

INVESTMENT MANAGEMENT POLICY

**MANAGEMENT POLICY
INVESTMENTS**

Adopted by the Board of Directors on May 29, 2013

Amended February 20, 2014

Amended November 10, 2016

Amended February 14, 2018

INVESTMENT MANAGEMENT POLICY

1. INVESTMENT MANAGEMENT POLICY

This policy is addressed to the UQAM Foundation and its bodies responsible for fund management. The following bodies of the Foundation are concerned by this Politics :

- The board of directors;
- The finance and audit committee;
- The investment advisory committee;
- Any other committee or working group set up by the authorities.

This policy applies to all investments held by the Foundation.

2. STATEMENT OF PRINCIPLE

The mission of the UQAM Foundation is to contribute to the vitality of training, research and creation, to promote accessibility to studies by improving the supply of scholarships, and to build strong partnerships between the University and the community.

This policy aims to contribute to sound management and optimal return on funds. current and funds endowed in accordance with the wishes of donors.

The objective with respect to investments is to protect capital and ensure a optimal performance in order to achieve the initial objectives and the intentions of the donors, to either award scholarships or finance training and research and creation projects.

3. LEGAL FRAMEWORK

This investment management policy is subject to Regulation No. 1 concerning the administration of the UQAM Foundation and the fiscal and administrative laws of different levels of government concerning the Foundation.

4. GOALS

This policy aims to:

- Provide guidelines to the UQAM Foundation and its bodies in the aim to ensure effective management of the funds raised, taking into account the willingness of donors and the quality of the investments chosen;
- Allow an optimal return on investments of current portfolios and the endowment portfolio, while protecting capital;
- Assure donors of the sound management of funds entrusted to the Foundation.

As of December 5, 2019

Page 2

Page 3

INVESTMENT MANAGEMENT POLICY

5. DEFINITIONS

- **Designated** donation: donation intended for a specific project. It can be allocated to a fund specific or to an endowed fund.
- **Non-designated** donation: donation received without restriction as to its use. This donation must be recognized in income for the year it is received.
- **Current fund** : made up of all designated and non-designated donations that are not intended for the endowment fund. The current fund also includes all other income including grants that are not intended for a dotation funds.
- **Endowment fund** : made up of all designated gifts and of which only the yield may be distributed in part or in whole according to the demands of the donor or used in accordance with this policy.

6. ROLE AND RESPONSIBILITIES

The UQAM Foundation

The UQAM Foundation, represented by its general manager or its general manager, sees to the management and investments of current portfolios and the portfolio of endowment. The general manager regularly informs the authorities of the State Foundation of these portfolios and is responsible for the application of the policy to this effect.

Board of directors

The board of directors is responsible for approving and updating the rules, the terms and conditions applicable to the management and investment of the funds of the Foundation.

The board of directors approves, on the recommendation of the finance committee and audit, the rules, conditions and procedures applicable to the Foundation's investments.

The finance and audit committee

The finance and audit committee recommends to the board of directors the rules, terms and conditions applicable to the investment of the Foundation's portfolios. He studies, in addition to the Foundation's annual report, any other financial question than the board of directors may submit to it and, subsequently, report to it.

He must, among other things, perform the following tasks:

- Review annually the allocation rate of endowment fund income;
- Analyze the Foundation's means of financing and make recommendations appropriate to the board.

As of December 5, 2019

Page 3

INVESTMENT MANAGEMENT POLICY

The investment advisory committee

The committee is made up of six (6) members appointed by the board of directors to a two-year term, including the chairperson of the board of directors and the chair of the finance and audit committee, or a member of this committee and four (4) external members. The director general of the Foundation attends meetings as an ex-officio member of the committee. Each member remains in office after the expiry of his mandate as long as the board of directors did not provide for his replacement. The committee appoints the one of its members who will act as president.

