

NOVA SCOTIA COMMUNITY COLLEGE (NSCC) FOUNDATION

INVESTMENT POLICY

1.0 **VISION and MISSION** (to be updated when Strategic Plan revisions are complete)

1.1 The Foundation Vision is inspired philanthropy and enhanced student success.

1.2 The Foundation Mission is dedicated to advancing the Nova Scotia Community College's Vision, Mission and Promise through philanthropy and prudent investment management.

2.0 GOALS OF THE POLICY

2.1 The goals of this policy are to set out the terms and conditions under which the assets of the Pooled Endowment Fund ("Fund") are invested.

(i) To maximize risk-adjusted returns of the endowment funds and annual cash flow management consistent with accepted risk tolerance levels.

(ii) To preserve the capital of endowment assets.

(iii) To at least earn the expected required rate of return as per the Endowment and Management Spending policy (5.0% net of fees) over a four-year rolling period for the portfolio to accommodate the Foundation's annual income disbursement.

3.0 RESPONSIBILITIES/ACCOUNTABILITIES:

3.1 The Board has the responsibility to oversee the management and financial reporting processes of the Foundation while satisfying itself that the resulting information reasonably reflects the organization's financial position.

3.2 The Investment Committee ("The Committee") reports to the Board and has the following responsibilities:

- Annual development and revisions to this policy including formulation of investment philosophy and asset mix strategy.
- Monitoring investment performance on an ongoing basis to ensure expectations are met.
- Monitoring the Investment Manager at least annually and recommending the appointment of a new Investment Manager as required.

3.3 The Foundation's Management Team is responsible for the day-to-day administration of the Pooled Endowment Fund, adhering to the Endowment Management and Spending Policy.

4.0 PERMITTED INVESTMENTS

4.1 While investing Foundation capital, an Investment Manager must exercise the care, skill, diligence, and judgment that a prudent investor would exercise in making investments. Permitted investment and prudent investor is referenced from the *Trustee Act* (Nova Scotia).

4.2 The Investment Manager may hold any part of the portfolio in one or more pooled funds managed by the Manager. It is expected that the pooled funds will be operated within constraints like those contained in this Policy. The Manager shall notify the Committee if a pooled fund exhibits any significant departure from this policy.

4.3 Fund investments include:

- Cash investments (T-bills, commercial paper, and bankers' acceptances) will be rated no lower than R-1 low or its equivalent. No more than 10% of the cash component may be invested in paper of a single issuer.
- The credit quality of the fixed income portion of the portfolio must have an average credit quality of BBB (low) or better. No more than 25% of the overall fixed income allocation may be invested in instruments with a credit quality less than BBB (low).
- Investment in Canadian conventional mortgages are permitted within the Alternatives Investments allocation. No more than 15% of the overall portfolio allocation may be invested in domestic conventional (non-guaranteed) mortgages on income producing commercial, residential, and industrial properties.
- All equity investments (Canadian, US and foreign) will be in companies which trade on a recognized major exchange. At no time can shares in a single company represent more than 5% of the overall portfolio based on market value.
- Alternative investments including but not limited to mortgages, real estate and infrastructure are permitted investments as part of the Foundation's overall investment strategy.

4.4 Exception: Gift of Shares

- Normal business practice is to redeem gifts of shares to cash on the day received. As per the approval of the Board and NSCC Executive, 38,000 TD Bank common shares were gifted by a donor and held in a non-fee account with the Investment Manager.
- Investment earnings generated by these shares will fund the Sobey Awards and will be automatically received to the NSCC Foundation bank account quarterly.
- Unrealized gains or losses on these shares will be reflected in the Foundation financial statements accordingly.
- These gifts of shares will not be redeemed to cash in whole or in part without prior consent from the Sobey Family.

4.5 Derivatives

- The Manager may use derivatives, such as swaps, options, futures, and forward contracts, for hedging purposes, to manage interest rate and market risk, and as a substitute for direct investment.
- With prior written approval of the Committee, the Manager may use derivatives for speculative trading or to create a portfolio with leverage. Any use of derivatives for leverage or speculative purposes is limited to alternative strategies and limited to no more than 15% of the Foundation's portfolio.

5.0 RETURN AND RISK OBJECTIVES

5.1 The Fund must be constructed in such a manner as to target the long- term objectives of the Foundation as indicated in section 2.0.

5.2 The Committee will evaluate the Managers performance on an ongoing basis based on a return objective that is to generate a total investment return over a four-year rolling period greater than the policy benchmark return which is calculated based on:

15% FTSE Canada Short Term Overall Bond Index
 15% FTSE Canada Universe Bond Index
 20% S&P/TSX Capped Composite Index
 40% MSCI World Net Index (CAD)
 5% MSCI Emerging Markets Net Index (CAD)
 5% FTSE Canada 30-day T-bill Index

5.3 Diversification amongst asset classes is provided through the asset allocation guidelines in section 6.0. Diversification within each asset class is provided by limiting the percentage of the market value of Foundation assets invested in a single issuer noted in section 4.3.

5.4 The Manager is expected to be a signatory to the United Nations Principles for Responsible Investment (PRI) to have a Responsible Investing Policy and to integrate Environmental, Social, and Governance (ESG) factors into its investment management processes.

5.5 The Manager will ensure that the Fund maintains adequate liquid assets to meet endowment disbursements. The Fund will hold no more than 25% illiquid alternative investments.

6.0 ASSET ALLOCATION

6.1 The asset allocation policy seeks to balance the objective of earning a satisfactory return on fund assets while mitigating risk, considering the capital market expectations and liquidity needs of the Foundation.

