

SPECIAL RESOLUTION II.8

**Statement of Investment
Policies and Procedures**

**Trent University
Endowment Fund**

January 2006

APPROVED on this 28th day of April, 2006

By the Trent University Board of Governors

on behalf of Trent University

Contents

Section 1	Overview	
1.01	Purpose of Statement	93
1.02	Fund Background	93
1.03	Objective of the Fund.....	93
1.04	Investment and Risk Philosophy	94
1.05	Administration.....	94
Section 2	Asset Mix and Diversification Policy	
2.01	Portfolio Return Expectations	94
2.02	Expected Volatility.....	94
2.03	Asset Mix.....	94
2.04	Management Structure.....	95
Section 3	Permitted and Prohibited Investments	
3.01	General Guidelines	96
3.02	Permitted Investments	96
3.03	Minimum Quality Requirements	97
3.04	Maximum Quantity Restrictions.....	99
3.05	Prior Permission Required	100
3.06	Prohibited Investments.....	100
3.07	Securities Lending	100
Section 4	Monitoring and Control	
4.01	Delegation of Responsibility.....	101
4.02	Performance Measurement	101
4.03	Compliance Reporting by the Investment Manager	102
4.04	Standard of Professional Conduct.....	103
Section 5	Administration	
5.01	Conflicts of Interest	103
5.02	Related Party Transactions.....	103
5.03	Monitoring of Investment Managers	104
5.04	Dismissal of Investment Manager.....	104
5.05	Voting Rights	105
5.06	Valuation of Investments Not Regularly Traded.....	105
5.07	Policy Review	105
Appendix A – Compliance Report		
Addendum		

Section 1—Overview

1.01 Purpose of Statement

This Statement of Investment Policies and Procedures provides the framework for the investment of the assets of the Trent University Endowment Fund (the “Fund”). Its purpose is to guide the Board of Governors in ensuring that funds donated to the University are managed responsibly and with a view to producing real capital and income growth to support the University’s academic mission.

Policies and procedures set out in this document are based on the “prudent person portfolio approach” and are designed to ensure the prudent investment and administration of the assets of the Fund.

1.02 Fund Background

Trent University was created by the Ontario Legislature in April 1963. The Trent University Endowment Fund was established early in the University’s history to help support Trent’s academic mission. The investment of endowment assets enables the University to annually distribute funds that support a broad range of worthy activities including student scholarships and bursaries.

The Trent University Endowment Fund contains assets donated to the University directly, through the Trent University Foundation and through certain government matching programs. Funds are pooled for investment purposes and assigned shares relative to the size of each endowed fund. The purpose of the Fund is to provide a secure source of assets, on which expenditures are made from the earnings while the principal remains intact.

The University is a registered charity and, under the Federal Income Tax Act, is exempt from income tax. The Trent University Board of Governors (the “Board”), by special resolution, establishes a formula for calculating the rate of annual distribution from the endowment fund (currently a maximum of 4%). The Board’s spending policy is reviewed periodically by the Investment & Audit Committee.

The University will maintain separate records for each endowed fund using unitized accounting. For financial accounting purposes, retained gains (in dollars) in each endowed fund are recognized in the Endowment Fund

The annual expendable funds may be spent according to any conditions of the gift, retained in an expendable trust account or reinvested in the Endowment Fund. Units held in the endowed fund can be liquidated to create expendable funds, with the written approval of any two of the President, the Vice-President (Advancement) and the Vice-President (Administration), subject to the guidelines outlined in the policy and the conditions of a gift.

All interest earned from the investments, including all realized profits, interest and dividend income are reinvested in the Fund.

The University may accept endowed funds with different investment objectives from the general Endowment Fund, subject to the guidelines outlined in this Statement of Investment Policies and Procedures. These funds will not be co-mingled with the Endowment Fund, but will be managed separately under the direction of the Investment & Audit Committee.

1.03 Objective of the Fund

The University’s long-term goal is to achieve real capital and income growth to offset future distributions which support the University’s teaching/research mission. The Fund must earn a real rate of return of at least 4.5% to meet its annual distribution target and expenses, and maintain the purchasing power of the endowed capital.

1.04 Investment and Risk Philosophy

The Board's investment objective set out in 1.03 above is consistent with the overall investment risk level that the Fund could assume in order to meet the obligations of the Fund, and is to be measured over rolling four-year periods. The Fund should be prudently managed to help avoid excessive volatility in annual distributions.

