STATEMENT OF INVESTMENT POLICY

for

ACADIA UNIVERSITY ENDOWMENT FUND

(As approved by the Investment Committee on 14 May 2010)

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Definition and Function

In recognition of its fiduciary responsibilities, the Board of Governors of Acadia University has adopted the following Statement of Investment Policy. These guidelines relate to those gifts and donations in the form of endowments with long-term benefit objectives for the university’s assets and programs.

Investments will generally be limited to those firms and/or securities which adhere to the standards of these guidelines, and which meet prudent investment standards.

Purpose of Statement

The purpose of Endowed Funds is to support the University and its mission over the long term. Accordingly, the purpose of this statement is to establish a written procedure for the investment of the Endowment funds’ assets, and to ensure that the future growth of the Endowment is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the Endowment for future generations. This statement will establish appropriate risk and return objectives in light of the fund’s risk tolerance and investment time horizon. These objectives, as well as asset allocation guidelines, suitable investments, and responsibilities of the Investment Manager(s), are outlined below.

General Objectives

The University’s AVP Finance and Treasurer will serve as the Investment Officer for Acadia University. All investment purchases and sales will require the written approval of the Investment Officer. If the AVP Finance is not available, then the signatures the Manager, Fund Accounting and the Human Resources Officer will be required.

Investments will be monitored on a timely basis with a monthly review process. This activity will be supported by the Manager, Fund Accounting and the Human Resources Officer. On a monthly basis, the Investment Officer will review the market conditions and the current asset allocation between the investment firms.

Spending Policy

Currently, Acadia University uses a 3 year average payment calculation method. The payout was selected based on market returns and preservation of the capital of the fund. The 3 year average is based on the market value of the Endowment fund at December 31st in each year. Typically, the selected payout is between 3% (minimum) and 6% (maximum) of the December 31st average value. The payout recommended by the Investment Committee must be reviewed by the Finance Committee of the Board of Governors due to the implications of the payout on the operating budget of the university.

Rebalance Policy

It is the University’s policy to review and rebalance to its target asset allocation and current firm allocation. The review and possible rebalancing of the portfolio will be conducted on a quarterly basis. The method of rebalancing will be based upon the “tolerance” rebalancing formula, which generally states that the portfolio will be rebalanced if the target asset allocation goes beyond the stated tolerance for any particular asset category. As an example, if the target asset allocation for equities is 65% with a 5% tolerance, than no rebalancing would be required under
this investment policy if the range for equity investments remained within a 60% to 70% range; otherwise, management will redirect funds between assets and firms to rebalance once the limits are achieved. The Investment Officer will utilize members of the Investment Committee as required to review the re-balancing strategies prior to implementation. The Investment Officer will act prudently to re-balance assets to within the policy ranges in a timely and cost effective manner when weights and distribution are outside of the policies’ ranges. The Investment Officer may delay rebalancing, with the approval of the Chair of the Investment Committee, upon assessment of the cost of rebalancing and associated risk. Further, at least annually, the Committee will formally review the current asset allocation and firm allocation.

All investment transactions including transfers, purchases, and sales will be documented and available for review. Quarterly investment reports will be prepared by the Investment Officer and circulated to the Investment Committee. The Investment Officer will not be liable for any losses realized by the Investment Plans.

Objectives of the Fund

Fund Returns
The objectives of the Endowment Fund shall be defined as follows: Absolute - which shall be measured in real (i.e., net of inflation) rate-of-return terms and shall have the longest time horizon for measurement; Relative - which shall be measured as time-weighted rates of return versus capital market indices; and Comparative - which shall be measured as performance of the Investment Manager(s) as compared to a universe of similar investment funds.

The Relative Objective of the Endowment Fund is to seek competitive investment performance versus appropriate or relative capital market measures, such as securities indices. This objective shall be measured primarily by comparing investment results, over a moving annualized five and ten-year time period, to:

Fixed Income: DEX Universe Bond Index
Canadian Equity: TSE 300 Index
             S&P / TSX Composite TR Index
             S&P / TSX Capped Composite Index
US Equity:   S&P 500 Index
Global Equity: MSCI EAFE (N) Index

The comparative performance objective of the Endowment Fund is to achieve a total rate of return that is above the median performance of one or more universe(s) of funds of similar institutions or funds.

