DOUGLASCOLLEGE

BALANCED MANAGER MANDATE

Mandate Name: Investment Fund – Balanced Manager Mandate	Responsible Owner: Vice President, Administrative Services and CFO	Created: 2021 September
Policy Number: A62	**Approval Body:** Management	**Last Reviewed/Revised:** 2021 September
Category: Administration	**Replaces:** N/A	**Next Review:** 2022

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A. PURPOSE

The purpose of this manager mandate is to establish expectations for the Balanced Manager of the College's Investment Fund. College Management is responsible for reviewing and updating this manager mandate and providing it to the Balanced Manager.

B. DEFINITIONS

Investment Fund: a diversified portfolio of bonds, equities, mortgages and any investments approved by the Board, managed by one or more external fund managers

MSCI ESG Rating: a rating between AAA and CCC that measures a company's environmental, social and governance (ESG) risk as determined by MSCI, a global ESG ratings provider

C. PROCEDURES

INVESTMENT OBJECTIVES

1) The primary return objective for the Balanced Manager is to achieve a rate of return over four-year moving time periods, net of investment management fees, higher than the Benchmark Portfolio, as described below.

Asset Class	Weight	Index
Short-Term Bonds	50%	FTSE Canada Short-Term Bond Index
Canadian Equities	25%	S&P/TSX Capped Composite Index
U.S. Equities	25%	S&P 500 (CAD) Index

2) The secondary return objective for the Balanced Manager is to achieve a rate of return over four-year moving time periods, gross of investment management fees, that ranks in the top 50% of comparable funds in Canadian equities and U.S. equities.

3) The risk objective for the Balanced Manager is to achieve a standard deviation of returns over four-year moving time periods lower than the Benchmark Portfolio described above.

RISK CONTROL

The Audit, Finance and Investment Committee (Committee) recognizes that investment risks in the form of interest rate uncertainty, credit quality, insufficient diversification, particularly in regards to corporate investments, currency risk and the possibility of underperformance by the Balanced Manager exists, among others, for the portfolio. The Committee also recognizes the risks associated with poor environmental, social and governance practices.

College Management will control the portfolio's investment risk from the perspective of a prudent person viewing the portfolio as a whole and recognizing the nature of the obligations that the portfolio is intended to support. The primary control of portfolio risk is through the asset allocation and diversification. College Management seeks to minimize the risk exposure of the portfolio by maintaining a well-diversified portfolio that integrates environmental, social and governance factors into investment decisions.

ASSET MIX CONSTRAINTS

The policy asset mix and constraints for the Balanced Manager are as follows:

Asset Class	Minimum	Maximum	Policy Asset Mix
Cash/Money Market	0%	10%	0%
Bonds	45%	55%	50%
Canadian Equities	20%	30%	25%
U.S. Equities	20%	30%	25%

The bond portfolio will be managed in a segregated, laddered, buy-and-hold portfolio, subject to the quality constraints of this mandate.

PERMITTED INVESTMENT CATEGORIES

The portfolio may be invested in the following categories of investments:

Fixed Income: Bonds and debentures. All fixed income securities are to be issued in Canadian dollars by Canadian organizations. The maximum term to maturity of any fixed income security is 3 years.

Equities: Common shares, preferred shares, convertible securities, rights, warrants and real estate investment trusts.

Cash/Money Market: Cash on hand, demand deposits, treasury bills, short-term notes and bankers' acceptances, commercial paper, term deposits and guaranteed investment certificates. All cash investments are to be issued in Canadian dollars by Canadian organizations. Cash investments may be in U.S. dollars or other foreign currencies within approved pooled funds and limited partnerships.

Derivatives: May be used in the portfolio for the purposes stated below, as long as the underlying investments would be permissible under this mandate and the use of derivatives will not result in borrowing:

(a) synthetic indexing - passively investing in an attempt to replicate the returns of an index;

(b) risk control - managing interest rate, equity or currency market risk through the use of hedging strategies. Derivatives may be used to hedge exposure to a specific foreign currency for defensive purposes;

(c) lowering transaction costs and liquidity management - reducing the transaction costs on currency conversions, trading, and custody and brokerage services (e.g. through use of forward contracts or index futures). Substituting derivatives for specific securities, with the same net exposure to market variables, for the purposes of exploiting pricing inefficiencies and managing liquidity; and

(d) asset mix shifts - reducing market movement and transaction costs of shifting asset weights or rebalancing, by allowing instantaneous implementation of the shift through derivatives.

