

 <b>DALHOUSIE</b> UNIVERSITY  Statement of Investment Policies and Guidelines of the Endowment Funds	Policy Sponsor:  Office of the VP Finance & Administration	Approval Date:  November 20, 2013
	Responsible Unit:  Treasury and Investment Services	Revisions:  March 30, 2017 January 27, 2021 November 10, 2022 June 21, 2024

## 1. PURPOSE OF THE ENDOWMENT FUNDS

Dalhousie University's (the "University") core educational programming is funded primarily from public (i.e. government) and user (i.e. student tuition and fees) sources. Enrichment activities, those which allow the University to pursue excellence, must seek funding from non-core sources. A principal source for funding enrichment activities has been and will continue to be the University's Endowment Funds (the "Endowment Funds")

The Endowment Funds have a two-fold mission:

1. To foster an environment of academic excellence where superior teaching, learning and research can be pursued.
2. To enable the University to achieve an enhanced level of financial strength and independence in its operations over the long run.

Endowment Fund investment policies will be formulated to meet the following goals:

1. To balance present spending needs with expected future requirements;
2. To protect the purchasing power of the capital base of the Endowment Funds while achieving stability in year-to-year spending; and
3. To attain real increases in spending through capital appreciation from new gifts, capital investment gains, and the capitalization of investment earnings

The University's current Endowment Spending Guidelines (Appendix I) have been adopted to facilitate the above goals and define the requirements of the Endowment Funds.

## **2. SCOPE OF THE INVESTMENT POLICY**

This investment policy applies to all of the University's Endowment Funds, including the General Endowment Funds and the Killam Memorial Endowments, which are internally-held and controlled by the University.

## **3. PURPOSE OF THE INVESTMENT POLICY**

- 3.1 This Policy defines and assigns the responsibilities of all involved parties.
- 3.2 This Policy establishes the investment objectives, principles and philosophies for the Endowment Funds.
- 3.3 This Policy offers general guidance and limitations to all non-University investment managers (the "Investment Managers") regarding the investment of the Endowment Funds. Investment Managers will be subject to specific objectives, criteria and limitations as defined in their mandate and investment management agreement with the University. The design and content of these mandates and agreements will be guided by and be consistent with this Policy unless otherwise approved by the Investment Committee.
- 3.4 This Policy establishes a basis of evaluating investment results of the Endowment Funds.
- 3.5 This Policy establishes the relevant investment horizon for which the Endowment Funds will be managed.
- 3.6 In general, the purpose of this Policy is to outline an approach which will guide the investment management of the Endowment Funds toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

## **4. ROLES AND RESPONSIBILITIES**

- 4.1 The Dalhousie University Board of Governors is entrusted with the care of Endowment gifts, and has established an Endowment Management Policy to ensure prudent management of these gifts.
- 4.2 The Finance, Audit, Investment, and Risk ("FAIR") Committee is a standing committee constituted by the Board of Governors under the By-Laws of the University, and is charged with the responsibility for;
  - a. reviewing, approving and monitoring compliance with investment policies in relation to invested assets of the University;
  - b. considering issues referred by the Investment Committee in relation to significant strategic or risk related issues related to University Investment funds, and make recommendations for approval by the Board, as applicable; and
  - c. receiving reports and recommendations from, and overseeing the work of, the Investment Committee, providing input and oversight while respecting this Committee's independent responsibility to deal with investment management and managers, and to

steward endowment and investment funds in compliance with University policies and parameters.

