

Investments	
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Associated Documents Appendix A Mawer Balanced Pooled Fund Discretionary Manager Performance Procedure Investment Management Procedure	

PURPOSE

The purpose of this policy is

- to clarify the assets to which this policy applies,
- to identify investment objectives,
- to establish guidelines for investment activities,
- to provide guidance to the fiduciaries and investment managers regarding the investing, monitoring and reporting on various pools of capital that require investment management, and
- to promote responsible investing.

SCOPE

This policy applies to

- endowed trust funds of a permanent or long-term nature,
- fundraised and donated expendable funds,
- excess operating expendable funds, and
- specific capital expansion grants as designated by the Chief Financial Officer.

POLICY

1. Red Deer Polytechnic retains the services of an investment manager to manage and select investments to ensure
 - a. long-term preservation and solvency of Polytechnic assets,
 - b. stability, predictability and maximized rate of return on investment,
 - c. security and preservation of capital,
 - d. minimized risk, and
 - e. liquidity diversification.

Description of Polytechnic Funds

1. The Polytechnic Funds consist of three pools.
 - a. The Endowment Fund consists of endowed trust funds of a permanent or long-term nature that have been provided by or donated to the Polytechnic for the purpose of providing scholarships and awards or other ascribed purposes
 - b. The Operating Fund consists of the Polytechnic's funds available for both short-term and long-term operating and capital expenditures.

Investment Objectives

1. Common to all three funds is an investment objective of minimizing risk and optimizing return while achieving the other investment objectives. As well, the investments reflect the fiduciary nature of the funds and the Polytechnic's perceived social responsibility.
 - a. Endowment Fund
 - i. The principal balance of all endowments is maintained in perpetuity (unless otherwise designated by the donor) to generate income for annual use for such purposes as agreed to between the donor and Red Deer Polytechnic or Red Deer Polytechnic Foundation.
 - ii. Seventy-five percent (75%) of the annual interest earned is transferred to an expendable operating account to fund the purpose for which it was established (i.e. scholarships or awards). Twenty-five percent (25%) of the annual interest earned is re-invested into the principal portion of the endowment to offset the effects of inflation and fluctuations in annual earnings.
 - iii. The investment objectives of the fund are the preservation of capital while achieving a growth rate beyond the rate of inflation. The Investment Committee reviews the re-investment strategy on an annual basis over a moving five-year period, to ensure it is not below the annual CPI rate published by Statistics Canada, averaged over the same period.
 - b. Operating Fund
 - i. Income earned is budgeted to supplement the operating revenues of the Polytechnic. Capital is used to cover any short-term liquidity shortfalls of the Polytechnic, which may be seasonal in nature.
 - ii. Other than calls on capital during periods of seasonal liquidity shortfalls, it is expected the Fund will maintain a relatively stable capital base. Any large capital requirements are anticipated at least one year in advance.
 - iii. The investment objectives of the Fund are balanced between current income, liquidity and the opportunity for long-term capital growth.

Asset Mix

1. The permissible asset classes, normal allocation and permissible ranges for each asset class follow.
 - a. The Normal Mix represents the neutral position for each asset class and is used as a performance benchmark for the total fund.
 - b. The Permissible Ranges indicate the minimum and maximum positions, as a percent of the fund's total market value, which can be held at any time in the asset class. If an asset class violates its respective range, it should be re-balanced in a timely and prudent manner.
 - c. For the purpose of the Asset Mix Permissible Ranges, the Investment Manager's mutual/pooled funds are deemed to be 100% invested in the asset class, even though these funds may contain a portion held in cash and cash equivalent investments.

2. Endowment Fund

		Permissible Ranges		
		Normal Mix	Minimum	Maximum
Equity		60%	45%	70%
	Canadian Large Cap Equity	15%	10%	35%
	Canadian Small Cap Equity	7.5%	0%	10%
	US Equity	15%	10%	30%
	International Equity	15%	10%	30%
	Global Small Cap Equity	7.5%	0%	10%
	Canadian Bonds and Debentures	35%	25%	50%
	Cash Equivalents	5%	0%	15%
		100%		

3. Operating Fund

		Permissible Ranges		
		Normal Mix	Minimum	Maximum
Equity		30%	20%	40%
	Canadian Large Cap Equity	8%	2%	15%
	Canadian Small Cap Equity	3%	0%	6%
	US Equity	8%	2%	15%
	International Equity	8%	2%	15%
	Global Small Cap Equity	3%	0%	6%
	Canadian Bonds and Debentures	40%	30%	70%
	Cash Equivalents	30%	5%	45%
		100%		

General Investment Guidelines and Restrictions

1. Investments in pooled funds or mutual funds are permitted so long as their investment guidelines are consistent with this document. Please see attached Investment Policy of the Discretionary Manager for parameters and constraints related to the funds held by the Polytechnic.
2. Investments in the following securities are prohibited:
 - a. Private placements or other non-marketable debt and equity which have not been disclosed to the Investment Committee
 - b. Commodities
3. The Discretionary Manager without the prior approval of the President and/ or the Vice President Polytechnic Services shall not liquidate donated investments placed in the care of the Discretionary Manager.
4. Responsibility for the exercise of proxies shall rest with the Discretionary Manager, who shall exercise this right solely for the economic benefit of the Fund.
5. In the event the Discretionary Manager seeks to change the permissible asset classes, target mix, permissible ranges, performance benchmarks or any other guideline or restriction noted in this policy, the President must approve such changes in advance of their implementation. In order to practice responsible investing, the Polytechnic requires full disclosure of the investments from the Investment Manager.

