



SUBJECT Proposed Policy Amendment
Update to Statement of Investment Policy (SIP) for Short-Term Liquidity Pool

SUBMITTED TO Finance Committee

MEETING DATE June 3, 2025

SESSION CLASSIFICATION Recommended session criteria from Board Meetings Policy:
OPEN

REQUEST APPROVAL REQUESTED
IT IS HEREBY RESOLVED that the Finance Committee, in accordance with authority delegated by the Board of Governors, approves the amendment of the Short-Term Liquidity Pool (formerly known as the “Liquidity Fund”) Statement of Investment Policies as set out in Appendix 2 to the briefing, effective July 1, 2025.

LEAD EXECUTIVE Frank Laezza, Vice-President Finance & Operations

SUPPORTED BY Hubert Lai, K.C., University Counsel
Karen Choi, Legal Counsel
Yale Loh, Treasurer
Doug Cheung, Director, Treasury

PRIOR SUBMISSIONS

The subject matter of this submission was most recently considered by the Board of Governors on [December 5, 2017](#) (OPEN SESSION): Approval of proposed amendments to the Liquidity Fund Statement of Investment Policies and Procedures by the Board of Governors¹.

The following Executive Summary provides a status update from the date of the most recent submission.

EXECUTIVE SUMMARY

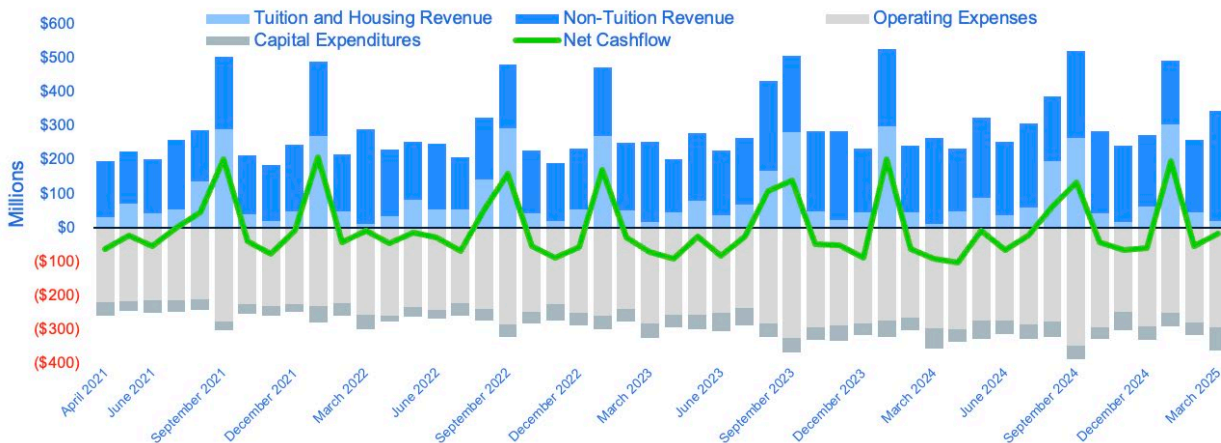
The Short-Term Liquidity Pool (formerly known as the “Liquidity Fund”), together with the Long-Term Liquidity Pool (formerly known as the “Working Capital Fund”) comprise UBC’s working capital. The Short-Term Liquidity Pool has been managed by UBC Treasury since 2009 and includes the portion of UBC’s working capital for short to medium term operational requirements. The Short-Term Liquidity Pool is governed by a Statement of Investment Policy (“SIP”) which lays out, among other things, an overview of the pool, specific investment parameters such as permitted investments, together with investment objectives and strategies. The Long-Term Liquidity Pool is managed by UBC Investment Management (“UBCIM”) and governed by its own SIP, the subject of another agenda item at this meeting. A periodic review of both the Short-Term Liquidity Pool and Long-Term Liquidity Pool SIPs has resulted in recommended changes to better align and clarify operational needs and requirements.

The current Short-Term Liquidity Pool SIP was last updated in March 2017. At that time, it contemplated that the Short-Term Liquidity Pool would hold C\$100 million, which was anticipated to support 6 months of cash-flow requirements. UBC Treasury has reviewed UBC’s cash-flow requirements and has determined that it would be appropriate for the amounts invested through the Short-Term Liquidity Pool to be sufficient to support UBC’s cash-flow requirements for a 12-month period rather than a 6-month period. In addition, both revenue and

¹ The Finance Committee has delegated authority to invest money belonging to UBC and which is available for investment, including approving the Statements of Investment Policies and Procedures pursuant to the Finance Committee Terms of Reference approved by the Board of Governors.

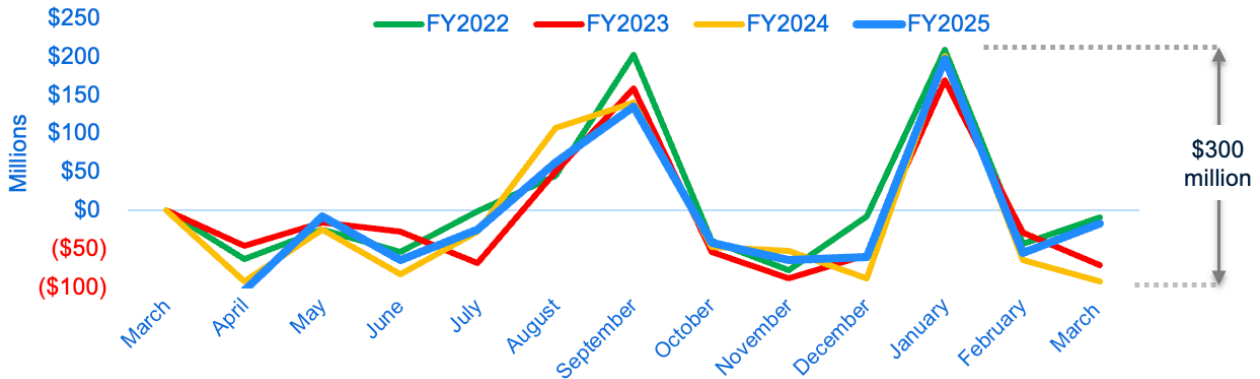
expenses for UBC have increased since 2012, as evidenced by the growth in monthly cashflows. Analysis of cashflows from FY2022 to FY2025 shows monthly revenue peaking around \$500 million given incoming tuition and student housing revenue in September and January every fiscal year, while monthly cash outflows have grown to average \$330 million per month in FY2025 compared to an average of \$260 million in FY2022. A more concrete example of change in expense size is the growth in UBC’s monthly payroll to \$200 million today versus \$60 million in 2011. See the Monthly Cash Inflow and Outflow graphic below for further information.

