

Global Real Estate Strategy¹

Investment Policy Statement

Effective Date: November 1, 2024

1. Scope and Purpose

This Investment Policy Statement (“IPS”) governs the investments associated with the Global Real Estate Strategy (the “Strategy”) created and managed by the Investment Management Corporation of Ontario (“IMCO”) for and on behalf of public sector other eligible clients in Ontario that have entered into an investment management agreement (“IMA”) with IMCO. These investments may be managed on a segregated and/or pooled basis and this IPS may apply to multiple portfolios designated to be managed under this Strategy.

This IPS sets forth, among other things, the investment objectives, investment strategies, permitted investments and restrictions to be carried out by IMCO in respect of the Strategy. This IPS should be read in conjunction with the IMCO Investment Governing Policies and the IMCO Investment Beliefs (as amended from time to time).

2. Background

IMCO is responsible for managing the Strategy against guidelines and parameters approved in accordance with the applicable IMCO Investment Governing Policies and in accordance with this IPS. These guidelines and parameters are designed to, among other things, manage portfolio risk and set out target returns for the Strategy over rolling five-year periods. IMCO monitors the Strategy against these guidelines and other factors, including, for example, investment manager agreements. In carrying out these monitoring responsibilities, IMCO is also responsible to ensure that the Strategy is managed in line with the investment risk/return objectives and preferred characteristics set out herein.

3. Strategy Objectives

Investment Objective

The investment objective of the Strategy is to generate long-term inflation sensitive total returns comprised principally of stable and recurring annual cash flows, together with some capital appreciation over time by investing in a diversified portfolio of real estate investments.

Benchmark

The benchmark for the Strategy is the Custom MSCI Real Estate Index (the “Benchmark”)² based on the MSCI Canada Property Index (40%), MSCI U.S. ACOE Property Fund Index (50%), MSCI European Property Index (5%) and the S&P Global REIT Index (5%) adjusted for leverage, asset management fees and the FX impact of hedging the portfolio as set out in Section 8 – Currency Hedging of the IPS.

¹ This Investment Policy Statement will be used for the Real Estate Fund(s), when created, with appropriate modifications.

² The Benchmark may be subject to change by IMCO from time to time in accordance with the IMCO Benchmarking Policy.

Return Objective

The following investment return objective will be measured over rolling 5-year annualized periods:

- Net Value-Added Target: Gross Total Return – Benchmark Return – All Expenses³ = +40 bps

Additional Objective

The following investment risk objective will be measured:

- Ex-Ante Total Risk Target: 100% of Benchmark volatility

4. Investment Approach

The Strategy will provide exposure to an actively managed real estate portfolio through direct investments, joint ventures, co-investments, separately managed accounts, and real estate funds that may encompass a single asset or asset portfolios and will seek to include revenue-producing properties, real estate development projects, land held for future development, and land leases. Direct investments may include 100% ownership of the assets or undivided ownership interests in co-owned properties. Indirect investments may typically include investment in public and private entities including, but not limited to, Real Estate Investment Trusts (“REITs”), real estate funds, partnerships, loans, and participating mortgages.

The Strategy will seek to target investments in traditional classes of revenue-producing properties (multi-family residential, industrial, office and retail) with varying risk profiles, including: core properties, where a high percentage of the total return is sought to be generated from income rather than capital appreciation; value-add properties, which require modest renovation, lease-up and repositioning; ground-up development; and opportunistic properties, which require significant redevelopment and lease-up.

The Strategy will seek to diversify the portfolio and may hold cash, short-term debt securities and/or publicly traded securities in real estate entities for the purposes of gaining market exposure or managing liquidity.

The Strategy will be managed to have the following characteristics:

- i. Focus on a select group of strategic investment partners
- ii. Investments more heavily weighted to long-term strategic holdings
- iii. Seek portfolio diversity by property type, geographic location, investment structure, investment size, investment life cycle and, in the case of indirect investments, different investment managers and partners
- iv. Provide diversification and increase investment opportunities to international real estate, with emphasis on cities with long term growth prospects and entrenched property rights in US gateway cities with favourable demographics and major European financial centres.
- v. Emphasize major market multi-residential, industrial and life science holdings, and de-emphasize retail and office holdings
- vi. Target core 75% and non-core 25%

³ The Net Value-Added Target expectation is net of all expenses assigned to that product as defined in the Cost Allocation Policy and Guideline.

- vii. Leverage partnerships with leading real estate investors to source co-investment opportunities, including ownership positions in full service real estate platforms
- viii. Active asset management of Canadian portfolio of primarily core assets
- ix. Actively monitor and evaluate disruptions and new investment approaches in the real estate space and understand how this may affect strategy, current portfolio, and future opportunities
- x. Primarily invest through direct, joint ventures, co-investments and separately managed accounts. Employ funds on a limited basis as a means of accessing new markets and co-investment opportunities.
- xi. Utilize a build to core strategy to build a portfolio of high quality core assets, while earning better returns. The Strategy relies on extensive new development as properties are entitled, constructed and leased prior to stabilizing as a revenue producing assets.

