

SUBJECT	WORKING CAPITAL FUND STATEMENT OF INVESTMENT POLICIES & PROCEDURES
MEETING DATE	JUNE 14, 2017

Forwarded to the Board of Governors on the Recommendation of the President

**APPROVED FOR
SUBMISSION**



 Santa J. Ono, President and Vice-Chancellor

DECISION REQUESTED	IT IS HEREBY REQUESTED that <i>the UBC Board of Governors approve the proposed amendment to the Statement of Investment Policies & Procedures for the Working Capital Fund (Core, SHFE and FHAFE).</i>
Report Date	May 16, 2017
Presented By	Andrew Simpson, Vice-President Finance & Operations Peter Smailes, Treasurer

EXECUTIVE SUMMARY

UBC Investment Management Trust manages the the University’s working capital which is comprised of three pools; the Working Capital Fund (WCF), the Student Housing Financing Endowment fund and the more recent Faculty Housing Assistance Financing Endowment fund. The purpose of this submission is to seek Board approval to update the Working Capital Fund Statement of Investment Policies and Procedures (WCF SIPP). The changes to the WCF SIPP will enable IMANT to invest the fund in a manner that increases the yield on working capital investments by a projected 50 basis points net of costs without a significant increase in risk to capital preservation. In addition there would be greater operating efficiency as the WCF would no longer be managed in a segregated UBC account. The changes would provide IMANT with a broader mandate to manage the investments within the strict parameters of maintaining the security of the WCF. The changes also introduce the ability to invest in the Provincial Central Deposit Program and thereby increase the short-term investment options available to the WCF.

INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED

- Learning
 Research
 Innovation
 Engagement
 International
 (Internal / External)
- or Operational

DESCRIPTION & RATIONALE The Working Capital Fund (previously the “Core Working Capital Fund”) represents the majority of the University’s working capital investments and has been managed by IMANT since 2009. The remaining portion of the University’s working capital, the Liquidity Fund, of no more than \$100 million, is managed by UBC Treasury for short term operating requirements. The Statement of Investment Policies and Procedures (SIPPs) that governs the management of the two Funds requires an annual review. The WCF SIPP was last updated in detail in September 2014. This review provides an

opportunity to align the structure and terms in the WCF SIPP with the recently revised Sustainable Futures Fund SIPP. This revision also provides an opportunity to include reference to the Faculty Housing Assistance Financing Endowment approved in February 2017.

The principal requirement in management of the University’s working capital is preservation of capital. For that reason, the WCF SIPP was established to focus on investments in secure Government and Provincial fixed income and to have no access to corporate bonds or asset-backed securities. The review has revealed that the University could increase yield annually by a projected \$1.5 million without a significant increase in risk or reduction in liquidity. This could be achieved by permitting the WCF to hold units in non-segregated pooled funds, diversified to include high quality Canadian corporate bonds and first mortgages of income producing industrial, multi-residential, retail and office properties in Canada. The revised WCF SIPP therefore permits investment in institutional fixed income pooled funds, providing a broader range of holdings and diversification across types of fixed income securities.

While UBC Treasury determines the University’s short to mid-term liquidity needs, the revised SIPP provides IMANT with greater investment flexibility in meeting those requirements. To this end, the revised SIPP also introduces the ability to use the Provincial Central Deposit Program (with T +2 settlement).

The revised SIPP gives IMANT a broader set of constraints, greater flexibility in determining the appropriate balance of risk and return when considering investments and greater flexibility in choice of external investment managers. This is considered appropriate as IMANT has a proven track record and a mature understanding of the University’s risk appetite. Notwithstanding the broader mandate, IMANT will make investment decisions in consultation with the UBC Treasurer to ensure liquidity risks are appropriately managed and disbursement needs are understood. The UBC Vice-President Finance & Operations and the University Treasurer are also IMANT Board members, which provides additional oversight and communication. The University will continue to rely on IMANT to monitor performance which will be reported to UBC Treasury and the Board of Governors.

<p>BENEFITS Learning, Research, Financial, Sustainability & Reputational</p>	<p>The University would increase yield on the fixed income portion of the portfolio by a projected 50 basis points. On investments of \$300 million that would translate to incremental investment income of \$1.5 million per annum for University priorities.</p>
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<p>RISKS Financial, Operational & Reputational</p>	<p>The introduction of mortgages and high-quality corporate bonds increases liquidity risk, interest rate risk and credit risk (risk of mortgage default). This risk will be managed by IMANT staff, IMANT Board oversight and selection of professional investment managers. Overall the increased risk is considered manageable and appropriate when balanced against the projected returns.</p>
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COSTS Capital & Lifecycle Operating	IMANT would utilize pre-existing pooled funds which would result in some operational efficiencies. In addition there would be more value achieved from the IMANT fee in having IMANT exercise greater discretion and expertise.
FINANCIAL Funding Sources, Impact on Liquidity	This amended SIPP should increase investment returns which, if capitalized, will increase 'University Liquidity'. Alternatively investment returns may be spent on University priorities.
SCHEDULE Implementation Timeline	The amended SIPP could be implemented immediately as our existing Investment Management firm has suitable investment options immediately available.
CONSULTATION Relevant Units, Internal & External Constituencies	UBC Treasury has consulted with the Ministry of Finance Provincial Treasury (with respect to utilizations of the Provincial Central Deposit Program), UBC IMANT and Office of the University Counsel in respect of the ammended SIPP.

Previous Report Date	September 2014
Decision	Revision of both the Liquidity Fund SIPP and the Core Working Capital SIPP
Action / Follow Up	None

Attachment: Working Capital Fund *Statement of Investment Policies & Procedures*

The University of British Columbia (UBC)
Working Capital Fund (Core, SHFE and FHAFE)

**Statement of Investment Policies
and Procedures**

May 31, 2017

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Section 1 - PURPOSE

- 1.1 The University of British Columbia (the “**University**”) has established the Working Capital Fund (the “**Fund**”) to provide liquid working capital for the University beyond the \$100 million in the Liquidity Fund (defined in section 2.2).
- 1.2 This document constitutes the Statement of Investment Policies and Procedures (the “**Policy**”) applicable to the assets of the Fund.
- 1.3 The purpose of this Policy is to define the governance structure for the Fund and to formulate the principles, guidelines and monitoring procedures to manage the Fund’s assets in accordance with the University Act of British Columbia (the “**Act**”) and in particular Section 57 of the Act. This Policy is supplementary to the Act.

Section 2 - FUND OVERVIEW AND OBJECTIVES

Overview

- 2.1 The Fund was originally managed internally through UBC Treasury. In March 2009, the University’s Board of Governors (the “**Board of Governors**”) directed that the majority of the University’s working capital funds be transferred to the University of British Columbia Investment Management Trust (“**IMANT**”), to be managed as the Fund.
- 2.2 UBC Treasury manages the minority of the University’s working capital funds, up to \$100 million, known as the Liquidity Fund (the “**Liquidity Fund**”). The Liquidity Fund provides short term liquidity for the University. It is expected that the University will only transfer funds between the Fund and the Liquidity Fund three to five times a year.
- 2.3 The Fund is comprised of three main accounts (the “**Accounts**”) which are tracked separately and each receive an allocation of the Fund’s return as described in Section 2.4:
 - (a) working capital for the financing of student residences (the “**SHFE Capital**”), which the University places in the Fund pending use of the SHFE Capital in accordance with the Terms of Reference of the Student Housing Financing

Endowment Fund approved by the Board of Governors in February 2011, as amended in February 2017;

- (b) working capital for faculty employee housing assistance loans (the “**FHAFE Capital**”), which the University places in the Fund pending use of the FHAFE Capital in accordance with the Terms of Reference of the Faculty Housing Assistance Financing Endowment Fund approved by the Board of Governors in February 2017; and
- (c) all other working capital held for the general operation of the University (the “**Core Working Capital**”).