UBC Monthly Cash Inflows and Outflows – FY2022 to FY2025



Since FY2022, UBC experienced monthly net inflows in September and January close to \$200 million (with inflows in August approaching \$100 million) and monthly outflows of between \$50 million and \$100 million in all other months, leading to a peak to valley in cashflows of \$300 million. Cumulative cashflow within a fiscal year largely depends on capital expenditures with net fiscal year cashflow ranging from \$138 million inflow in FY2022 to a \$122 million outflow in FY2024 and \$46 million outflow in FY2025. See Cashflow Seasonality graphic below.

UBC Cashflow Seasonality – Monthly Net Cashflows



Given the desire to support 12 months of cash-flow requirements instead of 6 months and also given the increased volume of daily cash in and outflows, the proposed amendments to the SIP increase the Asset Limit from C\$100 million to \$300 million.

This is also similar to the approach at the University of Toronto for their working capital where the University directly manages short term operational funds² and University of Toronto Asset Management manages all remaining funds. Benefits of this approach include:

² \$352 million as of April 30, 2024 and \$221 million as of April 30, 2023.

- Greater investment clarity by clearly articulating investment horizons. As described by the [memo dated March 15, 2012](#) and presented at the April 2012 Board meeting, the intention was to allow UBC Treasury to manage working capital requirements within 6 months yet this was not formally described within the SIP. In addition, increasing the period of focus to one-year provides greater operational flexibility to meet the peak to valley seasonality of UBC cashflows over a fiscal year, particularly the large cash inflows in September and January to the outflow summer months of June and July. It is intended that any cash inflows not forecasted to be needed within a one-year period would be transferred to UBCIM, and provide greater clarity to UBCIM that any funds invested in the Long-Term Liquidity Pool would not be required for day-to-day cash management purposes and could be invested accordingly.
- Less administrative burden. Regardless of the intended operational time frames of the Short-Term Liquidity Fund and Long-Term Liquidity Fund, the small size of the fund means that large inflows of funds above the \$100 million limit would need to be transferred to UBCIM even if the funds would be needed within a week or even days. A larger limit would resolve this issue and produce greater operational efficiency for both UBC and UBCIM by reducing the need to transfer funds for short periods of time back and forth, and also allowing UBC Treasury to directly match incoming cash to known future requirements.
- No anticipated difference in return on funds invested. While the primary objective is to maintain liquidity and ensure the return of UBC's working capital, a secondary objective is to earn a reasonable yield on the funds invested given the primary objective. UBC Treasury has similar access to the Province of BC Central Deposit Program where UBCIM frequently invests short-term cash, along with access to highly rated government, financial institution and publicly traded company money market securities. As a result, it is expected that UBC would not be worse off financially from this approach.

Additional changes to the Short-Term Liquidity SIP involve:

- the inclusion of commercial paper of publicly traded companies and fixed income pooled funds to the list of permitted investments with a limit of the lesser of \$45m or 20% of the pool face value for commercial paper and the approval of the VPFO for any new pooled funds
- the more conservative concentration limits, as a percentage of the pool, for investments issued by provinces and banks together with an absolute dollar limit
- the exclusion of certain internal or external funds with investment restrictions from the Short-Term Liquidity pool and the \$300m limit. Any exclusion requires the approval of the VPFO
- changes to policy language to clarify UBC's intent with respect to governance, investment parameters, investment objectives and strategies, and to align the language with the Long-Term Liquidity SIP

Attached as Appendix 1 is a table outlining all substantive changes to the approved 2017 Liquidity Fund Pool Statement of Investment Policies and Procedures. Clean copies of the recommended Short-Term Liquidity Pool Statement of Investment Policy and the 2017 Liquidity Fund Statement of Investment Policies and Procedures are attached as Appendices 2 and 3.

APPENDICES

1. Comparison Table of Substantive Changes to the 2017 Liquidity Fund Statement of Investment Policies and Procedures
2. Proposed Short Term Liquidity Pool Statements of Investment Policy
3. 2017 Liquidity Fund Statement of Investment Policies and Procedures

PRESENTATIONS

1. Working Capital Analysis and UBC Liquidity Forecast

SUMMARY OF SUBSTANTIVE CHANGES

Short Term Liquidity Pool SIP (formerly Liquidity SIP)

The table below summarizes the substantive proposed changes requested by UBC.

Liquidity Fund SIPP (Oct 2017)	Short Term Liquidity Pool SIP (Jun 2025)	Summary of Changes
Section 1 – Purpose (1.1)	1. Purpose (1.1)	Name changed from “Liquidity Fund” to “Short-Term Liquidity Pool” and time frame added for Short-Term Liquidity Pool (assets required in one year or less).
Section 2 – Fund Overview and Objectives (2.1)	2. Pool Overview (2.1, 2.2)	Time frame added to further clarify distinction between Short-Term Liquidity Pool (assets required in <u>one</u> year or less) and Long-Term Liquidity Pool (assets required greater than one year but less than five years). History related to fund deleted as deemed unnecessary.
Funds under Treasury Management (2.3)	6. Risk Management –Asset Limits, Permitted Investments, Maturity and Quality of Investments (6.1, 6.2, 6.3)	Update maximum permitted market value of assets in the Pool from CAD \$100 million limit to CAD \$300 million (“Asset Limit”), which is inclusive of a foreign currency limit of CAD \$30 million equivalent (“Foreign Asset Limit”). Added “Key Criteria” for consideration to review suitability of Asset Limit and Foreign Asset Limit when SIP is reviewed.
Fund Objectives (2.5) Return Objectives (2.6)	3. Liquidity Requirement and Return Standard (3.1, 3.2)	Primary objective of the Pool is to preserve capital to meet disbursements and the provision of liquidity to meet the day-to-day financial commitments of UBC and be capable of being liquidated within 5 days. The performance benchmark has been updated and renamed the “Return Standard,” which is the 30-day Canadian federal government treasury bills.
Section 3 – Fund Governance (3.1-3.5)	4. Roles and Responsibilities (4.1-4.3)	Clarify roles and responsibilities within UBC for this internally managed Pool. Added delegation to Board Finance Committee to establish, amend and repeal SIP.
Section 6 – Permitted Investments (6.1)	6 Risk Management – Asset Limits, Permitted Investments, Maturity and Quality of Investments (6.4, 6.8, 6.9)	UBC may elect to exclude certain internal or external funds with investment restrictions from the Short-Term Liquidity Pool and the Asset Limit with the prior approval of the VPFO. Expansion of permitted investments from current asset categories to include: (a) investments in public fixed income assets such as commercial paper, bonds, debentures, notes, asset-backed securities, and term deposits or similar instruments with financial institutions; and (b) investments made indirectly or synthetically through exchange traded funds (ETFs), pooled funds, trusts, limited partnerships, mutual funds, derivatives, segregated funds or other investment vehicles.