4.3 The Investment Committee is a standing committee of the University, and is charged with the responsibility for:

- a. overseeing the management of University endowment funds, the University's surplus cash balances and such other funds as may be directed from time to time by the Board;
- b. developing appropriate investment policies and objectives and recommending these to the FAIR Committee of the Board;
- c. monitoring investment performance against investment objectives;
- d. appointing suitable agents and counsel as required; and
- e. reporting at least twice per year to the FAIR Committee with respect to its activities and decisions.
- f. the above responsibilities include the following:
  - i) review the financial needs arising from the Endowment Management Policy and from the Spending Guidelines, and if deemed appropriate or necessary, recommend policy changes to the FAIR Committee
  - ii) determine the Endowment Funds' risk tolerance and investment horizon, and communicate these to the appropriate parties;
  - iii) establish reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Endowment Funds;
  - iv) review and approve the selection of qualified Investment Managers;
  - v) ensure the regular evaluation of the performance of the Investment Managers to assure adherence to policy guidelines and monitor investment objective progress;
  - vi) review and assess existing and new control procedures for safeguarding of the Endowment Funds and for ensuring compliance to policies and regulatory requirements.

4.4 The University's Department of Treasury and Investment Services (the "Administration") is responsible for the management of the Endowments, subject to the oversight of the Investment Committee. The Administration's roles and responsibilities include:

- a. advising the Investment Committee on Endowment program spending and capital preservation objectives and coordinating review and assessment of related policies and guidelines as required;
- b. advising the Investment Committee on reasonable investment objectives, and drafting

policies and guidelines which will direct consistent investment of the Endowment Funds;

- c. implementing, executing and communicating to all appropriate parties all policies and decisions approved by the FAIR Committee
- d. reviewing and recommending qualified Investment Managers to the Investment Committee, and drafting mandates and agreements for approved Investment Managers;
- e. reviewing and evaluating the performance of the Investment Managers, to assure adherence to policy guidelines and monitor investment objective progress, and to identify any significant business or personnel developments;
- f. designing, implementing and operating control procedures for safeguarding of the Endowment Funds' assets and for ensuring compliance to policies and regulatory requirements;
- g. appointing a custodian to physically or electronically (or through agreement with a sub-custodian) maintain possession of securities owned by the Funds, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales, provide accounting statements on the assets of the Funds and of related transactions, and to execute transactions as directed by the University Administration; and
- h. reporting to the Investment Committee at least quarterly on the performance and status of the Funds.

4.5 The Administration may from time to time retain investment management consultants (the "Consultants") who will:

- a. Provide analysis, written reports and recommendations in support of review and renewal of investment policies and strategies.
- b. Regularly liaise with the Funds' Investment Managers to monitor investment performance, investment strategy and execution, personnel and business developments, and compliance to the investment management agreement and mandate. Any mandate deviations or unusual developments will be reported immediately to the Administration, along with recommendations regarding termination when appropriate.
- c. Assist in the search, screening, review and interview of new Investment Manager candidates, and prepare selection recommendation reports.
- d. Assist in the preparation of investment management agreements for new and revised mandates.
- e. Advise on governance issues and structure, and on regulatory developments.

4.6 The Administration will enter into written agreements with Investment Managers approved by the Investment Committee establishing the scope of services and the mandate of the Investment Manager. Each Investment Manager must acknowledge, in writing, its acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all

investment decisions for the assets placed under its jurisdiction, while observing and operating within all guidelines, constraints, and philosophies as outlined in the investment management agreement for the particular mandate. Specific responsibilities of the Investment Managers include:

- a. Discretionary investment management including decisions to buy or sell individual securities, and to alter asset allocation as permitted by the mandate guidelines.
  - b. Reporting, on a timely basis, quarterly investment performance results.
  - c. Providing monthly valuation and returns of the investment portfolio.
  - d. 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 Endowment Funds.
  - e. Informing the Administration regarding any qualitative change in the investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
  - f. Voting proxies on behalf of the Endowment Funds and communicating such voting records on a timely basis.
  - g. Informing the University of any non-compliance with guidelines immediately upon recognition detailing the nature of non-compliance and remedial action taken. The University expects the Investment Manager to consult with Administration once the non-compliance issue has been identified and to bring the portfolio into compliance as promptly and prudently as possible unless otherwise directed by the University.
  - h. The Investment Committee may from time to time request that the Investment Manager allocate commissions to those brokerage firms providing other investment management services to the University. Good execution and commission prices are primary considerations in routing business to the said brokerage firms.
- 4.7 The Administration will enter into a written agreement with a custodial firm (the “Custodian”) for the handling and safekeeping of the Endowment Funds’ invested securities and assets. The Custodian will physically or electronically (or through agreement with a sub-custodian) maintain possession of securities owned by the Endowment Funds, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets, owned, purchased, or sold as well as movement of assets into and out of the Endowment Funds’ accounts.
- 4.8 All of the aforementioned parties (FAIR Committee, Investment Committee, Administration, Consultant, Investment Manager, Custodian) are to be considered fiduciaries of the Funds, and as such shall exercise the care, diligence and skill in the administration, investment and management of the Endowment Funds that a person of ordinary prudence would exercise in dealing with the property of another person.

