

Related Documents: Investment Policy for Expendable Funds

Owner: Financial Services

Approver: Board of Governors

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1. Purpose

This Statement of Investment Policies and Procedures (SIPP) provides an investment planning framework that will guide students at the Ted Rogers School of Management (TRSM) at Toronto Metropolitan University (the “University”) with an investment management experience in an institutional setting. It outlines the principles and procedures that the investment and management of the funds in the Student Managed Investment Fund (the “Fund”) should follow. Specially, this SIPP covers:

- Definitions
- Investment Objective(s) of the Fund and key investment policy factors;
- The asset mix that helps achieve the long-term investment return at suitable risk levels;
- The investment management, reporting and compliance guidelines.

2. Definitions

- 2.1. The Chief Advisor(s) is/are the faculty supervisor(s) appointed by the Finance Department (the “Department”) in TRSM to advise and direct the students managing the portfolio. This will normally be the instructor who is leading/teaching the affiliated Applied Investments Management courses (FIN65A/B and FIN75A/B) at the same time.
- 2.2. The Course Coordinator is the faculty member appointed by the Finance Department in TRSM. The role of the Course Coordinator includes managing monitoring and compliance as detailed later in this policy statement.
- 2.3. An Analyst is a student enrolled in FIN65A/B– Applied Investment Management I.
- 2.4. A Portfolio Manager is a student enrolled in FIN75A/B – Applied Investment Management II.
- 2.5. An Investment Director is the elected student member, usually one of the Portfolio Managers, who will lead each Investment Group.
- 2.6. An Investment Group is a set of students, comprising students from both courses, that is concentrating on investments in one industry sector (please see S.6.1 for more detail)
- 2.7. The Student Senate is composed of all Analysts and Portfolio Managers.
- 2.8. The Reporting Committee consists of a group of Analysts and Portfolio Managers whose role is to prepare the term and annual reports in collaboration with Chief Advisor.

- 2.9. The Advisory Board includes the Chair of the Finance Department or their designate, the Chief Advisor, one to three industry experts, and one student representative nominated by the Ted Rogers Investment Council (TRIC) or Ted Rogers Finance Society (TRFS).
- 2.10. The Fund is the entire set of funds/investments under management at any point in time. It includes all investments, including cash, invested in the investment vehicle as well as any funds invested in a bank account for future use.
- 2.11. Returns are defined as the total return on an investment, including dividends, interest income, realized and unrealized capital gains, calculated for each investment, for each industry sector, and for the Fund as a whole, over various periods of time.
- 2.12. The Dormant Period is an academic term, i.e. Fall, Winter, or Spring/Summer, when FIN65A/B and FIN75A/B are not offered and no students are engaged in running the Fund.

3. Investment Objective

- 3.1. The investment objective is to generate a reasonable long-term return on the Fund's assets given suitable investment risk, as defined in sections 3.2 and 3.3. A reasonable long-term return is defined as a long-term rate of return equal to or greater than the return on an appropriate benchmark index on a risk-adjusted basis and after trading costs.
- 3.2. Fund return: It is understood that the return on financial assets is subject to various uncertainties inherent in the financial markets in particular, and in the economy in general. Therefore, a certain level of risk (i.e., suitable investment risks) must be assumed in order to achieve reasonable risk-adjusted long-term return objectives.
- 3.3. Fund risk: The Fund will include a wide range of investments in order to control for risk. Fund risk will be defined by Beta, based on a historical geometric average calculated for a minimum two-year period. The overall fund Beta shall be maintained at a level of no more than 1.5, and no single investment will have a Beta above 2.0.

4. Authorized Investments

- 4.1. The Fund is restricted to investing in Common shares or preferred shares of firms listed on the Toronto Stock Exchange (TSX), United States (US) exchanges, including and limited to the New York Stock Exchange (NYSE), the NASDAQ, and the American Stock Exchange (AMEX). Share investments can be in the form of index funds, and in particular ETFs. In addition, the firms must have a long-term debt rating that is better than or equal to BB or equivalent according to any one of the Morningstar / Dominion Bond Rating Service (DBRS), Moodys, Fitch or Standard and Poors (S&P). In the absence of a standard bond rating, an alternative credit quality indicative rating, if provided by S&P, can be used, but firms selected for investment must have and maintain a minimum long-term debt rating of BBB or equivalent.
- 4.2. The fund is further restricted to investing in cash and short-term cash-equivalents denominated in Canadian or US dollars, including cash held in the brokerage account Government of Canada or Provincial debt securities guaranteed by the respective

governments of Canada, and treasury bills and money market obligations guaranteed by the US government. Investments in government fixed income securities with maturities over 91 days, and corporate fixed income securities are not permitted. Investments in any other fixed income securities are not permitted.

- 4.3. Investments in any other type of investment are not permitted.
- 4.4. No funds shall be invested in derivative securities such as options, warrants, futures, or forward contracts. Further, no position can be taken in derivative securities even if no funds are required for such a position
- 4.5. No margin purchases or short sales are permitted.

5. Asset Allocation

5.1. The Fund will normally adhere to the following asset class ranges:

Asset Class	Minimum (%)	Target*	Maximum (%)	Reference Index
Equity - Canadian	20	45	60	S&P/TSX 60 Index
Equity - US	20	55	60	S&P 500 Index
Cash and Cash Equivalents	0	0	10	

* The overall benchmark is the weighted average of the target weights and the corresponding reference indices.