6.2 Target asset mix and ranges are as follows:

Asset Class	Target Asset Mix	Minimum	Maximum
Cash	0%	0%	10%
Fixed Income			
Core Plus Bonds	15%	0%	20%
High Yield Bonds	0%	0%	10%
Total Fixed Income	15%	10%	30%
Diversified Equities			
Canadian	20%	15%	35%
Foreign	45%	30%	50%
Global Equities	40%	30%	45%
Emerging Markets			
Equities	5%	0%	10%
Total Diversified Equities	65%	45%	70%
Alternative Investments	20%	0%	25%

7.0 MONITORING AND REPORTING

7.1 On a quarterly basis, the Investment Manager will provide the following written reports:

- Portfolio Summary
- Performance Review (as compared to benchmark)
- Portfolio Structure
- Reinvested Income Distribution
- Portfolio Valuation
- Transaction Statement
- Investment Commentary
- Investment Policy Compliance Report

7.2 The Investment Manager will meet with the Investment Committee on a regular basis (at least semi-annually) to provide commentary and presentation of:

- an economic outlook and summary of portfolio strategy including successes and failures of each asset class.
- forward-looking investment views and plans considering the Foundation's position.
- any necessary changes in the fund's investment strategy, including changes in the status of the firm and its personnel.

- 7.3 Each quarter, the Investment Committee will evaluate the Pooled Endowment Fund performance based on the benchmark outlined in section 5.2, fund objectives, strategy, long-term expected risk, returns and other qualitative factors that may impact the ability to achieve desired investment goals.
- 7.4 Annually, the Investment Committee will evaluate the Investment Manager's performance based on the four-year rolling average returns as compared to the fund's return objectives.

8.0 CONFLICT OF INTEREST

- 8.1 A conflict of interest, whether actual or perceived, is defined for the purpose of this policy as any event in which the Board, an employee of the Foundation, any Manager or delegate, the custodian, or any person directly related to any of the foregoing, knowingly permits his/her interest to conflict with his or her duties or powers relating to the investment of the endowment assets or to any other matter relating to the Endowment Fund which may benefit materially from the knowledge of and participation in an investment decision.
- 8.2 Any actual or perceived conflict of interest shall immediately be disclosed in writing to the Investment Committee. The Investment Committee will then determine whether a conflict of interest exists and, if determined that it does exist, will take all necessary and appropriate measures to remedy the situation. All disclosures pertaining to a conflict of interest will be recorded in the Investment Committee minutes.

9.0 VOTING RIGHTS

- 9.1 The responsibility of exercising and directing voting rights acquired through Foundation investments are delegated to the Investment Manager who will always act in the best interest of the Foundation.

10.0 POLICY REVIEW

- 10.1 Policy will be reviewed and approved annually.

11.0 DEFINITIONS

Investment Committee: An advisory sub-committee of the Foundation's Board.

Board: Refers to the Foundation's Board of Directors.

Capital: The original donation(s) to capital of an endowment and any additional appreciation from inflation with the intent of being held in perpetuity.

DBRS: Dominion Bond Rating Service. A globally recognized provider of timely credit rating opinions that offer insight and transparency across a broad range of financial institutions, corporate entities and government bodies and various structured finance product groups.

Endowment: A restricted donation made to the Foundation by a donor in which the principal value is invested. A portion of the earned income from the investment supports a specified purpose as defined by the donor through a formal gift agreement.

Foundation: Refers to the NSCC Foundation.

Foundation Management Team: Refers to the Executive Director, Senior Development Officer, Manager, Finance and two Financial Associates.

FTSE Canada Universe Bond index: Measures the performance of the Canadian Dollar denominated investment-grade fixed income market, covering Canadian government, provincial and corporate bonds. The index is designed to track the performance of marketable government, provincial and corporate bonds outstanding in the Canadian market.

Illiquid investment: Any investment with a settlement date greater than 3 days.

Investment earnings: The realized gains, unrealized gains and interest income earned or received from the Pooled Endowment Fund in a specified period.

Risk: The probability of occurrence of losses relative to the expected return on any particular investment due to the unpredictability of market direction.

Investment Manager: Refers to the appointed Investment Manager who manages the endowment on behalf of the Foundation.

Fees: All direct expenses incurred to properly manage, control, and report on the investment activities of the endowment, including investor relations expenses and administration costs.

Market value: The current value of the Pooled Endowment Fund, including capital and market stabilization (net investment earnings) and cash available for disbursement.

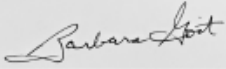
MSCI Emerging Markets Net Index (CAD): Captures large and mid-cap representation across 20+ Emerging Markets (EM) countries. EM country classification is determined by MSCI's Market Classification Framework which considers economic development, size, liquidity, and accessibility criteria to classify developed and emerging countries. The MSCI EM index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI World Net Index (CAD): A broad global equity index that represents large and mid-cap equity performance across 20+ developed market countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.

NSCC: Refers to the Nova Scotia Community College.

Pooled Endowment Fund: Allows multiple donor endowments to invest in the same pool of assets. Funds are invested as a single pool to optimize net return and diversification of risk. The Pooled Endowment Fund includes all individual endowment funds reported on a pro-rata basis.

S&P/TSX Capped Composite Index: Imposes capped weights of 10% on all constituents included in the S&P/TSX Composite. market.



Barbara Goit
Chair, NSCC Foundation Board of Directors

August 16, 2023

Date



Tom Wile
Chair, Investment Committee

August 16, 2023

Date

Next Review Date: March 2024