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

## **5. GENERAL INVESTMENT PRINCIPLES AND PHILOSOPHIES**

- 5.1 Investments shall be made solely in the interest of Dalhousie University in accordance with this policy.
- 5.2 The Endowment 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 Investment Committee reasonably believes to be in the best interest of the University.
- 5.3 Investment of the Endowment Funds shall be diversified so as to yield target or above-target returns within acceptable levels of risk to minimize the risk of large losses, and without undue reliance on a single market and/or strategy.
- 5.4 The Endowment Funds' investments will be made utilizing a specialty approach with Investment Managers.
- 5.5 The Endowment Funds will deploy multiple asset classes and strategies.
- 5.6 The Endowment Funds will deploy multiple Investment Managers in each major traditional asset class to provide for additional diversification in terms of both investment and business risk.
- 5.7 The Endowment Funds shall be invested in a manner to maximize risk adjusted returns. Dalhousie University believes that over the long term, companies that exhibit responsible corporate behavior with respect to environmental, social and governance (ESG) factors will have a positive impact on 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 the Endowment Funds.
- 5.8 The Endowment Funds will encourage its external investment managers to develop and enhance their ESG assessment capabilities. The Administration will include ESG assessment progress and capabilities in each investment manager's annual review.
- 5.9 The Endowment Funds will include ESG assessment capabilities when evaluating investment managers for new mandates.
- 5.10 The Endowment Funds shall utilize external Investment Managers of varying styles and philosophies to attain the Funds' objectives.
- 5.11 Leverage may be deployed in individual strategies, but leverage at the total fund level of the Endowment Funds is not permitted. For greater certainty, derivatives used as part of an investment strategy shall not result in greater economic leverage at the total fund level of the Endowment Fund.
- 5.12 The Endowment Funds are to maintain sufficient liquidity to fund the withdrawals made throughout each fiscal year to support the annual spending allocations.
- 5.13 Cash is to be employed productively by investment in short term cash equivalents to provide safety, liquidity, and return.

## 6. INVESTMENT OBJECTIVES

- 6.1 The investment strategy of the Dalhousie Endowment Funds is to emphasize total return. Specifically, the primary objectives in the investment management of Endowment Fund assets shall be:
- a. Preservation of Capital – To preserve the real (inflation adjusted) purchasing power of endowment assets after accounting for endowment spending, inflation and costs of portfolio management.
  - b. To produce sufficient investment returns to provide at least 4.95% of real returns (initial program spending rate of 4.25% plus an allowance up to 0.70% for investment management and administration expense) over rolling 4-year periods to achieve smooth and predictable inflation-adjusted spending.
  - c. Upon the achievement of (a) and (b), the Funds have a secondary objective to grow the corpus by 1% through investment returns in excess of the 4.95% real return target.
  - d. The Endowment Funds are to keep risk at a reasonable level to avoid large absolute investment losses and to keep volatility below the Funds' benchmark target.

## 7. ASSET MIX

- 7.1 An investment strategy of investing completely in government-issued debt securities will generally provide predictable and stable returns, but these returns will not be sufficient to achieve the spending and capital preservation objectives of the Endowments. Consequently, the Endowment Funds will invest in a diversified group of assets and strategies with defined allocations to earn the returns required while keeping the risks of volatility and capital loss within reasonable and tolerable limits. The assets of the Endowment Funds will be rebalanced according to the Rebalancing Policy (Appendix 2) to maintain the Endowment Funds' risk profiles.