SUMMARY OF SUBSTANTIVE CHANGES
Short Term Liquidity Pool SIP (formerly Liquidity SIP)

		Pool may also be invested in money market pooled funds or equivalent with the prior written approval of the VPFO.
Section 7 – Liquidity and Portfolio Constraints (7.1-7.9)	7. Risk Management - Asset and Investment Constraints (7.1, 7.2)	Pool concentration and quality constraints updated to align to account for new permitted investments and increased maximum permitted market value of asset limits. Pool concentration limits made more conservative for investments issued by Provinces and financial institutions as a percentage of the pool and with an absolute dollar limit
Section 10 – Related Party Transactions and Conflicts of Interest (10.1, 10.2)	10. Permitted Transactions (10.1, 10.2)	Purpose of related-party transaction provisions to mitigate against potential conflicts of interest. Provides greater clarity and adds approval requirement for permitted transactions from UBC Executive / Board.

University of British Columbia (UBC)

Short-Term Liquidity Pool

Statement of Investment Policy

Effective July 1, 2025

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1. Purpose

- 1.1 The University of British Columbia (“**UBC**”) has established the Short-Term Liquidity Pool (the “**Short-Term Liquidity Pool**” or the “**Pool**”) to hold short-term working capital with the purpose of supporting UBC’s operating and capital requirements anticipated to arise in one year or less.
- 1.2 This document constitutes the Statement of Investment Policy (the “**SIP**”) applicable to the assets that make up the Pool.
- 1.3 The purposes of this SIP are to define the governance structure for the Pool and to formulate the principles and guidelines to manage the Pool’s assets in accordance with the *University Act* of British Columbia (the “**Act**”), the *Income Tax Act* of Canada (the “**ITA**”), all amended from time to time, and with any restrictions imposed by the Government of Canada and Province of British Columbia. This SIP is supplementary to the Act and the ITA.

2. Pool Overview

- 2.1 The Short-Term Liquidity Pool is the source of monies for UBC’s day-to-day operations anticipated to be withdrawn in one year or less and is managed by UBC Treasury (“**Treasury**”).
- 2.2 UBC has established the Long-Term Liquidity Pool (the “**Long-Term Liquidity Pool**”), managed by UBC Investment Management Inc. (“**UBCIM**”), to manage the working capital balances and meet UBC’s operating and capital requirements anticipated to be withdrawn in more than one year but not more than five years. When the Short-Term Liquidity Pool is insufficient to meet UBC’s operational requirements, the shortfall will be met by transferring the appropriate amount from the Long-Term Liquidity Pool to the Short-Term Liquidity Pool.

3. Liquidity Requirement and Return Standard

- 3.1 The Short-Term Liquidity Pool holds assets of UBC that are expected to be withdrawn in one year or less, to meet the day-to-day operating expenses of UBC. Therefore, the Pool’s primary objective is to preserve capital to meet disbursements and the provision of liquidity to meet the day-to-day financial commitments of UBC and be capable of being liquidated within 5 days (the “**Liquidity Requirement**”).
- 3.2 A secondary objective for the Pool is to generate an investment return. The Pool is expected to achieve over any 12-month period, a return, before all fees and expenses, at least equal to the return which would result had the Pool been invested in 30-day Canadian federal government treasury bills during that same

period (the “**Return Standard**”).

- 3.3 It is recognized that the primary requirement to meet the Pool’s Liquidity Requirement may result in investment returns being below the Pool’s Return Standard in some periods.

4. Roles and Responsibilities

- 4.1 The Board of Governors of UBC is responsible for oversight of the Pool and has delegated to its Finance Committee (the “**Board**”) the authority to establish, amend and repeal this SIP.

- 4.2 The Vice President, Finance & Operations (the “**VPFO**”) is responsible for:

- a. recommending changes to this SIP to the Board;
- b. in consultation with UBCIM, approving the appointment and/or termination of the Custodian, as defined below;
- c. delegating specific responsibilities to the Treasurer to manage the investment of the Pool. Notwithstanding this delegation of authority, the VPFO shall ensure oversight of the Treasurer’s compliance with this SIP;
- d. selecting the custodian of the Pool’s assets (the “**Custodian**”) as further described below; and
- e. reporting to the Board in accordance with section 12 of this SIP.

- 4.3 The Treasurer is responsible for:

- a. managing the day-to-day investment activities and administration of the Pool in accordance with this SIP;
- b. evaluating and monitoring the liquidity and performance of the Pool against the Liquidity Requirement and the Return Standard, and cost effectiveness of investment strategies;
- c. maintaining processes to assess and monitor the credit risk of the individual Provinces and financial institutions in which it is permitted to invest; and
- d. regular reporting to the VPFO and preparing reports for the Board as requested by the VPFO or Board regarding the management and investment activities of the Pool.

5. Investment Principles and Beliefs

- 5.1 The following are the investment principles and beliefs that form the basis for the development of this SIP and the manner in which the Pool shall be invested:

- a. the Pool shall be invested in investments that a prudent person would make;
- b. recognizing that UBC is a public institution, investments and investment processes must be transparent and readily communicated; and
- c. the Pool shall be invested in assets characterized as low risk and primarily in a well-diversified portfolio of investments with consideration to timing of the liabilities and UBC's Liquidity Requirement.

