

University of New Brunswick

Investments Committee

**Statement of Investment
Objectives and Policy
For
Short-Term Investment Fund**

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1. INTRODUCTION AND PURPOSE

- a) The purpose of this policy is to establish guidelines that will facilitate effective management of the University of New Brunswick's cash balances. The University has daily cash inflows and outflows related to its day-to-day operations. This includes cash inflows that are received in advance of use for research and operational activities, creating a source of working capital. Cash balances are planned and managed to avoid the need for external borrowing and to ensure that funds are available as needed. Cash balances in excess of amounts required for the University's day-to-day operating needs are available for investment in short-term instruments that are matched to the expected obligations of the funds.

These excess cash balances are pooled for investment purposes, forming the Short-Term Investment Pool (STIF). Restricted trust accounts that have a spending and investment horizon of one year or less are also invested in the STIF.

- b) The Board of Governors has approved this Statement of Investment Objectives and Policy (the "Policy") for the STIF. The purpose of the Policy is to establish investment principles and guidelines that are appropriate to the University's needs and objectives, to set out the structure for the oversight and management of the STIF and the procedures for monitoring investment performance.
- c) University endowment accounts and non-endowed trust accounts that have a long-term spending and investment horizon are also pooled for investment purposes and are invested in the Long-Term Investment Fund (the "Fund"). A separate Board approved Statement of Investment Policy and Objectives (the "SIOP") is in place for the Fund.

2. INVESTMENT OBJECTIVES AND RISK TOLERANCE

- a) The University's objectives for the management of the STIF are:
- To preserve capital;
 - To provide liquidity by limiting the portfolio to readily marketable securities;
 - To optimize returns consistent with the requirements for capital preservation and liquidity.
- b) Given that the University has limited staff resources, the investment strategy should be manageable without a significant requirement for day-to-day management.

3. ROLES AND RESPONSIBILITIES

- a) The Board has ultimate responsibility for approving the overall investment objectives and investment policy for the STIF.
- b) The Committee has been delegated the role of overseeing the management of the STIF.
- c) University Management is responsible for managing cash flows to meet liquidity needs, investing excess cash funds in accordance with this Policy, and reporting to the Committee on past performance and compliance with this Policy.

4. PERMITTED INVESTMENTS/PORTFOLIO DIVERSIFICATION & CONSTRAINTS

- a) From time to time, and subject to this Policy, investments may be made in any or all of the following asset categories:

Category	Limit Per Issuer	Limit Total Category
Government of Canada treasury bills, notes, debentures, bonds, stripped coupons and residuals and any obligations unconditionally guaranteed by the Government of Canada;	Unlimited	Unlimited
Provincial and municipal treasury bills, notes, debentures, bonds, stripped coupons and residuals and any obligations unconditionally guaranteed by a provincial government of Canada;	Unlimited	Unlimited
Guaranteed Investment Certificates, Banker's Acceptances, Bearer Deposit notes or equivalents issued by a Schedule I or II chartered bank;	20% (See Section 4(b))	50%
Bonds, debentures and commercial paper issued by a Canadian or foreign corporation;	5%	20%
Bank issued Asset-Backed Commercial Paper (Bank Schedule 1 only); and	5%	20%
The University has entered into a Treasury Agreement with its Banker under which the Bank shall pay interest on daily account balances, calculated at the Bank's Canadian Prime Rate for that day less a stated fixed percentage on all balances. The Bank has the right to require twenty-four (24) hours prior notice of withdrawal. For greater certainty, bank balances subject to the Treasury Agreement are permitted investments.	Unlimited	Unlimited

- b) For greater certainty, the 20% limit per issuer for this category of investments applies to the University's Banker, BMO. The limit is to be applied inclusive of any balances held under the BMO Treasury Agreement. For example, when balances under the Treasury Agreement exceed 20% of the Fund, no investment can be made in GICs or similar instruments issued by BMO.
- c) All investments shall be denominated in Canadian dollars.

5. MINIMUM QUALITY STANDARDS

- a) The minimum quality standard for individual short-term investments is “R-1 mid” or equivalent and for bonds, a debt rating of “A” or higher as rated by a recognized bond rating agency, at the time of purchase.

For the purposes of this Policy, the following rating agencies shall be considered to be “recognized bond rating agencies”:

- Dominion Bond Rating Services;
- Standard and Poor’s Ratings Services; and
- Moody’s Investors Service.

6. LIQUIDITY AND TERM

- a) Liquidity and term of investments will be arranged so that, through maturities or sales, cash will be available when required. Liquidity is achieved by limiting the portfolio to readily marketable short-term securities. Cash forecasts and historical cash flow patterns will be used as a guide for matching the term of investments to cash requirements. To meet unforeseen requirements at least part of the portfolio must be in cash (Treasury Agreement) or in highly liquid investments that can be converted to cash quickly with minimum loss of principal. A minimum of 30% of the portfolio will be invested in securities with terms to maturity of less than 1 year.

7. PROHIBITED INVESTMENTS

- a) The following investments are prohibited:
- Equity investments;
 - Pooled investment funds;
 - Non-bank issued Asset-Backed Commercial Paper;
 - Any investment not specifically permitted by the Policy.

8. RATE OF RETURN OBJECTIVES

- a) The primary objective is to earn a rate of return that exceeds the rate of return earned on 91 day Treasury Bills. Performance reports will include the appropriate benchmark.

9. POLICY REVIEW

- a) The Policy may be reviewed and revised at any time but it must be formally reviewed by the Committee at least once in every two calendar years. Amendments become effective on the recommendation of the Committee and approval by the Board.

10. TRANSITIONAL PROVISION

It is recognized that certain holdings in the Short-Term Investment Fund at the date of adoption of this Policy do not comply with the per issuer limits set out in Section 4. These holdings will be deemed to be eligible holdings during their term to maturity. As these holdings mature, the Policy limits will apply to the reinvestment of funds.