- 7.2 The Endowment Funds will deploy the following asset mix to meet their investment objectives:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Range</u>
Canadian Equities	12.5%	10% - 16%
U.S. Equities	15.0%	12% - 19%
Non North American Equities	15.0%	12% - 19%
	42.5%	35% - 55%
Private Capital	15.0%	10% - 18%
Real Assets ( <i>real estate, infrastructure</i> )	25.0%	10% - 28%
	40.0%	20% - 45%
TOTAL EQUITIES & ALTERNATIVES	82.5%	75% - 87%
Core plus Bonds	10%	7% - 12%
Private Debt	7.5%	5% - 10%
Cash	0%	0% - 10%
TOTAL FIXED INCOME	17.5%	15% - 20%

*Non North American equity permits up to 20% of its allocation to emerging market equities.*

## 8. PERMITTED INVESTMENTS

8.1 Subject to the asset mix and investment guidelines contained in this Policy, investments will be permitted in the following categories:

- a. Cash Equivalents.
  - Canadian Federal and Provincial Government and Agency obligations
  - Term deposits and GICs
  - Banker's Acceptances
  - Commercial Paper
  - Corporate Bonds and Debentures
  - Treasury bills and short term debt obligations of Foreign Governments
- b. Fixed Income Securities
  - Canadian Federal and Provincial Government and Agency obligations
  - Municipal bonds
  - Corporate Bonds and Debentures
  - Asset Backed Securities
  - Fixed Income Securities of Foreign Governments and Corporations
  - Private placements
  - Mortgages
- c. Equity Securities
  - Common Stock
  - Preferred Stock
  - Installment Receipts, American Depository Receipts (ADRs) or other recognized depository receipts
  - Warrants
  - Rights
  - Convertible Bonds and Debentures
  - Exchange traded index participation units (eg. i60s and SPDRs) and exchange traded funds (ETFs)
  - Income trusts, Real Estate Investment Trusts (REITs), royalty trusts or other publicly listed trust securities registered in jurisdictions that possess limited liability legislation for the unitholders.
- d. Derivatives
  - May be used for hedging and risk management including the hedging of foreign currency exposure.
  - May be used to create an exposure to a recognized market index.
  - May be used as part of a portable alpha strategy or beta overlay.
  - Unless a specific type of derivative investment or security is allowed in their particular Investment Management Mandate, the Investment Manager must seek written permission from the University to include derivatives in the University's portfolio. Examples of derivative investments include forwards, futures, options and swaps. Examples of derivative securities include callable bonds and collateralized mortgage obligations.



- e. Non-Traditional Assets and Strategies
  - Real estate equity and debt
  - Managed futures
  - Private equity and venture capital
  - Infrastructure
  - Commodities
  - Distressed securities
  - Resource properties
  - Leverage buyouts
  - Private Debt and Mezzanine financing
  - Absolute return funds or hedge funds using strategies judged appropriate by the Investment Committee
- f. Other Investments
  - The University may invest in pooled unit trusts, mutual fund vehicles or limited partnerships that include any of the above categories. For Non-Traditional assets, no direct investments will be made, instead only approved, diversified, well-established fund of funds or multi-strategy managers will be utilized, due to the limited allocation size to this asset class.

