



Investment Policy

Oversight: Vice President, Finance and Operation

Date passed: March 2020

Date of next review: March 2025

Related Documents: Finance Policy

Purpose:

The purpose of this Investment Policy (refer as the Policy) is to,

- Establish a clear understanding of the investment objectives and risk tolerance of the Acadia Students' Union (hereafter: ASU) for the funds including, but not limited to;
 - Surplus funds from operations
 - Wellness Fund Collection
 - ASU Endowment Fund
- Outline an overall philosophy that is specific enough for the Investment Advisor(s) to understand the ASU's expectations for investment purposes, but flexible to allow for changing in economic conditions and securities and debt markets as identified by the Investment Advisor(s);
- Reflect the values of the ASU as an organization, indicative of socioeconomic structure shifts, guiding the profit incentive of the Investment Advisor(s).
- Form the basis of all decisions made regarding the ASU's account and ensure that the Investment Advisor(s) clearly understand the ASU's needs;
- Create guidelines for the ASU's risk and return tolerance for the investment account; and
- Establish restrictions, if any, placed on the Investment Advisor(s) in the best interest of the ASU and its profit objectives.

Statement:

1. Roles and Responsibilities
 - a. Student Representative Council (SRC)
 - i. SRC has ultimate authority over and responsibility for the ASU's investments.

b. Financial Affair Committee

The Committee will:

- i. Maintain an understanding of legal and regulatory requirements and constraints applicable to the ASU's investments on a semi-annual basis, or more frequently if appropriate;
- ii. Approve eligible investment products that meet the return objectives and risk tolerance criteria;
- iii. Review the investment strategy for the long-term assets held by the ASU.

- c. Vice President, Finance and Operation meet with ASU's Investment Advisor(s) twice a year; once in during the summer and once in the school year to receive performance updates.

2. Investment Objectives and Guidelines

a. Investment Objectives

The ASU's investment objectives for its investment account are summarized as follows:

- i. The ASU seeks a combination of income-producing assets and investments with capital appreciation potential, to generate sufficient growth in ASU funds. The ASU wants to preserve, and increase, the purchasing power of its assets. In order to do this, the ASU is willing to accept more variable returns in the short run in order to achieve higher returns in the long run. The ASU has moderate tolerance for risk and will not tolerate high losses in difficult or late phases of the market cycle.
- ii. The ASU portfolio should be invested in a combination of 30-60 percent equities, 30-60 percent preferred shares and/or fixed income investments, and 0-25 percent short-term and cash investments.
- iii. The ASU portfolio should also make use of those instruments such as derivatives and other hedging products, so as to maximize the attainment of risk and return objectives.
- iv. There will be a need for income to be distributed from the portfolio for various initiatives of the ASU. However, there will be a minimum balance of 300,000 dollars maintained in the investment account. Any interest earned on the portfolio should be calculated on December 31st of each year beginning on December 31, 2020. The difference between the interest amount and amount of inflation will be transferred to the ASU's operational budget. The use of funds will be determined at the discretion of the Vice President, Finance and Operations.

- v. The portfolio weighting should remain intact at all times. Therefore, if funds were to be drawn from this portfolio, they will be drawn in balance to correspond with the asset mix.
 - vi. There is a low need for liquidity within this portfolio.
 - vii. The average objective annual total return for this portfolio is 5-7% over a full market cycle.
 - 1 If the bottom of objective (Section 2.a.vii) did not match two years in series, the ASU open up the investigation team.
 - a The team members are the following;
 - i One full-time manager, who has financial knowledge;
 - ii President; and
 - iii One Executive who has financial knowledge.
 - viii. The overall investment objective for the ASU portfolio is to put emphasis on the total return of its portfolio. The ASU wishes to obtain above average returns from income and capital.
- b. Investment Guidelines
- i. Within the Policy statement, any limitations aside, the Investment Advisor(s) will have full investment discretion that remains consistent with the ASU's investment objectives and guidelines. This includes the purchase and sale off individual securities and the selection between equities, fixed income securities, cash and cash equivalents in order to assure full flexibility in the management of the ASU's portfolio.
 - ii. The Investment Advisor(s) are encouraged to invest with following conditions:
 - 1. Companies that are involved in the renewable energy sector.
 - 2. Companies that are supporting sustainability operation; and/or
 - 3. Companies whose politics, practices, and/or record demonstrate evidence of respect for:
 - a. Principles of anti-oppression, diversity, and/or equal opportunity;
 - b. Job creation, job security and workers' rights, including the right to unionize;
 - c. The health and safety of workers;
 - d. The rights and well-being of Indigenous people; and/or
 - e. The rights of LGBT+, and/or Equity, Diversity and Inclusion.