6. Risk Management –Asset Limits, Permitted Investments, Maturity and Quality of Investments

Asset Limits

- 6.1 The maximum permitted market value of assets in the Pool is CAD \$300 million (the “**Asset Limit**”).
- 6.2 The maximum permitted market value of assets denominated in foreign currency is CAD \$30 million equivalent (the “**Foreign Asset Limit**”) and is included in the Asset Limit.
- 6.3 Each time this SIP is reviewed, Treasury, in consultation with UBCIM, shall review the suitability of the Asset Limit and the Foreign Asset Limit, taking in to consideration the following criteria (“**Key Criteria**”):
 - a. inflation adjustments since the previous Asset Limits review;
 - b. the current level of UBC's recurring operating expenses; and
 - c. operational effectiveness between the Short-Term Liquidity Pool and the Long-Term Liquidity Pool.
- 6.4 From time to time, UBC may elect to internally restrict certain funds, or may receive from external sources, funds with investment restrictions (each, “**Restricted Investment Funds**”), which shall be managed by Treasury. Restricted Investment Funds may be excluded from the Short-Term Liquidity Pool and the Asset Limit with the prior approval of the VPFO.
- 6.5 The Treasurer shall ensure compliance with the Asset Limit.
- 6.6 However, if, at any point in time, the market value of Canadian dollar denominated assets in the Short-Term Liquidity Pool exceeds the Asset Limit, the Treasurer shall immediately report to the VPFO: the amount of the overage; the reason it occurred; and a recommendation for a temporary exception to be granted by the VPFO, or that the excess funds will be transferred to UBCIM for investment in the Long-Term Liquidity Pool. At Board's next meeting, the VPFO shall report to overage to the Board and, if applicable, any temporary exception granted by the VPFO.

6.7 Assets denominated in foreign currency shall be limited to assets denominated in the following currencies:

- a. United States dollar; and
- b. Euro.

Permitted Investments

6.8 The Pool's investments shall be restricted to the following categories of assets:

- a. deposits with UBC's principal bank and the Province of British Columbia Central Deposit Program;
- b. the following investment vehicles issued by Schedule I Banks listed in the *Bank Act* (Canada):
 - (i) high yield savings accounts;
 - (ii) guaranteed investment certificates;
 - (iii) banker's acceptances; and
 - (iv) term deposits;
- c. bonds and treasury bills issued by:
 - (i) the Government of Canada; and
 - (ii) a government of a province of Canada (each a "Province");
- d. investments in public fixed income assets such as commercial paper, bonds, debentures, notes, asset-backed securities, and term deposits or similar instruments with financial institutions; and
- e. investments made indirectly or synthetically through exchange traded funds (ETFs), pooled funds, trusts, limited partnerships, mutual funds, derivatives, segregated funds or other investment vehicles.

6.9 Notwithstanding sections 6.11 and 7.2 below, the Pool may be invested in money market pooled funds or equivalent with the prior written approval of the VPFO.

Maturity and Quality of Investments

6.10 The maturity date of the Pool's investments shall be restricted to no more than 365 days from the date of investment.

6.11 All investments must have a minimum credit rating specified in the table below:

	DBRS	Moody's	S&P
Short term	R-1 (mid)	P-1	A-1+
Long term	A	A2	A

7. Risk Management - Asset and Investment Constraints

Pool Liquidity Constraints

7.1 Treasury shall maintain sufficient liquidity in the Pool to meet the Liquidity Objective and to avoid untimely disposal of investments. Liquidity needs will be met through active cash management, the redemption of individual investments and draws on the Long-Term Liquidity Pool as required.

Pool Concentration and Quality Constraints

7.2 The following table contains portfolio concentration constraints the Pool shall adhere to ("**Concentration Constraints**"):

Permitted Investment	Limit
Securities issued by the Government of Canada	No Limit
Securities issued in aggregate by Canadian provinces ¹	No Limit
Securities issued by any individual Canadian province ¹	\$150 million for the Province of B.C. and \$50 million for any other province
Operating bank balances, term deposits and securities issued in aggregate by Schedule I banks of the <i>Bank Act</i> (Canada) excluding UBC's primary bank ²	Lesser of \$150 million or 50% of Pool face value
Operating bank balances, term deposits and securities issued by any individual Schedule I bank of the <i>Bank Act</i> (Canada) ² other than UBC's primary bank	Lesser of \$75 million or 25% of Pool face value
Operating bank balances, term deposits and securities issued by UBC's primary bank	Lesser of \$125 million or 50% of Pool face value
Fixed income securities issued by publicly traded companies	Lesser of \$45 million or 20% of Pool face value

¹ British Columbia Central Deposit Program shall be aggregated with the Province of British Columbia.

² Operating bank balances, term deposits and securities issued by Schedule I banks shall be aggregated across investment products.

Prohibited Investments and Trading Activities

7.3 The Pool shall not be invested in any of the following:

- a. equities or shares issued by any corporation;
- b. equity-linked or market-linked GICs;
- c. hedge funds or funds of hedge funds;
- d. fixed income instruments with credit spread durations longer than the duration of the underlying instrument;
- e. fixed income instruments with leverage in excess of that contained in the underlying asset structure backing the instrument;
- f. derivatives or any instruments that have derivative holdings or features;
- g. non-marketable securities;
- h. commodities;
- i. repurchase agreements;
- j. margin transactions or any form of leveraging; or
- k. any other investments that do not meet the Pool Objectives.

8. Exceptions to Investment Restrictions

8.1 The VPFO may grant an exception to any restrictions set out in Articles 6 or 7, and any such exceptions shall be reported to the Board at its next meeting.

9. Custodian

9.1 The Custodian shall be a trust company registered in Canada. All publicly-traded investments and assets of the Pool shall be held by the Custodian and registered:

- a. in a name that clearly indicates that the investment is held in trust for the Pool 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 Pool and provides that:
 - (i) the investment constitutes part of the Pool;
 - (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 Pool at any time.

9.2 All investments shall be valued by the Custodian no less frequently than daily at

their market value.

10. Permitted Transactions

10.1 **For the purposes of this SIP, “Affiliate” means** an affiliate of UBC as defined in the *Business Corporations Act* of British Columbia.

10.2 Notwithstanding Sections 5 (Investment Principles and Beliefs), 6 (Risk Management – Asset Limits, Permitted Investments, Maturity and Quality of Investments) and 7 (Risk Management – Asset and Investment Constraints) of this SIP, UBC may enter into an investment transaction with an Affiliate, or the AMS, UBCSUO or other similar third party, provided that:

- a. the terms, conditions and monetary value of the transaction are not less favourable than market terms, conditions, and value; and
- b. the transaction has been approved by:
 - i. the UBC Executive, if the market value of the investment is \$10 million or less at the time of the transaction; or
 - ii. the Board, if the market value of the investment is above \$10 million at the time of the transaction.