## **9. PORTFOLIO CONSTRAINTS AND DIVERSIFICATION**

- 9.1 The Endowment Funds, or any of its Investment Managers, shall not without the Administration's prior written permission:
- a. Invest in securities which are not listed on a capped registered Canadian stock exchange, in the case of Canadian equities; or, a major non-Canadian stock exchange, in the case of non-Canadian equities;
  - b. Invest in individual bonds or debentures whose quality standard is less than a "BBB" rating as measured by the Standard and Poor's Rating Services or Moody's Credit Reports. Investment in "BBB" rated securities shall not exceed 10% of the investment mandate. Short-term securities will consist of issues with an R-1 Low rating or higher (or equivalent rating);
  - c. In the case of assets allocated to and managed by an Investment Manager, invest in the shares, debt instruments, or any other securities issued by the Investment Manager or any of its related companies;
  - d. Permit at any time security holdings taken at market value to aggregate:
    - i. More than 10 percent of the fixed income investments mandated to that Investment Manager to be invested in the debt of a single issuer other than the Government of Canada or a province of Canada or their guarantees having at least an "A" credit rating, or
    - ii. More than 10 percent of the equity investments mandated to that Investment Manager to be invested in the securities of a single issuer,
  - e. Purchase securities on margin or engage in short sales;

- f. Borrow money, pledge or otherwise encumber any of the assets of the Endowment Funds, except as permitted to meet short-term cash needs or to the extent that temporary overdrafts occur in the normal course of day-to-day portfolio management, within applicable legislation.

- 9.2 The assets held in the Endowment Funds shall be invested in a name that clearly indicates that the investment is held in trust for the Endowment Funds, or registered in the name of the Endowment Funds, or in the name of a financial institution or nominee thereof in accordance with a custodial agreement that indicates the investment is held for the Endowment Funds, or in the name of The Canadian Depository for Securities Limited in accordance with a custodial agreement that indicates the investment is held for the Endowment Funds.

## **10. INVESTMENT IN POOLED FUNDS**

- 10.1 The Endowment Funds may invest in pooled funds, which have separate investment policies. Should a conflict arise between the provisions of this Policy and the pooled funds' investment policy, the Investment Manager is required to notify the University's Administration immediately in writing, detailing the nature of the conflict and the Investment Manager's recommended course of action.

## **11. EXPOSURE TO NON-CANADIAN CURRENCIES**

- 11.1 The Canadian equity market represents approximately 2% of total world equity market in terms of total capitalization. Non-Canadian investments are included in the Endowment Funds in order to add diversification and reduce volatility of returns. Some foreign exchange exposure provides 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.

## **12. SECURITIES LENDING**

- 12.1 The Endowment Funds may engage in securities lending activities to generate incremental income. The following rules shall apply:
  - a. The amount of collateral taken for securities lending should reflect best practices in each local market. The Endowment Funds or their Custodian/lending agent shall at all times receive from the borrower collateral equal to no less than 100% of the market value of the securities loaned.
  - b. Both loaned and collateral securities must be marked to market daily to cover increases in the market value of the securities loaned or decreases in the market value of the collateral.
  - c. The collateral obtained to secure a loan or any securities purchased with such collateral must be either cash or high quality, readily marketable securities.
  - d. Title to all collateral must be clear.

### **13. DISPOSITION OF VOTING RIGHTS**

It is recognized that certain constraints and policy on voting rights may not be enforceable by the Investment Committee to the extent that the Endowment Funds are invested in pooled or mutual funds, however, where possible:

- 13.1 Proxies are to be voted in a manner that best serves the financial interests of the Endowment Funds as the sole voting criterion.
- 13.2 Investment Managers are authorized to decide how to vote a proxy in order to best serve the financial interests of the Endowment Funds.
- 13.3 Investment Managers should refer the decision on voting a particular proxy to the Administration in the following circumstances:
  - a. The Investment Manager, or any of its officers, has a conflict of interest in any matter affected by the vote.
  - b. The Investment Manager is uncertain of the best interests of the Endowment Funds in the matter affected by the vote.
- 13.4 The Administration may vote any proxies referred by the Investment Manager.
- 13.5 The Investment Committee reserves the right, as they deem appropriate for the benefit of the Endowment Funds, to direct an Investment Manager how to vote a proxy in particular circumstances.
- 13.6 The Investment Committee or Administration will require the Investment Managers to provide a summary of how proxies have been voted. This report shall also disclose any ESG issues that may have arisen and how this ESG issue has impacted positively or negatively the exercise of any proxy vote.