In order to achieve its long-term investment goals, the Fund must invest in assets that have uncertain returns, such as Canadian equities, foreign equities and non-government bonds. However, the University attempts to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

The Fund has a moderate to moderately high tolerance for risk. Accordingly, the long-term policy asset mix for the Endowment Fund has a bias to equities.

1.05 Administration

The Trent University Board of Governors is responsible for ensuring the prudent management of the Endowment Fund. The Board appoints an Investment & Audit Committee (the "Committee") to whom the Board has delegated responsibility for the appointment of the custodian/trustees and investment managers to manage all or part of the endowment funds held by the University. In addition, the Committee is responsible for monitoring the managers' adherence to Board investment policies and any special trust requirements, and for reporting to the Board at least annually on the performance of the Fund.

The Vice-President (Administration) may invest any part of the fund not assigned to the manager in short-term investments or other investments under the direction of the Investment & Audit Committee, and is subject to the guidelines specified in this document.

Section 2—Asset Mix and Diversification Policy

2.01 Portfolio Return Expectations

The investment managers appointed by the Board to manage the investment of part or all of the assets of the Fund are directed to achieve a satisfactory return through a diversified portfolio, consistent with acceptable risks and prudent management. The long-term expectation of the Fund, measured over rolling four-year periods, is to achieve a total annual real rate of return, of at least 4.5% (i.e. 450 basis points greater than the annual increase in the Consumer Price Index). Long-term asset mix policy has been established in order to provide a reference for long-term return requirements which are consistent with the Fund's distribution requirements at a risk level acceptable to the Committee.

2.02 Expected Volatility

The volatility of the Fund is directly related to its asset mix, specifically, the balance between the asset classes chosen in the asset mix reflected in section 2.03 below. Since the investment managers do not have the authority to make any type of leveraged investment on behalf of the Fund, the volatility of the Fund should be similar to the volatility of the Benchmark Portfolio set out in Section 4.02 (Performance Measurement).

2.03 Asset Mix

(a) Total Asset Mix

Taking into consideration the investment and risk philosophy of the Fund, the following asset mix has been established:

Assets	Minimum %	Benchmark %	Maximum %
Canadian Equities	12.0	20.0	28.0
Global Equities	35.0	<u>40.0</u>	45.0
Total Equities	50.0	60.0	70.0
Bonds	27.0	37.0	47.0
Short term	0.0	<u>3.0</u>	10.0
Total Fixed Income	30.0	40.0	50.0
Total		<u>100.0</u>	

For purpose of the total asset mix described above, the investment managers' asset class pooled funds are deemed to be 100% invested, even though these funds may contain a portion held in cash and cash equivalent instruments.

In order to ensure that the Fund operates within the minimum and maximum ranges, the University shall monitor the asset mix on an on-going basis. In addition, the Committee shall monitor the asset mix at least quarterly. Most re-balancing will be effected by redirecting net cash flows to and from the Funds. In some cases, cash or securities may be transferred between portfolios.

(b) Active Managers

The following table presents the asset mix policy for the active managers of the portfolio. This is necessary to ensure that the Total Fund asset mix remains within the ranges established in 2.03(a) above.

Active Domestic Manager:

Assets	Minimum %	Benchmark %	Maximum %
Canadian Equities	23.0	33.3	43.0
Bonds	52.0	61.7	72.0
Short term	0.0	<u>5.0</u>	10.0
Total Fixed Income	57.0	66.7	77.0
Total		<u>100.0</u>	

Active Specialty Manager:

Assets	Minimum %	Benchmark %	Maximum %
Global Equities	n/a	100.0	n/a

2.04 Management Structure

A hybrid management structure has been adopted for the Fund consisting of:

- (i) an active domestic balanced manager for Canadian equities, bonds and cash;
- (ii) an active specialty global equity manager.

A specialist global equity manager has been retained, as it is difficult for an investment manager to build and maintain expertise in all asset classes. In addition, this approach diversifies manager risk, as the Plans are not reliant on the skills of a single investment manager.

An active management structure has been adopted as it is believed that this management approach has the ability to outperform common market indices over the long-term, with a minimum degree of excess risk.

Section 3—Permitted and Prohibited Investments

3.01 General Guidelines

The investments of the Fund must comply with the requirements and restrictions set out in the *Income Tax Act* (Canada) and any relevant Regulations.