Equity Investment Guidelines and Restrictions

1. Equity investments may include common stocks, convertible securities, royalty and income trusts, installment receipts, American Depository Receipts (ADR's), warrants and rights.
2. Not more than 10% of the market value of the equity portfolio shall be invested in any one corporation's equity securities.
3. Not more than 30% of the market value of the equity portfolio shall be invested in any one major industry group as defined at the time by the Global Industry Classification Standard (GICS).

Domestic Fixed Income Investments

1. Duration will be constrained to within 1 year of the benchmark.
2. Maximum of 30% in bonds rated BBB.
3. Minimum of 40% held in government bonds (Federal and Provincial)
4. Securities rated below investment grade will not be purchased.
5. A maximum of 5% exposure to any single corporate issuer.
6. Maximum of 10% held in foreign securities.
7. Foreign currency exposure will be hedged back to Canadian Dollars.

Money Market Investment Guidelines and Restrictions

1. Money Market investments may include Federal and Provincial Government and Agency obligations, corporate bonds, commercial paper, bankers acceptances, cash and other such instruments as deemed prudent by the Discretionary Manager. These investments must have a R1 or equivalent credit rating.

Currency Exposure

1. Forward exchange contracts on a currency are permitted provided that they are used to hedge a pending transaction in that currency rather than to leverage portfolio currency exposure.

Derivatives

1. Derivatives may only be used for hedging and risk management purposes and only when it is consistent with the fund's risk profile.

Investment Performance Objectives and Benchmarks

1. It is expected that the annualized total rate of return achieved by a fund will exceed its respective benchmark return net of professional fees or expenses over any four-year period.
2. The fund's benchmark return is the weighted average return (in Canadian dollars) of the fund's Normal Asset Mix, using the following asset class benchmarks:

Asset Class	Benchmark
Cash	FTSE TMX Canada 91-Day T-Bill Index
Canadian Bonds	FTSE TMX Canada Universe Bond Index
Canadian Mid-Large Cap Equities	S&P/TSX Composite Total Return Index
Canadian Small Cap Equities	S&P/TSX SmallCap
U.S. Equities	S&P 500 Index
International Equities	MSCI ACWI World (net) excluding US
Global Small Cap Equities	MSCI ACWI Small Cap (net) Total Return Index

RELATED POLICIES

Endowments and Use of Endowment Funds Policy

DEFINITIONS

Asset Mix: The process of dividing investments into different asset classes, such as stocks, bonds, alternative assets and cash in order to optimize the risk/return trade-off of a portfolio. This process is based on factors including investment time horizon, liquidity needs, risk tolerance, specific goals and situations, and legal and tax considerations.

Consumer Price Index (CPI): A Statistics Canada index of retail prices for goods and services. Increases in the CPI are also referred to as increases in the cost of living and are directly correlated to increases in inflation.

Custodian: A financial institution, usually a bank or trust company, which holds an investment portfolio's securities and cash in safekeeping.

Derivatives: A financial instrument whose value is dependent on the performance of an underlying instrument or asset typically a commodity, bond or equity. They are also available on currencies, interest rates, and equity indices. Futures and options are examples of derivatives.

Endowment: A restricted donation made to the Polytechnic where the capital value is invested and the annual income supports a specified educational purpose.

Investment Grade Bond: A bond of a credit rating of BBB or higher.

Proxy: A written authorization given by a shareholder to another individual, usually the company's management, in order to cast his/her vote at a shareholder meeting or at some other point in time.

Rate of Return: The percentage change in the value of an asset, including interest and dividends, over an evaluation period.

Appendix A

Investment Policy of the Mawer Balanced Pooled Fund

Endowment Fund – the Endowment Fund holds units of the Mawer Balanced Pooled Fund and therefore is following all the investment constraints and asset mix guidelines attached.

Operating Fund – although the Operating Fund does not hold units of the Mawer Balanced Pooled Fund, it does hold units of the underlying funds, therefore the investment constraints of each asset class are relevant. The Operating Fund holds units of the underlying Mawer fund at weights that reflect the Permissible Ranges as set out in section 4.2.

Investment Policy Statement

Mawer Balanced Pooled Fund Investment Policy Statement

Investment Objectives

The investment objective of the Mawer Balanced Pooled Fund (the "Fund") is to achieve above-average long-term returns from income and capital gains by investing up to all of the assets of the Fund in other Mawer Funds, as well as by investing directly in equity and equity-related securities and fixed-income securities such as treasury bills, short-term notes, debentures, and bonds.

