



SUBJECT	Proposed Policy Amendment Update to Statement of Investment Policy (SIP) for Long-Term Liquidity (formerly “Working Capital Fund (Core, SHFE and FHAFE) Statement of Investment Policies and Procedures)
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 proposed amendment of the Long-Term Liquidity Pool (including Student Housing Financing Endowment (SHFE) and Faculty Housing Assistance Financing Endowment (FHAFE)) Statement of Investment Policy 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 considered previously by the Board of Governors on [November 28, 2017](#) (OPEN SESSION): Approval of the Core Working Capital Statement of Investment Policies and Procedures in principle.

The following Executive Summary provides a status update from the date of 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 the working capital of UBC. The Long-Term Liquidity Pool has been managed by UBC Investment Management (“UBCIM”) since 2009 and includes the portion of UBC’s working capital that is not required for short to medium term operational requirements but is instead expected to be invested with a longer-term time horizon. The Long-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 and liquidity requirements, together with investment objectives and strategies. A review of the SIPs for both the Short-Term Liquidity Pool and Long-Term Liquidity Pool has resulted in a number of recommended changes to better align and clarify operational needs and requirements. The Long-Term Liquidity SIP was reviewed and has been recommended for UBC Board of Governors’ approval by UBCIM.

Time horizons were added to both the Long-Term Liquidity Pool SIP and the Short-Term Liquidity Pool SIP to add clarity and distinguish between the purposes of the pools. Other significant changes include:

- creating a mechanism for communicating cashflow forecasts to facilitate investment planning ensuring sufficient funds are available for operational requirements
- greater clarity around roles and responsibilities, and a streamlining of policy text to remove internal procedural responsibilities of both UBC and UBCIM

- the expansion of the responsible investment principles and beliefs into a separate section and that UBCIM will undertake a balanced approach to incorporate environment, social and governance factors into the investment decision-making process
- the addition of the Reference Portfolio, Strategic Portfolio and UBCIM risk management framework similar to the approach taken with the Main Endowment Pool
- the expansion of permitted investments to include derivatives and pooled investment vehicles and to align the permitted asset category definitions to those found in the Main Endowment SIP. Securities borrowing, pledging, leverage and lending is also now permitted, similar to the Main Endowment SIP

As a blackline showing the recommended changes against the approved 2017 Working Capital Fund (Core, SHFE and FHAFE) Statement of Investment Policies and Procedures results in an entirely marked document, attached as Appendix 1 is a table outlining all substantive changes. Clean copies of the recommended Long-Term Liquidity Pool SIP and the 2017 Working Capital Fund Statement of Investment Policies and Procedures are also attached as Appendices 2 and 3.

APPENDICES

1. Comparison Table of Substantive Changes to the 2017 Working Capital Fund (Core, SHFE and FHAFE) Statement of Investment Policies and Procedures
2. Proposed Long-Term Liquidity Pool Statement of Investment Policies (clean copy)
3. 2017 Working Capital Fund Statement of Investment Policies and Procedures

SUMMARY OF SUBSTANTIVE CHANGES

Long-Term Liquidity Pool SIP (formerly Working Capital Fund SIP)

The table below summarizes the substantive proposed changes requested by UBC subsequent to review by the UBC IM Board.

Working Capital Fund SIPP (Jun 2017)	Long Term Liquidity Pool SIP (Jun 2025)	Summary of Changes
Section 1 – Purpose (1.1)	1. Purpose (1.1)	Name change from “Working Capital Fund” to “Long-Term Liquidity Pool” and time frame added for Long-Term Liquidity Pool (assets required greater than one year but less than five years).
	(1.2 – 1.3)	Context of relationship between UBC and UBC Investment Management and responsibilities of each summarized.
Section 2 – Fund Overview (2.2)	2. Pool Overview (2.1)	Name change from “Liquidity Fund” to “Short-Term Liquidity Pool” and time frame added for Short-Term Liquidity Pool (assets required in <u>one</u> year or less).
Fund Objectives (2.8) Return Objectives (2.9)	3. Liquidity Requirement and Return Standard	<p>Primary requirement of the Pool is to preserve capital to meet disbursements to UBC when required, and a mechanism for determining anticipated cashflow needs was added to facilitate investment planning.</p> <p>The performance benchmark has been updated and renamed the “Return Standard”, which is to at least maintain the purchasing power of invested funds, net of investment management fees and expenses.</p>
Section 3 – Fund Governance (3.1 – 3.7)	7. Roles and Responsibilities	<p>Clarify responsibility, oversight and stewardship over the Pool resides with UBC.</p> <p>Consolidated UBC and UBCIM responsibilities removing identification of specific units or individuals.</p>
Section 4 – Investment Principles and Beliefs (4.1(g))	9. Responsible Investing	Responsible investing expanded to become standalone section to incorporate ESG factors (environmental factors, social considerations and governance practices) into investment decision making.
Section 5 – Risk and Return Expectations (5.1 – 5.2)	4. Reference Portfolio and Risk Tolerance 5. Strategic Portfolio and Investment Programs 6. Risk Management Oversight	Updated to include Reference Portfolio, Strategic Portfolio and UBC IM risk management framework similar to the approach currently employed with the Main Endowment Pool.
Section 6 – Permitted investments (6.1 – 6.4)	8. Permitted Investments,	Expansion of permitted investments from current asset categories (cash and cash equivalents, and fixed income) to now include derivatives and investment vehicles.

