



Odette School
of Business
University of Windsor

JOHN SIMPSON



The John Simpson Odette Student Investment Fund (JSOSIF)

Governance and Terms of Reference



Section 1 Background, Purpose, and Investing Philosophy

1.0 Introduction

The purpose of this document is to record the governance and investment guidelines, principles and policies of the Odette School of Business (the "OSB") and The University of Windsor (the "**University**") for the John Simpson Odette Student Investment Fund (the "**Fund**" or "**JSOSIF**"). This document is a management tool and is not designed to satisfy any specific legislation, but is expected to demonstrate prudent management of the Fund and provide a framework for investments made by the Fund. The authority and responsibilities of decision-making stakeholders are also documented herein and rely ultimately with the Board of Trustees of the Fund (the "Trustees").

2.0 *Nature and Operation of the Fund – to be finalized*

The primary purpose of the Fund is to create a student experience focused on the fundamentals of investing, portfolio governance and professional money management.

The Fund is reported within the University as an expendable trust. The use of the Fund will be unrestricted as to the use of principal and earnings (investment income) but will be governed by the Fund's Objectives, Goals and Statement of Investment Principles. Contributions will be guided by the Fund's Contributions Policy.(section xx)

Only funds within the Fund may be invested. No other funds of the University, OSB, or others may be invested by the Fund.

The Fund's records will be reviewed annually by the Financial Accounting and Reporting department of the University..

Assets, investment income and market value adjustments will be recorded in the University's financial records at the University's year-end only. Monthly and annual investment statements will be distributed to the University Controller for information purposes.

3.0 Fund Objectives

The primary financial objective of the Fund is to grow the principal over time through student involvement and education in investment decisions.

Disbursements out of the Fund will only be for the purposes of paying investment related fees and costs, and for extraordinary operational events as approved from time to time as contemplated in the Disbursements Policy (Appendix XX).

Investment income earned from the fund may fund scholarships for Odette students interested in careers in the investment industry. Any potential distributions will be reviewed annually and must be approved by the Trustees.

Contributions to the Fund will be considered donations to the University. Contributions to the Fund be accepted by the Fund in accordance with the Contribution Policy

Gifts of shares received for use within the Fund will follow the University's donation of shares policy, where shares are sold upon receipt.

The Fund objectives are to:

- Create a student experience focused on the fundamentals of investing, portfolio governance and professional money management with the support of investment industry professionals, alumni, faculty, and senior administration at the OSB.
- Focus investment management on growth at a reasonable cost and tolerable risk as determined by the Trustees
- Draw on and integrate the expertise of money management professionals to support the ongoing strategic and tactical initiatives of the Fund.
- Build a sustainable long-term governance model to support the Fund with ethical, efficient and prudent operational practices.
- Respect the wishes of donors with transparent reporting of the Fund's performance. OSB will provide the donor(s) with annual performance reports of the Fund.
- Create an exciting environment to recruit and retain high quality finance students and mentors.
-

4.0 Fund Investment Goals

The Fund's goal is to generate a return, after considering the expenditures specified below and using the target asset class mix set out under the Asset Mix Strategy:

- a. A minimum of 3% growth per annum; plus
- b. A target of 2% to account for inflation.

The initial Fund target return is 5.0% per annum, net of costs and fees, and Trustees will review this target return periodically during strategic assessments of the Fund.

The Fund will operate under expenditure guidelines as follows:

- a. A maximum of 0.5% of Fund assets for operating costs (excluding b) annually;
- b. A maximum of 1.0% of Fund assets for investment related fees including but not limited to investment management, brokerage fees and audit costs annually; and
- c. Timely payment of expenditures as required by law, Canada Revenue Agency (CRA) regulations and other University policies as approved by the Trustees.

The Trustees will approve an annual Budget for these expenditures. Actual expenditure types and procedures are covered in the Fund's Disbursements Policy.

