

TYPE:	Administrative
TITLE:	Durham College Investment Activities
NO.:	ADMIN-255
RESPONSIBILITY:	Vice President, Corporate Services and Chief Financial Officer
APPROVED BY:	Durham College Leadership Team
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1 Introduction

Durham College (“the College”) is a Crown agency accountable for public and endowed funds. High standards for the responsible use of financial resources are vital to public and donor trust and the achievement of the College’s mission. Appropriate management of investment activities supports the propriety of transactions, the reliability of financial information, the safeguarding of assets, the efficient and sustainable operation of the College and compliance with government regulations, policies and directives.

2 Purpose

This policy and procedure provides a framework for the prudent and responsible management and investment of College operating and endowment funds.

3 Definitions

Refer to [Durham College’s Standard Definitions](#).

4 Policy statements

4.1 Operating Investments

- 4.1.1. Operating funds will be managed and invested in accordance with relevant legislation and the Ministry’s binding policy directive on [Banking, Investments and Borrowing](#). If there is a conflict between this policy and the Ministry’s binding policy directive, the binding policy directive shall be followed.
- 4.1.2. The College will safeguard the operating funds it receives by exercising due diligence to satisfy itself of the financial soundness of the institutions it utilizes for investment purposes.
- 4.1.3. Excess operating funds not immediately required to support daily operations of the College may be invested in a manner consistent with the *Financial Administration Act* and/or the *Trustee Act*.

4.2. Endowment Investments

- 4.2.1. Endowment funds shall be prudently managed and invested in accordance with the *Ontario Trustee Act*.
- 4.2.2 The primary objective of the investment shall be to achieve a long-term real rate of return sufficient to meet the annual funding requirements and increase the real value of the investment portfolio over time.
- 4.2.3 The Investment Manager(s) shall report any material event that affects the management of the portfolio immediately to the Chief Financial Officer.
- 4.2.4 The Investment Manager(s) shall be appointed by the Chief Financial Officer through a competitive procurement process, as required, unless otherwise directed by a donor.

5 Procedure

5.1 Investment Guidelines for Operating Funds – Short Term

Funds kept aside for planned operating and strategic spending within the near future, generally within six months, can be invested in a short-term investment. The goal is to obtain a higher return than would otherwise be achieved by keeping cash in the institution's general bank account.

Appropriate short term investments include but are not limited to:

- Cash
- Treasury bills
- Daily interest savings accounts
- Guaranteed investment certificates

The funds return should match the FTSE TMX180 Day T-bill Index.

5.2 Investment Guidelines for Operating Funds – Long Term

- 5.2.1 Funds not expected to be required within the next six months can be invested longer term.

Appropriate long-term investments include but are not limited to:

- Guaranteed investment certificates
- Government bonds
- Corporate bonds

The rules related to allowable investments are specified in the Ministry's binding policy directive.

5.3 Investment Guidelines for Endowment Funds:

5.3.1 The annual funding requirement will range from a minimum 3.5% to a maximum of 5% (inclusive of fees, based on the average market value of funds over latest three-year period).

5.3.2 Risk tolerance for the endowment funds is medium.

5.3.3 Time horizon for the endowment funds is long-term and perpetual in nature.

5.3.4 Immediate liquidity of the endowment funds is not a primary concern, nevertheless, the majority of the investments should be liquid and marketable, without penalties.

5.3.5 Efforts must be made to reduce the volatility of the portfolio, minimize downside risk relative to the benchmark and prevent permanent capital erosion.

5.3.6 Portfolio risk will be managed by diversifying the holdings across different asset classes, as well as within each asset class, across sectors, and geographies.

5.3.7 The direct use of derivative instruments is prohibited.

5.3.8 The indirect use of derivative instruments through pooled or mutual funds may be used in ways that are consistent with the funds' investment objectives and/or policy.

5.4 Asset Allocation

5.4.1 The long-term strategic asset allocation has been determined by the College's investment objectives and constraints. The target allocation and permissible ranges allowed for the various asset classes are as follows:

Asset Class	Minimum %	Target %	Maximum %
Cash & Equivalents	0	0	20
Fixed income	29	39	55
Equities	41	51	65
Alternatives	0	10	20

The Investment Manager(s) will have the discretion to manage the allocation to the various asset classes within the permissible ranges. The allocation to various asset classes may differ from their target based on market conditions, tactical shifts between asset classes and strategies which reflect the Investment Manager(s) view of capital markets and/or unallocated investments in certain alternative asset classes.

