Investment Policy Statement
University Investment Trust

Approved by the Board of Governors on April 11, 2024

Contents

The University of Manitoba

Investment Policy Statement – University Investment Trust

1. Introduction, Scope and Purpose

The University Investment Trust ("UIT") holds assets donated by the friends and alumni of the University of Manitoba, has a long-term focus, and is a pooled fund of individual donor named endowments and quasi-endowments. The fund is part of the University entity, and not legally set up as a separate foundation. The University of Manitoba is a registered charity in Canada. The effective date of this registration is January 1967. As a *registered charity* under Section 149(1)(f) of the *Income Tax Act*, the University is exempt from income tax. The University of Manitoba is an *organization exempt from income tax* in the United States. The effective date of this registration is May 1969. Under section 501(c)(3) of the Internal Revenue Code, the University is exempt from income tax in the U.S.

The UIT is managed as a unitized pool whereby each individual donor account is pooled for investment purposes and tracked using a net asset market value per unit. The UIT's purpose is to support the educational mission of the University by providing a reliable source of funds for current and future use. Intergenerational equity is achieved by maintaining the purchasing power of the of the UIT's assets, in perpetuity, while earning sufficient investment returns to sustain the level of spending to support current beneficiaries at the University. Primary beneficiaries are students, faculty and school program/operating costs, Chairs and Professorships, research, athletics, and libraries.

This Investment Policy Statement ("IPS") establishes policies for the administration and investment of these assets, and formally documents the goals, objectives and guidelines of the UIT's investment program which are intended to provide the greatest probability that the UIT's objectives are met in a prudent manner, consistent with the established guidelines. This document is meant to guide primarily the Trust Investment Committee, but also investment managers, investment staff, investment consultants, and the fund's custodian. Changes to this IPS will be drafted by the Trust Investment Committee and approved by the Board of Governors. The Trust Investment Committee shall review the IPS, at minimum, on an annual basis.

2. Roles and Responsibilities

Trust Investment Committee. The Trust Investment Committee ("Committee") has general authority over the investment of assets of the UIT, subject to the provisions of this IPS and any other university policies and shall be accountable to the University's Board of Governors through the Finance and Infrastructure Committee (FI). The Committee is responsible for:

- Developing and recommending to the Board for approval the IPS. Critical components of the IPS are : the investment objectives for the UIT; the asset allocation of investments; the rebalancing policy for the UIT; and the spending policy for the UIT.
- Selecting, monitoring and making changes to the Investment Consultant, Investment Managers, and Fund Custodian.
- Determining individual manager mandates within the approved asset allocation.
- Establishing, monitoring, and updating the investment process.
- Review overall performance and individual investment manager performance.

- Annually reviewing the IPS and making recommendations for amendments to the Board.
- Reporting to the Board of Governors on the performance of the UIT, semi-annually.

In executing its primarily responsibilities, the Committee shall:

- Act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.
- Incur only costs that are appropriate and reasonable in relation to the assets, the purposes of the University and the skills available to the University.
- Consider the following factors: general economic conditions; the possible effect of inflation or deflation; the role that each investment or course of action plays within the overall investment portfolio of the UIT; the expected total return from income and appreciation of assets; the needs of the University and the UIT to make distributions and to preserve capital; and invest responsibly in accordance with the University's Responsible Investment Policy.

The Committee shall be comprised of the following members:

- Two members of the Board of Governors through the FI committee.
- A minimum of three and a maximum of five community members, nominated by the Chair of the Committee and appointed by the Board of Governors. Community members may be employees or retirees of the University, members of the Board of Governors or any of its committees, or members of the investment community, who have expertise in investments and finance.
- The President, the Vice-President (Administration); the Chief Financial Officer and Comptroller; the Treasurer; the Associate Vice-President (Donor Relations) and the Director of Investments as ex-officio, voting members.
- The Committee may, on its own motion, include additional, non-voting resource members.

Appointed members shall serve three-year terms and are eligible for re-appointment for three-year periods thereafter. The Vice-President (Administration) shall serve as Chair of the Committee, and the Chair shall name a Vice-Chair to act for the Chair in the Chair's absence.