The endowment assets have a long term, indefinite time horizon that runs concurrent with the endurance of the institution, in perpetuity. As such, these funds can assume a time horizon that extends well beyond a normal market cycle, and can assume an above-average level of risk as measured by the standard deviation of annual returns. It is expected, however, that both professional management and sufficient portfolio diversification will smooth volatility and help to assure a reasonable consistency of return.
Target Asset Allocation

To achieve its investment objectives, the Endowment Fund shall be allocated among a number of asset classes. These asset classes may include, at the discretion of the Investment Committee: domestic equity, domestic fixed income, international equity, international fixed income, venture capital, private equity, absolute return funds, commodities and cash. The purpose of allocating among asset classes is to ensure the proper level of diversification within the Endowment Fund.

The following Target Asset Mix Table defines the Endowment Fund’s target asset allocation, and the minimum and maximum allocation limits of each asset class:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target</th>
<th>Max</th>
<th>Min</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>35.0%</td>
<td>40.0%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Canadian Equity</td>
<td>38.3%</td>
<td>43.3%</td>
<td>33.3%</td>
</tr>
<tr>
<td>US Equity</td>
<td>13.3%</td>
<td>18.3%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Global Equity</td>
<td>13.3%</td>
<td>18.3%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Cash</td>
<td>0.0%</td>
<td>7.5%</td>
<td></td>
</tr>
</tbody>
</table>

100.0%

The general policy shall be to diversify investments among both equity and fixed income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

Investment Policies, Guidelines, and Restrictions

Risk
The spending policy has been established with the expectation that the returns of the endowment, net of all fees and administrative charges, will allow the fund to maintain its purchasing power over time, that is to grow on average by the C.P.I. after all disbursements. To compensate for the risk that in a given year the return of the fund may be insufficient to cover all disbursements as well as inflation, and in order to achieve the purchasing power objective over time, returns in excess of all fees and charges plus the spending rate plus the C.P.I. will accumulate in each endowment.

The investment policies guidelines and restrictions presented in this policy statement serve as a framework to help the Endowment Fund and its Investment Manager(s) achieve the investment objectives at a level of risk deemed acceptable. The Endowment Fund will be diversified both by asset class and within asset classes. Within each asset class, securities will be diversified among economic sector, industry, quality, and size. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total fund. As a result, the risk level associated with the portfolio investment is reduced.

Within the equity and fixed income asset classes, managers with different investment styles may be engaged. Diversification by investment style is also an important step in reducing the risk of the Endowment Fund portfolio. The allocation between Investment Managers will be reviewed and will be based on a diversification of risk, manager performance and market indicators.
Manager Structure
The Investment Committee has engaged a strategy of employing specific firms with specific mandates (Fixed Income, Canadian Equity, US Equity, or Global Equity) with complementary approaches rather than engaging a “manager of managers” approach. The Investment Committee believes, that over the long term, this approach will produce long term results. Given this approach, management, and in particular, the Investment Officer, has adopted an active management style. The Investment Committee will conduct a formal review of the strategy and the allocation between fund managers on an annual basis.

The Investment committee shall include in the mandate of each investment manager the requirement to comply with the Code of Ethics and Standards of Professional Conduct adopted by the Association for Investment Management and Research.

Equity Securities
The purpose of equity investments, both domestic and international, in the Endowment is to provide capital appreciation, growth of income, and current income, with the recognition that this asset class carries with it the assumption of greater market volatility and increased risk of loss. The Investment Manager(s) should maintain the equity portion of the portfolio at a risk level roughly equivalent to that of the equity market as a whole, with an additional objective of exceeding its results as represented by the annualized returns of the appropriate Index over annualized moving one, three, five and ten year time periods. Equity holdings shall generally be restricted to high quality, readily marketable securities of corporations that are actively traded on the major stock exchanges.

