

**Statement of  
Investment Policies  
and Procedures**

Pension Plans  
sponsored by the  
Province of Prince  
Edward Island

Effective  
July 1, 2023

**Approved** on this 30<sup>th</sup> day of  
June 2023 by Order of Her  
Honour the Lieutenant  
Governor in Council attached  
hereto.

## Contents

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|  |           |
|--|-----------|
| <b>Section 1—Overview</b>  | <b>4</b>  |
| 1.01 Purpose of Statement  | 4         |
| 1.02 Background of Plans   | 4         |
| 1.03 Objective of Plans  | 5         |
| 1.04 Investment and Risk Philosophy                              | 5         |
| 1.05 Administration  | 6         |
| <b>Section 2—Asset Mix and Diversification Policy</b>            | <b>7</b>  |
| 2.01 Asset Mix   | 7         |
| 2.02 Return Expectations   | 8         |
| 2.03 Expected Volatility   | 8         |
| 2.04 Management Structure  | 8         |
| <b>Section 3—Permitted and Prohibited Investments</b>            | <b>10</b> |
| 3.01 General Guidelines  | 10        |
| 3.02 Permitted Investments                                       | 10        |
| 3.03 Minimum Quality Requirements (Universe and Long-Term Bonds) | 14        |
| 3.04 Maximum Quantity Restrictions                               | 15        |
| 3.05 Prohibited Investments                                      | 16        |
| 3.06 Securities Lending  | 17        |
| 3.07 Borrowing   | 17        |
| <b>Section 4—Monitoring and Control</b>                          | <b>18</b> |
| 4.01 Delegation of Responsibilities                              | 18        |
| 4.02 Performance Measurement                                     | 21        |
| 4.03 Compliance Reporting by Investment Manager                  | 21        |
| 4.04 Standard of Professional Conduct                            | 22        |
| <b>Section 5—Administration</b>                                  | <b>23</b> |
| 5.01 Conflicts of Interest                                       | 23        |
| 5.02 Related Party Transactions                                  | 23        |
| 5.03 Selecting Investment Managers                               | 24        |
| 5.04 Monitoring of Asset Mix                                     | 24        |
| 5.05 Monitoring of Investment Managers                           | 24        |
| 5.06 Dismissal of an Investment Manager                          | 26        |
| 5.07 Voting Rights   | 26        |
| 5.08 Valuation of Investments Not Regularly Traded               | 26        |
| 5.09 Policy Review   | 27        |
| 5.10 Soft Dollar Arrangements                                    | 27        |

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**Appendices**

- Appendix A: Investment Management Structure and Rebalancing Guidelines
- Appendix B: Transitional Asset Mix
- Appendix C: Summary of Investment Manager Mandates and Performance Standards
- Appendix D: Beutel Goodman Mandate
- Appendix E: SSGA Cash Equitization Mandate
- Appendix F: SSGA Currency Overlay Mandate
- Appendix G: Pooled Funds Investment Policies

# Section 1—Overview

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## 1.01 Purpose of Statement

This Statement of Investment Policies and Procedures (the “Policy”) provides the framework for the investment of the managed assets (the “Managed Assets”) of the following plans (the “Plans”) invested in the Province of Prince Edward Island Master Trust (the “Master Trust”):

- (a) The Province of Prince Edward Island Public Sector Pension Plan, registration number 0307017 (the “Public Sector Pension Plan”)
- (b) The Province of Prince Edward Island Teachers’ Pension Plan, registration number 0361576 (the “Teachers’ Pension Plan”)

The assets of the Plans include both Managed Assets, which are held within the Master Trust, and non-managed assets (the “Non-Managed Assets”), which are held outside of the Master Trust and are comprised of Promissory Notes issued by the Province of Prince Edward Island (the “Province”).

This Policy is based on the “prudent person portfolio approach” to ensure the prudent investment and administration of the assets of the Plans within the parameters set out in the federal *Pension Benefits Standards Act* and the Regulations thereunder.

The Executive Council of the Province is responsible for this Policy, which has been approved by the Lieutenant Governor in Council and a copy of the order approving this Policy is attached.

## 1.02 Background of Plans

### Public Sector Pension Plan

The Plan is a defined benefit pension plan where the annual pension is based on an indexed average salary formula. The pensionable salary for all years of pensionable service prior to January 1, 2014, is the average of the 3 years of highest salary paid to the member prior to 2014. Each year of pensionable salary may be indexed annually subject to the Plan’s indexation provisions.

Contributions and indexation (before and after retirement) are contingent using rules based on the funded status of the Plan.