Treasury Services Staff is responsible for:

- implementing policy items in this IPS into their investment oversight and operations.
- investment review and due diligence.
- the accounting and financial reporting of the investments of the UIT.
- calculating the net asset unit value of the UIT.
- the day-to-day interaction with the Investment Managers, Investment Consultant, and Custodian.
- calculating the spending allocation and making disbursements to the beneficiaries of the UIT.
- obtaining and evaluating compliance related information from investment managers.
- communicating relevant information to the Committee on an ongoing basis.
- communicating relevant information to the Board of Governors on a periodic basis.

Investment Consultant is responsible for**:**

- meeting with the Committee on a quarterly basis and reporting on investment manager performance and overall fund performance.
- on a quarterly basis, calculating time-weighted rates of return for the UIT and individual investment managers.
- quarterly reporting will include firm and industry updates, performance versus benchmarks, performance versus peer groups, performance attribution, and any relevant metrics covering risk/return that the Committee wishes to review.
- providing proactive advice and education with regards to investment guidelines, asset allocation, and investment managers.
- provide information and advice in the selection of new investment managers and will alert the Committee of any important developments with current managers' firms.
- assist in investment manager searches, as required.
- conduct asset allocation studies, as required.

Investment Managers are responsible for:

- selecting securities or investments in within the asset classes they are hired and authorized to invest.
- invest assets in accordance with the guidelines and objectives set forth in this IPS, as well as their respective contract, service agreement, limited partnership agreement or similar account documentation.
- exercise full discretion with respect to determining investment strategy, investment selection and timing of purchases, managing, and selling assets held in their portfolio(s).
- provide prompt reporting to the fund Custodian on the purchase and sale of any security or investment.
- provide quarterly reporting to the Investment Consultant and Treasury Services.
- meet with the Trust Investment Committee, as requested.
- provide the Investment Consultant with quarterly compliance letters. Compliance letters will detail the Investment Manager's compliance with this IPS, compliance with the firm's own investment restrictions and guidelines that govern the portfolio, and compliance with the firm's own policies, procedures and Code of Ethics.

Fund Custodian is responsible for:

- the safekeeping of portfolio assets.
- portfolio accounting and monthly reporting to the Treasury Office and the Investment Consultant.
- communication with Investment Managers and processing trades and settlements, as directed.
- income collection and recovery of withholding taxes; and monthly reporting to the Treasury Office.

3. Investment Objective

The UIT's investment objective is to preserve the real purchasing power of assets in perpetuity, while providing a continuing and stable funding source to support the current beneficiaries of the fund. To achieve this objective, the UIT seeks to achieve a total return that will exceed the annual spending allocation, all expenses associated with managing the fund, and the eroding effects of inflation. This objective can be quantified as a *hurdle rate,* where:

Hurdle Rate (UIT investment return) ≥ (Spending Rate + Administrative Expenses + Inflation)

UIT investment return is defined as dividends, interest, partnership distributions, realized capital gains and unrealized capital gains. The spending rate is as defined in Section 8 of this IPS. Administrative expenses are the fees of the investment managers, investment consultant, custodian, Treasury Office, and an allocation for fundraising. Inflation is defined as the annual change in the Consumer Price Index for Canada.

4. Time Horizon

The UIT has a long-term time horizon with relatively low liquidity requirements. As such, the UIT can tolerate short-term volatility provided that long-term investment returns meet or exceed its investment objective. The Committee will monitor the fund's short-term returns, however to evaluate the success of the UIT achieving its longer-term investment objective, performance over full market cycles as well as rolling 5 and 10-year returns will be a better measure of the UIT's success. The hurdle rate will be measured over these periods on an annualized basis.

