

**University Policy No.:** FM5200  
**Classification:** Financial Management  
**Approving Authority:** Board of Governors  
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**Mandated Review:** September 2024

## **SHORT-TERM INVESTMENT POLICY**

### **BACKGROUND**

- 1.00 The University of Victoria ("the University") has short-term investments from its operations that do not include pensions, the University Student Investment Fund and endowments that are separately managed. The short term investments arise from operating, research and capital project financing received in advance, insurance reserves and from appropriations of funds set aside for equipment replacement and future initiatives including carryovers of funds not spent by departments in the fiscal year.
- 1.01 The cash flows of the University are generally predictable and permit the investment of the short-term funds. A portion of the funds must be invested so that they are sufficiently liquid to meet periodic cash needs of \$5 million or more on relatively short notice.

### **AUTHORITY**

- 2.00 The funds are to be invested in accordance with Section 57 of the [University Act](#), which states that "subject to a contrary intent expressed in a gift, devise, bequest or trust, Section 15 of the Trustee Act does not apply to investments made by a board of a university and each board (a) may invest money belonging to the university and available for investment, and (b) must, when investing under paragraph (a), make investments that a prudent person would make."

### **INVESTMENT OBJECTIVES BASED ON RISK AND RETURN**

- 3.00 The investment objectives are:
- a) to preserve capital;
  - b) to provide liquidity by the investment of a portion of the Funds in liquid short-term investments that can be converted to cash with no risk of principal loss; and
  - c) to provide yield at a low level of volatility by the investment of a portion of the funds in bonds.

## **INVESTMENT CONSTRAINTS**

4.00 The investment constraints are:

a) Liquidity

In light of the nature of the assets as per the asset allocation below a majority of the assets will be invested in cash and cash equivalents with an average duration of less than 90 days. This will minimize the liquidity risk that stems from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss.

b) Credit Quality

The Fund assets are to be invested at all times in a prudently diversified portfolio. Reference credit ratings for bonds are those as published and regularly reviewed and/or revised by recognized debt rating agencies, including DBRS, Standard & Poor's and Moody's.

The portfolio manager will be responsible for diversifying the bonds by type and by sector and for prudently and diligently managing credit risk. If downgrades occur it is expected the portfolio manager will closely monitor the situation and provide updates to the University administration.

The Vice-President Finance and Operations will develop investment manager guidelines for the universe bond mandate. These will be developed in conjunction with the investment managers to ensure consistency with applicable pooled funds. These guidelines will be reported to the Board as part of the semi-annually reporting on performance.

c) Mortgages

The investment constraints established above for credit quality minima applicable to bonds shall by equivalency apply to the selection and weighting of credit quality applicable to mortgage holdings. The portfolio manager will be responsible for diversifying the mortgages by type and by geographic location and for prudently and diligently managing the risks associated with exposure to individual properties.

## **INVESTMENT MANAGERS**

5.00

a) Selection

The Vice-President Finance and Operations will recommend for the Board to appoint one or more suitably qualified external professional investment managers. The selection of an Investment Manager will be made in a prudent manner, applying fair and reasonable identification, evaluation and selection standards, taking into account for a potential Investment Manager:

- the relevant experience and expertise
- suitability of investment style
- the structure of the organization
- turnover of personnel

- capacity and servicing capabilities
- investment performance record, including consistency of performance and risk
- investment management fees

b) Duties and responsibilities

- exercise care, diligence and skill of a prudent investment counsellor and shall at all times act on a basis that is fair and reasonable
- adhere at all times to the Code of Ethics and Standards of Professional Conduct adopted by the Association of Investment Management and Research
- provide monthly reports of transactions and rates of return
- provide quarterly reports of portfolio holdings, results achieved and explanations of any shortfall from the benchmark
- inform the Vice-President Finance and Operations promptly of any changes in the Investment Manager's firm, including changes of ownership, senior investment personnel or investment style

**AUTHORIZED INVESTMENTS AND LIMITS**

6.00 The distribution of weights among asset classes will be determined based on the University's cash balances, near-term liquidity requirements and capital plans over the longer horizon. That in placing short-term investments, the Vice-President Finance and Operations be instructed to advance funds to be managed within the Fund benchmark and asset mix guidelines, as noted in the following tables. Should a large cash inflow or outflow occur resulting in a breach of the maximum and minimum percentages below, the University's treasury staff will advise the Vice-President Finance and Operations of the breach and take the steps necessary to rebalance within the policy parameters in a prudent manner.

The distribution of weights among asset classes will be determined based on the University's cash balances, near-term liquidity requirements and capital plans over the long term horizon.

Benchmarks

<b>Asset Class</b>	<b>Benchmark</b>	<b>Benchmark (%)</b>
Money Market (Cash and Cash Equivalents)	FTSE TMX Canada 91-day T-Bill Index	55
Bonds	FTSE TMX Canada Short Term Bond Index	25
Mortgages	FTSE TMX Canada Short Term Bond Index + 100 basis points	20

## Allocation Ranges

<b>Asset Class</b>	<b>Minimum (%)</b>	<b>Target (%)</b>	<b>Maximum (%)</b>
Money Market (Cash and Cash Equivalents)	40	55	70
Bonds	0	25	40
Mortgages	0	20	30

If there are any changes to investment managers or brokers, the Board will be informed at the subsequent meeting.

### 6.01 Currency (or Exchange Rate) Risk Management

The University recognizes that exchange rate risks are incidental to normal business operations. The University does not normally hedge against foreign currency transactions as a matter of general practice.

Where a specific transaction or group of transactions is to occur in a foreign currency and the amount of the transaction exceeds \$50,000 USD the Vice-President Finance & Operations may authorize the purchase of hedging products which are effective in managing risk and make hedging decisions based on the institution's objectives and tolerance for risk, rather than market conditions.

## REPORTING

- 7.00 A report of short-term investments will be submitted semi-annually to the Board of Governors, including investment performance of each fund compared to benchmarks and adherence to each fund's stated guidelines of duration, investment constraints and credit risk exposure.
- 8.00 The Vice-President Finance and Operations is authorized to exercise discretion in varying the application of the foregoing policy directives on the understanding that any such variations shall be identified in the semi-annual reports referred to above, but in no event shall investments be made in funds not authorized.

## AUTHORITIES AND OFFICERS

The authorities and officers for this policy are:

- i) Approving Authority – Board of Governors
- ii) Designated Executive Officer – Vice-President Finance and Operations