2.4 The Fund’s return is allocated among the Accounts as follows:

- (a) SHFE Capital is allocated a fixed return equivalent to a 1-year Treasury Bill;
- (b) FHAFE Capital is allocated a fixed return equivalent to a 1-year Treasury Bill; and
- (c) Core Working Capital is allocated the remainder of the return on the Fund.

The returns for SHFE Capital and FHAFE Capital are equated to the fixed return of a 1-year Treasury Bill to reflect that SHFE Capital and FHAFE Capital will normally be held in the Fund for a shorter duration than the Core Working Capital.

2.5 The target duration for the Fund is an average of two-and-a-half years to reflect the approximate duration of the liabilities.

2.6 IMANT and the external investment manager will invoice the University for reimbursement of expenses to recover costs.

2.7 The University’s contact for this Fund is the Treasurer, UBC Treasury. UBC Treasury has the responsibility of informing IMANT on a timely basis of any issues that can create a change in the Policy or its implementation.

Fund Objectives

2.8 Investment decisions shall be made in accordance with the following objectives:

- (a) the primary objectives are:
 - (i) the preservation of capital to meet future disbursement requirements; and
 - (ii) the provision of liquidity; and
- (b) the secondary objectives are:
 - (i) investment return; and
 - (ii) operational efficiency.

Return Objectives

2.9 The Fund is expected to achieve over moving four year periods, a return, before all fees and expenses, at least equal to the weighted return of a benchmark portfolio comprised of 15% of 30-day Treasury Bills and 85% of FTSE TMX Short-term Overall Bond Index (the “**Return Objective**”).

Section 3 - FUND GOVERNANCE

Structure Overview

- 3.1 The Board of Governors is responsible for the overall management of the Fund. The Board of Governors has established a governance structure and delegated certain responsibilities and powers for investing the Fund to IMANT.
- 3.2 IMANT acts through its Board of Directors (the “**IMANT Board**” and each director on the IMANT Board a “**Director**”). The IMANT Board has appointed an investment committee (the “**IMANT Investment Committee**”) and a President and CEO of IMANT (the “**IMANT President**”). The IMANT Board has delegated specific responsibilities to the IMANT Investment Committee and to the IMANT President to assist in carrying out

duties with respect to the day-to-day management, administration and investment of the Fund.

- 3.3 Any external investment managers who assist with the management of the Fund (the “**Managers**”) or fiduciary providing services in connection with the management and investment of the Fund shall accept and comply with this Policy.

Board of Governors

- 3.4 The Board of Governors is responsible for:
- (a) appointing and removing the Directors;
 - (b) approving this Policy and any changes to this Policy; and
 - (c) monitoring Fund performance and adherence to this Policy.

IMANT Governors

- 3.5 The IMANT Board shall, with recommendations from the IMANT Investment Committee:
- (a) establish, adopt and maintain this Policy;
 - (b) review the Policy at least annually, and confirm it or recommend amendments for approval by the Board of Governors as needed;
 - (c) establish and recommend for approval by the Board of Governors the Return Objective for the Fund and risk tolerance levels;
 - (d) establish and approve overall investment manager structure for the Fund;
 - (e) establish and approve all operating and administrative policies and procedures for the Fund including the IMANT Code of Conduct and its conflict of interest policies and the IMANT Statement of Signing Authorizations;

- (f) delegate specific responsibilities to the IMANT President to assist with the day-to-day management and administration of the Fund. Notwithstanding this delegation of authority, the IMANT Board shall ensure oversight of the IMANT President's compliance with this Policy;
- (g) rely on independent experts as required for certain aspects of the Fund's operations;
- (h) monitor the Fund's investment performance;
- (i) advise the Board of Governors if the Fund's investment performance and the Return Objective are not in alignment; and
- (j) carry out other duties as delegated by the Board of Governors from time to time.

IMANT Investment Committee

3.6 The IMANT Investment Committee, comprising all members of the IMANT Board, within the scope of the general investment beliefs described in Section 4, shall:

- (a) review and recommend to the IMANT Board changes to this Policy, which are within the University's objectives and risk tolerances;
- (b) approve the following, where applicable:
 - (i) sub-asset categories;
 - (ii) category/Manager risk guidelines;
 - (iii) Manager structures;
 - (iv) Manager selection process;
 - (v) selection and removal of Managers upon recommendations brought forward by the IMANT President;
 - (vi) rebalancing rules;

- (vii) proxy voting guidelines; and
- (viii) asset-liability study and portfolio review consultants upon recommendations brought forward by the IMANT President;
- (c) review and report on investment performance against the Return Objective;
- (d) review and report on monitoring of the Managers and compliance reports prepared by the IMANT President;
- (e) monitor, evaluate and report on performance and cost effectiveness of investment policies and strategies; and
- (f) carry out other appropriate duties as authorized by the IMANT Board.

IMANT President

3.7 The IMANT President, under the direction of the IMANT Board, shall:

- (a) manage the day-to-day investment activities and administration of the Fund in accordance with this Policy, the Act and the operating policies and procedures established by the IMANT Board;
- (b) recommend to the IMANT Board and implement an appropriate investment strategy and Manager structure taking into account the nature of the Fund's obligations;
- (c) recommend for approval by the IMANT Investment Committee, selection and appointment and/or termination of Managers;
- (d) select and recommend appointment and/or termination of the Custodian of the Fund's assets (the "**Custodian**");
- (e) select and appoint and/or terminate consultants not covered by Section 3.6(b), lawyers and other service providers as required;

- (f) meet with individual investment Managers on at least an annual basis. Evaluate and monitor the performance of individual Managers relative to agreed upon performance and risk objectives as established by the IMANT President. Oversee the Managers' compliance with this Policy;
- (g) execute agreements and mandates with the Managers, service providers and agents;
- (h) evaluate and monitor the Fund's performance against the Return Objective to ensure continued appropriateness of the Return Objective . Make recommendations to the IMANT Investment Committee for confirmation and or changes as required;
- (i) evaluate and recommend to the Directors, any co-investments with other institutional investors;
- (j) prepare reports for the IMANT Board and IMANT Investment Committee on a regular basis on the management and investment activities of the Fund; and
- (k) carry out other appropriate duties as authorized by the IMANT Board.

Section 4 - INVESTMENT PRINCIPLES AND BELIEFS

4.1 The IMANT Board of Directors' investment principles and beliefs form the basis for this Policy and the manner in which the Fund shall be invested, and they are:

- (a) the Fund shall be managed with the prudence and standard of care that requires all fiduciaries, including the Managers, to use the same care and diligence that they would use in managing the property of another person and to apply all relevant knowledge that they possess or by reason of their profession ought to possess;
- (b) investment risk shall be managed with the same degree of prudence and care used in managing investment assets. IMANT shall manage investment risk primarily through asset mix and security diversification, Manager diversification, credit

analysis, currency management and transparent reporting. To the extent practical risks should be identified, quantified, managed and reported;

- (c) recognizing that the University is a public institution, investments and investment processes must be transparent and readily communicated;
- (d) diversification can improve portfolio risk and return characteristics;
- (e) it is appropriate to retain Managers to invest the Fund in an efficient and cost effective manner;
- (f) passive investment management should be used unless it can be demonstrated that, net of fees, active management can add value; and
- (g) the University is committed to responsible investing. IMANT incorporates environmental, social and governance (ESG) factors in its investment process to facilitate more informed investment decisions. The University will fulfill its commitments in a way that does not negatively impact the financial objectives of its investments.