In general, and subject to the restrictions noted below, the Fund may be invested in any of the asset classes and in any of the instruments listed below.

3.02 Permitted Investments

In general, and subject to the restrictions in this Section 3, the Investment Manager may invest in any of the following asset classes and in any of the investment instruments listed below:

- (a) **Canadian and Foreign Equities**
 - (i) Common and convertible preferred stock.
 - (ii) Debentures convertible into common or convertible preferred stock provided such instruments are traded on a recognized public exchange or through established investment dealers.
 - (iii) Rights warrants and special warrants for common or convertible preferred stock.
 - (iv) Instalment receipts, American Depository Receipts and Global Depository Receipts.
 - (v) Units of real estate investment trusts (REITs).
 - (vi) Units of income trusts domiciled in jurisdictions that provide limited liability protection to shareholders
 - (vii) Units of limited partnerships which are listed on the TSX exchange.
 - (viii) Exchange traded index participation units.
- (b) **Bonds**
 - (i) Bonds, debentures, notes, non-convertible preferred stock and other evidence of indebtedness of Canadian, supranational or developed market foreign issuers whether denominated and payable in Canadian dollars or a foreign currency.
 - (ii) Commercial and residential mortgages secured against Canadian real estate.
 - (iii) Mortgage-backed securities.
 - (iv) Asset backed securities.
 - (v) Term deposits and guaranteed investment certificates.

- (vi) Insurance contracts.
 - (vii) Private placements of bonds subject to Section 3.03 below.
- (c) **Cash and Short Term Investments**
- (i) Cash on hand and demand deposits.
 - (ii) Canadian Treasury bills issued by the federal and provincial governments and their agencies.
 - (iii) Sovereign short-term debt instruments of developed countries, with maturities not exceeding 365 days.
 - (iv) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances.
 - (v) Commercial paper and term deposits.
- (d) **Other Investments**
- (i) Investments in open-ended or closed-ended pooled funds provided that the assets of such funds are permissible investments under this Policy.
 - (ii) Deposit accounts of the custodian can be used to invest surplus cash holdings.
 - (iii) Currency forward and future contracts.
- (e) **Pooled Funds**
Investment in pooled funds is permissible subject to the prior approval of the Investment & Audit Committee. While the guidelines in this SIP&P are intended to guide the management of the Fund, it is recognized that, where pooled funds are held, there may be instances where there is a conflict between this policy and the investment policy of a pooled fund. In that case, the pooled fund policy shall dominate. However, wherever such a conflict results in non-compliance with the SIP&P, the investment manager is expected to report this conflict explicitly in the Compliance Report.
- (f) **Mutual Funds**
Investment in mutual funds is permissible subject to the prior approval of the Investment & Audit Committee. While the guidelines in this SIP&P are intended to guide the management of the Fund, it is recognized that, where mutual funds are held, there may be instances where there is a conflict between this policy and the investment policy or prospectus of the mutual fund. In that case, the mutual fund policy shall dominate, subject to the compliance reporting procedures outlined in section 4.03.

3.03 Minimum Quality Requirements

- (a) **Quality Standards**
Within the investment restrictions for individual portfolios, all portfolios may hold a prudently diversified exposure to the intended market.
- (i) The minimum quality standard for individual bonds and debentures is 'B' rating or equivalent as rated by at least two of the three recognized bond rating Agencies, at the time of purchase,
 - (ii) The minimum quality standard for individual short-term investments is 'R-1' or equivalent as rated by at least two of the three recognized bond rating agencies, at the time of purchase.