Pooled Funds, Mutual Funds and Limited Partnerships: Any pooled funds, mutual funds and limited partnerships consisting of investments that are otherwise eligible under this mandate.

RESPONSIBLE INVESTMENT

The securities held in the bond and equity portfolios will not be issued by companies with ESG ratings lower than BB on MSCI's ESG rating scale. If a security held in the portfolio is downgraded below BB or if an equity security becomes unrated, the Balanced Manager will sell the security as soon as practical. Investments in unrated equity securities are not permitted. Investments in unrated fixed income securities and cash are permitted.

INVESTMENT CONSTRAINTS

The combined cash and bond investments in the securities of any one issuer will not be more than 5% of the total market value of all cash and bond investments held by the portfolio, unless the issuer is the Government of Canada or any province of Canada with at least a credit rating of A (low), or unless such securities are guaranteed by one of those entities. The average credit rating from DBRS Morningstar, Fitch, Moody's and Standard & Poor's will be used for determining the credit rating of a fixed income security for the purposes of this mandate unless otherwise stated.

No single equity investment will represent more than 10% of the market value of all equities held in each of the Canadian equity portfolio or U.S. equity portfolio.

At least 70% of the portfolio's investment holdings will be liquid at all times, i.e. able to be converted into cash within 5 business days. No investments are allowed in direct real estate or hedge funds, including pooled funds holding these asset categories.

QUALITY CONSTRAINTS

- Investments in Canadian bonds and debentures will be rated at least BBB (low) by DBRS Morningstar or equivalent at the time of purchase. If a bond held in the portfolio is downgraded below BBB (low), the Balanced Manager holding the bond will sell the bond within a 6-month period at the appropriate time to minimize any loss to the portfolio.
- Not more than 15% of the market value of the fixed income portfolio may be invested in BBB bonds and debentures.
- Investments in Canadian and non-Canadian equities will be made in accordance with the Standards of Practice established by the CFA Institute, and will be restricted to shares listed on a major stock exchange or other recognized trading facility.
- Investments in short-term notes and treasury bills will be rated at least R-1 (low) by DBRS Morningstar or equivalent at the time of purchase.
- The minimum quality standard for counterparties in a derivative transaction is "A", at the time of the transaction.

If there is a discrepancy between this mandate and the investment policy (or equivalent documents) of the pooled funds or limited partnerships held by the portfolio pertaining to the constraints and limits, the College Management will review the constraints and limits governing the pooled funds and accept the constraints and limits of the pooled funds or limited partnerships in lieu of those in this mandate so as to avoid conflict. The Balanced Manager will notify the College Management immediately of any changes to their pooled fund or limited partnership investment policies.

All securities held by the portfolio that fall below the quality constraints will be disclosed by the Balanced Manager to the College Management as part of the regular quarterly compliance reporting.

DELEGATION OF VOTING RIGHTS

The Balanced Manager is delegated the responsibility of exercising all voting rights acquired through the portfolio's investments. The Balanced Manager will integrate environmental, social and governance factors in their voting guidelines and vote all proxies in the best interests of the portfolio.

The Balanced Manager will report the following annually to the College Management, if applicable:

- A written summary of all voting matters, including how they voted on environmental, social and governance issues; and
- Any changes in their proxy voting policy

RELATED PARTY TRANSACTIONS

The portfolio or Balanced Manager may not enter into any transactions with parties related to the members of the Board or Committee of Douglas College.

LENDING OF SECURITIES OR CASH

Lending of cash or securities at the total portfolio level is not permitted.

The Balanced Manager may lend securities in their pooled funds, but is required to:

- Fully disclose their securities lending policies to College Management; and
- Notify College Management immediately of any changes in their securities lending policies.

VALUATION OF INVESTMENTS

In most cases, securities held by the portfolio will have an active market, in which case the valuation of those securities will be based on their market values. Securities that are not regularly traded will be valued by the Balanced Manager based on industry best practices.

BORROWING

The portfolio may not borrow cash or securities or enter into short-selling transactions.