Section 5 - RISK AND RETURN EXPECTATIONS

- 5.1 The Fund will be characterized as low risk as it seeks to provide stability of capital by investing primarily in a well-diversified portfolio of fixed income securities.
- 5.2 The Fund is expected to achieve over moving four-year periods a return, before all fees and expenses, at least equal to the Return Objective.

Section 6 - PERMITTED INVESTMENTS

- 6.1 All investments shall be made in accordance with applicable legislation and the standard of care set out in the Act.
- 6.2 The Custodian shall be a trust company registered in Canada. All public investments and assets of the Fund shall be held by the Custodian and registered:

- (a) in a name that clearly indicates that the investment is held in trust for the Fund and, where the investment is capable of being registered, registered in that name; or
- (b) in the name of the Canadian Depository for Securities Limited, the Custodian, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Fund and provides that:
 - (i) the investment constitutes part of the Fund;
 - (ii) the investment shall not at any time constitute an asset of the Custodian or nominee; and
 - (iii) records shall be maintained by the Custodian that are sufficient to allow the ownership of any investment be traced to the Fund at any time.

6.3 From time to time, and in accordance with this Policy including but not limited to Section 7, the Fund may invest in any or all of the following asset categories and sub-categories of investments either directly or through pooled funds or other co-mingled vehicles that hold these investments:

- (a) Cash or Cash Equivalents, which are limited to:
 - (i) deposits with the Province of British Columbia Central Deposit Program or financial institutions with a current term to maturity of one year or less;
 - (ii) bonds and bond coupons of Canadian and foreign issuers with a current term to maturity of one year or less; and
 - (iii) floating rate notes of Canadian and foreign issuers with a current term to maturity of one year or less.
- (b) Fixed Income, which are limited to:
 - (i) bonds, debentures, notes, or other debt instruments, including securitized investments, of Canadian, and foreign issuers;

- (ii) mortgages and asset-backed securities; and
- (iii) term deposits or similar instruments of trust companies and banks licensed to carry on business in Canada or the United States.

6.4 Fund investments in pooled funds and/or other co-mingled vehicles will be subject to the specific policies and/or guidelines of the respective pooled fund or co-mingled vehicle. In the event of a conflict between the Policy and the specific policies and/or guidelines of the respective pooled fund and/or co-mingled vehicle, the latter's policies and/or guidelines will prevail. However, IMANT is required to advise the Board of Governors in the event the pooled fund and/or co-mingled vehicle exhibits, or may exhibit, any significant departure from this Policy.

Section 7 - LIQUIDITY AND PORTFOLIO CONSTRAINTS

- 7.1 Unless otherwise indicated, all percentages used in this Section 7 are calculated using market values.
- 7.2 IMANT shall maintain sufficient liquidity in the Fund to meet current operating disbursements and to avoid untimely disposal of securities, and therefore the Fund will maintain at least 10% in cash and cash equivalents. Liquidity needs will be met through the redemption of individual securities and pooled fund units.

Cash or Cash Equivalents

- 7.3 All cash equivalent investments must have a short-term credit rating of at least R- 1 (middle) or a long-term credit rating of at least "A" from Dominion Bond Rating Service, or equivalent credit rating as rated by another nationally recognized rating organization.

Fixed Income

- 7.4 Fixed income assets of the Fund must meet the following requirements:
- (a) investments in the securities of any of the Provinces shall be in aggregate for all Provinces, limited to no more than 70% of the assets of the Fund's investment portfolio, including agencies of a Province;

- (b) investments in asset backed securities shall be limited to instruments underwritten by Canadian Schedule I banks, shall be readily marketable and shall be limited to no more than 10% of the total assets of the Fund's investment portfolio;
- (c) no more than 50% of the Fund's investment portfolio shall be invested in corporate bonds;
- (d) no more than 20% of the Fund's investment portfolio shall be invested in foreign bonds;
- (e) no more than 20% of the Fund's investment portfolio shall be invested in debt securities having a "BBB" rating;
- (f) No part of a fixed income portfolio shall be invested in a debt security having a rating lower than "BBB", unless such security had a rating of "BBB" or higher at the time of purchase;
- (g) Ratings policies in section 7.4 (e) and (f) do not apply to mortgages;
- (h) no more than 40% of the Fund's investment portfolio shall be invested in mortgages;
- (i) mortgage investments shall be restricted to pooled mortgage funds consisting of geographically diversified first mortgages of income-producing commercial properties (industrial, office, retail) and multi-residential properties in Canada, but not including mortgages on single residential homes. For a mortgage fund to be eligible, the aggregate amount of each mortgage within the mortgage fund must not exceed 75% of the appraised value of the subject real estate at the time of investment or renewal. Credit ratings referenced in this Policy do not apply to mortgage investment; and
- (j) swaps, futures and forward contracts are permitted for hedging purposes only. The counterparty to any derivative transaction must have a long-term credit rating of at least "A" from Standard & Poor's Corporation, "A2" from Moody's Investor

Service Inc., or equivalent credit rating as rated by another nationally recognized rating organization.

- 7.5 If a security's credit rating falls below the specified level after purchase, the Manager shall recommend a course of action to the IMANT President for approval.
- 7.6 For purposes of this Section 7, all debt ratings refer to the ratings of Dominion Bond Rating Service unless otherwise indicated, however, equivalent ratings by another major credit rating agency can be used.

Maturities of the Securities

- 7.7 The remaining maturities of securities shall be limited to no more than seven years.

Investment Holdings in Foreign Currencies

- 7.8 Investments in securities denominated in foreign currencies are limited to 20% of the Fund's investment portfolio.
- 7.9 Maximum foreign currency exposure is limited to 10% of the Fund's investment portfolio.
- 7.10 Foreign currency exposures are restricted to US Dollar, Euro, British Pound, Japanese Yen, Australian Dollar and New Zealand Dollar.

Prohibited Investments and Trading Activities

- 7.11 The Manager undertakes not to engage or invest the Fund's assets in the following:
- (a) equities or shares issued by any corporation;
 - (b) hedge funds or funds of hedge funds;
 - (c) fixed income instruments with leverage in excess of that contained in the underlying asset structure backing the instrument;
 - (d) options or any instruments that have option holdings or features;

- (e) non-marketable securities;
- (f) commodities;
- (g) repurchase agreements against securities which are not permitted to be held in the portfolio; and
- (h) margin transactions or any form of leveraging.

Section 8 - LOANS AND BORROWING

- 8.1 The Manager shall not encumber the Fund in any way, including but not limited to, encumbrances in any way connected to:
- (a) borrowing money;
 - (b) issuing any debt obligations or securities;
 - (c) guaranteeing any debt or other obligation of a person, mortgage or other entity; or
 - (d) pledging all or any portion of the Fund by way of security for payment to any creditor.

Section 9 - VALUATION OF INVESTMENTS

- 9.1 All securities shall be valued by the Custodian no less frequently than monthly at their market value.
- 9.2 Investment in a pooled fund comprising marketable securities shall be valued according to the unit values calculated at least monthly by the Custodian of that pooled fund. The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.

Section 10 - RELATED PARTY TRANSACTIONS

- 10.1 For the purposes of this Policy, “Related Party” has the meaning given in the Business Corporations Act of British Columbia, but for greater certainty includes:

- (a) the University, an affiliate of the University, or a member of the Board of Governors of the University;
- (b) an officer or employee of the University;
- (c) a Director on the IMANT Board of Directors; or
- (d) IMANT staff.

10.2 The Fund may enter into a transaction with a Related Party only if:

- (a) the transaction is required for the operation or administration of the Fund;
- (b) the terms, conditions and monetary value of the transaction are not less favourable than market terms, conditions and value; and
- (c) the transaction does not exceed 3% of the market value of the Fund at the time of the transaction.