10.3 The Treasurer shall monitor transactions to ensure ongoing compliance with this requirement of the SIP.

11. Conflicts of Interest

11.1 UBC’s Conflict of Interest Policy (SC3) applies to transactions involving the Pool.

12. Reporting

12.1 The VPFO shall report to the Board the following on a quarterly basis, on a consolidated basis, together with the Long-Term Liquidity Pool:

- a. the market value of the Pool;
- b. any exceptions approved by the VPFO or any non-compliance with this SIP.

13. Policy Review

13.1 Treasury will review this SIP annually to determine whether any amendments should be recommended to the Board for approval.

The University of British Columbia (UBC)

Liquidity Fund

Statement of Investment Policies and Procedures

October 30, 2017

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Section 1 - PURPOSE

- 1.1 The University of British Columbia (the “**University**”) has established the Liquidity Fund (the “**Fund**”) to provide short term liquid working capital for the University.
- 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’s assets consist of a liquid, working capital pool of monies referred to as the Liquidity Fund.
- 2.2 Prior to February 2008, the University’s entire working capital was managed by UBC Treasury. In February 2008, the University’s Board of Governors (the “**Board of Governors**”) directed that the majority of the working capital funds be transferred to a Working Capital Fund to be managed by UBC Investment Management Trust (“**IMANT**”).
- 2.3 In late 2011 and in consultation with IMANT, UBC Treasury undertook a thorough review of the University’s cash management process. The results of this review were used to recommend the establishment of this Policy for the Fund and to increase the funds under UBC Treasury management from CAD \$50 million to CAD \$100 million. With the funds under UBC Treasury management of CAD \$100 million, the University does not need to draw on the Working Capital Fund more frequently than three to four times during a year.

2.4 In 2017, the permitted investments were expanded to include banker's acceptances, term deposits and guaranteed investment certificates.

Fund Objectives

2.5 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 to meet the day to day financial commitments of the University; and
- (b) the secondary objectives are:
 - (i) investment return; and
 - (ii) operational efficiency

(the "**Fund Objectives**").

Return Objective

2.6 The Fund is expected to achieve over any 12 month period, a return, before all fees and expenses, at least equal to the return which would result had the Fund been invested in 30-day Canadian federal government treasury bills during that same period (the "**Return Objective**").

Section 3 - FUND GOVERNANCE

Structure Overview

3.1 The University is responsible for the overall management of the Fund. The Board of Governors has established a governance structure and has delegated some of its responsibility and powers for investing the Fund to the Vice President, Finance & Operations of the University (the "**VP, Finance & Operations**").

- 3.2 Responsibilities related to the day-to-day management, administration and investment of the Fund are set out below.

Board of Governors

- 3.3 The Board of Governors is responsible for:
- (a) establishing, adopting and maintaining this Policy; and
 - (b) establishing, approving and maintaining the Return Objective and risk tolerance levels.

VP, Finance & Operations

- 3.4 The VP, Finance & Operations, under the direction of the Board of Governors, shall:
- (a) recommend to the Board of Governors changes to this Policy, which are within the University's objectives and risk tolerances;
 - (b) delegate specific responsibilities to the Treasurer to manage the investment of the Fund. Notwithstanding this delegation of authority, the VP, Finance & Operations shall ensure oversight of the Treasurer's compliance with this Policy;
 - (c) review and report as requested to the Board of Governors on investment performance against Return Objective; and
 - (d) monitor and evaluate performance and cost effectiveness of investment policies and strategies and report on an as requested basis.

Treasurer

- 3.5 The Treasurer, under the direction of the VP, Finance & Operations, shall:
- (a) manage day-to-day investment activities and administration of the Fund in accordance with this Policy;

- (b) select and recommend appointment and/or termination of the Custodian of the Fund's assets (the "Custodian");
- (c) select and appoint and/or terminate consultants, lawyers and other service providers as required;
- (d) execute agreements and mandates with service providers and agents in accordance with the University's signing resolutions;
- (e) evaluate, monitor and report the Fund's investment performance; and
- (f) prepare reports for the Board on an as requested basis on the management and investment activities of the Fund.

Section 4 - INVESTMENT PRINCIPLES AND BELIEFS

4.1 The following are a set of investment principles and beliefs that form the basis for the development of this Policy and the manner in which the Fund shall be invested:

- (a) the Fund shall be managed with the prudence and standard of care that requires all fiduciaries to use the same care and diligence that they would use in managing their own assets 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 fixed income investment assets and returns. Treasury shall manage investment risk primarily through security diversification, credit analysis, and transparent reporting;
- (c) recognizing that the University is a public institution, investments and investment processes must be transparent and readily communicated; and
- (d) diversification can improve portfolio risk and return characteristics.

Section 5 - RETURN AND RISK 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 investments with consideration to timing of the liabilities and need for liquidity to meet the day to day financial commitments of the University.
- 5.2 The Fund is expected to achieve in any 12-month period a return, before all fees and expenses, at least equal to the Return Objective.

Section 6 - PERMITTED INVESTMENTS

- 6.1 The Fund is permitted to:
- (a) retain funds on deposit with the University's principal bank and the Province of British Columbia Central Deposit Program ("**Province of BC CDP**");
 - (b) invest in securities of:
 - (i) the Government of Canada; and
 - (ii) a government of a province of Canada (each a "**Province**"); and
 - (c) invest in:
 - (i) banker's acceptances ("**BAs**");
 - (ii) term deposits ("**Term Deposits**"); and
 - (iii) guaranteed investment certificate ("**GICs**")of banks which are listed on either Schedule I or Schedule II of the Bank Act (Canada).

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 Treasury shall maintain sufficient liquidity in the Fund to meet current operating disbursements and to avoid untimely disposal of investments. Liquidity needs will be met through active cash management, the redemption of individual investments and draws on the Working Capital Fund as required.

Cash or Cash Equivalents

- 7.3 Funds on deposit with the University's principal bank shall not exceed on average CAD \$20 million.