SUMMARY OF SUBSTANTIVE CHANGES
Long-Term Liquidity Pool SIP (formerly Working Capital Fund SIP)

Section 8 – Loans and Borrowing	Financing and Securities Lending	Removal of limitations on sub-categories of cash or cash equivalents and fixed income investments. Expansion of authority to permit securities borrowing, pledging and securities lending on behalf of the Pool, and to leverage up to 10% of the value of the Pool.
Section 7 Liquidity and Portfolio Constraints (7.1 – 7.11)		Removal of liquidity requirement and portfolio constraints as these are now integrated into strategic portfolio and investment program framework.
Section 10 – Related Party Transactions	14. Related Party Transactions	Purpose of related-party transaction provisions to mitigate against potential conflicts of interest. Provides greater clarity and adds approval requirement from UBC and UBCIM board for all related party transactions.
Section 13 – Policy Review	15. SIP Review	Provide clarity on UBC and UBCIM’s responsibilities as it relates to SIP review.

University of British Columbia (UBC)

Long-Term Liquidity Pool (including SHFE and FHAFE)

Statement of Investment Policy

Effective July 1, 2025

Table of Contents

1.	Purpose	1
2.	Pool Overview	1
3.	Liquidity Requirement and Return Standard	2
4.	Reference Portfolio and Risk Tolerance.....	2
5.	Strategic Portfolio and Investment Programs.....	3
6.	Risk Management and Oversight	3
7.	Roles and Responsibilities.....	3
8.	Permitted Investments, Financing and Securities Lending	4
9.	Responsible Investing	5
10.	Custodian	5
11.	Valuation of investments	6
12.	Code of Conduct	6
13.	Conflict of Interest	6
14.	Related Party Transactions	6
15.	SIP Review	7

1. Purpose

- 1.1. The University of British Columbia (“**UBC**”) has established the Long-Term Liquidity Pool (the “**Long-Term Liquidity Pool**” or the “**Pool**”) to manage its assets and meet UBC’s operational cash flow requirements arising in more than one year but not more than five years. This Statement of Investment Policy (the “**SIP**”) is the vehicle through which UBC articulates the investment parameters and principles applicable to the management of 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.
- 1.2. UBC has established UBC Investment Management Inc. (“**UBCIM**”) as a wholly owned subsidiary that acts through its board of directors (“**UBCIM Board**”). UBC has engaged UBCIM to provide investment management services under a Third Amended & Restated Investment Management Services Agreement effective July 1, 2025, as may be amended or replaced from time to time (the “**Investment Management Services Agreement**”). Pursuant to the Investment Management Services Agreement, UBC has contracted with UBCIM to provide investment services for the Pool. The UBCIM Board is responsible for UBCIM’s obligations under the SIP and may delegate specific responsibilities to its management team.
- 1.3. UBC’s Board of Governors (the “**UBC Board**”) approves this SIP and will seek UBCIM’s advice and recommendations when amending the SIP. UBC designates the Vice-President, Finance & Operations as having primary operational responsibility for UBC’s obligations under the SIP.