5. Investment Risk

The Committee seeks a return on investment that is consistent with levels of investment risk that are prudent and reasonable given the investment objective and time horizon as defined above in sections 3 and 4. While the Committee recognizes the importance of capital preservation, it also recognizes that to achieve the goal of its investment objective requires prudent risk taking, and that risk is necessary to generate investment returns equal to or in excess of the *hurdle rate*. Risk cannot be eliminated, but it should be managed by ensuring risk exposures are identified, measured, monitored and tied to the responsible parties. To reduce investment risk, the investment program will focus on:

- Diversification of asset classes, as defined in Section 6 of this IPS;
- Diversification by appointing different Investment Managers, including those with different investment styles;
- Diversification at the individual security and asset level;
- Diversification amongst sectors within each asset class;
- Diversification by geographic locations;
- For real estate, infrastructure and private credit, diversification by property/investment type, geographic location, and number of holdings and their values compared to overall portfolio.
- Integration of ESG factors in investment practice, as defined in the Responsible Investment Policy.

The Committee is the party most responsible for managing these risks, and does so through asset allocation, selection of Investment Managers, investment constraints, integration of ESG factors and rebalancing. The return objective supports a strong bias to return-seeking assets, with equity investments having the largest weighting in the portfolio. Due to a large equity weighting and long-time horizon, there is willingness for the Committee to accept some degree of short-term risk and volatility, but not to impair the ability to pay beneficiaries in any one year. Therefore, the calculation of the spending policy would have to incorporate time horizons well beyond one year (Section 8).

This long-time horizon also allows the UIT to take advantage of less liquid investments which offer the potential of higher risk-adjusted returns that compensate for the lack of liquidity. Liquidity risk is less of a concern given the prevalence of new gifts to the fund, and the liquidity of public equities and bonds. Benchmark risk is accepted if Investment Managers have a tracking error and active share that indicates the manager is taking these risks, but at the same time adding value by taking these risks. The Committee and Investment Consultant will monitor the Sharpe Ratio and Information Ratio of active Investment Managers to ensure they are adding value within the risks they are taking within their portfolios.

6. **Asset Allocation**

Asset allocation is the single most important determinant of the UIT’s investment performance over the long-term. It is also functions to help control various investment risks. Based on investment objectives and risk tolerances, the Committee, with input from the Investment Consultant, will approve a specific allocation of investments from different asset classes considered prudent given the UIT’s objectives, time horizon, constraints, and considering multiple measures of investment risk.

The Committee and Investment Consultant have modelled the expected return, volatility, and correlations of the portfolio to arrive at the asset allocation decision, and both will review the asset allocation periodically. Each asset class in the portfolio is expected to provide at least one or more of the following principal investment roles:

- Growth of market value in real terms over a long-term investment timeframe;
- Diversification to mitigate the volatility of an equity-oriented portfolio;
- Protection against inflation and macro-economic risks like recessions;
- Advance environmental, social and governance change.

All equities are public equities and are expected to provide growth and diversification; real estate is expected to provide growth, diversification, and a hedge against inflation; infrastructure is expected to provide diversification and a protection against both inflation and economic contractions; impact investments are investments that advance positive social and environmental change while still seeking financial returns; private credit is expected to provide growth and diversification; and bonds are expected to reduce risk and provide diversification.

Correlations of asset classes will be a key consideration at the time of setting an asset allocation, and after implementation correlations will be monitored to ensure the desired diversification between the asset classes is being achieved.

The strategic asset allocation adopted by the Committee is:

Asset Class	**Current Policy Target**	**Long-Term Policy Target**	**Policy Range**
Canadian Equity	22.50%	12.50%	9.50% - 26.50%
Global Equity	-	42.50%	0% - 47.50%
U.S. Equity	26.75%	-	0% - 30.75%
International Equity	15.75%	-	0%-18.75%
Canadian Real Estate	10.00%	10.00%	7.00% - 13.00%
Infrastructure	10.00%	10.00%	7.00% - 13.00%
Impact Investments	5.00%	5.00%	3.00% - 7.00%
Private Credit	-	10.00%	0% - 13.00%
Canadian Universe Bonds	10.00%	10.00%	7.00% - 13.00%
Cash & Cash Equivalents	0%	0%	0% - 10.00%

The Current Policy and ranges are effective September 30, 2024. As implementation of the Long-Term Policy occurs, the target benchmark and policy ranges will be revised subject to recommendations by the Committee and approvals by the Board of Governors.