Fixed Income

- 7.4 Investments in the securities of the Government of Canada are not limited.
- 7.5 Investments in the securities of the Provinces, in the aggregate, are limited to no more than 80% of the assets of the Fund's investment portfolio.
- 7.6 Investments in the securities of any Province individually are limited to no more than 62.5% of the total allowable assets of the securities of the Provinces specified in Section 7.5. Therefore, the proportion of the Fund's investment portfolio invested in the securities of any Province individually is limited to 50%.
- 7.7 The investments in the securities of the Province of British Columbia include both deposits with the Province of BC CDP and securities of the Province of British Columbia.
- 7.8 Investments in BAs, Term Deposits and GICs are limited to the issuances of banks which are listed on either Schedule I or Schedule II of the Bank Act (Canada) which are readily marketable or redeemable and are limited to no more than 60% of the total assets of the Fund's investment portfolio.

7.9 All underlying investments must have a minimum credit rating specified in the table below:

	DBRS	Moody's	S&P
Short term	R-1 (mid)	P-1	A-1+
Long term	A	A2	A

Investment Holdings in Foreign Currencies

7.10 The Fund shall not invest in investments that are not denominated in Canadian dollars.

7.11 Foreign currency funds on deposit with the University's principal bank are not included within the Liquidity Fund.

Maturities of the Investments

7.12 The maturities of investments shall be limited to no more than 180 days.

Prohibited Investments and Trading Activities

7.13 The Fund shall not be invested in any of the following:

- (a) equities or shares issued by any corporation;
- (b) equity-linked or market-linked GICs;
- (c) hedge funds or funds of hedge funds;
- (d) municipal bonds;
- (e) corporate bonds;
- (f) fixed income instruments with credit spread durations longer than the duration of the underlying instrument;

- (g) a security whose legal maturity is longer than 180 days;
- (h) asset-backed securities;
- (i) fixed income instruments with leverage in excess of that contained in the underlying asset structure backing the instrument;
- (j) derivatives or any instruments that have derivative holdings or features;
- (k) non-marketable securities;
- (l) commodities;
- (m) repurchase agreements against securities which are not permitted to be held in the portfolio;
- (n) margin transactions or any form of leveraging; and
- (o) any other investments that do not meet the Fund Objectives.

Section 8 - CUSTODIAN

8.1 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
- (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.

Section 9 - VALUATION OF INVESTMENTS

- 9.1 All investments shall be valued by the Custodian no less frequently than monthly at their market value.
- 9.2 The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.

Section 10 - RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

- 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 of IMANT; or
 - (d) IMANT staff.
- 10.2 The Fund may enter into a transaction with a Related Party only if it is contemplated in the normal course of University business (e.g. faculty housing assistance loans).
- 10.3 Notwithstanding Section 10.2, the VP, Finance & Operations shall monitor transactions to ensure ongoing compliance with this Policy.

Conflicts of Interest

10.4 The University's Policy # 97, Conflict of Interest and Conflict of Commitment, applies to transactions involving the fund.

Section 11 - MONITORING

11.1 The VP, Finance & Operations 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) investment performance of the Fund relative to the objectives of the Policy;
- (d) portfolio holdings; and
- (e) compliance with this Policy.

Section 12 - POLICY REVIEW

12.1 This Policy shall be reviewed at least annually by the VP, Finance & Operations 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) changes in the net cash flows of the Fund;
- (c) shortcomings of the Policy that emerge in its practical operation;
- (d) changes in applicable legislation; or
- (e) recommendations by the Treasurer.

13.2 All modifications to this Policy are to be approved by the Board of Governors.

Working Capital Analysis & UBC Liquidity Forecast

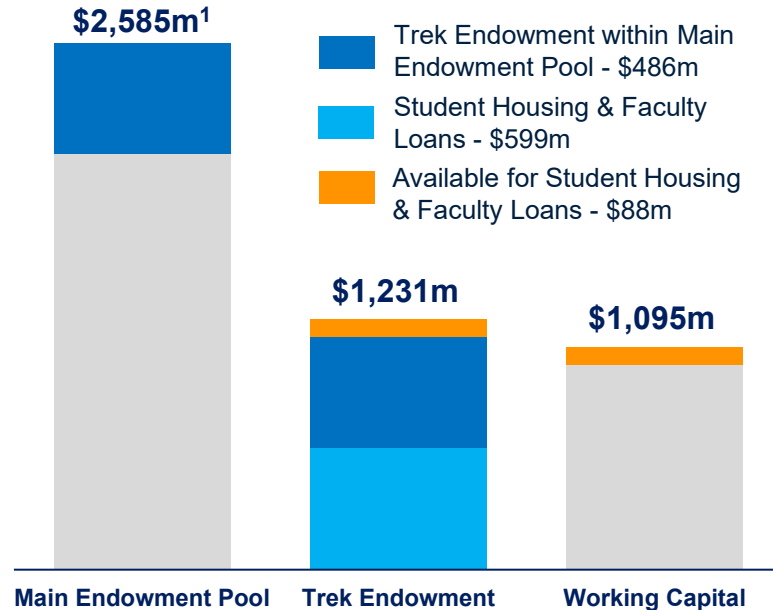
June 2025

Frank Laezza, Vice-President Finance & Operations
Yale Loh, Treasurer



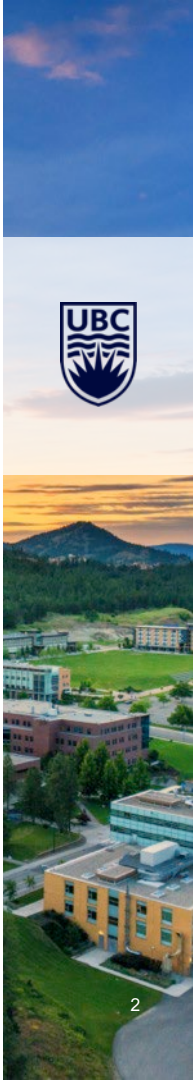
ENDOWMENT & WORKING CAPITAL FUND OVERVIEW

- **Main Endowment Pool** is comprised of over 3,800 individual trusts plus a portion of the Trek Endowment
- **Trek Endowment** is a result of land lease and rental property revenue
- **Working Capital** is UBC's operating liquidity and includes a portion of the Trek Endowment
- **Other notable capital pools** include:
 - Staff Pension Plan Fund
 - Faculty Pension Plan



Values as at March 31, 2025

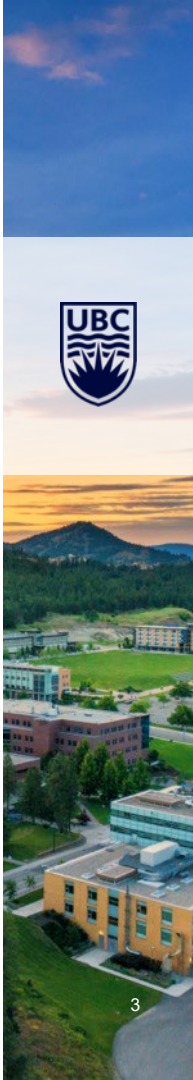
Note: ¹ Total Endowment Value (\$2.7b) includes Main Endowment Pool (\$2.6b), endowments invested with the Vancouver Foundation (\$20m), Peter Wall Legacy Endowment (\$113m) and other endowments (\$7.6m).



