

INVESTMENT PARAMETERS

Background

The Division is generally risk averse due to its fiduciary responsibility to its constituents. The Division is interested in pursuing viable alternatives for growing its investment portfolio at reasonable rates of return but not at the expense of a non-satisfactory degree of capital preservation. Due to its risk profile, the Division wishes to invest in financial investments offering a competitive rate of return without putting the portfolio at undue risk as measured to that of a prudent investor.

Procedures

1. Portfolio Objectives

- 1.1 The overall objective of this portfolio is to make a reasonable contribution to the current and long term funding requirements for the Division. The portfolio is to be managed in a manner that maximizes return without jeopardizing its principle goal of preserving the capital needed to provide a continued stream of income over the longer term.
- 1.2 Within the context of the above requirements, a moderate level of variability in returns will be allowed under the provision that all risks taken are consistent with the objective of long-term capital preservation and growth. The maintenance of a moderate level of liquidity to meet unanticipated funding requirements is also desirable.

2. Asset Mix

- 2.1 The portfolio will be invested primarily in fixed income and income-producing instruments including cash, money market securities, and longer dated debt securities, preferred shares, and high yielding common stock, with a moderate exposure to capital gain oriented instruments. The asset mix will be adjusted according to capital market expectations in a way that produces the desired mix of target returns while minimizing market risk, subject to the following parameters:

	Target Allocation	Minimum Allocation	Maximum Allocation
Cash and Money Market Securities	20%	5%	100%
Fixed Income Instruments	65%	0%	100%
Equities	15%	0%	20%
	100%		

3. Implementation

- 3.1 Investment strategies will be of a long term buy and hold nature, with changes in positions mandated by sound analysis of economic and industry fundamentals. This investment Administrative Procedure strictly prohibits the Division from engaging in any investment activity that would be considered speculative according to that of a prudent investor.

4. Eligible Investments

Investments may be made in: Cash, Fixed Income, Preferred and Common Equity

4.1 Cash and Fixed Income

- 4.1.1 Government obligations (i.e. Treasury Bills Notes, Strip Coupons, Debentures and/or Bonds) issues directly or indirectly by the Federal government or an agency (Canadian and U.S.) or any of the provinces with an appropriate credit rating (see investment limits below).
- 4.1.2 Canadian Chartered Bank Securities, being Bearer Discount Notes, Deposit Receipts, Term Notes, Certificates of Deposit, Bankers Acceptances, bonds and strip coupons with an appropriate credit rating.
- 4.1.3 Securities of foreign banks or the Canadian affiliates of foreign banks provided that the obligations are guaranteed or carry separate appropriate ratings.
- 4.1.4 Commercial paper, bonds, debentures and strip coupons issues of Canadian companies with an appropriate credit rating.

4.2 Preferred Equity

- 4.2.1 Preferred shares issued by corporations listed on a recognized exchange.

4.3 Common Equity

- 4.3.1 Common Shares
- 4.3.2 Third party managed funds that co-mingle all participant investments provided that the safety, liquidity and yield characteristics of the fund are consistent with the parameters imposed by this investment Administrative Procedure.

4.4 Province of Alberta

- 4.4.1 The Province maintains a number of funds that accepts monies for investment purposes from public institutions.

5. Limitations

- 5.1 The portfolio is to be managed to the policies of the Alberta Trustee Act. In addition to these policies, the following limitations are to be applied:
 - 5.1.1 The purchase of any securities carrying a credit rating below A for bonds or A1/R1(L) for commercial paper is strictly prohibited. Investments in preferred shares will be limited to those carrying a credit rating of P2 or higher with a minimum outstanding float of three million (3,000,000) shares.

- 5.1.2 Ratings used will be from one (1) or more of the following ratings agencies: Canadian Bond Ratings Service, Dominion Bond Rating Service, Standard and Poor's Credit Rating Service, and Moody's Investor Services.
- 5.1.3 The use of derivatives, Royalty Income Trusts and Real Estate Investment Trusts, options, purchasing on margin and short selling of securities is expressly prohibited.
- 5.1.4 Equity securities of any one (1) issuer will comprise no more than ten percent (10%) of the portfolio value. Third party managed funds shall be excluded from this limitation.
- 5.1.5 Any investment or activity that may possibly expose the Division to liability beyond the amount invested is prohibited.

6. Benchmarks

- 6.1 The portfolio will be measured against a weighted asset class benchmark.
- 6.2 Each asset class will be measured against an appropriate index.
- 6.3 Performance relative to the index to be reviewed and discussed on a semi-annual basis.

Asset Class	Weight	Benchmark Index
Cash and Short-Term	20%	91 day Government of Canada T-Bill
Fixed Income	65%	Scotia Capital Bond Universe Index (Total Return)
Canadian Equities	5%	TSX Composite Index
Non-Canadian Equities	10%	5% S & P (Standard & Poor's) 500+ 5% MS (Moody's Investor Service) EAFE (Europe, Australia & Far East)

7. Payment and Safekeeping

- 7.1 Securities purchased will be held in safekeeping by a dealer or financial institution approved by the Secretary Treasurer.

8. Reporting

- 8.1 Semi-annual investment reports shall be prepared for and distributed to the Board. These reports will contain the following information:
 - 8.1.1 Complete inventories of all portfolio investments and percentage breakdown by each type of investment type and credit rating.
 - 8.1.2 A list of all transactions, whether matured or not, including opening balances, maturities, dispositions, purchases and accrued interest details.
 - 8.1.3 Average term to maturity of the portfolio.
 - 8.1.4 Outlining total return of the portfolio.
 - 8.1.5 Comparing return on segments of the portfolio relative to the appropriate benchmark.

- 8.1.6 Comparing return on the portfolio relative to the portfolio objective.
- 8.1.7 Details on compliance with this Administrative Procedure and details of any variations there from and steps, if any, taken to correct variations.

9. Exceptions

- 9.1 Under certain circumstances, the Secretary Treasurer may conclude that though an investment may not meet the criteria outlined in these procedures, the investment may be within keeping of the spirit of the procedures. In such an event, the Division may deviate from the Administrative Procedure subject to the following conditions:
 - 9.1.1 The Secretary Treasurer receives approval of the Board prior to the investment.
 - 9.1.2 The investment does not violate any of the limitations set out in this Administrative Procedure.

Adopted/Revised: JUN 2016/NOV 2019

Reference: Section 33, 52, 53, 68, 222 Education Act
Investment Policy Statement (BMO Nesbitt Burns)