Decisions as to individual security selection, number of industries and holdings, current income levels and turnover are left to manager discretion, subject to the standards of fiduciary prudence. However, for segregated funds, no single major industry shall represent more than 10% of the total market value of the Endowment, and no single security shall represent more than 5% of the total market value of the Endowment. In the case of pooled funds, the investment policy of the individual funds should be reviewed to ensure that similar diversification is provided.

The Investment Manager(s) is prohibited from selling securities short, buying securities on margin, borrowing money or pledging assets, or trading uncovered options, commodities or currencies without the advance written approval of the Endowment Fund. The Manager(s) is also restricted from investing in private placements and restricted stock unless otherwise permitted in writing by the Endowment. It is expected that no assets will be used to purchase securities whose issuers are or are reasonably expected to become insolvent, or who otherwise have filed a petition under any bankruptcy or similar statute.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of equity securities.
**Fixed Income Securities**
The purpose of fixed income investments, both domestic and international, is to provide diversification, reduce the overall volatility of the Fund’s assets, and provide a hedge against deflation.

Within the fixed income component, the Investment Manager(s) is prohibited from investing in private placements, and fixed income or interest rate futures, without the prior written approval of the Portfolio.

**Cash and Equivalents**
Non-invested cash reserves shall be kept to a minimum; short term, cash equivalent securities are usually not considered an appropriate investment vehicle for endowment assets. However, such vehicles are appropriate as depository for income distributions from longer-term endowment investments, or as needed for temporary placement of funds directed for future investment to the longer-term capital markets. Also, such investments are the standard for contributions to the current fund or for current operating cash.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of cash equivalent securities.

**Other Securities**
Other securities may include the following and in total may not exceed more than 10% of total endowment assets.

**Venture Capital and Other Private Equity Partnerships** - Investments may also include venture capital and private equity investments, held in the form of professionally managed pooled limited partnership investments. Venture Capital Securities are investments in early-stage, high growth private companies, principally in information technology and life sciences. Private Equity securities are investments in transactions such as acquisitions, leveraged buyouts, management buyouts, recapitalizations, reorganizations, restructurings, privatizations and spin-offs. Such investments must be made through funds offered by professional investment managers with proven records of superior performance over time.

**Absolute Return** – Investments may include absolute return instruments that are investments in long/short equities, merger arbitrage, and restructurings, liquidations, and distressed solutions.

**Restrictions**
The Investment Committee is authorized to waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification will be made only after a thorough review of the manager and the investment strategy involved. Documentation supporting all waivers and modifications will be maintained as part of the permanent records of the Investment Committee. All waivers and modifications will be reported to the Board of Governors at the meeting immediately following the granting of the waiver or modification.
Communications

The Investment Committee shall meet regularly, or as reasonably expected, to review the current performance of the Endowment and its policies. The Investment Policy shall be reviewed during such meetings and no less than annually.

Manager(s) Reporting and Evaluation

It is expected that the Investment Manager(s) employed by the Endowment shall report monthly performance, including comparative gross returns for the funds and their respective benchmarks. Reports will provide details on all transactions including a statement of beginning market value, fees, capital appreciation, income and ending market value, for each account.

The Endowment recognizes that market conditions may greatly influence the ability of a manager to meet year to year investment goals and objectives. Further, the Endowment realizes that significant cash flow may also affect the ability of a manager to meet a specific short-term objective. Accordingly, the Endowment expects to monitor performance through absolute, relative, and comparative terms over annualized time periods. Absolute results will determine the rate of fund growth, while relative results will provide the Endowment with a view of investment performance compared to the securities markets and comparative results will present performance as compared to other Investment Managers.

Review of portfolio results in absolute terms shall be made with consideration towards meeting and/or exceeding the expressed minimum real rate of return over a moving one, three, five- and ten-year time period. Review of portfolio results in relative terms shall be accomplished primarily by comparing results, over a moving annualized one, three, five and ten-year time period, to assigned market indices. Review of portfolio results in comparative terms shall be accomplished primarily through universe comparisons over moving annualized one, three, five and ten year time periods. These results should be reviewed quarterly.

Investment managers will be expected to meet (in-person) with the Investment Committee twice a year with a portfolio manager being present. In addition, the Investment firms will be available for conference calls and meetings at their locations based on requests by Acadia University.