Cash will be used strategically when transitioning portfolios between investment managers and planning for capital calls. The allocation to Private Credit many require several quarters to fully implement and may result in a temporary position in cash equivalents. Under the Current Policy, the minimum overall allocation to public equities will be 54.00%.

Performance benchmarks for the above asset classes are as follows:

Asset Class	**Performance Benchmark**
Canadian Equity	S&P/TSX Composite
Global Equity	MSCI ACWI (Net) (Cdn$)
U.S. Equity	S&P 500 (Cdn$)
International Equity	MSCI EAFE (Net) (Cdn$)

Canadian Real Estate	MSCI/REALPAC Canada Quarterly Property Fund Index
Infrastructure and Impact Investments	Canadian Consumer Price Index (CPI) + 4%
Private Credit	Morningstar LSTA US Leveraged Loan Index +2% (Cdn$)
Canadian Universe Bonds	FTSE Canada Universe Bond Index

The total portfolio policy benchmark will be a weighted average of the above performance benchmarks vis-à-vis their relative asset class policy target weightings. Performance benchmarks are necessary to properly measure and evaluate the success of each asset class and the overall investment program. Net of fee investment returns of actively managed equity and bond mandates are expected to exceed their performance benchmarks over longer periods, generally three to five years. Given the inherent limitations of real asset benchmarks, absolute performance and diversification will be as important as relative performance against a benchmark.

7. Rebalancing Guidelines

In order to maintain the discipline of the investment process, and to best capture the risk/return profile of the asset allocation, any deviations from the asset class policy targets outside of the allowable ranges must be rebalanced within the tolerance range, and not necessarily back to target. The Treasury Office will make every effort to rebalance with the cash inflows of the fund. In order to avoid transactional costs, rebalancing the portfolio by means of liquidating assets will be the exception and will transpire only when an asset class is outside of its allowable range, and there is no cash available to rebalance. In general, new cash will be added to the asset class that has deviated the furthest under its target.

In addition, the Committee recognizes that investing in illiquid investments, like real estate, private credit and infrastructure, makes it more challenging to adjust to the asset allocation policy ranges. Furthermore, the pace of commitments to these asset classes can take some time and result in assets deviating from their policy ranges. As a consequence of these constraints, deviations from policy may occur. Persistent deviations from asset class policy ranges will be reported at Committee meetings.

8. Spending Policy

The spending policy is to set aby the Committee to achieve the objectives for the UIT, while ensuring the UIT’s hurdle rate, as established in Section 3, is achievable. In addition, the spending formula must help reduce the volatility of annual distributions, allowing those that budget for and receive the annual distributions a higher degree of certainty of the amount available to them. The Committee feels that a 4-year period helps smooth annual distributions and adds to the predictability of amounts available to beneficiaries.

Annually, the UIT will make available for spending an amount of 4.25% of the average market values for the rolling 48-month preceding period. In addition, the Committee can recommend a change to the amount in any one year, with a floor set at 3.50% of the preceding 48-month period, and a ceiling of 5.00% of the preceding 48-month period. This change would only arise in circumstances where the net real rate of return of the fund had deteriorated or improved to the extent an adjustment to the rate of spending is warranted. This would depend on the net real return of the UIT over the past 5- and 10-year periods; current investment market conditions; the outlook of future investment markets; and assessing the effect of such an adjustment on current and future beneficiaries of the fund. Any adjustment to the spending rate would have to be recommended by the Committee and approved by the Board of Governors.

9. Selection and Retention Criteria for Investment Managers

In order to be selected and retained, an Investment Manager must demonstrate a consistency of investment style that is evident and measurable through full market cycles. The stability and experience of the management and ownership of the firm, as well as the portfolio management team, is a critical factor in being selected and retained. Firms must demonstrate competitive long-term risk-adjusted performance, net of fees. The Committee does not favor any particular style of investment management. Rather, the Committee seeks to build a diversified portfolio of investment managers with varying and complimentary styles and exposures.