In creating a diversified portfolio of real estate investments, IMCO will seek to invest the Strategy's assets within the following target allocation ranges. Targets are for reference only as the Strategy will be invested on an opportunistic basis.

Real estate investments may be outside the ranges set out below for an initial 3-5 years, as client portfolios are transitioned to the Strategy.

	Diversification Attributes	Range	Target	Comments
Geography	Canada	25-50%	30%	Focus on major urban centres
	Non-Canadian	50-75%	70%	Predominantly US with an allocation to ex-North America exposure
Sector	Office	15-30%	20%	
	Retail	5-15%	10%	
	Industrial	20-30%	25%	Includes warehouses, storage (interior and exterior)
	Multi-Residential	20-30%	25%	Includes rental apartments, single family rental, student housing and seniors housing
	Life Science	0-10%	7.5%	
	REITs	0-10%	7.5%	
	Other	0-7.5%	5%	Properties in this category include, but are not limited to platforms, mixed-use, data centres, hotels, PropTech.
Property Risk	Core	65-80%	75%	
	Non-Core	20-35%	25%	

5. Permitted Investments

The Strategy may invest in the following permitted investments:

Real Estate Investments

- i. Traditional classes of revenue-producing real estate (multi-residential, industrial, life science, other, office, and retail)
- ii. Expansions and/or renovations of revenue-producing properties
- iii. Real estate development projects
- iv. Land held for future development, including participating mortgages thereon
- v. Revenue-producing land leases where the land lease is non-subordinate
- vi. Real estate funds
- vii. Loans made, or options acquired to facilitate the future acquisition of real estate investments or loans made to facilitate the development of real estate
- viii. Incidental investments in mortgages and mortgage funds when closely allied with real estate equity investments or partners
- ix. Publicly traded real estate securities such as ownership in a REIT, real estate company, equity, equity equivalents and/or debt, including as a precursor to a take private transaction or as a result of a liquidity transaction (such as an IPO or exchange of shares)
- x. Ownership stakes in private real estate companies
- xi. Technology companies that are relevant or complementary to real estate and real estate technology ventures or funds (“PropTech”)

Cash and Cash Equivalents

- i. Securities permitted to be held by the IMCO Money Market Strategy

6. Restrictions

Investments by the Strategy will be made in accordance with applicable laws, including applicable tax and pension benefit laws, as well as in compliance with the IMCO Investment Policies. Additionally, the following specific investment restrictions will apply to the Strategy:

- Single Asset Restriction: No more than 10% of the Strategy assets at time of acquisition plus any known commitments may be invested in any one single asset
- No more than 25% of the Strategy assets at time of acquisition plus any known commitments may be invested in or with any single asset manager or partner and/or its affiliates when said manager or partner and/or affiliates is a “lead manager”⁴ of the acquired asset or commitment
- No more than 25% of Strategy assets may be invested in non-revenue producing investments.
- No more than 10% of Strategy assets may be invested in strategic publicly traded real estate securities such as REITs or real estate companies
- No more than 4% of Strategy may be invested in PropTech

⁴ The term “lead manager” is defined in Appendix B of the Concentration Guideline

- Maximum 5% of Strategy assets may be invested in Emerging Markets. Emerging markets are the countries that are part of the MSCI Emerging Markets Index
- No Frontier market exposure other than incidental non-direct investments. Frontier markets are the countries that are part of the MSCI Frontier Markets Index
- Incidental non-direct investment exposure to countries not classified by MSCI requires Management Investment Committee approval
- Ex-Ante Total Risk Maximum: 115% of Benchmark volatility

7. Balance Sheet Leverage

Balance Sheet Leverage, as defined in IMCO's Leverage Policy, is permitted at the Strategy level. Balance Sheet Leverage is also permitted in the individual asset/properties or investment entities/companies that are held by the Strategy. Any such Balance Sheet Leverage will be limited to 75% of the market value of the individual asset/property. This restriction does not apply to Strategy assets that are held in third party funds or pools. If an individual asset/property exceeds this limit due to a passive event (i.e., a change in valuation) the individual asset/property shall be exempt until a) there is a passive correction or b) the property can be refinanced. For greater certainty, a limit breach of this nature will only need to be remedied at the next refinancing opportunity.

Balance Sheet Leverage utilized by the entire Strategy will be limited to 65% of the total market value of the entire Strategy assets, which for greater certainty, includes Strategy assets held in external third-party funds/pools. Such measurement will be done by IMCO on a look-through basis where reasonably practical.

8. Currency Hedging

U.S. Dollar, Euro and British Pound exposures are targeted to be hedged at 50%, 75% and 75% respectively. Swiss Franc and Japanese Yen exposures are targeted to be hedged at 100%. Unless otherwise prescribed by the IMCO Foreign Currency Hedging Policy, other developed⁵ and emerging market foreign currency exposures are targeted to be unhedged.

9. Securities Lending

No securities lending will occur in the Strategy.

10. Compliance with IMCO Investment Policies

The Strategy will be compliant with all applicable IMCO Investment Policies.

⁵ Developed market foreign currency means the currency of a member country of the MSCI World Index.