5.0 Statement of Investment Principles

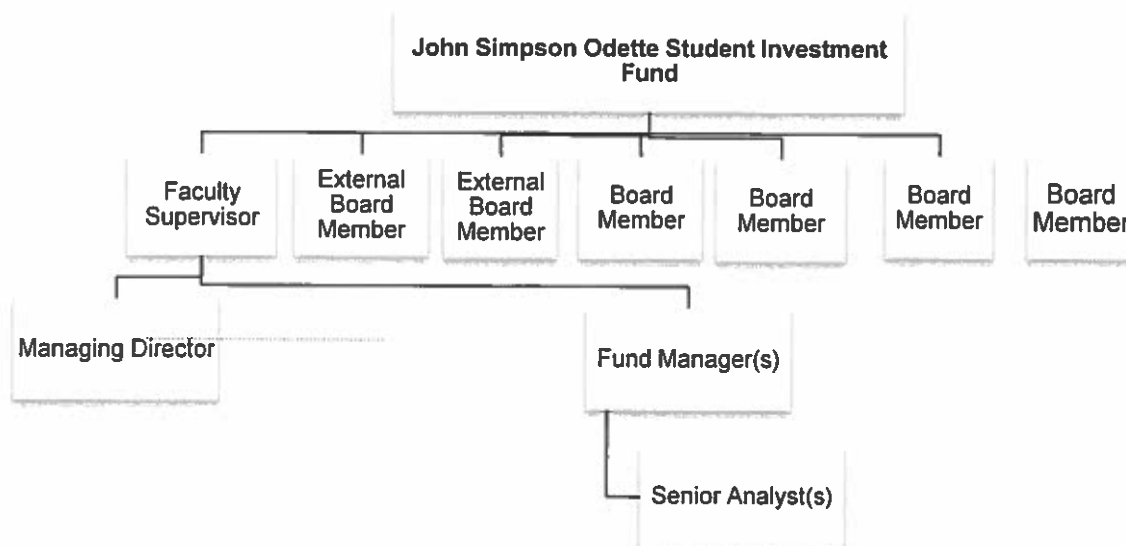
The Fund will be governed by the following investment principles:

- A governance framework is essential to achieve success in managing investments and is laid out within the document.
- A broadly diversified portfolio is a prudent approach to achieve the Fund investment goals outlined above and a cost-effective method of reducing risk.
- Cash is generally the asset class with the lowest expected long-term returns and should be used only for liquidity needs.
- Fixed income securities provide a steady income stream and often experience lower volatility when equity performance is volatile.
- Equities provide dividend income and potential capital growth and are expected to outperform fixed income securities in the long term by a risk and volatility premium.

- Equity premiums are dynamic and unpredictable; hence, diversification within and between asset classes is preferred.
- Portfolio rebalancing within asset class range guidelines is a procedure that maintains equity / fixed income security exposures at target levels.
- The Fund has a long duration with low liquidity needs and, as a result, can hold some of its assets in illiquid investments with an objective to achieve additional diversification and an additional liquidity risk premium.
- The Fund will consider the benefits of passive versus active investment management in terms of growth, diversification and risk levels.
- Securities will not be traded by way of shorting, using margin or using leverage.
- Environmental, social and governance factors may have an impact on corporate performance over the long term, although the impact can vary by industry.
- Portfolio recommendations that contradict the University's ethics and sustainability values will not be considered for investment. Any changes, modifications, new motions will bind the Fund's practices, or new documents created by the University in this regard.
- The Statement of investment principles will be reviewed annually by the Trustees.
- Operational policies, as developed, will augment the investing principles of the Fund.
- Operational policies will be reviewed periodically to assess the need for modernization.
- Risk assessment and management will be embraced as part of the tactical and strategic initiatives of the Fund.

Section 2 Governance and Management

6.0 Fund Structure



7.0 Governance and Board Structure

The Fund is governed by a seven member Board of Trustees ('Trustees') having complementary skills. The OSB Dean will appoint and approve all Trustees for a term of no more than three years. The Trustees have responsibility for the operation and prudent investment of the Fund. The Trustees may delegate responsibilities for implementing and administering the Fund. It is expected that the Trustees will use and maintain a structure to the Fund that incorporates student involvement. The Trustee positions will be filled considering the following nominating guidelines:

- One Trustee will be the Dean OSB
- One Trustee will have a legal background
- One Trustee will have a professional accounting or finance background
- One Trustee will have a University administrative background
- One Trustee will be the Faculty Supervisor for the Fund
- Two Trustees must be chosen from sources external to the OSB faculty, staff or students

The skills inherent in the above guidelines can be fulfilled from time to time by one Trustee such as a Faculty Supervisor having a finance or legal background but at all times the Fund will be governed by seven Trustees. The Trustees will appoint the Chair of the Fund annually from one of its members. The Chair will be responsible for setting the agenda of Fund Trustee meetings in accordance with the operating policies of the Fund. The Fund's Nomination and Term Limits Policy will govern terms for Trustees.