2. Pool Overview

- 2.1. Concurrent with the establishment of the Long-Term Liquidity Pool, UBC established a short-term liquidity pool to hold short-term working capital with the purpose of meeting UBC’s day-to-day cash flow requirements anticipated to arise within one year or less (the “**Short-Term Liquidity Pool**”), to be managed by UBC Treasury.
- 2.2. The University has established the Student Housing Financing Endowment (“**SHFE**”) Fund and the Faculty Housing Assistance Financing Endowment (“**FHAFE**”) Fund.
- 2.3. The Pool is comprised of the following:
 - a. such portions of UBC’s working capital as UBC has identified as needing to be invested for a period more than one year but not more than five years;
 - b. such portions of the capital of the SHFE Fund that UBC has determined are not needed for projected loan issuances pursuant to the SHFE Terms of Reference, approved by the UBC Board on September 25, 2024, as may be amended from time to time (the “**SHFE Capital**”);
 - c. such portions of the capital of the FHAFE Fund that UBC has determined are not needed for projected loan issuances pursuant to the FHAFE Terms of Reference, approved by the UBC Board on September 25, 2024, as may be amended from time to time (the “**FHAFE Capital**”); and

- d. such other amounts as UBC has identified as needing to be invested for a period more than one year.

3. Liquidity Requirement and Return Standard

- 3.1. The Pool holds assets of UBC that are anticipated to be withdrawn in more than one year but not more than five years. Therefore, the Pool’s primary requirement is to preserve capital to meet disbursements to UBC when required.
- 3.2. At least quarterly, UBC will provide UBCIM with updated forecasts of projected deposits into and withdrawals out of the Pool for the following five-year period (the “**Cashflow Forecasts**”) to enable UBCIM’s effective investment of the assets in the Pool. UBCIM shall ensure that sufficient funds are available on the anticipated withdrawal dates to meet the needs set out in the Cashflow Forecasts (the “**Liquidity Requirement**”). UBC is responsible for confirming to UBCIM when transfers between the Long-Term Liquidity Pool and the Short-Term Liquidity Pool are required and for providing adequate notice periods.
- 3.3. A secondary objective for the Pool is to optimize investment return subject to a risk tolerance consistent with the Reference Portfolio as defined below. The long-term return objective of the Pool is to at least maintain the purchasing power of invested funds, net of investment management fees and expenses (the “**Return Standard**”). The Return Standard will be the Canada Consumer Price Index (CPI) over a ten-year period.

4. Reference Portfolio and Risk Tolerance

- 4.1. To define a risk tolerance for the Pool’s investments, a reference portfolio (“**Reference Portfolio**”) approach has been adopted by UBC. The Reference Portfolio:
 - a. is the primary indicator of the risk and return profile for the Pool;
 - b. represents a set of broad public market investments that reflects the investment returns that can be generated by passive investments in capital markets;
 - c. represents an investable program that can achieve the Return Minimum whilst maintaining the Liquidity Requirement with limited oversight and no active management; and
 - d. establishes a market-based benchmark that can be used to determine the efficacy and success of active management.
- 4.2. The following represents the Reference Portfolio for the Pool:

Asset Class	Weight	Benchmark
Fixed Income	25%	FTSE Canada 91-day T-Bill Total Return Index
Fixed Income	75%	FTSE Canada Short Term Overall Total Return Index

- 4.3. The Reference Portfolio is expected to achieve the Pool’s Return Standard over the long term. Over shorter periods of time, it is understood that returns may deviate from the Return Standard. Monitoring the expected future return of the Reference Portfolio will assist UBC in identifying threats to achieving the Return Standard.
- 4.4. By design, the Reference Portfolio is not engaged in active investment management decisions and is expected to be revised less frequently than the Strategic Portfolio, defined below.

5. Strategic Portfolio and Investment Programs

- 5.1. UBCIM will prepare and establish the following:
- a. a strategic asset allocation (the “**Strategic Portfolio**”), which is constructed as a diversified portfolio that is expected to exceed the return of the Reference Portfolio by embedding greater investment complexity and active management; and
 - b. investment programs (each an “**Investment Program**”) to guide investments within asset classes with similar risk profiles as the Strategic Portfolio.
- 5.2. The Strategic Portfolio must:
- a. be a diversified portfolio;
 - b. be used to guide UBCIM’s investment portfolio implementation; and
 - c. exhibit a level of risk that is similar to the Reference Portfolio.