5.2. The Fund will also adhere to the following diversification restrictions:

- 5.1.1. No one issuer shall exceed 10% of the total assets of the Fund;
- 5.1.2. The minimum position of any issuer is 1% of the total assets of the Fund;
- 5.1.3. No one industry sector shall exceed plus or minus 5% of the weighted average of the S&P/TSX 60 and S&P 500 industry sector percentages. The weights reflect the target mix of the equity classes in S.5.1. The sector percentages are the latest sector weights of S&P/TSX 60 and S&P 500 released by monthly S&P index factsheets.

5.3. If, as of the end of any month, the Fund deviates from any of the above ranges, the Fund has up to one month to make suitable investments to bring the fund's investments back into compliance. Exceptions to this one-month period include the summer break (August 1 to the day after Labour day) and the Christmas holidays, in which case this period will be extended to six weeks.

5.4. The Funds' active Portfolio Managers and Analysts may consider all qualitative and quantitative factors affecting financial performance of existing and potential investments, including environmental, social and governance factors.

6. Investment Recommendations and Decisions

6.1. Subject to the periods in which students are actively managing the fund, Investment research and recommendations shall be delegated to Investment Groups specializing in

clearly defined industry sectors. Each Investment Group shall consist of one or more Analysts and one or more Portfolio Managers. Each group must select one member to serve as Investment Director to lead the group's meetings and represent the group as needed.

- 6.2. Any vote of the Student Senate requires a quorum of at least 2/3 of the students registered in the course at the time of any vote.
- 6.3. Recommendations for investment by an Investment Group must be approved by a simple majority vote of members of that Investment Group. Recommendations must clearly indicate the group's recommendation whether to buy or sell a security, a target price range, and the amount of the transaction.
- 6.4. The duties of the Student Senate include considering investment recommendations presented by each Investment Group and making decisions regarding these recommendations. Decisions of the Student Senate can only take effect if a majority of students attending vote in favour. Every student of the Senate is a voting member.
- 6.5. The Senate decisions must be communicated in writing to the Chief Advisor and the Course Coordinator.
- 6.6. The Chief Advisor or the Course Coordinator will execute all buy and sell orders approved by the Senate, as long as they conform to the policies stated in this document.
- 6.7. The Course Coordinator will approve all trades in advance of execution as approved by the Student Senate as long as they conform to the policies stated in this document. The Course Coordinator will also confirm trade execution after each trade.

7. Student Engagement Period and Dormant Period

- 7.1. The fund will be run by students with appropriate monitoring and supervision as discussed in Sections 6 and 8 of this policy during the student engagement period, with the exception of the summer break and the Christmas Holiday period as discussed in S.8.1.
- 7.2. The fund will be run under the supervision of the Course Coordinator during the Dormant Period as per S.7.1.
- 7.3. During the Dormant Period stated in S.7.2, the Course Coordinator will be responsible for all monitoring and compliance activities as described in Section 8.
- 7.4. During the Dormant Period stated in S.7.2, the Course Coordinator will be responsible for any prudent fund management as needed to ensure the viability and long-term success of the fund. Except under unusual circumstances, the Course Coordinator will not be expected to actively manage the fund during the Dormant Period.

8. Monitoring, Compliance and Reporting

- 8.1. All investments must be monitored monthly (at or by the end of each calendar month) to ensure that the Fund's investments fall within the definition of asset risk (S3.3), authorized investments (S.4) and asset allocation (S.5) as listed above. Exceptions include

the Aug.1-Labour Day period and the Christmas holidays, during which the monitoring period will be extended to 6 weeks. Any deviations from the stated requirements must be addressed within one month of recognition.

- 8.2. The portfolio's market value and Beta must be updated monthly with valuation based on the month's closing prices. At the same time, each investment's market value and Beta must be updated. Any deviations from the stated Beta requirements must be addressed within one month of recognition.
- 8.3. Investments must be recorded at the adjusted cost base at the time of purchase and updated monthly according to market values. In the term-end report and the annual report (requirements for the affiliated investments courses), both the adjusted cost base and the market values must be reported.
- 8.4. The value of investments in any ETF in the Fund must be determined based on the unit values published by the fund manager.
- 8.5. When the Fund is managed by the students, term end reports must be produced. Fall term-end reports must be published by no later than January 15th. Winter term-end reports must be published by no later than May 15th. Spring/Summer term-end reports must be published no later than August 31st.
- 8.6. Term-end reports shall include the following:
 - a macro-economic analysis, including reports on each industry sector represented in the Fund, the National economies represented in the Fund, and the global economy;
 - a summary of current portfolio assets including both book values and market values;
 - a summary of investment decisions over the period;
 - a list of all portfolio transactions completed during the term;
 - copies of investment analysis reports;
 - the portfolio's total rate of return, one month, 3-month, 6-month, 1-year, 2-year, 3-year, YTD, and since inception, depending upon the active life of the Fund;
 - a performance comparison of the portfolio relative to its benchmark; and
 - a compliance report indicating whether or not the Fund complied with the SIPP during the term, and actions that have been taken or are to be taken in the event of non-compliance
- 8.7. An ongoing record of all expenses associated with the fund will be separately kept, and updated as the expenses occur.

9. Conflicts of Interest

- 9.1. Consistent with applicable securities legislation, the Chief Advisor, Analysts, Portfolio Managers, Course Coordinator and any other individual associated with the Fund must disclose to the Senate any direct or indirect association or material interest or

involvement in aspects related to her/his role with regard to the Fund that would result in any potential or actual conflict of interest.

- 9.2. Should a conflict of interest arise, the party in the conflict shall thereafter abstain from decision-making with respect to the area of conflict.
- 9.3. The Code of Ethics and Standards of Professional Conduct required by the CFA Institute shall be expected to apply to any individual associated with the Fund.