8.0 Management of the Fund

The management of the Fund, investment analysis and recommendations to the Trustees with respect to the Fund will be delegated as follows: to the Faculty Supervisor, Managing Director, and student run positions as follows:

8.1 Faculty Supervisor

The Dean OSB will appoint the Faculty Supervisor for the Fund annually. Day-to-day monitoring of the Fund is the responsibility of the Trustees and Faculty Supervisor.

8.3 Managing Director

The Managing Director will be a student representative responsible for day-to-day student involvement, recruitment of students and monitoring of Fund tasks and deliverables. This position reports to the Faculty Supervisor and will be appointed annually. Student representatives will be selected in accordance with Fund's Student Recruitment and Selection Policy.

8.2 Fund Manager(s) and Senior Analysts

Fund Manager(s) and Senior Analysts will be appointed annually as required by the operational plans of the Fund. Each Fund Manager(s) and Senior Analyst will be selected from students in the OSB in accordance with the Fund's Student Recruitment and Selection Policy. Non-Business major students would only be accepted as Fund Manager(s) or Senior Analysts in exceptional circumstances as approved by the Trustees. The Fund Manager(s) and Senior Analysts will operate within the operational guidelines established by the Fund, participate in educational and academic requirements, as required, and will be supervised by the Faculty Supervisor and Managing Director.

8.3 Investment Agent

A discount brokerage account selected by OSB and the University will be used as an Investment Agent to maintain the securities of the Fund.

OSB will delegate trading authority of the account to either of two staff members that were appointed by the Dean to execute trades on behalf of the Fund. Staff members will take transaction orders from the faculty supervisor.

Trade Execution Process



The performance of the Investment Agent and the monitoring of fees will be evaluated annually by the Faculty Supervisor, Managing Director, and student run positions and reported to the Board of Trustees.

9.0 Trustee Meetings and Fund Manager Reports

The Trustees will meet a minimum of four times annually. The agenda for each meeting will be established by the Chair and will include the following formal reports accordingly.

9.1 Semi-Annual Reports

Following the end of the fall and winter academic terms and within 60 days thereof, a semi-annual operational report will be prepared by the Fund Manager(s) and will be presented to the Trustees for approval. The report must be approved by a simple majority of the Trustees.

9.2 Fund Manager Annual Report

An annual report will be prepared by the Fund Management team and approved by the Fund within 60 days of the end of the fiscal year (April 30). Once approved by a simple majority of the Trustees, the annual report will be distributed in accordance with the Fund's Communication Policy.

9.3 Regulatory and Other University Reports

The Fund will prepare and deliver reports as required by any laws, regulations and University policy from time to time. A summary of these reports or the actual reports, as required, will be approved by the Trustees

9.4 Report Modifications

Fund Manager(s) and Fund Analysts may be required to modify the reports above following a Trustee meeting. Final approval, in this case, may be obtained by circulation of the final report or summary to Trustees or delegated to the Faculty Supervisor, as agreed. The cost of preparing the above reports and related communication will be treated as an operating expense of the Fund.

Section 3 Fund Performance Guidelines

10.0 Investment Return Goal

The long-term goal of the Fund is to achieve a nominal return including inflation as specified in the Fund's Operational Performance Policy. The nominal return goal in any specific fiscal year will be established in the Fund's Budget for the particular year. It is expected that this return will be the long-term goal unless there are compelling economic and environmental reasons for change.

11.0 Scope of Investment Management Policy

In deciding on the actual investment mix of the Fund, the Fund Manager(s) must consider general economic conditions, inflation or deflation, tax consequences, if any, the role of each asset class within the portfolio, the expected total return, need for liquidity, capital preservation and appreciation, requirements for income and the other needs of the Fund. Diversification of investments is appropriate to the requirements of the Fund. Diversification will necessarily involve investment in sub-asset classes such as different economic sectors, industries and fixed income classes.