10.3 Notwithstanding Section 10.2, the IMANT Board shall monitor transactions to ensure ongoing compliance with this Policy.

Section 11 - CONFLICTS OF INTEREST

11.1 From time to time, real or perceived conflicts of interest may arise. If any person below listed has or acquires any material interest, direct or indirect, in any matter in which the Fund is invested, or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Fund, that person must disclose that interest to the person as follows:

- (a) any Manager, agent, or advisor to the Fund, to the IMANT President;
- (b) IMANT staff members, to the IMANT President;
- (c) the IMANT President, to the chair of the IMANT Board;
- (d) a Director, to the chair of the IMANT Board; or

- (e) the chair of the IMANT Board, to the IMANT President and the chair of the Board of Governors' governance committee.

The chair of the IMANT Board or the IMANT President, as applicable, shall then advise all members of the IMANT Board of the disclosed conflict before the next IMANT Board meeting, and the IMANT Board shall decide on an appropriate course of action prior to discussing the related business matter. Any person making a disclosure will thereafter abstain from any decision making with respect to the area of conflict, unless otherwise determined by unanimous decision of the remaining Directors.

- 11.2 Every disclosure of interest under Section 11.1 shall be recorded in the minutes of the relevant IMANT Board meeting.
- 11.3 The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract or other matter.
- 11.4 The IMANT President shall satisfy himself that an appropriate policy regarding conflicts of interest exists and is followed by any fiduciary of the Fund, including the Managers. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Chartered Financial Analysts Institute shall be expected to apply to such fiduciaries.

Section 12 - MONITORING

- 12.1 The IMANT Board shall review on a regular basis, as needed, and at least once a year:
 - (a) the assets and net cash flow of the Fund;
 - (b) the current asset mix of the Fund;
 - (c) risk analysis and investment performance of the Fund and each Manager relative to the objectives of the Policy and the Managers' mandates;
 - (d) portfolio holdings;
 - (e) the fees and expenses incurred in managing the Fund; and

- (f) compliance with this Policy.

Such a review shall be undertaken on the IMANT Board's behalf quarterly through the IMANT Investment Committee. Following such review, the IMANT Investment Committee shall take action as it deems prudent and appropriate.

- 12.2 The University Vice President Finance and Operations and the University Treasurer shall each have a seat on the IMANT Board for the purposes of oversight, monitoring and communication of the University's disbursement requirements.
- 12.3 The IMANT Investment Committee shall evaluate whether any information discovered through the foregoing monitoring activities require specific communication to the Board of Governors.
- 12.4 The Manager shall provide IMANT with monthly, quarterly and annual performance calculations to assist IMANT in its evaluation of Fund performance.

Section 13 - POLICY REVIEW

- 13.1 This Policy shall be reviewed at least annually by the IMANT Board in order to determine whether any modifications are necessary or desirable. Such review shall include but not be limited to:
 - (a) changes in the structure of the Fund by the University;
 - (b) revisions to the expected long-term relationship between risk and reward on key asset types;
 - (c) changes in the net cash flows of the Fund;
 - (d) shortcomings of the Policy that emerge in its practical operation;
 - (e) changes in applicable legislation; and
 - (f) recommendations by the IMANT President.
- 13.2 All modifications to this Policy are to be approved by the Board of Governors.

University of British Columbia (UBC)

~~Core~~ Working Capital Fund (Core, SHFE and FHAFE)

**Statement of Investment Policies
and Procedures**

~~September 30, 2014~~

May 31, 2017

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Section 1 - PURPOSE

1.1 The University of British Columbia (the “**University**”) has established the Working Capital Fund (the “**Fund**”) to provide liquid working capital for the University beyond the \$100 million in the Liquidity Fund (defined in section 2.2).

~~1.1.2~~ This document constitutes the Statement of Investment Policies and Procedures (the “**Policy**”) applicable to the assets ~~for the Core Working Capital Fund (the “Fund”) established by the University of British Columbia (the “University”),~~ of the Fund.

1.3 The purpose of this Policy is to define the governance structure for the Fund and to formulate ~~investment~~the principles, guidelines and monitoring procedures to manage the Fund’s assets in accordance with the University Act of British Columbia (the “Act”) and in particular Section 57 of the Act. This Policy is supplementary to the Act.

Section 2 - FUND OVERVIEW AND OBJECTIVES

Overview~~the~~

~~1.22.1~~ The ~~Fund,~~ was originally managed internally through UBC Treasury. In March 2009, the University’s Board of Governors (the “**Board of Governors**”) directed that the majority of the University’s working capital funds be transferred to the University of British Columbia Investment Management Trust (“**IMANT**”), to be managed as the Fund.

2.2 ~~Any~~ UBC Treasury manages the minority of the University’s working capital funds, up to \$100 million, known as the Liquidity Fund (the “**Liquidity Fund**”). The Liquidity Fund provides short term liquidity for the University. It is expected that the University will only transfer funds between the Fund and the Liquidity Fund three to five times a year.

2.3 The Fund is comprised of three main accounts (the “**Accounts**”) which are tracked separately and each receive an allocation of the Fund’s return as described in Section 2.4:

- (a) working capital for the financing of student residences (the “**SHFE Capital**”), which the University places in the Fund pending use of the SHFE Capital in accordance with the Terms of Reference of the Student Housing Financing

Endowment Fund approved by the Board of Governors in February 2011, as amended in February 2017;

(b) working capital for faculty employee housing assistance loans (the “FHAFE Capital”), which the University places in the Fund pending use of the FHAFE Capital in accordance with the Terms of Reference of the Faculty Housing Assistance Financing Endowment Fund approved by the Board of Governors in February 2017; and

(c) all other working capital held for the general operation of the University (the “Core Working Capital”).

2.4 The Fund’s return is allocated among the Accounts as follows:

(a) SHFE Capital is allocated a fixed return equivalent to a 1-year Treasury Bill;

(b) FHAFE Capital is allocated a fixed return equivalent to a 1-year Treasury Bill; and

(c) Core Working Capital is allocated the remainder of the return on the Fund.

The returns for SHFE Capital and FHAFE Capital are equated to the fixed return of a 1-year Treasury Bill to reflect that SHFE Capital and FHAFE Capital will normally be held in the Fund for a shorter duration than the Core Working Capital.

2.5 The target duration for the Fund is an average of two-and-a-half years to reflect the approximate duration of the liabilities.

2.6 IMANT and the external investment manager will invoice the University for reimbursement of expenses to recover costs.

2.7 The University’s contact for this Fund is the Treasurer, UBC Treasury. UBC Treasury has the responsibility of informing IMANT on a timely basis of any issues that can create a change in the Policy or its implementation.

Fund Objectives

2.8 Investment decisions shall be made in accordance with the following objectives:

(a) the primary objectives are:

- (i) the preservation of capital to meet future disbursement requirements; and
- (ii) the provision of liquidity; and
- (b) the secondary objectives are:
 - (i) investment return; and
 - (ii) operational efficiency.

Return Objectives

2.9 The Fund is expected to achieve over moving four year periods, a return, before all fees and expenses, at least equal to the weighted return of a benchmark portfolio comprised of 15% of 30-day Treasury Bills and 85% of FTSE TMX Short-term Overall Bond Index (the “Return Objective”).

Section 3 - FUND GOVERNANCE

Structure Overview

3.1 The Board of Governors is responsible for the overall management of the Fund. The Board of Governors has established a governance structure and delegated certain responsibilities and powers for investing the Fund to IMANT.

3.2 IMANT acts through its Board of Directors (the “**IMANT Board**” and each director on the IMANT Board a “**Director**”). The IMANT Board has appointed an investment committee (the “**IMANT Investment Committee**”) and a President and CEO of IMANT (the “**IMANT President**”). The IMANT Board has delegated specific responsibilities to the IMANT Investment Committee and to the IMANT President to assist in carrying out duties with respect to the day-to-day management, administration and investment of the Fund.