The Investment Advisory Committee is mandated to advise the Finance Committee and audit on the administration of the Foundation's portfolios. He is responsible for:

- Develop, propose and see to the updates of the management policy of investments;
- Propose performance objectives and see to the distribution of assets for each portfolios based on risk tolerance and liquidity needs determined by the board of directors;
- Evaluate portfolio results, meet with managers and report the finance and audit committee;
- Evaluate and recommend the portfolio manager (s);
- Analyze and propose, for approval, the costs and management fees.

The manager

The portfolio manager is responsible for:

- Develop and manage portfolios;
- Produce reports provided for in the service contract for the evaluation of its management;
- Present periodic reports to the investment advisory committee according to the agreement taken.

a) Manager's assessment

The Investment Advisory Committee will assess the results obtained by the manager in light of this policy. Respect for objectives and constraints fixed, respect for the management style and investment philosophy of the manager, the quality of the reports provided, the content of the compliance reports, compliance with the code of conduct and the manager's staff turnover will subject to evaluation by the Investment Advisory Committee.

As of December 5, 2019

Page 4

b) Evaluation criteria

The return obtained by the manager will be compared to the return of the benchmark portfolio and the results will be presented and discussed by the members of the Foundation's investment advisory committee.

Asset class performance will be compared to benchmarks in order to:

- Measure the contribution of each asset category to the market value total portfolio;
- Measure the added value of the manager's active management to the performance of the wallet.

7. REFERENCE INDICES

The performance of the benchmarks makes it possible to assess whether the performance of the management active manager outperforms the returns of passive management based on indices stock and bond markets.

The rate of return of the benchmark portfolio is obtained by using the index of market for each asset class according to the appropriate weighting. The clues are:

- Cash / money market: FTSE TMX - 91 day treasury bills
- Bonds: FTSE TMX– Universe
- Canadian Equities: S & P / TSX Index
- US Equities: S&P 500 Index (in Canadian dollars)
- Foreign equities: EAFE Index (in Canadian dollars)
- Emerging markets equities: MSCI emerging markets index (in dollars Canadian)

8. TYPES OF PORTFOLIOS

The Foundation manages three distinct portfolios:

- **The current portfolio - short term** : the general portfolio collects donations intended to be spent within one year of receipt.
- **The current portfolio - medium term**: collects donations intended to be accumulated for a specific period or to be spent according to a schedule precise agreed in advance and in the medium term.
- **The endowment portfolio** : collects all donations that are intended to be long-term capitalized at the request of the donor. The purpose of the endowment is to ensure the sustainability of the University's activities supported by donors and donors.

9. CURRENT PORTFOLIOS

The following guidelines take into account that some of the **portfolios currents** can be used in the short term while a second part can be used at middle term :

9.1 The current portfolio - short term

The current - short-term portfolio is 100% invested in instruments guaranteed by Canadian financial institutions or the market monetary.

Each year, the finance and audit committee analyzes the forecast cash flow to determine if an amount can be invested over the medium or longer term without endangering the availability of the necessary liquidity to meet the Foundation's anticipated obligations. On this occasion, the committee renews or determines a new envelope of funds that can be invested at longer term in order to obtain higher returns than guaranteed investments short term.

9.2 The current portfolio - medium term

Funds, which are not required in the short term, can be invested over the medium to long term. longer term with a portfolio manager. In order not unduly increase the volatility of this portfolio, the distribution of investments by category of securities must comply with the breakdown determined below. after.

Portfolio objective

- Make the sums held in the portfolio grow as they should be medium-term disbursements.

Performance target

- Obtain an annual return of 5% net of management fees.