If the allocation to any asset class does not comply with the permissible ranges, the Investment Manager(s) is to report the issue to the Chief Financial Officer and rebalance the portfolio within 60 days. Depending on market conditions, the Durham College Audit and Finance Committee may determine that an extension to rebalance the portfolio is appropriate, however, the timeline to implement an approved strategy must not exceed two quarters.

A benchmark will serve as the reference for constructing and managing the endowment funds. The overall risk and return profile for the portfolio will be aligned with the following benchmark: 5% FTSE Canada 91 Day T-Bill Index, 40% FTSE Canada Universe Bond Index, 25% S&P/TSX Composite Index, and 30% MSCI World ex-Canada Index (CAD). The actual portfolio composition managed by the Investment Manager(s) may differ from the benchmark based on suitability, and the obligation to comply with the eligible asset classes and permitted investments.

5.5 Permitted Investments

5.5.1 Cash & Equivalents

Investments can include cash or money market funds as deemed suitable by the Investment Manager(s).

5.5.2 Fixed Income

Investments can include a broad range of Canadian and Foreign fixed income instruments as deemed suitable by the Investment Manager(s). Risks will be mitigated by maintaining a broadly diversified portfolio of fixed income (or fixed income-like) instruments and/or strategies including (but not limited to):

- Government Bonds
- Corporate Bonds
- Debentures
- Securitized Credit
- Preferred Shares
- Convertible Bonds
- Residential Mortgages
- Commercial Mortgages
- Market Neutral (Absolute Return)
- Private Loans
- Index ETFs

The average credit quality of the bond/debt securities will be rated BBB- or higher. The maximum exposure to any one issuer shall be limited to 10% of the market value of the fixed income portfolio, excluding Government and Schedule I bank credits.

Note: investments in private loans can include pooled or mutual funds which directly or indirectly originates, funds, acquires, assembles and participates in secured loans of various sizes and across sectors. The amount committed for investments in any fund will be specified in supporting documentation provided by the Investment Manager(s) and agreed to by the Durham College Chief Financial Officer.

5.5.3 Equity

Investments can include a broad range of Canadian and Global equity instruments as deemed suitable by the Investment Manager(s). Risks will be mitigated by maintaining a broadly diversified portfolio of equity (or equity-like) securities and/or strategies including (but not limited to):

- Common or Preferred Shares
- Global Depository Receipts
- American Depository Receipts
- Royalty Trusts
- Real Estate Investment Trusts

- Index ETFs

5.5.4 Alternatives

Investments in alternative asset can include pooled or mutual funds which invest directly or indirectly in infrastructure and real estate assets as deemed suitable by the Investment Manager(s). The amount committed for investments in any fund will be specified in supporting documentation provided by the Investment Manager(s) and agreed to by the Durham College Chief Financial Officer.

Investments in alternative asset classes such as Private Equity or Venture Capital are excluded.

5.5.5 Pooled or Mutual Funds

The allocation to eligible asset classes can be managed on a segregated basis (individual securities) and/or through collective investment vehicles such as pooled or mutual funds.

To the extent that all or part of the endowment funds are invested in pooled or mutual funds, the foregoing investment constraints, and any other provisions of the policy that may be affected, shall not apply but the Investment Manager(s) shall be governed by the Investment Manager's own investment policies for the funds. The Investment Manager shall provide such policies to the College's Audit and Finance Committee and shall inform them when and how the policies of the funds differ significantly from the investment strategy. Such differences shall not be substantial deviations from the overall intent of the Durham College investment strategy. The intention of this provision is to allow, in the case of pooled or mutual funds, the necessary latitude for the implementation of the investment strategy of the endowment funds.

5.6 Reporting Requirements

5.6.1 The Durham College Board of Governors, through the Audit and Finance Committee shall:

- Review an investment performance report (if surplus operating funds have been invested), at least annually.
- Review an investment performance report for the endowment funds, at least annually.

6 Accessibility for Ontarians with Disabilities Act considerations

Accessibility for Ontarians with Disabilities Act (AODA) standards have been considered in the development of this policy and procedure and it adheres to the principles outlined in the College's commitment to accessibility as demonstrated by the Multi-Year Accessibility Plan.

7 Non-compliance implications

Failure to comply with this policy could result in financial, reputational or other loss for Durham College.

8 Related forms, legislation or external resources

- Ministry Binding Policy Directive on Banking, Investments and Borrowing
- Financial Administration Act
- Ontario Trustees Act