### **14. INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION**

- 14.1 Performance reports shall be compiled by the Administration at least quarterly and communicated to the Investment 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. The Investment Committee normally will evaluate the portfolio(s) over rolling four-year periods, but may terminate an Investment Manager at any time for any reason including, but not limited to, the following:
  - a. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification for poor results.
  - b. Failure to adhere to any aspect its investment mandate, including communication and reporting requirements.

- c. Significant qualitative changes to the Investment Manager organization. Investment Managers shall be reviewed at least quarterly regarding performance, personnel, strategy, research capabilities, organization and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

## 15. INVESTMENT MANAGER REPORTING

Each Investment Manager will provide written acceptance of the Statement of Investment Policy and Guidelines, and any subsequent changes thereto, and comply with the following requirements, unless agreed upon otherwise in writing between the University and the Investment Manager:

- 15.1 Monthly. Cost and market value of fund shares, the number of shares owned and all principal and income cash transactions for the various funds.
- 15.2 Quarterly. In addition to the monthly report and within 30 days:
  - a. Organization
    - i. Key investment and business personnel changes
    - ii. Assets under management
    - iii. Number of institutional clients gained and lost
  - b. Investments
    - i. Confirm adherence to policy guidelines (compliance report)
    - ii. Provide any comments or suggestions regarding constraints, guidelines, etc.
    - iii. Discuss any changes to investment strategy or process
    - iv. Report on any environmental, social and governance (ESG) risks they have discovered in their portfolio. The report shall also include information on any ESG issues that have been identified and discussed with the management of any of the companies that are in the portfolio or information on ESG issues that are made available through industry publications or events.
  - c. Performance
    - i. Present total fund and asset class returns on a quarterly basis.
    - ii. Discuss performance relative to benchmark
    - iii. Provide portfolio characteristics relative to benchmark
  - d. Portfolio Holdings – the immediately following items will be reported monthly for all segregated accounts and at a minimum quarterly for pooled and/or mutual funds.
    - i. Present book value and current market value
    - ii. Listing of individual securities by sector
    - iii. Annual income yield by security
    - iv. Percent allocation to each security
- 15.3 Upon written or oral request
  - a. Copies of all documentation in support of any investment activity.
  - b. Certified statement of financial condition of the investment management organization.
  - c. Evidence of suitable insurance coverage of the investment manager's fiduciary responsibilities.

## 16 CONFLICT OF INTEREST

- 16.1 Notwithstanding any other University policy, this standard applies to members of the FAIR Committee, Investment Committee, the Administration, as well as to all agents employed by these Committees, in the execution of their fiduciary responsibilities.

An Agent is defined to mean a company, organization, association, or individual, as well as its employees, retained by the Investment Committee or University to provide specific services with respect to the administration and management of the Fund.

- 16.2 A conflict of interest arises when the personal interests, investments, or future plans of any person or Agent involved in the administration of the Endowment Funds, conflict with his or her duties and powers in respect of the Endowment Funds, or impair his or her ability to make an unbiased judgment in completing responsibilities to the Endowment Funds. In particular, accepting or being the direct or indirect beneficiary of any fee, brokerage, commission, gift (other than of nominal value) or other consideration for or on account of any investment, purchase, sale, payment, or exchange made by or on behalf of the Endowment Funds shall constitute a conflict of interest.
- 16.3 Where a conflict of interest exists or might exist for an Investment or FAIR Committee Member, the Committee Member shall disclose his or her interest as soon as possible after becoming aware of the potential conflict. The potential conflict shall be handled as prescribed by the University's Board of Governors Code of Conduct (June 27, 2006).
- 16.4 Where a conflict of interest exists or might exist for an Administration employee, the employee shall advise the Administration as soon as possible of any potential conflict of interest. The Administration will handle the potential conflict as prescribed by the University's Conflict of Interest Policy (June 24, 2002)
- 16.5 Where a conflict of interest exists or might exist for an Agent, the party shall advise the Administration as soon as possible of any potential conflict of interest. The Administration will assess the nature and materiality of the potential conflict and determine appropriate action which may range from limitations on recommendations or action relative to a specific issue to termination of the University's and the Endowment Funds' relationship with the Agent.
- 16.6 The failure of a Committee member, Administration employee, Investment Manager, Consultant, Agent or advisor or a person employed in the administration of the Endowment Funds, to comply with the procedures described in this section shall not of itself invalidate any decision, contract or other matter.
- 16.7 The Administration shall be satisfied that an appropriate policy regarding conflicts of interest exists and is followed by every Investment Manager appointed by the Investment Committee. At a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Institute of Chartered Financial Analysts shall be expected to apply to such Investment Manager or Agent.
- 16.8 Every disclosure or conflict of interest shall be recorded in the minutes of the Investment Committee meeting.

