



Policy

Policy Name	Investment		
Policy #	RM 2.0	Category	Financial and Risk Management
Policy Owner	Board of Governors	Effective Date	May 29, 2018
Policy Lead	Vice-President Administration and Chief Financial Officer	Review Date	May 29, 2023
Approved by	Board of Governors	Approval Date	May 29, 2018

1.0 Policy Statement

- 1.1** The Northern Alberta Institute of Technology (“NAIT” or the “Institution”) must take appropriate action to ensure the preservation of capital. Within this constraint, NAIT will invest in a manner that optimizes return on its investments that will contribute to the current and future funding requirements of NAIT.

2.0 Scope

- 2.1** This policy is intended to govern the investment of Institution funds by the Investment Manager of NAIT while providing sufficient flexibility and appropriate safeguards.

3.0 Definitions

Term	Definition
Benchmark	The point of reference used for comparison purposes of the performance of a predetermined set of securities. It may be based on published indexes or may be customized to suit an investment strategy.
Derivative	A financial instrument whose value depends on the value of an underlying asset or factor (e.g., a stock price, an interest rate, or an exchange rate).
Long-term Investment Fund	Funds used to enhance the capital base and provide an annual income stream to fund endowment commitments and help fund operating activities.
Option	A financial instrument that gives one party the right, but not the obligation, to buy or sell an underlying asset from or to another party at a fixed price over a specific period of time.
Portfolio	A collection of investments.
Project Funds	Funds used to finance NAIT’s capital requirements for strategic projects (i.e., capital projects) over the next five years.

Purchasing on Margin	An investor borrows a portion of the money required to purchase a certain amount of securities. In futures markets, there is no borrowing so the margin is more of a down payment or performance bond.
Security	A documentation of ownership that proves ownership of stocks, bonds and other investments.
Short Selling	Selling a security that the seller does not own but is committed to repurchasing eventually. It is used to capitalize on an expected decline in the security's price.

4.0 Guiding Principles

- 4.1** As a publicly funded and accountable organization, NAIT's risk appetite is "somewhat risk adverse". This supports taking appropriate action to ensure the preservation of capital.
- 4.2** The Board of Governors shall set the direction for the investment of Institution funds. The Finance Committee will set the investment portfolio mix, targets and benchmarks and select the External Fund Manager based on recommendations from the Investment Advisory Subcommittee.
- 4.3** Investment decisions must be made in accordance with the Code of Ethics and Conduct Policy.
- 4.4** Investments that adhere to the investments standards and procedures that a reasonable and prudent person would apply in respect of a portfolio to avoid undue risk and obtain a reasonable return consistent with the fund's objectives are permitted provided these otherwise comply with NAIT's investment policy and procedures.
- 4.5** Investments may be made by directly holding investments or through the units of a pooled fund.
- 4.6** Financial institutions and broker/dealers handling the Institution's investments must be registered with the Alberta Securities Commission and be in good standing with the Investment Industry Regulatory Organization of Canada.
- 4.7** The emphasis within the fixed income portfolio will be on quality. 100% of the bonds held in the portfolio must be rated BBB or better by Standards & Poor's or an equivalent rating agency.
- 4.8** Investments in equities are to be made in securities that trade on recognized stock exchanges.
- 4.9** Investment strategies shall be supported by sound analysis of economic and industry fundamentals.
- 4.10** Leveraged investments that expose NAIT to liability beyond the amount invested are prohibited unless otherwise approved by the Finance Committee. These include but are not limited to derivatives, options, purchasing on margin and short selling of securities. Any approved exception by the Finance Committee must be consistent with taking appropriate action to ensure the preservation of capital.
- 4.11** Except for the bonds issued or guaranteed by federal and provincial governments, the following restrictions apply to bond investments:
 - No more than 10% of the fixed income portfolio will be invested in the bonds of a single issuer and related parties, and

- No single bond holding shall equal more than 10% of the market value of the total outstanding for that issue.
- 4.12** The debt and equity investments in a single company are limited to 10% of the book value of the fund.
- 4.13** No equity in the portfolio shall represent more than 9.9% of the voting shares of a company.
- 4.14** The maximum equity holding of a company is limited to a weight of 10% of the market value of the Canadian equity and Global equity portfolios as the case may be.

Document History

<i>Date</i>	<i>Action/ Change</i>
September 23, 2015	Updated policy to new format and clarified guiding principles.
October 10, 2017	Update policy with minor housekeeping.
May 29, 2018	Update the ranges acceptable for the different investment classes