*INVESTMENT MANAGEMENT POLICY***Portfolio breakdown****Current portfolio - medium term**

Asset classes	Benchmark (%)		
	Minimum	Target	Maximum
Cash	0%	5%	20%
Obligations	25%	55%	80%
High yield bonds	0%	0%	8%
Preferred shares	0%	0%	15%
Non-traditional obligations	0%	10%	25%
Total cash / fixed income	55%	70%	85%
Canadian equities	5%	10%	15%
American equities	5%	10%	15%
Foreign equities	0%	5%	10%
Emerging markets equities	0%	0%	5%
Non-traditional capital appreciation	0%	0%	5%
Real assets	0%	5%	12%
Total shares / real assets	10%	30%	40%

10. ENDOWMENT PORTFOLIO**Management**

Endowed funds are all subject to a memorandum of understanding between the donor, the donor and the foundation. This protocol states, among other things, a description of the donation, the criteria allocation of income and administration of the fund.

A minimum amount of \$ 25,000 is required to create an endowed fund. The foundation may agree to open such a fund, if the minimum requested is not deposited, within the the extent to which the donor commits, by protocol, to achieving the intended objective and not use capital and yield until the fixed floor is reached. These rules will be periodically reviewed by the finance and audit committee.

Income is paid annually at an allocation rate set by the committee finance and audit. The fixed rate is capped at 5%. This rate may be lower than actual performance of the endowment fund.

Reserve No. 1 | Endowed funds with memoranda of understanding signed before November 30, 2017

The 5% surplus, associated with endowed funds created under memoranda of understanding signed before November 30, 2017, can only be used to cover the fees of management and to compensate for a possible decline in the markets.

As of December 5, 2019

Page 7

Page 8

INVESTMENT MANAGEMENT POLICY

Reserve No. 2 | Endowed funds with memoranda of understanding signed after November 30, 2017

Endowed funds created after November 30, 2017 or any new financial commitment associated with an endowed fund, confirmed after November 30, 2017 will be subject to the rules use of the reserve that follow. The Foundation will assess, after payment of the income and payment of management fees, the balance of the reserve. In the event where the said reserve becomes greater than 10% of the endowed capital invested, it may use in part of the surplus generated to increase the capital of endowed funds, finance its projects priority and / or cover part of its operating costs. This use of the surplus will follow a decision of the board of directors on the recommendation of the finance and audit committee.

All funds are invested permanently without time limits, except otherwise indicated by the donor. These funds are invested in such a way as to offer the best possible yield.

Due to the importance of the endowment portfolio and the targeted objectives, the management of the portfolio is entrusted to an investment manager recommended by the advisory committee investments to the finance and audit committee and approved by the board administration.

Portfolio objective

- Preserve the initial value of the capital;
- Provide the Foundation with an annual income in real growth.

Performance target

- Obtain an average return over three years greater than 5% net of management fees while protecting capital.

Portfolio breakdown

Asset classes	Endowment portfolio		
	Minimum	Target	Maximum
Cash	0%	5%	20%
Obligations	15%	40%	60%
High yield bonds	0%	0%	8%
Preferred shares	0%	0%	12%
Non-traditional obligations	0%	5%	25%
Total cash / fixed income	40%	50%	65%
Canadian equities	10%	15%	20%
American equities	10%	15%	20%
Foreign equities	10%	13%	15%
Emerging markets equities	0%	0%	7%
Non-traditional capital appreciation	0%	0%	7%
Real assets	0%	7%	15%
Total shares / real assets	30%	50%	60%

As of December 5, 2019

Page 8

INVESTMENT MANAGEMENT POLICY

11. LIST OF AUTHORIZED INVESTMENT VEHICLES

The portfolios can be invested among the following investments (unless indicated specific contrary):

- **Cash and short term** : deposits with banks, trust companies, or credit unions, money market securities issued by governments or Canadian companies (public or private) with a maturity of one year or less.
- **Fixed income securities:** bonds, debentures, notes or other debt securities, issued by governments or Canadian and foreign companies, securities Backed Securities (*asset-backed securities*), investment certificates guaranteed or equivalent financial instruments issued by insurance companies Canadian companies, trust companies, banks, credit unions or other eligible issuers, term deposits, bankers' acceptances or similar instruments issued by Canadian trust companies, Canadian banks or credit unions.
- **Canadian equities** : common shares, convertible debentures, bonds subscription, subscription rights or closed and open preferred shares, exchange traded funds.
- **Foreign equities (American and international):** ordinary equities, convertible debentures, warrants, subscription rights, shares

preferred, or U.S. stock certificates of public trading companies
foreign, exchange-traded funds.