12.0 Investment Functions

12.1 Investment Functions

Students of the Odette School of Business will perform Fund investment analysis, recommendations and operational reporting. The selection of applicable students is covered in the Student Recruitment and Selection Policy. Students will be supervised as set out in subsection 8.0. Investment recommendations will be executed through The Fund's Investment Agent. These firms or individuals must be registered with the Ontario Securities Commission and have the appropriate level of licensing to perform the agreed duties. All securities owned by the Fund will be held in safe custody through Canada's national securities depository the CDS (Clearing and Depository Services Inc.) A written investment management agreement will be executed with the agent setting out all duties of the agent and compliance with the Fund's investment policies.

Trade recommendations for the Investment Fund will be sent via email from the Managing Director to the Faculty Supervisor for review and approval.

The Faculty Advisor will then send an email to the delegated individuals in the Odette School of Business Dean's Office authorizing the trading request.

The Odette School of Business will then execute the trade with the Fund's Trading Agent.

Trustees and the Fund Managing Director will receive a monthly report to review transactions performed in the Fund.

12 Investment Profile

The Fund will use a goal-based investment policy*:

Initial investment amount (Fall 2016)	\$125,000
Operating expenditures	0.5% maximum
Investment management and audit expenditures, if applicable	1.0% maximum
Real long-term return target, net of expenditures	3.0% per annum
Inflation	2.0% (estimate)
Nominal target long-term return, net of expenditures	5.0% per annum

*Subject to change at the beginning of every academic term or after annual review (the "Budget")

13 Asset Mix

The Trustees will review the asset mix policy on an annual basis to maintain, over the long-term, the best balance between investment returns and acceptable risk. Assets will be allocated across strategic asset classes, based on the role of the underlying assets in the portfolio. Assets will be invested in Canadian and United States of America Exchanges. The initial strategic classes are Equities, Fixed Income, and Cash. Each strategic asset class is exposed to particular risk factors.

- . Equities are expected to generate most of the growth in the portfolio but are volatile in the short-term.
- . Fixed Income assets are expected to protect the portfolio in times

of stress and provide □some liquidity.

- . Cash is held for liquidity but is expected to be nominal in a growth fund.
- . Selection of a mix of these asset classes is expected to have a diversifying effect on the performance of the portfolio.

The initial target asset class mix is 63% in Equities, 37% in Fixed Income, and 0% Cash. The asset class mix target is based on an optimization model that was developed and vetted with the external advisors by Fund Manager(s). This model projects investment returns and risk based on historic relationships among the asset classes. This target mix will be used to implement the return and risk level goals of the Fund. The actual mix will be refined, as indicated above, to include sub-asset classes and incorporate passive versus active investment approaches, where applicable.

14 Asset Mix Strategy

The portfolio will be invested in a diversified manner in accordance with the following asset class mix targets and ranges:

Asset Class	Minimum %	Target %	Maximum %
Equities	56%	63%	70%
Fixed income	30%	37%	44%
Cash	0%	0%	10%

Periodic rebalancing of particular asset class levels within the above ranges will be required as asset values change over time. Rebalancing is required to ensure that the actual investment mix is in line with the minimums and maximums defined above. The Fund expects risk levels to be in the low to medium range as specified in the Ontario Securities Commission's Fund Facts policies for Exchange Traded and Mutual Funds.

15 Investment Constraints

Constraint Type	Limit
Company Size	Market capitalization \geq \$300 million CAD for Canadian stocks and \geq \$500 million USD for U.S. stocks*
Stock exchanges	Canadian and U.S. Exchanges
Maximum allocation to each stock	10% (market value)
Maximum industry weight	25% (market value)
Short sales	Not allowed
Leverage	Not allowed
Derivatives	Not allowed
Alternative asset classes (e.g., real estate, infrastructure or hedge funds)	Not allowed

* Flexibility will be allowed for Fund Manger to recommend investments below these levels if a compelling case can be made for the decision.

16 Permitted Investments

16.1 Cash and Short Term Investments

The initial target asset class mix excludes cash and short-term investments but cash and short-term investments for liquidity or operational purposes may be required from time to time.

Permitted investments where liquidity is required may include:

- Cash and cash equivalents placed in financial institutions covered by a depositor insurance plan
- Canadian and U.S. short-term investments with a term of less than one year to maturity. All such investments must be rated at least R-1(low) or equivalent by a recognized rating agency.