- c. Equity Investments
 - i. Equity Investments may consist of common stocks, American Depository Receipts as well as convertible fixed-income securities. Common stocks including American Depository Receipts and convertible fixed-income securities shall be of primarily mid-to-large cap size, listed on a recognized North American stock exchange.
 - ii. The portfolio should be well diversified globally to avoid undue exposure to any single economic or geographic sector, industry group or individual security through the use of mutual funds to ensure reporting standards are met. Global allocations will not exceed 30% of equity portion.
 - iii. Equity investment in any one company should not exceed 15 percent of the total portfolio value.
 - iv. The cumulative investment in one industry should not exceed 20 percent of the total portfolio.
 - d. Fixed Income Investments
 - i. Fixed Income Investments shall be selected and managed to ensure an appropriate balance among quality, preferred shares, maturity, and coupon, such factors should be consistent with the current economic and market conditions and taking into consideration the ASU's investment objectives.
 - ii. The fixed income portion of the portfolio shall be well diversified to avoid undue exposure to any single economic sector, geopolitical region, or individual issuer.
 - e. Short-Term Investments
 - i. Short-term Investments may consist of individual fixed income securities such as Certificates of Deposit, Commercial Paper, Treasury bills, and other similar securities with less than one year to maturity. Cash positions will receive a premium interest rate.
3. Monitoring and Reporting
- a. As an individual managed portfolio, all day-to-day decisions as to what to buy or when to sell are handled by the ASU's Investment Advisor(s). The Advisor(s) will monitor the portfolio on an ongoing basis to help ensure that the ASU's overall expectations are met.
 - b. As an Advanced Program client, the ASU will receive, on a quarterly basis, a comprehensive valuation and performance measurement report. This report will include the Net Present Value (NPV) of all holdings in CAD, taking into account inflation and dividends paid. This report will also include a market overview of the economy and financial markets, provided by the ASU's Investment Advisor(s). As well, the ASU will receive a monthly statement of transactions.

- c. Financial Affair Committee will convene on two occasions per year for the sole purpose of evaluating the portfolio of the ASU. The purpose of the committee will be to ensure that the Investment Advisor(s) are fully and completely adhering to the above investment objectives and guidelines.
 - d. The Vice President, Finance and Operations will provide the ASU's Investment Advisor(s) with written notice on a timely basis of any change in the ASU's circumstances which may affect the ASU's investments of investment objectives. Annually, the ASU will receive from the Investment Advisor(s) information for income tax purposes, and a summary of activity in the ASU's account for the year including deposits, withdrawals, portfolio transactions, realized capital gains and income, as well as the calculations and breakdown of fees all in CAD.
 - e. The ASU recognizes that all investment markets experience time periods of negative as well as positive performance. Historically, given reasonable time horizons, a properly managed investment portfolio has provided long-term satisfactory rates of return. Therefore, the ASU acknowledges the principle that the Investment Advisor(s) must be given a time period sufficient enough to span a full cycle reflecting a combination of these negative and positive performances, holding the expectation of the Investment Advisor(s) to meet the desired rates of return, and that unless there are extenuating circumstances, patience has generally proven appropriate when performance has been disappointing.
4. Compliance
- a. The portfolio must be monitored to ensure compliance with the Policy. Each account held by the ASU will be checked quarterly to identify any holdings which are contrary to policy rules. If an account is found offside either by disqualified investment or asset allocation, the advisor will receive notice from ASU to rectify the situation within a reasonable time frame (by the next quarterly review). If by that time the Portfolio is still in breach, then ASU will provide trade instructions to reallocate the investments to be in-line with the Policy.
5. Conflict of Interest
- a. No fiduciary will knowingly permit their interest to conflict with duties or powers relating to the investment or management of the ASU's assets. Any actual or perceived conflict of interest must be reported to the Financial Affair Committee.
 - b. Such disclosure will be made when the affected individual first becomes, or ought to have become, aware of the conflict or potential conflict. If a conflict does exist, the Board will take all appropriate measures to remedy the situation. Every disclosure of a conflict of interest will be recorded in the Minutes of the relevant meetings.

6. Divestment and reinvestment

- a. In order for the ASU to meet its responsibilities and obligations the ASU portfolio will Divest from the following industries and maintain the option for the Financial Affair Committee to make a case for further divestments and investments along ESG guidelines.
 - i. The Investment Advisor(s) should divest from the funds if the conditions are met following:
 1. Companies which operate in the coal, oil, and gas sectors. In other words, and without restricting the generality of the preceding, companies which derive their profits from the extraction, production, or combustion of fossil fuels;
 2. Companies which derive their profits from the production of weapons and weapon systems;
 3. Companies whose policies, practices, and/or record, or those of the companies that make up their supply chain, fall below recognized international standards for human rights and/or labour standards;
 4. Companies which derive their profits from mining or quarrying.

a. Reinvested Sectors

To reinvest, the conditions are same as Investment Guidelines (stated above; 2.b.ii.).

b. Divestment Process

Should the Financial Affair Committee determine an ASU held investment does not meet the parameters of the Policy, or is in direct conflict with the values of the organization which it supports, the Financial Affair Committee chair will present a case for divestment to council for approval. A case for divestment from a company, institution, or sector must include:

- i. A written response from the Investment Advisor(s) determining the feasibility, implications on risk and return, and potential timeline of divestment.
- ii. A summary report from the Financial Affair Committee outlining the information and sources that led to the recommendation to divest which must match with conditions above (6.a.i) and,
- iii. A signed petition supporting divestment with at least 50 student signatures.
- iv. A statement addressing how the issues identified with the company or institution are long-standing and not to be improved upon or remedied in a satisfactory way in the near future and are not isolated but emblematic across the company or institution's operations.

- v. A statement addressing how the investment is in contravention to the Policy and/or those values held by the ASU and its Code of Conduct or related document.
- vi. A recommendation for the reallocation of these funds in accordance with the Policy.