September 22, 2009 September 19, 2012 June 19, 2013 May 12, 2014 February 18, 2016 February 24, 2020: New template April 21, 2021: Updates to reflect current practices and asset mix June 12, 2024: Update to equities type |

¹ Consolidated entities currently include the Council of Community Education Committees Society of Northern Lakes College.