Investment Managers are expected to integrate ESG factors into their investment analysis, risk assessment, and engage with the companies in which they invest UIT capital. Managers are also expected to comply with the policy guidelines on Responsible Investment in Section 11 of this IPS.

To be retained as Investment Managers of the UIT, firms must continue to demonstrate that their organization and investment process has not changed in any meaningful way that detracts from the very reasons they were hired. Any sustained relative underperformance by a manager will be reviewed closely by the Committee in the context of the current investment markets and the known investment style/process of the manager. When necessary, the Committee will seek approval from the Board of Governors for the termination and replacement of investment managers.

10. Strategic Investment Guidelines and Permitted Investments

Active vs Passive: The Committee recognizes that capital markets are not completely efficient and thus offer skilled investment managers opportunities to add value. Active management can reduce portfolio risk and can help the UIT meet its investment objectives. The Committee also recognizes certain capital markets exhibit high levels of security pricing efficiency. In such cases, the Committee may use a passive investment strategy for the asset class, or a portion of the asset class. The Committee may also use a passive investment strategy as part of an asset transition.

Currency: The Committee does not target a specific level of foreign currency exposure. Greater emphasis is placed on selecting core asset classes and their appropriate weighting in the overall portfolio that over long periods of time will meet both the UIT’s desired risk profile and return requirements. In this regard, a number of core assets that contribute to the most optimal portfolio may be denominated in foreign currencies. While foreign exchange movements over shorter time periods may affect performance, it is believed that over the much longer investment time horizon of an endowment fund these foreign exchange swings will be both positive and negative and largely offsetting over time thus minimizing the potential for material long-term adverse consequences. As such, the UIT does not actively or passively hedge its exposure to any foreign currency. This doesn't prohibit the opportunity to strategically hedge an exposure given the right circumstances, or an investment manager hedging within its mandate.

Proxy Voting: The Committee delegates the responsibility for exercising proxy votes to Investment Managers. In doing so, the Committee expects Investment Managers to act prudently and in the best interest of the UIT as a shareholder. Investment Managers must report to the Committee annually that all proxies were voted under the firm's guidelines as indicated in their Proxy Voting Policy.

Tax: As registered charity in Canada, the UIT is prohibited from holding 20% or more of the interest in a limited partnership, as CRA would consider it to be carrying on a business solely because of the extent of this ownership.

Investment Limitations and Restrictions: Diversification among asset classes is provided through the asset allocation guidelines set forth in Section 6 of this IPS. Assets may be held in separate accounts or pooled investment vehicles. In the case of pooled investment vehicles, the investment guidelines and restrictions defined by the vehicle will apply. The asset class definitions stated below indicates the type of securities and strategies that can be used. The Committee acknowledges each Investment Manager's separate account will detail their specific guidelines, however those guidelines must reflect the guidelines below unless the Committee has knowingly allowed the manager to employ a strategy or invest in a security that doesn't comply with the general guidelines as stated below. This deviation must be stated in writing by the Committee.

Permitted Investments by Asset Class

Public Equities

- Canadian and foreign equity securities traded through a marketplace.
- Listed equity substitutes that are convertible into equities traded through those same marketplaces. It also includes income and royalty trusts, exchange traded funds, institutional passive investment accounts, American Depository Receipts, rights and warrants, instalment receipts, equity futures, IPOs, and convertible securities.
- Derivatives that reduce risk, provide advantage of lower cost, transactional ease or market exposure, and do not directly or indirectly leverage the portfolio are allowed.

Fixed Income

- Government of Canada bonds; Provincial bonds with a minimum rating of BBB; Municipal bonds with a minimum credit rating of BBB; Corporate bonds with a minimum rating of BBB and mortgage-backed securities backed by NHA insured mortgages.
- Domestic government and corporate issued Guaranteed Investment Certificates, Banker's Acceptance, and T-Bills with a minimum rating of R-1(low).
- Private credit, or other evidence of private fixed income is permissible within an unlisted private pooled investment vehicle subject to written approval of the Committee.