Investment Strategies

Mawer Investment Management Ltd. (the "Portfolio Manager" or "we") will analyze the economy and markets with a view to determine which of the asset classes are more likely to offer attractive risk/return characteristics within a medium to long-term time frame.

We have determined that radical shifts in asset mix expose unitholders to increased risk. We believe that incremental shifts in asset mix are more desirable.

The Portfolio Manager's approach is strategic—limiting individual asset mix changes to no more than 5% of the portfolio at any one time.

Performance Objective and Benchmark

The Fund's return objective is to provide attractive, long-term risk-adjusted returns over a full economic cycle. An appropriate benchmark to measure this strategy against would be the blended benchmark specified in the asset mix table below.

Asset Mix & Benchmark

The Fund has defined ranges for various asset classes as follows:

Asset Class	Benchmark Index (\$ CAD)	Benchmark Weight	Fund Asset Mix Range
Cash & Cash Equivalents	FTSE Canada 91 Day T-Bill Index	5.0%	0 – 15%
Canadian Bonds	FTSE Canada Universe Bond Index	35.0%	25 – 50%
Total Cash & Bonds		40.0%	30 – 55%
Canadian Large Cap Equity	S&P/TSX Composite Total Return Index	15.0%	10 – 35%
Canadian Small Cap Equity	S&P/TSX SmallCap Index	7.5%	0 – 10%
U.S. Equity	S&P 500 Total Return Index	15.0%	10 – 30%
International Equity	MSCI ACWI ex US (Net) Total Return Index	15.0%	10 – 30%
Global Small Cap Equity	MSCI ACWI Small Cap (Net) Total Return Index	7.5%	0 – 10%
Total Equity		60.0%	45 – 70%

The Fund is managed utilizing a fund-of-fund approach to gain exposure to the various asset classes, but may use individual securities if deemed beneficial to unitholders. Cash within the underlying Mawer Funds, if utilized, is taken into account when setting asset mix targets, which on occasion may result in Asset Class weights slightly outside the ranges indicated above.

Permitted Securities

- Cash & Cash Equivalents which may include treasury bills, notes, and short-term instruments
- Fixed Income securities which may include bonds, debentures, mortgage-backed securities, and asset-backed securities
- Derivatives which may include interest rate & currency futures, forwards and swaps
- Mawer Mutual Funds
- Mawer Investment Management Pooled Funds
- Equity and equity-related securities

The Fund may also invest in or use derivative instruments for purposes consistent with the investment objectives of the Fund, provided it is done so in accordance with and subject to the Offering Memorandum of the Mawer Investment Management Pooled Funds.

Investment Constraints

The Fund's investments in mutual funds and pooled funds are limited to those sold subject to a prospectus and an offering memorandum respectively. The Fund may invest up to all of its assets in other Funds Mawer manages in order to achieve the investment objectives and investment strategies of the Fund. The Funds utilized serve as model portfolios for the asset classes in which they provide participation and will comply with their respective Investment Policy Statements in addition to the below constraints.

Short-term Investments Constraints:

- Treasury bills or short-term investments may not exceed three years to maturity and may not be rated below investment grade as defined by a recognized credit rating agency.

Fixed Income Constraints:

- Duration constrained within 1 year of the benchmark
- Maximum 30% in bonds rated BBB
- Minimum 40% in government bonds
- Securities rated below investment grade will not be purchased
- A maximum 5% exposure to any single corporate bond issuer
- Maximum 10% in foreign securities
- Foreign currency exposure will be hedged back to Canadian Dollars

Equity Constraints

- For each of the equity Mawer Funds, the Fund may hold a maximum of 20% in a single industry as defined by the Global Industry Classification Standard.
- Each Mawer Fund may hold a maximum of 10% of the portfolio in a single stock.
- Small Cap exposure is restricted to a maximum of 20% of the Fund. Small Cap is defined as investments in either of the Canadian Small Cap Equity (New Canada Fund or securities we have defined as Canadian Small Cap) or Global Small Cap Equity (Global Small Cap Fund) asset classes.

Legal Constraints

The Fund is an open-end investment fund established under the laws of Alberta as a trust. It is offered by way of private placement in reliance upon exemptions from the prospectus requirements of applicable securities law. Please refer to the Offering Memorandum for more information.

The Fund may invest in Mawer Mutual Funds which are required to comply with the standard investment restrictions and investment practices outlined in *National Instrument 81-102*. Please refer to the Mawer Mutual Funds Simplified Prospectus, Annual Information and Fund Facts for more information.

Investments of the Fund must comply with the requirements of the *Pension Benefits Standards Act, 1985 (Canada)*, the *Employment Pension Plans Act (Alberta)* and substantially similar pension standards legislation that may be in force in other Canadian jurisdictions from time to time.

Statement of Responsibilities

The Portfolio Manager(s) shall adhere to the Code of Ethics and Standards of Professional Conduct of the CFA Institute.