WORKING CAPITAL OBJECTIVES

- Working capital is the difference between UBC's current assets and current liabilities.
 - a measure of UBC's short-term financial health, especially its ability to fund day-to-day operating expenses such as payroll or student services
 - examples of current assets are cash, short-term investments, accounts receivable (e.g. tuition or grants receivable) and inventory
 - current liabilities are obligations due within a year such as accounts payable, accrued expenses, and debt payments
- Primary objective in working capital management is preservation of capital and access to liquidity with investment returns a secondary objective
 - ensure UBC Treasury has sufficient operating liquidity to efficiently fund day-to-day operations
 - working capital and financial liquidity are key financial metrics monitored by credit rating agencies¹

Note: ¹ UBC is rated Aa1 by Moodys' and A+ by Standard & Poor's effective April 2025



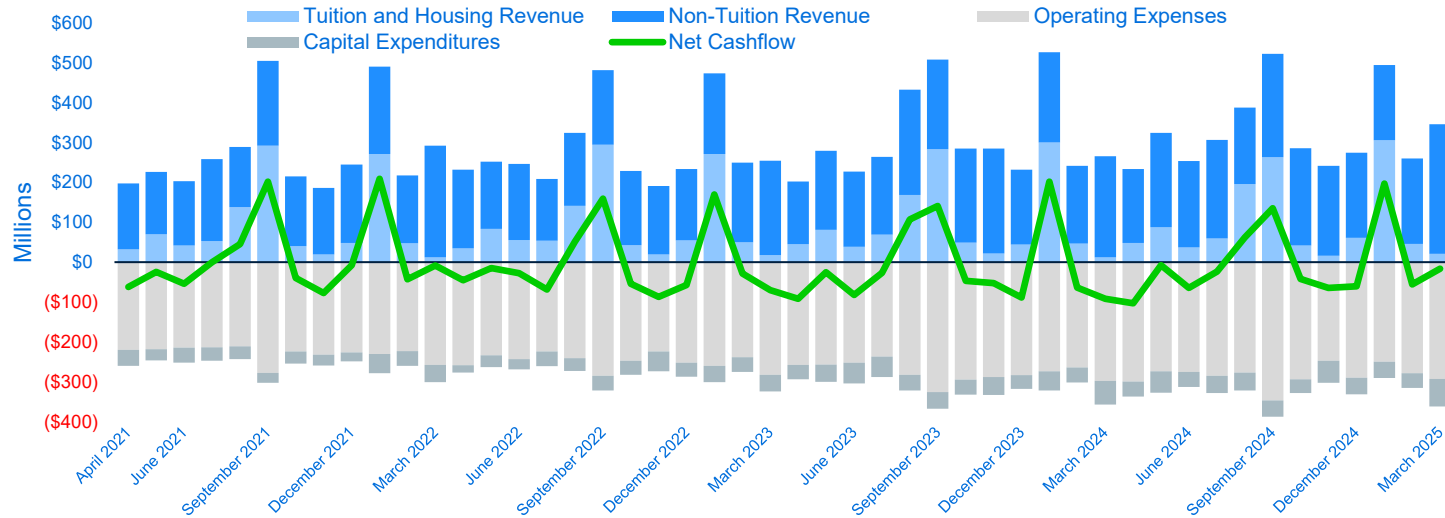
WORKING CAPITAL GOVERNANCE

UBC working capital currently managed under 2 different UBC Policies:

- **Liquidity Fund Statement of Investment Policies and Procedures (“SIP”)**
 - managed by Treasury to meet short to medium term operating requirements, loosely defined as less than six months
 - limited to C\$100m (last updated in 2011)
 - focus on preservation of capital, and highly liquid and safe investments
- **Working Capital Fund Statement of Investment Policies and Procedures**
 - remaining portion of UBC’s working capital managed by UBC Investment Management (UBCIM)
 - intended to be funds not needed within 6 months but given Liquidity Fund \$100m limit, does include working capital needed for short to medium term operating requirements
 - focus on preservation of capital and investment return objectives