- (iii) Due to the relative illiquidity of mortgages, the net yield at the time of commitment should exceed the yield on 'A' rated bonds of a similar term by a minimum of 1.5%.
 - (iv) The minimum quality standard for individual preferred shares is 'P-1' or equivalent as rated by at least two of the three recognized bond rating agencies , at the time of purchase.
 - (v) The investment manager is expected to maintain a relatively high quality and prudently diversified portfolio. Investments should be limited to equities that are publicly traded and listed on a recognized stock exchange.
 - (vi) All investments shall be reasonably liquid (i.e. in normal circumstances they should be capable of liquidation within 1 month).
- (b) **Split ratings**
In cases where recognized bond rating agencies do not agree on the credit rating, the bond will be classified according to the methodology used by Scotia Capital, which states
- (i) If two agencies rate a security, use the lower of the two ratings;
 - (ii) If three ratings agencies rate a security, use the most common; and
 - (iii) If all three ratings disagree, use the middle rating
- (c) **Downgrades in Credit Quality**
A Manager will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a Recognized Rating Agency to below the purchase standards set out in Section 3.03 (a) Quality Standards:
- (i) The client will be notified of the downgrade by telephone at the earliest possible opportunity;
 - (ii) Within five business days of the downgrade, the Manager will advise the Client in writing of the course of action taken or to be taken by the Manager, and its rationale; and
 - (iii) Immediately upon downgrade, the Manager will place the asset on a Watch List subject to monthly review by the Manager with the Client until such time as the security matures, is sold or until it is upgraded to a level consistent with the purchase quality standards as expressed in the guidelines listed above.
- (d) **Rating Agencies**
For the purposes of this Policy, the following rating agencies shall be considered to be a 'recognized bond rating agency':
- (i) Dominion Bond Rating Service (Canadian issuers only);
 - (ii) Standard and Poor's;
 - (iii) Moody's Investors Services; and
 - (iv) Fitch Ratings (foreign issuers only).
- (e) **Private Placement Bonds**
Private placement bonds are permitted subject to all of the following conditions:

- (i) The issues acquired must be at least 'Aor equivalent rated;
- (ii) The total investment in such issues must not exceed 10% of the market value of the Fund Manager's bond portfolio;
- (iii) The Investment Manager's portfolio may not hold more than 5% of the market value of any one private placement; and,
- (iv) The Investment Manager must be satisfied that there is sufficient liquidity to ensure sale at a reasonable price.

3.04 **Maximum Quantity Restrictions**

(a) **Total Fund Level**

No securities of any one company or organization shall represent more than 10% of the total book value of the Fund's assets. Exposure to foreign currency for the total fund may not exceed 40% of the market value of the portfolio.

(b) **Individual Investment Manager Level**

The Investment Manager shall adhere to the following restrictions:

(i) **Equities**

- (A) No one equity holding or private placement shall represent more than 10% of the total market value of the manager's equity portfolio.
- (B) No one equity holding shall represent more than 10% of the voting shares of a corporation.
- (C) No one equity or private placement holding shall represent more than 10% of the available public float of such equity or private placement security.
- (D) No more than 15% of the Canadian equity portfolio shall be invested in income trusts and limited partnerships.

(ii) **Bonds and Short Term**

- (A) Except for federal and provincial bonds, no more than 10% of an investment manager's bond portfolio may be invested in any one company or affiliated group of companies.
- (B) No more than 15% of the market value of a manager's bond portfolio shall be invested in bonds rated 'BBB' or lower.
- (C) Net foreign currency exposure is limited to no more than 5% of the market value of the bond portfolio.
- (D) No more than 20% of the market value of the bond portfolio may be held in foreign issuer bonds.
- (E) No more than 10% of the market value of the bond portfolio shall be invested in direct mortgages backed by Canadian real estate.
- (F) No more than 50% of the market value of a manager's bond portfolio shall be invested in 'A' bonds.

(iii) **Pooled Funds**

The investment in a pooled fund may not exceed 10% of the market value of the pooled fund. The equity investment in Canadian equity pooled funds defined to

be “small capitalization equity fund” shall not exceed 10% of the market value of the total investment in Canadian equities.

(iv) Other

The use of derivative securities shall be supported at all times by the explicit allocation of sufficient assets to back the intended derivative strategy. For greater certainty, Investment Managers are not permitted to leverage the assets of the Fund. The use of derivative securities is only permitted for the uses described in this Policy. Purchase or sale of any of these instruments expose the fund to any more risk than the cash market.

3.05 Prior Permission Required

The following investments are permitted provided that prior permission for such investments has been obtained from the Investment & Audit Committee:

- (a) direct investments in resource properties. In any event, an investment in a Canadian resource property shall not have a book value greater than or equal to 5% of the book value of the Plans’ assets. The aggregate book value of all investments in Canadian resource properties shall not exceed 15% of the book value of the Plans’ assets;
- (b) direct investments in real estate. In any event, an investment in any one parcel of real property shall not have a book value greater than or equal to 5% of the book value of the Plans’ assets. The aggregate book value of all investment in real property and Canadian resource properties shall not exceed 25% of the book value of the Plans’ assets;
- (c) direct investments in venture capital financing;
- (d) investments in a pooled fund that conflicts with this Policy;
- (e) investments in private placement equities; and
- (f) derivatives other than those otherwise permitted in Section 3.04 above.