- **Other investments:** investments that are not explicitly permitted by this policy are prohibited, unless approved by the finances and audit of the UQAM Foundation. The committee may require manager to sell certain specific investments if the conditions do not seem unacceptable in relation to the philosophy and objectives of the Foundation. Such a requirement will be sent in writing to the manager and the manager must comply with it within ten (10) working days of receipt of the notice.

12. GUIDE RELATING TO AUTHORIZED INVESTMENTS

The manager may invest in the categories of authorized investments subject to the following quality constraints:

- a) No purchase of securities will be made from companies whose income is derived mainly from tobacco, fossil fuels or weapons;
- b) The securities of each borrower, except the federal government, of a province or municipality, are limited to 5% of the market value of the bond portfolio;
- c) Money market securities must be rated R-1 or equivalent by a recognized listing body and no investment may exceed one year;
- d) The overall rating of the bond portfolio must be rated at the minimum "A" as defined by the Dominion Bond Rating Service or equivalent;

As of December 5, 2019

Page 9

INVESTMENT MANAGEMENT POLICY

- e) The market value of bonds with a "BBB" rating may not exceed 15% of the market value of the bond portfolio. The purchase of securities with a credit rating lower than "BBB" is not allowed. The manager can however be allowed to hold bonds with a lower credit rating to "BBB" according to the Dominion Bond Rating Service or equivalent only by through a private fund with active management for a maximum that does not may exceed 30% of the total portfolio;
- f) Securities denominated in foreign currencies must not represent more than 10% the market value of the bond portfolio. In addition, these titles will hold a rating comparable to that of their Canadian counterparts given by a similar body and will be subject to the credit constraints of the policy;
- g) The bond portfolio may be invested in securities backed by receivables with a credit rating of less than "A" up to a maximum of 10% of the fixed income asset class;
- h) The market value in preferred shares is limited to 15% of the value market of the total portfolio;
- i) Any investment in shares must be made in a company which has a minimum capitalization of \$ 750 million;

- j) Any investment in an exchange-traded fund must not exceed 5% of the total portfolio;
- k) The portion of the portfolio held in equities must contain a minimum of 25 securities to ensure adequate diversification. The manager will have to diversify from sector-based by having at least exposure in seven of the ten sectors, as defined by the GICS (Global Industry Classification Standards);
- l) Any security or portfolio must be of good quality and negotiable;
- m) Investments in foreign stocks should be diversified by stock, region, industry and country, taking into account the relative importance of the activity economic and capitalization of the stock market;
- n) No investment in shares of a company will exceed 5% of the market value of the portfolio or more than 5% of the market value of all the shares issued by this company;
- o) The manager must disclose any material interest he has in an investment or a protected transaction. All investment activities must be conducted in accordance with the Code of Conduct of the CFA Institute and the Rule 42 of the IROC Dealer Member Rules Manual;
- p) Purchases of securities on margin, borrowings and loans are prohibited;
- q) Investments in asset-backed commercial paper are prohibited;
- r) The use of derivative financial instruments such as futures contracts, options, swaps, etc., is prohibited;
- s) Any investment, which is not explicitly authorized by this policy investment management is prohibited unless recommended written document of the finance and audit committee, adopted by the board of directors.