6. Risk Management and Oversight

- 6.1. UBCIM will compare the risk level of the Strategic Portfolio against the Reference Portfolio periodically to confirm the modelled risk of the Strategic Portfolio is consistent with the Reference Portfolio.
- 6.2. UBCIM employs an active management approach with the objective of earning higher net returns than the Reference Portfolio. The Pool’s investment portfolio is comprised of a diversified mix of externally managed investment funds. Given the active management approach of the Pool, it is understood that the risk level of the investment portfolio may, at times, deviate from the risk level of the Reference Portfolio to provide UBCIM flexibility and discretion to implement the Strategic Portfolio actively.
- 6.3. UBCIM shall implement the following risk mitigation mechanisms:
- a. minimum and maximum asset class Investment Program weights within the Strategic Portfolio;
 - b. asset class Investment Program constraints;
 - c. investment risk limits; and
 - d. ongoing monitoring of investment performance.

7. Roles and Responsibilities

- 7.1. UBC is responsible for:
- a. approving the SIP and seeking UBCIM’s advice and recommendations when considering amendments to the SIP;
 - b. reviewing UBCIM reports that include:
 - (i) the performance of the Pool against the Return Objective;
 - (ii) a comparison of the Pool’s risk profile against the Reference Portfolio’s risk profile;
 - (iii) a comparison of the Pool’s asset allocation against the Strategic Portfolio’s asset allocation; and

- (iv) any changes to the Strategic Portfolio since the last report; and
- c. in consultation with UBCIM, approving the appointment and/or termination of the Custodian, as defined below in Section 10.1.

7.2. UBCIM is responsible for:

- a. providing advice and recommendations to UBC regarding the SIP;
- b. developing and recommending a Reference Portfolio to UBC;
- c. establishing and actively managing the Strategic Portfolio;
- d. establishing asset class Investment Programs, including but not limited to performance benchmarks, risk parameters and constraints;
- e. establishing investment risk limits for the Pool;
- f. establishing investment beliefs to guide investment portfolio implementation;
- g. recommending the appointment and/or termination of the Custodian, as defined below in Section 10.1;
- h. approving key service providers;
- i. actively monitoring and evaluating investment performance of the Strategic Portfolio against the Reference Portfolio and such other relevant benchmarks as determined by UBCIM, and reporting on this performance and operational cost-efficiency against objectives and benchmarks to UBC on a regular basis;
- j. monitoring and evaluating implementation of responsible investing practices, in accordance with section 9;
- k. appointing, monitoring and, when appropriate, terminating external investment managers (“**Investment Managers**”) and other external advisors, consultants, and service providers;
- l. developing and implementing responsible investing practices in accordance with section 9;
- m. regular reporting to UBC as requested.

8. Permitted Investments, Financing and Securities Lending

8.1. The Pool may be invested in any or all of the following asset categories:

- a. **Cash:** Investments in cash such as deposits with financial institutions, treasury bills, commercial paper, banker’s acceptances, and money market securities.
- b. **Derivatives:** Investments in derivatives such as futures and forward contracts, options, warrants, swaps, and repurchase agreements. Derivatives may be used for hedging, risk management and portfolio rebalancing, including the hedging of foreign currency exposure. Derivatives may also be used for leverage or as a cost-effective substitute for traditional investments.
- c. **Fixed Income:** Investments in public fixed income assets such as bonds, debentures, notes, asset-backed securities, and term deposits or similar

instruments with financial institutions. Investments in non-publicly traded fixed income assets such as senior and subordinated loans, mortgages, structured credit instruments, and investments in credit attributes such as royalties, insurance, and litigation finance.

- d. **Investment Vehicles:** Pool investments are made indirectly or synthetically through exchange traded funds (ETFs), pooled funds, trusts, limited partnerships, mutual funds, derivatives, segregated funds or other investment vehicles.
- 8.2. **Securities Borrowing:** Borrowing securities or providing guarantees on behalf of the Pool is permitted.
 - 8.3. **Pledging:** UBCIM may pledge, charge, or otherwise grant a security interest in assets or post margin as required to complete derivatives transactions, complete a short sale or in connection with repurchase transactions. All pledging to be done on a non-recourse basis to UBC.
 - 8.4. **Leverage:** The Pool is permitted to invest up to 10% of its value in assets purchased through borrowing and/or by creating synthetic exposures to existing asset classes. All such forms of leverage must not result in additional debt accruing to UBC.
 - 8.5. **Securities Lending:** Lending securities is permitted provided that a sufficient collateral coverage is always maintained in cash or high-quality, liquid securities in accordance with industry standards.