## **17. INVESTMENT POLICY REVIEW**

- 17.1 To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Investment Committee will review the investment policy at least annually.

# DALHOUSIE UNIVERSITY

## ENDOWMENT SPENDING GUIDELINES

**FEBRUARY 2016**

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Dalhousie University is the recipient of generous endowment gifts to provide perpetual program support at the University.

The original investment of endowment gifts is required to be maintained in perpetuity. The investment earnings generated from endowments must be used in accordance with the terms established by the donors. Benefactors as well as University policy stipulate that, over time, the economic value must be protected by limiting the amount of earnings that may be expended and reinvesting unexpended earnings.

To meet the foregoing requirement, the University's endowment management policy sets out the following goals:

- to balance present spending needs with expected future requirements.
- to protect the purchasing power of the capital base of endowments while achieving stability in year-to-year spending; and
- to attain real increases in spending through capital appreciation from new gifts, capital investment gains, and the capitalization of investment earnings.

Therefore the endowment spending policy sets guidelines that preserve real capital value and provide advance information on available support to accommodate planning for the full utilization of the available spending allotment. For new endowments, it is important both to provide attainable spending expectations in the early years while ensuring that the capital base has solid footing and will be able to sustain future spending. The spending guidelines that follow are designed to provide for the integrity of the real capital and to facilitate utilization of the annual support available by determining spending levels in conjunction with the University's budget process.

### **ENDOWMENT SPENDING GUIDELINES**

- A) Available spending allotments for any fiscal year (April 1 - March 31) of the University are established by the Board of Governors from time to time. Dalhousie University has used a "banded approach" for endowment spending since 2004 where the initial spend rate was set at 4.75% of the average market value of the quarter that ended September 30 of the previous year, and increased annually thereafter at the rate of inflation provided the spending allocation for any year was not less than 3.75% nor greater than 5.75% of the Endowment's average market value. Inflationary increases are measured by the annual change of the Canadian Consumer Price Index at September 30<sup>th</sup> preceding the fiscal year. The targets and bands were reviewed in 2013, and based on expected future market returns, the target spending has been reduced to 4.25% and the upper band was reduced to 5.00%. The lower band remains unchanged at 3.75%. Inflationary increases to annual spending allocations for current endowments will commence once the effective spending rate drops to 4.25%.
- B) **Initial spending allotments for new endowments and new gifts to existing endowments will be 4.25% of the endowment gift value as follows:**
- For endowment gifts received between April 1 and September 30, **the available spending in the subsequent two fiscal years (years 1 and 2) will be 4.25% of the endowment gift value. Thereafter, the available spending allotment for any fiscal year will be increased at the rate of inflation as per section (A) above**