Non-correlated investments

- a) The use of financial instruments such as futures, options, etc., is permitted through a private fund with active management;

As of December 5, 2019

Page 10

INVESTMENT MANAGEMENT POLICY

- b) Private fund for non-traditional fixed income:
 - Objective: to increase the yields of fixed income securities in more difficult economic contexts;
 - The private non-traditional fixed income fund is actively managed and is limited to a maximum of 25% of the total portfolio;
 - Global bonds to add a diversified source of yield as well that risk diversification;

- Futures contracts in order to protect the traditional bond portfolio by anticipation of rate cuts;
- Structured notes investing in stock market indices that can be sold before maturity generating mainly income in the form of return capital in order to stabilize the cash flow of the portfolio;
- Different currencies in order to diversify the flow of income arising from bond portfolio or capitalize on a market anomaly bond over a very short period of time;
- Maintain a daily level of liquidity through the use of portfolios traditional bonds.

c) Private non-traditional capital appreciation fund:

- Objective: improve the risk / return ratio and reduce volatility;
- The private non-traditional capital appreciation fund is actively managed and is limited to a maximum of 7% of the total portfolio;
- Derivatives (purchase / sale of options) in order to obtain sources of income other than dividends and benefit from them when the level of volatility on securities offer an untapped opportunity;
- Structured notes investing in stock market indices that can be sold before maturity allowing gains that exceed those from products offering only interest income;
- Reduction in the correlation between traditional equity index securities by variability analyzes of companies included in a stock market index, but by assigning weights that vary from the traditional index;
- Use of a multi-factor model making it possible to differentiate the most more efficient (purchases) than those which are less efficient (sales).

d) Private fund of real assets:

- The private real assets fund is actively managed and is limited to a maximum 15% of the total portfolio;
- The investment objective of the private real assets fund is to generate a income and long-term capital growth while focusing on inflation hedging. The strategy is to invest directly or through through investments in securities related to the real estate, infrastructure and amenities (agricultural land / woodland).

When the Foundation's investments are made through a common fund, the common fund policy takes precedence over the Foundation. In such a case, these will be the constraints provided for in the fund's policy, that will prevail and not the constraints provided for in the Foundation .

As of December 5, 2019

Page 11

The manager must submit to the director general of the UQAM Foundation the following documents:

- Monthly (no later than 15 working days after the end of the month)
 - The detailed report of operations;
 - The portfolio statement, including complete information on the securities held, expected annual incomes, face values, values accounting (amortized cost) and market values.

Monthly information may be provided by the custodian, depending on the agreement entered into with the manager.

- Semi-annual
 - An analysis of the half-yearly performance of the portfolio compared to benchmark portfolio;
 - Analysis of returns by asset category;
 - A compliance report specifying the extent to which it was able to comply, end of the semester, the constraints set by this management policy investments. Any significant deviation will be explained to the committee. investment advice.
- Annual
 - A complete list of securities with cash, their nominal values, accountants and merchants as well as the income accumulated in the portfolio;
 - An analysis of the annual performance of the portfolio compared to benchmark portfolio;
 - A compliance report specifying the extent to which it was able to comply, end of the year, the constraints set by this policy for the management of investments. Any significant deviation will be explained to the committee. investment advice.

14. LOANS AND BORROWINGS

No portion of the portfolios will be the subject of a loan granted to a person, to a partnership or association.

The assets of the portfolios may not be given as collateral, be mortgaged or be encumbered in any way.

INVESTMENT MANAGEMENT POLICY

15. CONFLICT OF INTEREST

- a) No one involved in asset management, including board members directors and its committees, as well as the members of the Foundation's management or any person involved in the management of the asset, must not knowingly allow its personal interests to come into conflict with the exercise of his powers and responsibilities regarding funds.

- b) Anyone involved in asset management, or any person involved in the management of the asset, which has or acquires a personal interest, real or perceived, direct or indirect, which may be in conflict with their powers and responsibilities regarding funds must report it in writing as soon as possible in accordance with the Foundation's policy on conflicts of interest.

16. UPDATE

The investment management policy will be reviewed annually or more often if the members of the finance and audit committee deem it appropriate. The manager may suggest changes to the investment management policy, if they are the benefit of the Foundation.