3.06 Prohibited Investments

The Investment Manager shall not:

- (a) invest in companies for the purpose of managing them;
- (b) purchase securities on margin or engage in short sales; or,
- (c) make any investment not specifically permitted by this Policy.

3.07 Securities Lending

The investments of the Fund may, with the approval of the Investment & Audit Committee, be loaned to approved financial institutions for the purpose of generating revenue for the Fund, subject to the *Income Tax Act* (Canada) and applicable Regulations.

Such loans must be secured by cash and or/readily marketable government bonds, treasury bills and/or letters of credit, discount notes, banker's acceptances of Canadian chartered banks or high quality, liquid equities. The amount of collateral taken for securities lending should reflect OSFI standards and best practices in local markets. This market value relationship must be calculated at least daily.

The terms and conditions of any securities lending program will be set out in a contract with the Custodian. The Custodian shall, at all times, ensure that the Administration of the University has a current list of those institutions that are approved to borrow the Fund's investments. If the Fund

is invested in a pooled fund, security lending will be governed by the terms and conditions set out in the pooled fund contract.

Section 4—Monitoring and Control

4.01 Delegation of Responsibilities

The Board has responsibility for the Endowment Fund as stated in Section 1.05 of this document. The Investment & Audit Committee assists the Board in fulfilling its fiduciary duties with respect to the Fund. The Committee has assigned certain functions relating to the management and administration of the Fund to external agents, as outlined below:

(a) *Investment Managers*

The Investment Managers will:

- (i) invest the assets of the Fund in accordance with this Policy;
- (ii) meet with the Committee as required and provide written reports regarding their past performance, their future strategies and other issues as requested by the Committee;
- (iii) file quarterly compliance reports, unless the investment is in a mutual fund (see section 4.03);
- (iv) reconcile their own records with those of the custodian, at least monthly;
- (v) will provide quarterly a performance report in a form acceptable to the Investment & Audit Committee. The performance should be provided for the total portfolio managed by the investment manager and for each major asset class;
- (vi) Where investment via a pooled fund has been authorized by the Committee, the Investment Manager will provide the Committee with copies of each pooled fund's audited financial statements within 180 days of the pooled fund's fiscal year end.

(b) *Custodian/Trustee*

The custodian/trustee will:

- (i) maintain safe custody over the assets of the Fund;
- (ii) execute the instructions of the Board of Governors of Trent University, the Committee and the Investment Manager; and,
- (iii) record income and provide monthly financial statements to Trent University or as required.

4.02 Performance Measurement

For purposes of evaluating the performance of the Fund, and the Investment Managers, all rates of returns are measured over rolling four-year periods. Return objectives are net of fees and include realized and unrealized capital gains or losses plus income from all sources.

(a) Total Fund

The absolute performance objective of the Fund is to outperform the CPI by 4.5% over four-year rolling periods. In addition, investment weightings and results of the Fund are to be tested regularly against a Benchmark Portfolio comprising:

Benchmark	%
S&P/TSX Composite Index (CPMS Capped 10%)	20.0
Morgan Stanley Capital International World, ex-Canada Index (C\$)	40.0
Scotia Capital Universe Bond Index	37.0
Scotia Capital Markets 91-day Treasury Bill Index	3.0

(b) Active Managers

Investment weightings and results of the individual active managers are to be tested regularly against a Benchmark Portfolio comprising:

Active Domestic Manager:

Benchmark	%
S&P/TSX Composite Index (CPMS Capped 10%)	33.3
Scotia Capital Universe Bond Index	61.7
Scotia Capital Markets 91-day Treasury Bill Index	5.0

The objective of the Active Domestic Balanced Manager is to outperform the Benchmark described above.

Active Specialty Manager:

Benchmark	%
Morgan Stanley Capital International World, ex-Canada Index (C\$)	100.0

The objective of the Active Specialty Manager is to outperform the Benchmark described above.

4.03 Compliance Reporting by the Investment Manager

The Investment Manager is required to complete and deliver a compliance report to the Committee each quarter (a sample is included in Appendix A). The compliance report will indicate whether or not the Investment Manager was in compliance with this Policy during the quarter.

In the event that the Investment Manager is not in compliance with this Policy, the Investment Manager is required to advise the Committee immediately, detail the nature of the non-compliance and recommend an appropriate course of action to remedy the situation.

