

Number & Title:

FN1 - Investments

Effective Date:

April 16, 2024

Approval Date:

April 15, 2024

Policy Type:

Internal Policy

Review Date:

This policy shall be reviewed every three (3) years.

Responsible Body:

Finance Committee

Designated Executives and Staff Members:

Managing Director, VP Finance, and Controller

Authority:

AMS Code of Procedure Section II, article 11(1)

“Council may create external and internal policies as well as combined policies.”

Purpose and Goals:

To provide a comprehensive investment policy reflecting the general investment goals and objectives of the Society, detailing strategies the VP Finance and Managing Director should employ to meet these objectives. The policy includes specific information on asset allocation, risk tolerance, liquidity requirements, and ethical investment considerations.

Applicability:

This policy is applicable for all investments the society partakes in.

Exclusions:

There are no exclusions for this policy.

Definitions:

Fixed Income	Shall mean: a) Bonds or Debentures issued by the Government of Canada, any province, or corporations' b) Preferred shares and insured mortgages with maturities greater than one (1) year at the time of issuance; and c) i. Pooled Fund units ii. Mutual Funds iii. Preferred shares iv. ETF's
Investment Manager	shall mean the company, organization, or Alma Mater Society of UBC Vancouver (AMS) to whom AMS has given the responsibility to manage AMS's investment portfolio. The AMS will facilitate an annual review of investments and the Investment Manager.
Mutual Funds	shall be as defined in the Securities Act, R.S.B.C. 1996, c. 418: "Mutual fund" means a) an issuer of a security that entitles the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in a part of the net assets, including a separate fund or trust account, of the issuer of the security, b) an issuer described in an order made under section 3.2 and c) an issuer that is in a class of prescribed issuers but does not include an issuer, or a class of issuers, described in an order made under section 3.1;
Pooled Funds	shall mean the same in form and function as "Mutual Fund Trusts". These are "Mutual Funds" that are exempt from the registration prospectus requirements of the Securities Act R.S.B.C. 1996, c. 418.
Securities	shall mean securities as defined in the Securities Act, R.S.B.C. 1996, c. 418.
Fossil Fuel Free	shall mean: a) Traditional securities will use an exclusion list based on the Carbon Underground 200. Any company included in the Carbon Underground 200 report is ineligible for the Fund. The Carbon Underground 200 report identifies the top 100 public coal companies globally and the top 100 public oil and gas companies globally, ranked by the potential carbon emissions content of their reported reserves. The Carbon Underground 200 list is maintained by the independent third-party provider Fossil Free Indexes LLC, and is revised quarterly. b) Traditional securities will also not invest in any issuers involved in exploring for, extracting, processing, and transportation of coal, oil or natural gas.
ESG (Environment, Social, Governance)	shall mean the three key factors when measuring the sustainability and ethical impact of an investment in a business or company. ESG is used to screen investments to improve the holistic sustainability of a portfolio.

Policy:

1. Priority of Investment Objectives

- a. Preservation of Capital and Capital Growth – Society is committed to minimizing permanent capital loss risk and ensuring that preservation remains a priority. Concurrently, it seeks capital growth to enhance the portfolio's value over time, aligning with the society's strategic objectives for financial stability and growth
- b. Liquidity: AMS investments shall not hinder AMS's ability to pay its financial liabilities as and when they become due. The AMS shall ensure that its liquidity needs are met through an appropriate level of investment in fully marketable securities. For this policy, the permitted classes of assets and the amount of exposure to each asset class must follow the requirements in Section 1 below.
- c. Return: The society aims for a 5% nominal annual rate of return over a three-year timeline. This objective is critical to ensure the portfolio's growth outpaces inflation and supports the society's long-term financial sustainability. The target return will be assessed against a blend of fixed-income and equity market indices to reflect the diversified nature of the portfolio.
- d. Ethics – Investments shall be informed by ethical considerations, including but not limited to environmental sustainability, social justice, human rights, and good governance. Investments shall strive to minimize and create positive impacts in these areas.

2. Portfolio Diversification and Asset Quality Constraints

- a. General Principles: Capital preservation & Capital Growth, liquidity, and long-term reasonable rate of return
- b. Asset Allocation:
 - i. Cash and Cash Equivalents + Fixed Income:
 1. Min: 60% to ensure sufficient liquidity for operational needs and unforeseen expenses.
 2. Max: 80% to protect against market downturns and preserve capital.
 3. Strategic: 70% to balance income generation with capital preservation.
 - ii. Equities:
 1. Min: 20 % to participate in market growth and capitalize on equity appreciation.
 2. Max: 50% to limit exposure to equity market volatility.
 3. Strategic: 20% to achieve a balance between growth and risk.
 - iii. Alternative Assets (Eg. Real Estate, Private Equity, Private Credit):
 1. Min: 0% acknowledging these assets' illiquid nature and higher risk.

- 2. Max: 20% to take advantage of higher potential returns from these sectors.
- iv. Strategic: 10% to leverage diversification benefits and enhance overall portfolio returns.
- c. Benchmarks
 - i. US Stocks: S&P 500 Index
 - ii. Canadian Stocks: TSX Composite Index
 - iii. US Bonds: Bloomberg Barclays US Aggregate Bond Index
 - iv. Canadian Bonds: FTSE Canada Universe Bond Index
- d. The investment portfolios shall be comprised of the following classes of assets:

Table 1:

Asset Class	Percentage of Total Investment Portfolio That May Be Invested in the Asset Class
Cash and Cash Equivalents and Fixed Income	Min: 60% to Max: 80%, Strategic: 70%
Equities	Min: 20% to Max: 50%, Strategic: 20%
Alternate assets	Min: 0% to Max: 20% , Strategic: 10%

Investment Management and Allocation

- 3. The Investment Manager's Role: The AMS Investment Manager will strategically allocate assets across different classes based on the prevailing market conditions and the AMS's financial objectives, ensuring alignment with the overall investment strategy.

Cash and Cash Equivalent Investments

- 4. The AMS is permitted to invest in:
 - a. Money market mutual funds
 - b. Guaranteed Investment Certificates (GICs) issued by Schedule 1 Banks, as per the Bank Act S.C. 1991, c.46
 - c. Savings accounts
 - d. Bankers' Acceptances
 - e. Treasury Bills
 - f. Bank Term Deposits & Short Term Investment Certificates

Fixed Income Investments

- 5. Guidelines for Fixed Income Investments:
 - a. Limit investments in non-investment-grade High-Yield Fixed Income (rated BB or lower) to no more than 20% of total assets.
 - b. Invest in Pooled Fund units classified as Fixed Income by the Investment Manager.

- c. Allocate to Mutual Fund units identified as Fixed Income in their simplified prospectus or investment policy.

Equity Investments

6. The AMS can invest in:
 - a. Securities listed on Canadian or major foreign stock exchanges, ensuring no more than 5% of the total assets are in the equities and debt of any single entity.
 - b. Pooled Fund units are classified as equity funds by the Investment Manager.
 - c. Mutual Fund units are designated as equity funds according to their simplified prospectus or investment policy.

Alternative Investments

Alternative investment solutions have the potential to enhance fixed income returns, reduce equity risk, reduce portfolio volatility and improve portfolio efficiency. They typically require a longer investment horizon, are less liquid, and, when considered in isolation, may be deemed more risky than other securities.

Consultations:

The following groups were consulted during the initial development of this policy: Executive Committee, Finance Committee, Financial Controller, Managing Director, and Fund Managers

History:

This is the first draft of the third version of this policy.

Related Policies:

N/A

Appendix:

N/A