IPS Template

# Background

# Assumptions

* The average disbursement over the last 5 years is USD 5 million, with approximately USD 4 million for operating and USD 1 million for capital expenditures.
* Average donations to the endowment over the last 5 years of USD 2 million ARE expected to rise in line with CPI inflation.

# Spending Policy

* The endowment is well-funded, has a perpetual investment horizon and moderate spending and liquidity requirements
* The opinion of the investment committee as advised by the investment consultant is that the endowment can adopt a moderate to high-risk investment profile
* Spending for a given year should equal 75% of spending in the previous year, adjusted for inflation (CPI within a range of 0% and 5%), plus 25% of the long-term spending rate (5.0%) applied to the 12-quarter rolling average of market values.

# Investment Objectives

* The primary investment objective is to earn an average annual real total return of at least 5% per year over the long term.
* A secondary investment objective is to outperform, over the long term, a blended custom benchmark based on the asset allocation policy.
* The endowment’s long-term spending rate is expected to be less than 5% of endowment assets, reflecting long term capital market assumptions.
* The policy was developed to meet the following objectives:
  + Provide a sustainable level of income to support current operations.
  + Provide year-to-year budget stability.
  + Meet intergenerational needs by protecting the future purchasing power of the endowment against the impact of inflation.

# Return Objectives

* Absolute: At least 5% over the long term
* Relative: Outperform the benchmark

# Risk Tolerance

* Risk tolerance is expressed as the volatility of total returns.

## Relative Risk Levels

* The endowment should retain sufficient liquidity to meet its spending rule and operationalneeds.

## Absolute Risk Levels

* Absolute risk levels will be measured by standard deviation of portfolio returns and target levels to be maintained within the range of 10% to 15% annualized.

# Liquidity

* The endowment should retain sufficient liquidity to meet its spending rule and operational needs.
* A minimum of 50% of the endowment’s assets should be liquid within 1 year, and a minimum of 80% of the endowment’s assets should be liquid within 3 years

# Regulations and Legal Framework

# Investment Risk Management Framework

## Asset Allocation Policy

* The asset class allocation policy targets and limits are determined in the optimization process and based upon the risk tolerances of the endowment.

## Strategic Asset Allocation Policy, Policy Range and Benchmarks

### Asset Classes, Allocation Limits and Benchmarks

|  |  |  |  |
| --- | --- | --- | --- |
| Asset Classes | Benchmark | Policy Target % of AUM | Allocation Limits % of AUMs |
| Cash |  | 0 | 0-10 |
| North American Large Cap Equities | AP North American Equity Index | 35 | 30-40 |
| Developed Market ex US Equities | AP Developed Markets Ex US Index | 10 | 5-15 |
| Emerging Markets Equities | AP Emerging Markets index | 15 | 10-20 |
| US Treasuries Fixed Income | BH 7–10 Year US Treasury Index | 20 | 15-25 |
| US IG Corporate Bonds | BH USD IG Corporate Bond Index | 10 | 5-15 |
| Real Estate Alternatives | DL Real Estate Index | 10 | 5-15 |
|  |  |  |  |

## Asset Allocation Ranges: Tactical Allocation Management

## Currency Risk Management

* The base currency denomination for the endowment portfolio will be the US dollar. Where possible, all investments will be US dollar-denominated or in a US dollar-hedged share class, except where exposure to non-US dollar currencies is an explicit part of the investment rationale. In such cases hedging will be considered where the benefits of hedging outweigh the costs of hedging.

## Use of Leverage and Derivatives

## Use of Index Tracking ETFs and Active Investment Funds

* The portfolio will be invested in index tracking ETFs investment funds where possible for all asset classes within the SAA framework.

## External Investment Managers

## Investment Constraints

### Equity

### Fixed Income

## Portfolio Performance Reporting

### Reporting Structure

### Performance Reports

### Performance evaluation benchmarks

## Investment Committee (IC) and Board of Trustees (Board): Responsibilities and Meetings