The Fund may invest in pooled funds with separate investment policies. Should a conflict arise between those investment policies and this Policy, the Investment Manager is required to advise the Committee as per section 3.02(e).

The Fund may invest in mutual funds with separate fund prospectuses. In this case, at inception the Investment Manager is required to provide the prospectus to the Committee and identify any

areas in which the investment policy of the mutual fund may not be fully compliant with the University's Statement of Investment Policies and Procedures (See Addendum). Subsequent to this initial disclosure, the Manager must notify the Committee if it is not in compliance with its own policy or fund prospectus.

4.04 **Standard of Professional Conduct**

All professional service providers are expected to comply to the standards of their professions and general prudence.

The Investment Manager will manage the Fund with all the care, diligence, knowledge and skill that a prudent investment manager ought to possess.

Section 5—Administration

5.01 **Conflicts of Interest**

(a) ***Responsibilities***

This standard applies to members of the Trent University Board of Governors and its Investment & Audit Committee, members of all other committees involved in supporting the work of the endowment fund, and all administrators and agents employed by the University (e.g. investment managers, trustees, actuaries, consultants) in the execution of their responsibilities (the "Affected Persons".)

An "agent" is defined to mean an organization, association or individual, as well as its employees who are retained by the Committee to provide specific services with respect to the investment, administration and management of the assets of the Fund.

(b) ***Disclosure***

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Fund assets.

Further, it is expected that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the University.

No Affected Person shall accept a gift or gratuity or other personal favour, other than one of nominal value, from a person with whom the employee deals in the course of performance of his or her duties and responsibilities for the Fund.

It is incumbent on any Affected Person who believes that he or she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation to the attention of the Committee immediately. The Committee, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will table the matter at the next regular meeting of the Committee.

An Affected Person who has or is required to make a disclosure as contemplated in this Policy shall normally withdraw from the meeting until the issue causing the conflict has been dealt with. He or she may be present at, or take part in the discussions on the issue causing the conflict only if the voting members of the Committee unanimously agree that circumstances warrant such participation. Regardless of the position taken by the Committee, an individual member may still elect to suspend all activities relating to the conflict. In no case is a member permitted to vote on any resolution to approve a contract or investment transaction in which he or she has a material interest.

5.02 Related Party Transactions

The University, on behalf of the Fund, may not enter into a transaction with a related party unless:

- (a) the transaction is both required for operation and or administration of the Fund and the terms and conditions of the transaction are not less favourable than market terms and conditions;
- (b) securities of the related party are acquired at a public exchange; or,
- (c) the combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial to the fund.

For the purposes of this Section 5.02, only the market value of the combined assets of the Fund shall be used as the criteria to determine whether a transaction is nominal or immaterial to the Fund. Transactions less than (0.5%) of the combined market value of the Fund are considered nominal.

A "related party" is defined to mean the Board of Governors, including any officer, director or employee of the Board, or any person who is a member of the Investment & Audit Committee. It also includes the Investment Managers and their employees, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include government or a government agency, or a bank, trust company or other financial institution that holds the assets of the Fund.

5.03 Monitoring of Investment Managers

The Committee will monitor and review the:

- (a) assets and net cash flow of the Fund;
- (b) Investment Manager's financial stability, staff turnover, consistency of style and record of service;
- (c) Investment Manager's current economic outlook and investment strategies;
- (d) Investment Manager's compliance with this Policy where a manager is required to complete and sign a compliance report; and
- (e) Investment performance of the assets of the Fund in relation to the rate of return expectations outlined in this Policy.

5.04 Dismissal of an Investment Manager

It is the responsibility of the Committee to monitor the performance of the Investment Managers on a quarterly basis. Reasons for considering the termination of the services of an Investment Manager include, but are not limited to, the following factors:

- (a) changes in the overall structure of the Fund's assets such that the Investment Manager's services are no longer required;
- (b) change in personnel, firm structure or investment philosophy which might adversely affect the potential return and/or risk level of the portfolio;
- (c) performance results which are below the stated performance benchmarks; and/or
- (d) failure to adhere to this Policy.

When one of these or any other serious concern arises, the Committee will normally request a special meeting with the manager to discuss the issue. In any such case, the Committee may recommend corrective action up to and including termination of the services of the fund manager.