9. Responsible Investing

- 9.1. As UBC's objectives are the preservation of capital and liquidity while generating an investment return, it recognizes that ESG Factors may be relevant to financial performance. Therefore, UBCIM will undertake a balanced approach to responsible investing of the Pool by incorporating the following Environmental, Social, and Governance factors (the "ESG Factors") into the investment decision-making processes:
 - a. Environmental factors, including (but not limited to) climate risk, greenhouse gas emissions, air and water pollution, resource depletion, deforestation, and land use;
 - b. Social considerations, including (but not limited to) diversity, equity, inclusion, labour standards, workplace health and safety, and consumer protection; and
 - c. Governance practices, including (but not limited to) shareholders rights, conflicts of interest, board structure, board diversity, corruption, and executive compensation.
- 9.2. As a manager-of-managers, UBCIM works to evaluate Investment Managers' processes to analyze and understand both the threats and opportunities driven by the ESG Factors. UBCIM's evaluation of Investment Managers will include criteria that reflect the ESG Factors.

10. Custodian

- 10.1. The custodian of the Pool (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.

11. Valuation of investments

11.1. UBCIM shall ensure the following:

- a. Marketable securities shall be valued by the Custodian no less frequently than monthly at their market value.
- b. Investment in a pooled fund comprising marketable securities shall be valued according to the unit values calculated at least monthly by the custodian of the pooled fund. The Custodian shall be responsible for requesting and recording the unit values monthly.
- c. If a market valuation of an investment is not readily available, an estimate of fair value shall be supplied by the pooled fund investment manager to the Custodian no less frequently than annually. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as discounted cash flow analysis 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.

12. Code of Conduct

- 12.1. The UBCIM Board, UBCIM President and UBCIM Staff shall adhere to the CFA Institute's Codes of Ethics and Standards of Professional Conduct. UBCIM will verify that Investment Managers of the Pool maintain internal code of conduct policies containing substantially similar requirements as the CFA Institute's Codes of Ethics and Standards of Professional Conduct.

13. Conflict of Interest

- 13.1. UBCIM shall maintain and adhere to a conflict of interest policy (the "**UBCIM COI Policy**") that applies to the UBCIM Board, the UBCIM President and UBCIM Staff. UBCIM will verify that Investment Managers and the Custodian of the Pool maintain satisfactory internal conflict of interest policies.

14. Related Party Transactions

- 14.1. For the purposes of this SIP, a "**Related Party**" of UBCIM means:

- a. an affiliate, as defined in the *Business Corporations Act* of British Columbia (an “**Affiliate**”), of UBCIM;
 - b. a director, officer or employee of UBCIM or an Affiliate of UBCIM; or
 - c. a director, officer or employee of UBC.
- 14.2. Notwithstanding Section 8 (Permitted Investments, Financing and Securities Lending) of this SIP, UBCIM may invest the Pool’s assets in a transaction with a Related Party only if:
 - a. the terms, conditions and monetary value of the transaction are not less favourable than market terms, conditions, and value;
 - b. the transaction supports UBC’s charitable purpose;
 - c. the transaction is in compliance with the UBCIM COI Policy; and
 - d. the transaction has been approved by UBC and the UBCIM Board.

15. SIP Review

- 15.1. UBC shall inform UBCIM on a timely basis of any issues that may require a review of this SIP.
- 15.2. UBCIM shall review this SIP at least annually to determine whether any amendments should be recommended to UBC.

The University of British Columbia (UBC)

Working Capital Fund (Core, SHFE and FHAFE)

**Statement of Investment Policies
and Procedures**

May 31, 2017

Table of Contents

Section 1 - PURPOSE	1
Section 2 - FUND OVERVIEW AND OBJECTIVES.....	1
Section 3 - FUND GOVERNANCE	3
Section 4 - INVESTMENT PRINCIPLES AND BELIEFS	7
Section 5 - RISK AND RETURN EXPECTATIONS.....	8
Section 6 - PERMITTED INVESTMENTS.....	8
Section 7 - LIQUIDITY AND PORTFOLIO CONSTRAINTS.....	10
Section 8 - LOANS AND BORROWING	13
Section 9 - VALUATION OF INVESTMENTS.....	13
Section 10 - RELATED PARTY TRANSACTIONS.....	13
Section 11 - CONFLICTS OF INTEREST	14
Section 12 - MONITORING	15
Section 13 - POLICY REVIEW	16

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.