16.2 Fixed Income

For the first year of the Fund, exposure to fixed income securities will be limited to Exchange Traded Funds on Canadian exchanges. In subsequent years, permitted fixed income investments may include:

- Canadian bonds, debentures, notes or other debt instruments of governments (federal, provincial, municipal) and corporations and must be at a minimum investment grade of A grade quality.
- U.S. bonds, debentures, notes or other debt instruments of governments (federal, state, municipal) and corporations, and must be at a minimum investment grade of A grade quality
- Guaranteed Investment Certificates and term deposits (and the equivalent) of banks, trust companies, insurance companies, credit unions or other eligible issuers.

16.3 Equity

Subject to Investment Constraints, permitted equity investments may include:

- The common, preferred shares and/or preferred shares of high quality Canadian and U.S. corporations.

16.4 Other Considerations

In all cases where investment assets are not denominated in Canadian dollars, consideration should be given to the related currency exchange risk. Currency exchange risk refers to the uncertainty about the rate at which revenues or costs denominated in one currency can be converted into another currency. The fund may not actively mitigate currency risk through the use of derivatives.

Exchange traded funds (ETFs) may be included in the above asset classes as appropriate.

17 Liquidity and Disbursement Requirements

The Fund Manager(s) in cooperation with the Faculty Supervisor will ensure that the Fund has adequate liquidity. Disbursements will be made in accordance with the Fund's Disbursements Policy.

Section 4 Miscellaneous

18 Derivatives Usage

Derivatives may be not be used.

19 Communications and Marketing Policies

Communication regarding the Fund, will be guided by the Fund's Communication Policy. Marketing of the Fund will be guided by the Fund's Marketing Policy.

20 Changes and Review of the Terms of Reference

Any substantive changes to the Terms of Reference must be approved by simple majority vote of the Trustees.

21 Dissolution of the Trust

If at some future date the Fund needs to be dissolved, then all remaining accumulated funds will be transferred to an expendable trust for the students of OSB at The University, to be controlled by the Dean.

22 Investment Loss

If a deficit is realized within the expendable trusts, it will be the sole responsibility of OSB. The University will not reimburse the fund for any costs incurred, or losses realized as a result of investment decisions.

By their signature, the following Trustees hereby approve the preceding Terms of Reference. Dated this 9th day of June, 2017.



John Mihalo, Assistant Dean, Financial Administration, Odette School of Business
On Behalf of the Odette School of Business at The University of Windsor



Dr. Mitch Fields, Acting Dean, Odette School of Business
On Behalf of the Odette School of Business at The University of Windsor

Appendix #1

Operational Policies

The following operational policies will guide the day-to-day operation of the Fund. Full explanation of guidelines and requirements will be included in these separate documents.

Communication Policy

- Who is allowed to communicate
- Approval process
- Regular reports
- Unusual reports and releases
- Format of communication

Contributions Policy

- All contributions will follow the University contribution policy

Disbursements Policy

- Delegated authority
- Dual signature control
- Types of disbursements allowed
- Timing of payments
- Form of payment

Marketing Policy

- Who markets on behalf of the Fund
- Message content
- Forms of communication
- Marketing budget
- Coordination with University efforts

Meeting Policy

- Types of Fund meetings (physical, electronic and telephone)
- Meetings with sponsors and donors
- Quorum and decisions at meetings
- Standard agenda and required reports
- Decisions between meetings

Appendix #1 continued

Operational Policies

Operational Performance Policy

- Required performance review metrics
- Calculation timing (where information lags)
- Annual Budget and strategic reviews
- Rebalancing
- Tactical adjustments to asset class mix targets and rebalancing

Student Recruitment and Selection Policy

- Procedure for application
- Roles in the Fund
- Academic requirements (year level)
- Evaluations
- Selection

Nomination and Term Limits Policy

- Process to recruit Trustees
- Skill set requirements
- Terms of founding Trustees
- Terms after Fund launch period
- Fund governance reviews

Appendix #2

Contracts and Other Documents

The fund will execute, prepare and/or follow the practices below as part of the permanent record of the Fund.

- Prepare and retain any documents as required under University policies
- Follow all relevant policies of the University regarding conflicts of interest, ethics, codes of code, diversity, procurements practices, etc. as applicable
- Execute and retain an Investment Advisor(s) agreement for the implementation of investment recommendations including custody of investments and reporting
- Develop and retain strategic review documents to be prepared at least every three years