4.33.3 Any external investment managers who assist with the management of the Fund (the “**Managers**”) or fiduciary providing services in connection with the management and investment of the Fund shall accept and comply with this Policy.

Board of Governors

SECTION 2 – FUND GOVERNANCE

~~2.1 The University through its Board of Governors (the “Governors”) is responsible for the overall management of the Fund. The Governors have established a governance structure and have delegated some of its responsibility and powers for investing the Fund to the University of British Columbia Investment Management Trust (IMANT). IMANT acts through its Board of Directors (the “Directors” or the “Board”), who serve at the pleasure of the Governors, in discharging its duties in respect of the Fund.~~

~~2.2 The Board, in turn, has appointed an Investment Committee and a President and CEO of IMANT (the “President”) and has delegated specific responsibilities to the Committee and to the President to assist in carrying out duties with respect to the day to day management, administration and investment of the Fund. Delegated responsibilities are set out below.~~

Board

~~2.3 The Directors shall:~~
Establish

3.4 The Board of Governors is responsible for:

- (a) appointing and removing the Directors;
- (b) approving this Policy and any changes to this Policy; and
- (c) monitoring Fund performance and adherence to this Policy.

IMANT Governors

3.5 The IMANT Board shall, with recommendations from the IMANT Investment Committee:

- (a) establish, adopt and maintain this Policy;
- (b) Reviewreview the Policy at least annually, and confirm or amend it or recommend amendments for approval by the Board of Governors as needed;

- (c) ~~Establish, approve~~establish and ~~maintain~~recommend for approval by the Board of Governors the Return Objective for the Fund and risk tolerance levels.;
- (d) ~~Establish~~establish and approve overall ~~Fund~~ investment manager structure for the Fund;
- ~~(d)~~(e) establish and approve all operating and administrative policies and procedures for the Fund including the IMANT Conflict of Interest Policy (the “Conflict of Interest Policy”), Code of Conduct and its conflict of interest policies and the IMANT Statement of Signing Authorizations (the “Signing Authorizations”).;
- ~~(e)~~(f) Delegate~~delegate~~ specific responsibilities to the IMANT President to assist with the investment day-to-day management and administration of the Fund.
Notwithstanding this delegation of authority, the ~~Directors~~IMANT Board shall ensure oversight of the IMANT President’s compliance with this Policy.;
- ~~(a)~~ Review and approve those investment transactions where the invested amount is outside the scope of the President’s authorization as set out in the IMANT Statement of Investment Authorities (the “Statement of Investment Authorities”).
- (g) Monitor~~rely~~ on independent experts as required for certain aspects of the Fund’s operations;
- (h) monitor the Fund’s investment performance;
- ~~(f)~~(i) advise the Board of Governors if the Fund’s investment performance and asset class returns to ensure continued appropriateness of the Asset Mix, the Return Objective are not in alignment; and

~~(g)~~(j) ~~Carry~~carry out other duties as delegated by the Board of Governors from time to time.

IMANT Investment Committee

~~1.43.6~~ The IMANT Investment Committee, comprising all members of the IMANT Board, within the scope of the general investment beliefs described in Section 4, shall:

- (a) ~~Recommend the investment policy for the Fund and establish policy benchmarks~~review and recommend to the IMANT Board changes to this Policy, which are within the University's objectives and risk tolerances;
- (b) ~~Approve~~approve the following, where applicable:
 - (i) ~~Sub~~sub-asset categories;
 - (ii) ~~Asset category/asset manager~~Manager risk guidelines;
 - (iii) Manager structures;
 - (iv) ~~Asset manager~~Manager selection process;
 - (v) ~~Selection~~selection and removal of ~~asset managers~~Managers upon recommendations brought forward by the IMANT President;
 - (vi) ~~Rebalancing~~rebalancing rules;
 - (vii) ~~Review~~proxy voting guidelines; and
 - (viii) asset-liability study and portfolio review consultants upon recommendations brought forward by the IMANT President;
- (c) review and report on investment performance against ~~investment objectives and benchmarks~~the Return Objective;
- (d) ~~Review~~review and report on ~~manager~~monitoring of the Managers and compliance reports prepared by the IMANT President;

- (e) ~~Monitor~~monitor, evaluate and report on performance and cost effectiveness of investment policies and strategies; and
- (f) ~~Carry~~carry out other appropriate duties as authorized by the IMANT Board.

IMANT President

4.53.7 The IMANT President, under the direction of the IMANT Board, shall:

- (a) ~~Manage~~manage the day-to-day investment activities and administration of the Fund in accordance with this Policy, the Act, ~~the Statement of Investment Authorities~~ and the operating policies and procedures established by the ~~Directors~~IMANT Board;
- (b) ~~Recommend~~recommend to the ~~Directors~~IMANT Board and implement an appropriate ~~long term Strategic Asset Allocation Policy and~~ investment ~~manager~~strategy and Manager structure taking into account the nature of the Fund's obligations. ~~Implement the Fund's Strategic Asset Allocation Policy~~;

- (c) ~~Recommend~~recommend for approval by the IMANT Investment Committee, selection and appointment and/or termination of ~~external investment managers to assist with the management of the Fund (the “Managers”);~~
- (d) ~~Select~~select and recommend appointment and/or termination of the Custodian of the Fund’s assets (the “~~Custodian”);~~);
- (e) ~~Select~~select and appoint and/or terminate consultants not covered by 2.4 Section 3.6(b), lawyers and other service providers as required;.
- (f) ~~Meet~~meet with individual investment Managers on at least an annual basis. Evaluate and monitor the performance of individual Managers relative to agreed upon performance and risk objectives as established by the IMANT President. Oversee the Managers’ compliance with this Policy;.
- (g) ~~Execute~~execute agreements and mandates with the Managers, service providers and agents;.
- (h) ~~Evaluate~~evaluate and monitor the Fund’s ~~investment performance and asset class returns~~against the Return Objective to ensure continued appropriateness of the ~~long term Strategic Asset Allocation Policy-Return Objective~~. Make recommendations to the ~~Directors-IMANT Investment Committee~~ for confirmation and or changes as required;.
- (i) ~~Evaluate~~evaluate and recommend to the Directors, any co-investments with other institutional investors;.
- (j) ~~Prepare~~prepare reports for the IMANT Board and IMANT Investment Committee on a regular basis on the management and investment activities of the Fund; and
~~(b) Carry~~carry out other appropriate duties as authorized by the ~~Directors~~.

SECTION 3 – FUND OVERVIEW

3.1 — The Fund’s assets consist of a liquid, working capital pool of monies referred to as the UBC Core Working Capital Fund. The Fund was originally managed internally through UBC Treasury. In March 2009, the Board of Governors directed that the majority of the working capital funds be transferred to IMANT.

3.2 — UBC Treasury manages a Liquidity Fund of up to \$100 million to provide short term liquidity and it is expected that the University will only draw on or contribute to the Working Capital Fund three to five times a year.

3.3 — In February 2011 the Board of Governors approved the creation of the Student Housing Financing Endowment (“SHFE”). At this time, the **Board of Governors** also designated the land sale proceeds the University receives from UBC Properties Investments Ltd as ‘SHFE Capital’, to be used for financing student residences. SHFE Capital is received by and remains an asset of the University. As such, funds received are included with working capital until they are used for financing of student housing projects. SHFE funds within the Core Working Capital Fund are allocated a pro-rata share of the total return on the Core Working Capital Fund.