Real Assets

- Canadian real estate in pooled investment vehicles that are diversified by property type and region.
- Infrastructure in developed markets invested through unlisted open-ended and closed-ended investment vehicles.
- Derivative financial and currency related instruments are permitted provided that such participation is not for speculative purposes.

11. Responsible Investment

The University of Manitoba has a Responsible Investment Policy applicable to all investments of the University. This includes the investments of the University Investment Trust. The University has a fiduciary duty to act in the best interest of its stakeholders, and as a fiduciary the University must conduct investing activities with due care, skill and diligence. The regulatory landscape is changing, and investors have come to realize that ESG considerations, including climate change, are financially material. As such, they must be considered when assessing investment opportunities and must be incorporated in risk management.

Investment Managers: the Committee delegates discretionary authority of investment research, security selection, real asset acquisition and portfolio construction to external investment managers. As such, the Committee expects all investment managers to comply with the following policy items:

Investment Process:

- Managers will have rigorous ESG processes in place when evaluating investments.
- Managers will have an ESG investment policy, and dedicated ESG governance and staff.
- Managers will report on ESG risks and issues to the Committee, at minimum annually.
- Managers will be signatories to UNPRI.

Proxy Voting:

- Managers will use their proxy votes to promote best practices in responsible investing.
- Managers proxy voting policies must incorporate ESG considerations.

Investment Consultant: the Committee engages an investment consultant to provide investment advice at the overall fund level, and the individual portfolio level. As such, the Committee expects the investment consultant to comply with the following policy items**:**

- Investment Consultant will be a signatory to UNPRI.
- Investment Consultant will provide ESG ratings and ESG information on investment managers at each quarterly meeting with the Committee.
- Investment Consultant will report on known ESG disclosure issues at the security level.

The Committee, Treasury Office and the University: University staff and committee members will comply with the following policy items:

- The University will be a signatory of UNPRI.
- The Committee and the Treasury Office will incorporate ESG into their investment review process.
- The University will work with other universities, foundations, and institutional investors to enhance the development of ESG tools and analysis.
- The Committee and the Treasury Office will work with shareholder advocacy organization(s) to improve accountability of the companies we invest in and participate in shareholder proposals that are in alignment with our ESG policies and beliefs.
- Treasury will disclose investment manager's ESG polices and ESG reports.
- Treasury will disclose, when available, investment manager proxy voting on ESG matters, and investment manager participation in shareholder proposals on ESG matters.
- Treasury will disclose all shareholder engagement activities and outcomes achieved.
- Treasury will publish UNPRI annual reporting.
- The Committee and Treasury will communicate with stakeholders the adoption and success of ESG integration in the UIT portfolios.
- The Committee will commit to making meaningful and prudent allocations to investments that will seek positive social and environmental change while still seeking financial returns. These investments will be classified as Impact Investments.

Climate Change Commitments

As a signatory to both the Global Universities and Colleges Climate Letter and the Canadian University Charter: Investing to Address Climate Change, the University and the UIT has committed to the following action plan:

- Divest from all direct investments in fossil fuel supply companies by the end of 2024.
- Divest from all indirect fossil fuel supply investments held in pooled funds and commingled investments by 2030.
- Fossil fuel supply companies are defined as any company whose primary business is the exploration, extraction and/or refining of oil, natural gas, and/or coal.
- Set targets for the reduction of carbon emissions in public equity portfolios.

12. Conflict of Interest

All Committee members are subject to the *Code of Conduct for Members of the Board of Governors,* and must sign and file the appropriate disclosure and declaration on an annual basis. If any Committee member has an actual or perceived conflict of interest that impairs their ability to exercise independent and unbiased judgement with respect to their fiduciary duties as a member, he or she shall disclose such conflicts to the Chair and other Committee members before any meaningful discussion of the relevant matters take place and shall not vote on any resolution to which the disclosure is required.

The University recognizes the value of having experts from the external community as members of the Trust Investment Committee. From time to time, however, these members might find themselves privy to information relating to the University's investment and other financial interests that might put them in conflict to interest relating to their employment with their company or organization or with respect to their other outside activities. External members shall therefore make a self-declaration in writing to hold such information in strict confidence and privacy.