Investment Policy
University Expendable Funds

Approved:	Board of Governors
Effective Date:	June 7, 2007
Signature/Position:	Assistant Vice-President, Finance and Services

Table of Contents

SUBJECT

Investment of the University's expendable funds other than those held in endowment funds or in the University's pension plans.

SCOPE

This policy applies to all monies temporarily invested as a result of the operations of the University. This includes the following individual portfolios

1. **Expendable Funds Portfolio (EFP):** Cash available for temporary investment as a result of day to day operations of the University.
2. **Sinking Funds Portfolios:** Funds specifically separated by the University and invested for the repayment of long term debt in accordance with Capital Debt Policy FI 17.0.
3. **Designated Portfolios:** Funds which are not co-mingled with the EFP portfolio due agreements with an external funding organization or specific designation by the Board of Governors.

POLICY

The University invests expendable funds for varied purposes, over different timeframes and, potentially, with external restrictions. All funds are invested with security of capital as the overriding objective. The University shall maintain investments within distinct portfolios for the EFP, Sinking Fund Portfolios and Designated Portfolios. Each shall be managed to meet its specific investment objectives and reported separately. All investments shall be made following the basic objectives and constraints of this policy.

Definitions:

Credit Rating: The rating assigned by the credit rating agency DBRS (Dominion Bond Rating Service) or equivalent.

Investment Criteria: The minimum acceptable levels of credit quality, concentration limits in any single issuer and asset allocation constraints specified below.

Pooled Funds: An external professionally managed investment fund. A pooled fund is a trust that is set up under a "trust indenture". This specifies how the pooled fund will operate and what the duties of the various parties to the trust indenture will be, an investment policy and how management fees will be charged. The University may use a pooled fund to achieve the investment objectives of a portfolio.

Primary Investment Objectives
Portfolios will be invested based on the following objectives in order of priority; security, liquidity and yield.

Security: capital preservation is the primary consideration for any investments in the portfolios. All investments held in the portfolios will meet the credit quality standards as defined in this Policy.

Liquidity of the investment is measured as the time required to convert a security into cash with a minimum risk of capital loss. Investments in the portfolios will be limited to readily marketable fixed income securities.

Yield or return on investment is a significant concern, but will be considered only after requirements for security and liquidity are met.

Portfolio Investment Constraints
In addition to the Primary Investment Objectives each portfolio has investment requirements specific to the purpose of the portfolio.

EFP:
1. will meet the Investment Criteria, (see below)
2. will be invested in short and medium term money market and fixed income investments,
3. will be invested in order to meet the University's operating cash flow requirements.
4. the benchmark return is the Scotia Capital 91 day T Bill Index

Sinking Fund Portfolios
1. will meet the Investment Criteria and
2. will be invested, where feasible, to match the maturity of the underlying liability.

Designated Portfolios
1. will meet the Investment Criteria and external restrictions, whichever is the most restrictive and
2. will be invested to match the expected cash requirements of the portfolio.

Investment Criteria: Investments may be managed internally or in an externally as part of a pooled fund arrangement. For example CAUBO has arranged with an external fund management company for special fees structure lower than otherwise available.

1) Internally managed investments: where investments are managed and transacted by the University the followed Investment Criteria will be met.

Issuers will be restricted to the following

- Government of Canada treasury bills, notes, debentures, stripped coupons, residuals and any obligations unconditionally guaranteed by the federal government of Canada
- Provincial treasury bills, notes, debentures, stripped coupons, residual and any obligations unconditionally guaranteed by the provincial governments of Canada
- Municipal Government notes, debentures and any obligations unconditionally guaranteed by a municipal government of Canada and carrying a short-term rating of R-1 (mid) or higher
- Commercial paper corporate bonds and debentures issued by a corporation with a commercial paper rating of R-1 (mid) or higher or a long term rating, if applicable, of A or higher.
- Bankers acceptances, certificates of deposit, deposits and similar instruments issued by banks with a credit rating of R-1 (mid) or higher and a long term rating, if applicable, of A or higher.

Concentration

- Single non-government issuers maximum of 10% of the market value of the portfolio (at time of purchase)

Allocation

- A minimum of 60% of investments will investment in Federal and Provincial government issuers.

2) Pooled Funds: funds may be invested through the use of external professionally managed Pooled Funds. Investments through Pooled Funds are permitted where the following criteria are met:

- The fund investment objectives are consistent with the Primary Investment Objectives and the individual portfolio's Investment Constraints.
- Be generally consistent with the internally investment criteria above. In all cases will be limited to low credit risk money market and fixed income securities. For clarity, this specifically excludes equity investment.
- Have the investments held by an appropriate trustee.
- Provide sufficient reporting to meet University of Guelph oversight and reporting.
- Provide administrative efficiencies in the management of funds under this policy.

Reporting

The administration shall report at least annually through the finance Committee to the Board of Governors on:

- Portfolio balances and asset allocation
- The maturity of the investments
- Performance of the portfolios

Policy Review

This policy will be reviewed by the AVP, Finance and Services at least once per year. If any amendments are necessary, these amendments may be made only after approval by the Board of Governors of the University.