3.4 — The target duration on the Fund is set to two and a half years to match the approximate duration of the liabilities. This portfolio structure was implemented August 5, 2009. At implementation, the external investment management fee was five basis points relative to the Fund’s assets.

- (k) Fees paid by the Fund include fees charged by IMANT and the external investment manager. IMANT will invoice the University for reimbursement of IMANT expenses to recover its costs Board.

3.5 — The University’s contact for this Fund is the Treasurer, UBC Treasury (the “Client”). The Client has the responsibility of informing IMANT on a timely basis of any issues that can create a change in the Policy or its implementation.

~~3.6 — Should changes in the expected expenditure schedule create a situation where the size of the account is uneconomic to manage as a standalone account, this account may be pooled with other appropriate funds and/or endowments.~~

Section 2 Section 4 SECTION 4 – INVESTMENT PRINCIPLES AND BELIEFS

~~2.14.1~~ The ~~Directors have enunciated a set~~ IMANT Board of ~~Directors'~~ investment principles and beliefs ~~that forms form~~ the basis for ~~the development of~~ this Policy and the manner in which the Fund shall be invested. ~~In summary, these beliefs, and they~~ are:

- (a) ~~The~~the Fund shall be managed with the prudence and standard of care that requires all fiduciaries, including the Managers, to use the same care and diligence that they would use in managing ~~their own assets~~ the property of another person and to apply all relevant knowledge that they possess or by reason of their profession ought to possess;
- (b) ~~Investment~~investment risk shall be managed with the same degree of prudence and care used in managing ~~fixed income~~ investment assets ~~and returns~~. IMANT shall manage investment risk primarily through asset mix and security diversification, Manager diversification, credit analysis, currency management and transparent reporting. To the extent practical risks should be identified, quantified, managed and reported;
- (c) ~~#recognizing that the University is a public institution, investments and investment processes must be transparent and readily communicated;~~
- (d) diversification can improve portfolio risk and return characteristics;
- (~~e~~)(e) it is appropriate to retain Managers to invest the Fund in an efficient and cost effective manner;

SECTION 5 – OBJECTIVES, RETURN AND RISK EXPECTATIONS, ASSET MIX

Fund Objectives

- (f) Investment decisions shall passive investment management should be made with used unless it can be demonstrated that, net of fees, active management can add value; and
- (g) the principal objective being University is committed to responsible investing. IMANT incorporates environmental, social and governance (ESG) factors in its investment process to facilitate more informed investment decisions. The University will fulfill its commitments in a way that does not negatively impact the preservation financial objectives of its investments.

Section 5 - RISK AND RETURN EXPECTATIONS

2.25.1 The Fund will be characterized as low risk as it seeks to provide stability of capital to meet future disbursement requirements by investing primarily in a well-diversified portfolio of fixed income securities.

Return and Risk Expectation

2.35.2 The Fund is expected to achieve over moving four-year periods a return, before all fees and expenses, at least equal to a composite benchmark made up of equal investments in on-the-run, 2- and 3-year Government of Canada bonds the Return Objective.

Asset Allocation

5.1 In identifying the Asset Mix that would best meet the above Fund objectives, consideration has been given to:

- (a) the factors outlined in the Fund **Overview**;
- (b) the nature of the liabilities;
- (c) the return expectations and the risks associated with key asset classes, as well as the relationships of their returns with each other, inflation and interest rates;
- (d) diversification benefits obtained by the inclusion of various fixed income

securities, and

(e) ~~practical considerations.~~

5.2 ~~— If the Asset Mix deviates outside of the permitted ranges at the end of any quarter, the Directors shall approve the current mix or authorize the President to take corrective action to bring the Asset Mix back within the range as soon as practicable.~~

~~Section 3~~ ~~Section 6~~ **SECTION 6 – PERMITTED INVESTMENTS, PORTFOLIO CONSTRAINTS, CREDIT QUALITY, DIVERSIFICATION AND LIQUIDITY**

6.1 All investments shall be made in accordance with applicable legislation and the standard of care set out in the Act.

6.2 The Custodian shall be a trust company registered in Canada. All public investments and assets of the Fund shall be held by the Custodian and registered:

(a) in a name that clearly indicates that the investment is held in trust for the Fund and, where the investment is capable of being registered, registered in that name; or

(b) in the name of the Canadian Depository for Securities Limited, the Custodian, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Fund and provides that:

(i) the investment constitutes part of the Fund;

(ii) the investment shall not at any time constitute an asset of the Custodian or nominee; and

(iii) records shall be maintained by the Custodian that are sufficient to allow the ownership of any investment be traced to the Fund at any time.

6.3 ~~is permitted~~ From time to time, and in accordance with this Policy including but not limited to Section 7, the Fund may invest in bonds, bond coupons, treasury bills, bankers' acceptances and any or all of the following asset categories and sub-categories of investments either directly or through pooled funds or other co-mingled vehicles that hold these investments:

(a) Cash or Cash Equivalents, which are limited to:

(i) deposits with the Province of British Columbia Central Deposit Program or financial institutions subject to constraints listed in sections 6.11 and 6.12. The Fund may invest in segregated or pooled funds that follow this Policy with a current term to maturity of one year or less;

(ii) bonds and bond coupons of Canadian and foreign issuers with a current term to maturity of one year or less; and

(iii) floating rate notes of Canadian and foreign issuers with a current term to maturity of one year or less.

(b) Fixed Income, which are limited to:

(i) bonds, debentures, notes, or other debt instruments, including securitized investments, of Canadian, and foreign issuers;

(ii) mortgages and asset-backed securities; and

(iii) term deposits or similar instruments of trust companies and banks licensed to carry on business in Canada or the United States.

6.4 Fund investments in pooled funds and/or other co-mingled vehicles will be subject to the specific policies and/or guidelines of the respective pooled fund or co-mingled vehicle. In the event of a conflict between the Policy and the specific policies and/or guidelines of the respective pooled fund and/or co-mingled vehicle, the latter's policies and/or guidelines will prevail. However, IMANT is required to advise the Board of Governors in the event the pooled fund and/or co-mingled vehicle exhibits, or may exhibit, any significant departure from this Policy.

Section 7 - LIQUIDITY AND PORTFOLIO CONSTRAINTS

3.27.1 Unless otherwise indicated, all percentages used in this Section ~~shall be~~ are calculated using market values.

~~a) Investments in the securities of Canada Housing Trust shall be limited to no more than 50% of the assets of the Fund's investment portfolio.~~

~~b) Investments in the securities of the Provinces shall be limited to no more than 70% of the assets of the Fund's investment portfolio.~~

~~e) Investments in the fully guaranteed securities of Provincial agencies shall be limited to no more than 20% of the assets of the Fund's investment portfolio.~~

- ~~d) Investments in the securities of the Province of Ontario shall be limited to no more than 50% of the total assets of the Fund's investment portfolio.~~
- ~~e) Investments in the securities of the Province of Alberta shall be limited to no more than 25% of the total assets of the Fund's investment portfolio.~~
- ~~f) Investments in the securities of the Province of British Columbia and deposits with the Province of British Columbia Central Deposit Program shall be limited to no more than 50% of the total assets of the Fund's investment portfolio.~~
- ~~g) Investments in the securities of the Province of Quebec shall be limited to no more than 25% of the total assets of the Fund's investment portfolio.~~

- ~~h) Investments in the securities of all provinces and/or territories with the exception of Ontario, Alberta, British Columbia and Quebec shall be limited to no more than 5% of the total assets of the Fund's investment portfolio.~~
- ~~i) Investments in Canadian bankers' acceptances shall be limited to Schedule I banks, shall be readily marketable or redeemable and shall be limited to no more than 10% of the total assets of the Fund's investment portfolio.~~