5.05 Voting Rights

The Board has delegated voting rights acquired through the investments held by the Fund to the Custodian of the securities to be exercised in accordance with the Investment Managers' instructions. The Investment Managers are expected to exercise all voting rights related to investments held by the Fund in the interests of the University. On an annual basis, the Investment Managers shall report their voting activities to the Committee.

The Board reserves the right to take-back voting rights of assets held in segregated portfolios for specific situations.

5.06 Valuation of Investments Not Regularly Traded

The following principles will apply for the valuation of investments that are not traded regularly:

- (a) **Equities**
Average of bid-and-ask prices from two major investment dealers, at least once every month.
- (b) **Bonds**
Same as for equities.
- (c) **Mortgages**
Unless in arrears, the outstanding principal plus/minus the premium/discount resulting from the differential between face rate and the currently available rate for a mortgage of similar quality and term, determined at least once every month.
- (d) **Real Estate**
A certified written appraisal from a qualified independent appraiser at least every two years.

5.07 Policy Review

This Policy should be reviewed at least annually by the Investment & Audit Committee.

Appendix A - Compliance Report

Trent University Endowment Fund Balanced Manager

Compliance Report for the period _____

(date)

		GUIDELINES	POLICY COMPLIED WITH
ASSET MIX (at Market Value)		%	YES/NO *
CANADIAN EQUITIES	CANADIAN	23 – 43	
FIXED INCOME	BONDS	52 – 72	
	SHORT-TERM & CASH	0 – 10	
	TOTAL FIXED INCOME	57 - 77	
CONSTRAINTS			
GENERAL	Investment Policy Section 3.01 - General Guidelines		
EQUITIES	Investment Policy Section 3.02 (a) - Canadian Equities		
FIXED INCOME	Investment Policy Section 3.02 (b) - Bonds		
	Investment Policy Section 3.02 (c) - Cash and Short Term Investments		
POOLED FUNDS	Investment Policy Section 3.02 (e) - Pooled Funds		
OTHER INVESTMENTS	Investment Policy Section 3.02 (d) – Other Investments		
QUALITY REQUIREMENTS	Investment Policy Section 3.03 - Minimum Quality Requirements		
QUANTITY RESTRICTIONS	Investment Policy Section 3.04 - Maximum Quantity Restrictions		
PRIOR PERMISSION	Investment Policy Section 3.05 - Prior Permission Required		
SECURITIES LENDING	Investment Policy Section 3.07 - Securities Lending		
MANAGER PERFORMANCE REPORTING	Investment Policy Section 4.01 (a)(v) - Performance Reporting by the Investment Managers		
STANDARDS OF PROFESSIONAL CONDUCT	Investment Policy Section 4.04 - Standards of Professional Conduct		
CONFLICTS OF INTEREST	Investment Policy Section 5.01 - Conflicts of Interest		
VOTING RIGHTS	Investment Policy Section 5.05 - Voting Rights		

* If policy not complied with, comment on specifics

COMPLETED BY: _____ **SIGNED BY:** _____

Addendum

The following Trent University Endowment Fund Plan Policy items are not aligned with the Brandes Global Equity Series I Prospectus:

Item 3.01

Brandes cannot comment on the Series I Fund's compliance with the Pension Benefits Act as this is a Mutual Fund; not regulated by the Pension Benefits Act. The Brandes Fund complies with Group RSP regulation.

Items 3.02(a), (b), (c), (d), 3.03, 3.04, 3.05, 3.07, 4.01(a)(v)

These items are governed by Brandes' investment guidelines and objectives and Brandes is bound by these requirements. Brandes cannot restrict the Fund beyond what is contained in the Fund documents.

Item 4.04

The language in the SIP&P differs from the standard duty of care that is applicable to mutual fund managers and that is contained in the Fund's documents and securities legislation. Brandes cannot sign off on the wording in the Trent SIP&P, but attests to the fact that it complies with the mutual fund standard of care, which is to exercise the powers and discharge the duties of its office honestly, in good faith, and in the best interests of the mutual fund, and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would in the circumstances.

Item 5.01

Brandes would disclose any potential conflicts of interest it had vis-a-vis Trent University, but is not able to sign off on the broad language included in the SIP&P.

Item 5.05

Brandes cannot certify that they will be exercising voting rights in the best interests of the Trent University Endowment Fund, except to the extent that they are indirectly unitholders of the Fund. Brandes certifies that it will exercise voting rights in the best interest of the Fund.