- For endowment gifts received between October 1 and March 31, **spending will be delayed until the second subsequent fiscal year (year 2) and spending for years 2 and 3 will be 4.25% of the original endowment gift value. Thereafter, the available spending allotment for any fiscal year will be increased at the rate of inflation as per section (A) above.**
  - **Should the market value of endowment at the March 31<sup>st</sup> fiscal year end fall below the original gift value, then spending will be suspended to prevent any additional erosion of the gifted capital. During this period, all investment returns will be capitalized to restore the market value of the endowment's capital.**
  - **On occasion, the above annual spending allotment determinations for new endowments may not meet the immediate objectives of the donor. In these instances, the following options are available to the donor:**
    - **Should the donor wish greater immediate annual spending than what is provided by spending allotments of the new endowment, the donor may donate additional gifts to supplement the annual spending allotments until the endowment appreciates sufficiently to sustain the donor's annual spending objective;**
    - **The donor may specify deferral of spending until the endowment appreciates sufficiently to support the donor's annual spending allotment objective.**
- C) Should any endowment's spending allotments during its initial years be insufficient to provide the desired level of program support, the Faculty may supplement the shortfall from other Faculty resources until the endowment has achieved capital growth which will provide the desired spending level.
- D) Occasionally the administering Faculties or units are unable to spend their allotted spending amount due to such circumstances as a lack of qualified candidates for scholarships or Chair vacancies. As a result, an Unspent Balance is created which the administering Faculty or unit may deploy under the following options:
- In consultation with Treasury and Investment Services develop a plan to spend this unspent balance in accordance with the endowments terms over the subsequent years. Care should be taken to avoid significant variations in year-to-year spending;
- OR
- Capitalize the Unspent Balance to the Principal Capital of the endowment. This will provide the endowment with a larger and more stable capital base that will generate increased spending amounts in future years.
- OR
- A combination of the above options.

Administering Faculties or units should review their endowment accounts for Unspent Balances each year during the budget process. Should they have any Unspent Balances, they should contact Treasury and Investment Services to discuss plans for expenditure of these amounts.



**DALHOUSIE UNIVERSITY ENDOWMENT FUNDS  
ASSET MIX MANAGEMENT & REBALANCING POLICY**

January 2021

**PRINCIPLES:**

- Asset mixes maintained within the established ranges of the asset mix policies:

Asset Class		
	New Target	Range
<b>Equities:</b>		
Canadian	12.5%	10%-16%
U.S.	15.0%	12%-19%
NNA	15.0%	12%-19%
	<b>42.5%</b>	<b>35% - 55%</b>
Private Capital	15.0%	8% -18%
Real Estate/Infrastructure	25.0%	10% - 28%
<b>Total Equities &amp; Alternatives</b>	<b>82.5%</b>	<b>75% - 87%</b>
<b>Fixed Income</b>		
Core plus Bonds	10%	7% -12%
Private debt	7.5%	5% -10%
<b>TOTAL FIXED INCOME</b>	<b>17.5%</b>	<b>15% - 20%</b>

- Asset mixes of funds monitored monthly;
- Utilize cash flows as much as possible to keep allocations within policy ranges;
  - Killam Endowments - no cash inflows, use quarterly spending allocation withdrawals
  - General Endowments - proceeds from new gifts withheld to fund annual spending allocations (vs. investing new funds and withdrawing from investments to fund spending allocations)
- Manager withdrawals (contributions) in any month will first consider asset class divergence and then will generally focus on one "core-type" manager. Should the "core" position fall outside +/- 5% absolute of a manager's target allocation for a particular asset class, other managers will be considered for cash flow movement. In those asset classes, relative divergence from individual target allocations for individual active managers will be considered, where managers with the greatest divergence will be selected. Divergences for active managers will be restricted to 0.5 to 1.5 times their respective target allocations. In situations where the cash flows are significant and exceed 1% of the Fund's value, active managers may also be included the transaction in addition to a core manager. Any withdrawals from (or contributions to) active mandates are done on advance notice along with manager consultation. Temporary deviations from these targets may occur with agreement by the Investment Committee.
- Sourcing and placement of funds for revisions to investment management structure shall be after Investment Committee/Trustees discussion and will be arranged so as to keep the Fund(s) within range of the policy.
- Specific fund rebalancing shall be performed only when the policy ranges are breached and shall be reported to the Investment Committee and Trustees. Decisions to permit asset classes to remain outside their respective policy ranges may occur only on specific direction from the Investment Committee.