~~7.2 IMANT shall maintain sufficient liquidity in the Fund to meet current operating disbursements and to avoid untimely disposal of securities, and therefore the Fund will maintain at least 10% in cash and cash equivalents. Liquidity needs will be met through the redemption of individual securities and pooled fund units.~~

Cash or Cash Equivalents

~~3.37.3 All underlying cash equivalent investments must have a short-term credit rating of at least R- 1 (middle) or a long-term credit rating of at least "A" from Dominion Bond Rating Service, or equivalent credit rating as rated by another nationally recognized rating organization.~~

~~Portfolio is targeting a duration~~ **Fixed Income**

~~7.4 Fixed income assets of ~~two~~ the Fund must meet the following requirements:~~

- ~~(a) investments in the securities of any of the Provinces shall be in aggregate for all Provinces, limited to no more than 70% of the assets of the Fund's investment portfolio, including agencies of a Province;~~
- ~~(b) investments in asset backed securities shall be limited to instruments underwritten by Canadian Schedule I banks, shall be readily marketable and shall be limited to no more than 10% of the total assets of the Fund's investment portfolio;~~
- ~~(c) no more than 50% of the Fund's investment portfolio shall be invested in corporate bonds;~~
- ~~(d) no more than 40% of the Fund's investment portfolio shall be invested in mortgages;~~

- (e) no more than 20% of the Fund’s investment portfolio shall be invested in foreign bonds;
- (f) no more than 20% of the Fund’s investment portfolio shall be invested in debt securities having a “BBB” rating;
- (g) mortgage investments shall be restricted to pooled mortgage funds consisting of geographically diversified first mortgages of industrial, residential, commercial and office properties in Canada. For a mortgage fund to be eligible, the aggregate amount of each mortgage within the mortgage fund must not exceed 75% of the appraised value of the subject real estate at the time of investment or renewal. Credit ratings referenced in this Policy do not apply to mortgage investment; and
- (h) swaps, futures and forward contracts are permitted for hedging purposes only. The counterparty to any derivative transaction must have a long-term credit rating of at least “A” from Standard & Poor’s Corporation, “A2” from Moody’s Investor Service Inc., or equivalent credit rating as rated by another nationally recognized rating organization.

7.5 If a security’s credit rating falls below the specified level after purchase, the Manager shall recommend a course of action to the IMANT President for approval.

7.6 For purposes of this Section 7, all debt ratings refer to the ratings of Dominion Bond Rating Service unless otherwise indicated, however, equivalent ratings by another major credit rating agency can be used.

Maturities of the Securities

3.47.7 half ~~The~~ The remaining maturities of securities shall be limited to no more than seven years.

Investment Holdings in Foreign Currencies

- ~~j) — The Fund shall not invest~~ Investments ~~in securities that are not~~ denominated in Canadian dollars.

~~Maturities of the Securities~~

~~3.57.8~~ The maturities of securities shall be foreign currencies are limited to no more than ten years. 20% of the Fund's investment portfolio.

7.9 Maximum foreign currency exposure is limited to 10% of the Fund's investment portfolio.

7.10 Foreign currency exposures are restricted to US Dollar, Euro, British Pounds, Japanese Yen, Australian Dollar and New Zealand Dollar.

Prohibited Investments and Trading Activities

~~3.67.11~~ The Manager undertakes not to engage or invest the Fund's assets in the following:

- (a) ~~Equities~~equities or shares issued by any corporation;
- (b) ~~Hedge~~hedge funds or funds of hedge funds;
 - i) ~~Municipal bonds~~;
 - ii) ~~Corporate bonds~~;
 - iii) ~~Fixed income instruments with credit spread durations longer than the duration of the underlying instrument~~;
 - iv) ~~A security whose legal maturity is longer than ten years~~;
 - v) ~~Asset backed securities, except for investments in the securities of Canada Housing Trust~~;
- (c) ~~Fixed~~fixed income instruments with leverage in excess of that contained in the underlying asset structure backing the instrument;
- (d) ~~Derivatives~~options or any instruments that have ~~derivative~~option holdings or features;
- (e) ~~Non~~non-marketable securities;
 - vi) ~~Commodities~~;
- (f) ~~Repurchase~~commodities;
- (~~f~~)g) repurchase agreements against securities which are not permitted to be held in the portfolio; and

(g)(h) Margin transactions or any form of leveraging.

SECTION 7 – CUSTODIAN

~~3.71.1~~ The Custodian shall be a trust company or life insurance company registered in Canada. All public investments and assets of the Fund shall be held by the Custodian and registered:

- ~~(a) in a name that clearly indicates that the investment is held in trust for the Fund and, where the investment is capable of being registered, registered in that name, or~~
- ~~(b) in the name of the Canadian Depository for Securities Limited, the Custodian or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Fund and provides that:
 - ~~(i) the investment constitutes part of the Fund,~~
 - ~~(ii) the investment shall not at any time constitute an asset of the Custodian or nominee, and~~
 - ~~(i) records shall be maintained by the Custodian that are sufficient to allow the ownership of any investment be traced to the Fund at any time.~~~~

~~Section 4~~ ~~Section 8~~ ~~SECTION 8~~ – LOANS AND BORROWING

~~8.1 IMANT shall maintain sufficient liquidity in the Fund to meet current operating disbursements and to avoid untimely disposal of securities. Liquidity needs will be met through the redemption of individual securities.~~

4.18.1 The Manager shall not encumber the Fund in any way, including but not limited to, encumbrances in any way connected to:

- (a) borrowing money;
- (b) issuing any debt obligations or securities;
- (c) guaranteeing any debt or other obligation of a person, mortgage or other entity; or
- (d) pledging all or any portion of the Fund by way of security for payment to any creditor.

~~Section 5~~ **Section 9** ~~SECTION 9~~ – **VALUATION OF INVESTMENTS**

~~5.19.1~~ All securities shall be valued by the Custodian no less frequently than monthly at their market value.

~~5.29.2~~ Investment in a pooled fund comprising marketable securities shall be valued according to the unit values calculated at least monthly by the Custodian of that pooled fund. The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.

~~9.1~~ ~~If a market valuation of an investment is not readily available, an estimate of fair value shall be supplied by the Manager to the Custodian no less frequently than monthly. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as discounted cash flow or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time and in accordance with generally accepted industry valuation procedures. This valuation methodology shall also apply to non-tradable investments held directly or through co-investment with other investors.~~

~~Section 6~~ Section 10 SECTION 10 – RELATED PARTY TRANSACTIONS

- ~~6.1~~10.1 For the purposes of this Policy, “Related Party” has the meaning given in the ~~University Business Corporations~~ Act of British Columbia, but for greater certainty includes:
- (a) the University, an affiliate of the University, or a member of the Board of Governors of the University;
 - (b) an officer or employee of the University;
 - ~~(c)~~ (c) a ~~member of~~ Director on the IMANT Board of Directors ~~and/;~~ or
 - ~~(e)~~ (d) IMANT staff.

- ~~6.2~~10.2 The Fund may enter into a transaction with a ~~related party~~ Related Party only if:
- (a) the transaction is required for the operation or administration of the Fund, ~~and;~~
 - (b) the terms, conditions and monetary value of the transaction are not less favourable than market terms, conditions and value; ~~and~~
 - (c) the transaction does not exceed 3% ~~to~~ of the market value of the Fund at the time of the transaction.

~~6.3~~10.3 ~~The Directors~~ Notwithstanding Section 10.2, the IMANT Board shall monitor transactions to ensure ongoing compliance with this Policy.