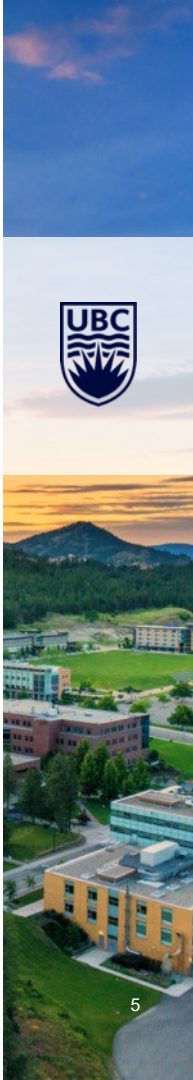


MONTHLY CASH INFLOWS & OUTFLOWS – FY2022 TO FY2025

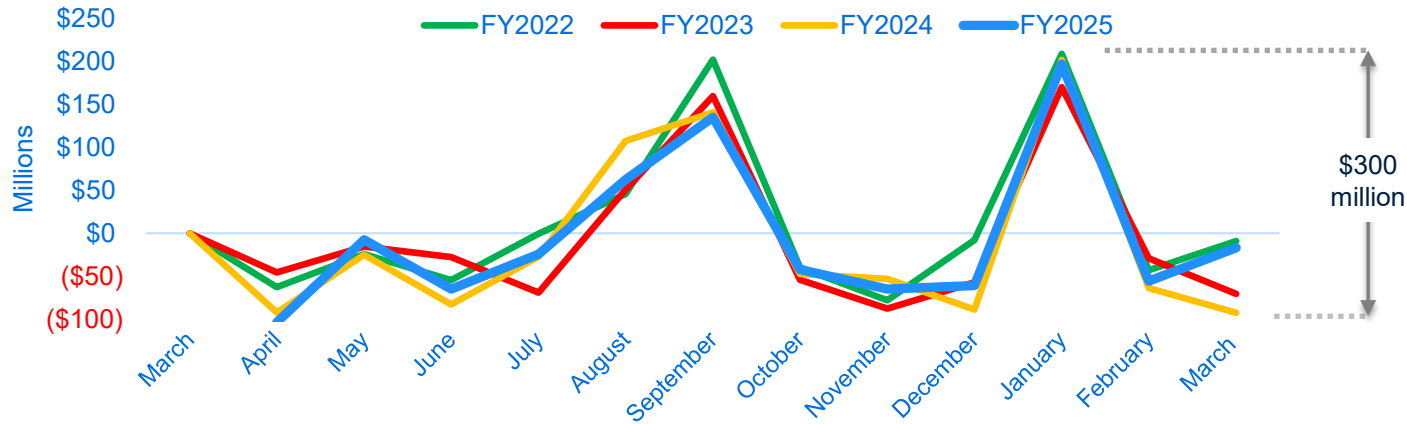


Observations

- Revenue peaking in September and January due to housing and tuition payments
- Monthly outflows are fairly constant compared to revenue inflows but growing
 - Average monthly outflow was \$260m in FY2021 versus \$330m in FY2025
 - Monthly payroll now averages \$200m compared to \$60m in 2011



CASHFLOW SEASONALITY – MONTHLY NET CASHFLOWS



Observations

- Monthly net cashflows (sum of cash in and outflows) have a historically similar seasonality pattern:
 - Significant inflows in August/September and January with tuition and housing revenue, and outflows in all other months
 - Peak to valley is now approximately \$300m
- Cumulative cashflow¹ within fiscal year depends largely on capital expenditures

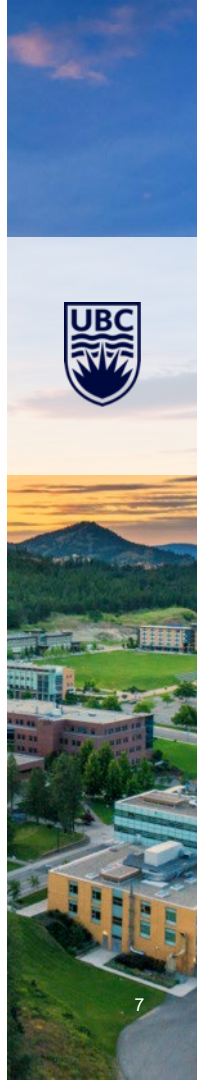
Note: ¹ Cumulative cashflows: FY2022 \$138 million, FY2023 (\$74) million, FY2024 (\$122) million and FY2025 (\$46) million



SHORT-TERM LIQUIDITY FUND SIP RECOMMENDED CHANGES

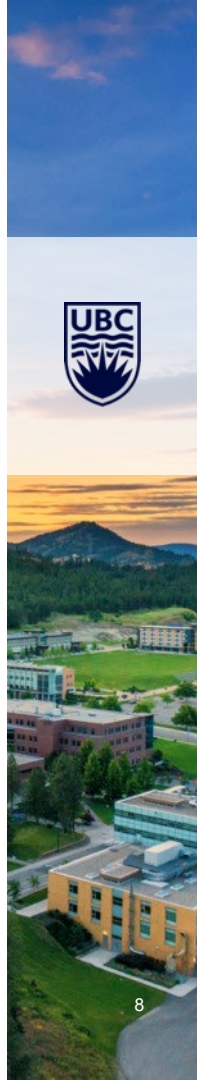
- Increase size of Short-Term Liquidity Fund (formerly Liquidity Fund) to \$300m with a one-year time horizon. Benefits include:
 - Greater investment clarity through clearly articulated investment horizons
 - Treasury has greater operational flexibility to meet peak to valley seasonality
 - Funds managed by UBCIM would not be required for short to medium term operational requirements and could be invested accordingly
 - Less administrative burden and improved operational efficiency
 - No anticipated difference in return on funds invested
- Other recommended changes include:
 - Inclusion of commercial paper and pooled funds¹ as permitted investments
 - More conservative concentration limits for provinces and financial institutions
 - Exclusion of certain internal or external funds with investment restrictions from the Short-Term Liquidity Pool with approval of VPFO

Note: ¹ Pooled fund investments require the approval of the VPFO



LONG-TERM LIQUIDITY FUND SIP RECOMMENDED CHANGES

- Change name of Working Capital pool to Long-Term Liquidity Fund to eliminate confusion over broader UBC working capital
- Clarify investment time horizon to greater than one year and less than five years
- Other recommended changes include:
 - Greater clarity around roles and responsibilities, and removal of text detailing procedural responsibilities, for both UBC and UBCIM
 - Expansion of responsible investing principles and beliefs
 - Addition of the Reference Portfolio, Strategic Portfolio and UBCIM risk management framework similar to approach with Main Endowment Pool
 - Expansion of permitted investments to include derivatives and pooled investment vehicles, and align definitions of permitted investments to mirror those found in the Main Endowment SIP
- The Long-Term Liquidity SIP has been reviewed and is recommended for UBC Board of Governors' approval by UBCIM



INVESTMENT MANAGEMENT SERVICES AGREEMENT

- Investment Management Services Agreement (“IMSA”) formalizes UBCIM’s provision of investment management services and governs overall relationship
 - Each pool¹ managed by UBCIM has a corresponding SIP outlining investment parameters, objectives and strategies
 - UBCIM then applies own discretion and judgement on investment framework
 - UBCIM does not invest directly in stocks and bonds, but through pooled funds
- Review of Short-Term and Long-Term Liquidity SIPs highlighted need to update IMSA
 - Clarify standard of care as UBCIM is not a trust or trustee of UBC assets
 - Improve clarity on UBC and UBCIM roles and responsibilities
 - Provide independence of decision-making
 - Change fund names to eliminate confusion with broader UBC working capital
 - Harmonize language across IMSA and all SIPs

Note: ¹ Examples of pools include the Main Endowment Pool, Staff Pension Plan, Long-Term Liquidity Pool, Peter Wall Legacy Endowment





THE UNIVERSITY OF BRITISH COLUMBIA