~~Conflicts of Interest~~

Section 11 - CONFLICTS OF INTEREST

11.1 From time to time, real or perceived conflicts of interest may arise. If ~~a Director, or~~ any agent of or advisor to the Fund, or any employee person below listed has or acquires any material interest, direct or indirect, in any matter in which the Fund is invested, or may benefit

materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Fund. ~~In the case of an IMANT staff member, the disclosure is, that person must disclose that interest~~ to the person as follows:

- (a) any Manager, agent, or advisor to the Fund, to the IMANT President ~~of;~~
- (b) IMANT; ~~in staff members, to the case of~~ IMANT President;
- (c) the IMANT President, to the chair of the IMANT Board ~~Chair and in the case of;~~
- (d) a Board member ~~Director~~, to the chair of the IMANT Board ~~Chair. If; or~~
- (e) the chair of the IMANT Board, to the IMANT President and the chair of the Board ~~Chair is involved, disclosure should be made to the Chair of the Governance Committee. of~~ Governors' governance committee.

The ~~Chair~~ chair of the IMANT Board or the IMANT President, as applicable, shall then advise all members of the IMANT Board. ~~Any conflict should be of the~~ disclosed ~~prior to~~ conflict before the next IMANT Board meeting, and the IMANT Board shall decide on an appropriate course of action prior to discussing the related business matter. Any ~~such~~ person making a disclosure will thereafter abstain from any decision making with respect to the area of conflict, unless otherwise determined by unanimous decision of the remaining Directors.

~~6.4~~11.2 Every disclosure of interest under ~~this~~ Section 11.1 shall be recorded in the minutes of the relevant ~~Directors'~~IMANT Board meeting.

~~6.5~~11.3 The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract or other matter.

~~6.6~~11.4 The IMANT President shall satisfy himself that an appropriate policy regarding conflicts of interest exists and is followed by any fiduciary of the Fund, including the Managers. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Chartered Financial Analysts Institute shall be expected to apply to such fiduciaries.

~~Section 7~~ **Section 12 SECTION 11** – **MONITORING**

~~7.1~~12.1 The ~~Directors~~IMANT Board shall review on a regular basis, as needed, and at least once a year:

- (a) the assets and net cash flow of the Fund;7.2
- (b) the current asset mix of the Fund;7.2
- (c) risk analysis and investment performance of the Fund and each Manager relative to the objectives of the Policy and the Managers' mandates;7.2
- (d) portfolio holdings;7.2
- (e) the fees and expenses incurred in managing the Fund;7.2 and
- (f) compliance with this Policy. ~~(See Appendix A for sample Compliance Report.)~~

Such a review ~~may~~shall be undertaken on the IMANT Board's behalf quarterly through the ~~Audit~~IMANT Investment Committee. Following such review, the ~~Audit~~IMANT Investment Committee shall take action as it deems prudent and appropriate.

12.2 ~~The Audit~~The University Vice President Finance and Operations and the University Treasurer shall each have a seat on the IMANT Board for the purposes of oversight, monitoring and communication of the University's disbursement requirements.

~~7.2~~12.3 The IMANT Investment Committee shall evaluate whether any information discovered through the foregoing monitoring activities require specific communication to the ~~Client~~Board of Governors.

~~7.3~~12.4 The Manager shall provide IMANT with monthly, quarterly and annual performance calculations ~~both gross and net of fees~~ to assist IMANT in its evaluation of Fund performance.

~~11.1 To help in the evaluation of performance, the Manager will provide the following returns on a monthly, quarterly and annual basis: 30-day Government of Canada T-Bills, Canada 2-year Bond and Canada 3-year Bond and bankers' acceptances.~~

~~Section 8~~ Section 13 ~~SECTION 12~~ – POLICY REVIEW

~~8.1~~13.1 This Policy shall be reviewed at least annually by the ~~Directors~~IMANT Board in order to determine whether any modifications are necessary or desirable. Such review shall include but not be limited to:

- (a) changes in the ~~design~~structure of the Fund by the University;_i
- (b) revisions to the expected long-term relationship between risk and reward on key asset ~~classes~~types;
- (c) changes in the net cash flows of the Fund;_i
- (d) shortcomings of the Policy that emerge in its practical operation;_i
- (e) changes in applicable legislation;_i and
- (f) recommendations by the IMANT President.

13.2 All ~~changes~~modifications to this Policy are to be approved by the Board.

~~12.1~~—A copy of this Policy and any significant amendments to it shall be delivered to the Client for the Fund.

~~APPENDIX A — SAMPLE COMPLIANCE REPORT~~

Governors.

Compliance Report: JUNE 30, 2011

UBC Working Capital Fund (TC326)

Signed:  Stewart Marshall, Vice President

Date: July 29, 2011

Market Value (w/ accrued) \$ 278.4 Million
 Portfolio Yield 2.61%
 Spread to Canada's 0.09%
 Duration 3.893 years

Asset Mix:	Benchmark	Actual	In Compliance	Comments
Canada	No Max.	0.1%	Yes	
Canada & Canada Agency Bonds & Other Fully Guaranteed Bonds	No Max.	38.4%	Yes	
Canada Agency Bonds & Other Fully Guaranteed Bonds	Max 50%	38.3%	Yes	
Maximum Single Exposure to Canada Agency Bonds & Other Fully Guaranteed Bonds as % of Fund	Max 5%	-	Yes	
Maximum Single Exposure to Canada Housing Trust Security as % of Fund	Max 50%	38.3%	Yes	
Provincial Bonds	Max 70%	56.5%	Yes	
Provincial & Provincial Agency Bonds & Other Fully Guaranteed Bonds	Max 20%	0.0%	Yes	
Provincial Agency Bonds & Other Fully Guaranteed Bonds	Max 75%	66.2%	Yes	
Maximum Single Exposure to Provincial Agency Bonds & Other Fully Guaranteed Bonds as % of Fund	Max 30%	BC 2.7%, 14.1% QC	Yes	
Prov. of BC or Quebec Max Each as % of Total Fund	Max 5%	NB 0.4%, NF 0.8%	Yes	
All Other Provinces Max Each as % of Total Prov. & Prov. Agency Bonds & Other Fully Guaranteed Bonds	Not Allowed	0.0%	Yes	
Maximum Duration	6 years	3.893	Yes	
Municipal Bonds	Not Allowed	0.0%	Yes	
Corporate Bonds Excluding Asset Backed securities	Not Allowed	0.4%	No/Yes	Legacy only, else compliance
Bank Guaranteed Asset backed Securities	Not Allowed	0%	Yes	
NonBank Bank Asset backed Securities	Not Allowed	0%	Yes	
Instruments with Credit Durations Longer Than Legal Maturity	Not Allowed	0%	Yes	
Instruments with Additional Leverage Over Underlying Securities	Not Allowed	0%	Yes	
Derivatives	Not Allowed	0%	Yes	
Repurchase Agreements Against Prohibited Securities	Not Allowed	0%	Yes	
Financial Leverage of Any Kind	Not Allowed	0%	Yes	
Non Canadian Dollar Holdings	Not Allowed	0%	Yes	
Equities	Not Allowed	0%	Yes	
Commodities	Not Allowed	0%	Yes	
Hedge Funds	Not Allowed	0%	Yes	
Ratings Distribution:				
AAA	\$	121,166,687	%	45.7%
AA	\$	103,633,506	%	38.1%
A	\$	39,310,176	%	14.8%
Below A	\$	1,114,054	%	0.4%
Total (minus cash)	\$	265,250,348	%	100.0%
Total Portfolio				
Cash	\$	13,140,050	%	4.7%
Canada's	\$	106,902,105	%	38.4%
Provincials	\$	183,944,885	%	66.5%
Municipals	\$	0	%	0.0%
Corporates	\$	1,018,560	%	0.4%
	\$	278,399,888	%	100.0%
Non Compliant Securities	\$	1,018,560	%	0.36%
Corporate bonds				No/Yes

Legacy only, else compliant