### Teachers’ Pension Plan

The Plan is a defined benefit pension plan where the annual pension is based on an indexed average salary formula. The pensionable salary for all years of pensionable service prior to January 1, 2014, is the average of the 5 years of highest salary paid to

the member prior to 2014. Each year of pensionable salary may be indexed annually subject to the Plan's indexation provisions.

Contributions and indexation (before and after retirement) are contingent using rules based on the funded status of the Plan.

### **1.03 Objective of Plans**

The objective of the Plans is to provide a secure base on which to meet present and future pension obligations accumulated on behalf of the Plans' participants.

### **1.04 Investment and Risk Philosophy**

The Plans must provide levels of return to allow adequate benefit levels, which keep pace with inflation and maintain stability of employee and employer contributions. The Plans should be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return.

In order to achieve their long-term investment goals, the Plans must invest in assets that have uncertain returns, such as Canadian equities, global equities, alternative asset classes and non-government bonds. However, the Province of Prince Edward Island attempts to reduce the overall volatility level of the Plans by diversifying the asset classes and further diversifying within each individual asset class.

The Master Trust has been established as an investment vehicle for pension plans with a common investment risk profile, but there may be circumstances in which other pension plans could use the Master Trust. In particular, the Master Trust is a suitable investment vehicle for pension plans meeting the following criteria:

- (a) The plan characteristics meet the liability profile set out below; or
- (b) The plan characteristics may or may not meet the liability profile set out below, but it has been determined that the characteristics of the plan are similar to the liability profile set out below, the plan's pension fund is small and/or the Province is prepared to assume the additional funding risk, if any, of using the Master Trust.

Plans that are best suited for the Master Trust would have the following liability profile:

- (a) A medium to long-term time horizon indicating that the possibility exists that the assets may be held indefinitely. On the other hand, it would be inappropriate to assume a short-term investment focus at the expense of earning incremental investment returns over the longer term. In particular, it would be inadvisable to hold a significant portion of the portfolio in any one asset class that could experience a prolonged period of underperformance.
- (b) Below average to average liquidity needs indicating that the portfolio does not require a high level of predictable income and that the portfolio could have an allocation to illiquid investments. This consideration should not, however, justify the extensive use of less liquid investments; rather, these types of investments must be considered in light of the other options available.
- (c) An average to above average overall risk tolerance indicating that the investment strategy should not expose the fund to an excessive risk of a prolonged period of poor returns. This risk is normally associated with investing in only a few asset classes. Accordingly, a broadly diversified portfolio composed of fixed income securities, equities and alternative investments should be used.

## **1.05 Administration**

The Province is the legal administrator of the Plans and is therefore responsible for all matters relating to the administration, interpretation, and application of the Plans, including developing, monitoring, and amending this Policy. A Joint Investment Advisory Committee (the "Committee") has been formed for the purpose of assisting the Province with the investment of the assets of the Plans.

## Section 2—Asset Mix and Diversification Policy

### 2.01 Asset Mix

The strategic Asset Mix was adopted by the Committee at the April 5<sup>th</sup>, 2022 Asset Liability meeting. This Asset Mix is expected to generate an annualized average rate of return of 5.5% for 10 years and 5.8% for 30 years. These return expectations were based on the Capital Market Assumptions at the time of the Asset Liability Study.

#### Non-Managed Assets

Non-Managed Assets are comprised of Promissory Notes issued by the Province. The long-term strategic asset mix of the Master Trust, as defined in the table below, excludes the Promissory Notes held by the Plans. The March 31, 2022, Promissory Note balance of \$424 million will be reduced by \$23.1 million on April 1, 2022, and by \$56.6 million each January 1 for years 2023 to 2029. These principal amounts and related interest payments will be reallocated to the various asset classes within the investment structure of the Master Trust based on asset allocation needs.

#### Managed Assets

Taking into consideration the investment and risk philosophy of the Plans, the following long-term strategic asset mix<sup>1</sup> has been established for the investable assets of the Master Trust:

| Asset Class                     | Minimum % | Benchmark <sup>3</sup><br>% | Maximum % |
|---------------------------------|-----------|-----------------------------|-----------|
| Global Equities <sup>2</sup>    | 30        | 35                          | 40        |
| <b>Total Equities</b>           | <b>30</b> | <b>35</b>                   | <b>40</b> |
| Global Real Estate <sup>4</sup> | 7         | 10                          | 13        |
| Global Infrastructure           | 7         | 10                          | 13        |
| Private Debt                    | 7         | 10                          | 13        |
| Private Equity                  | 2         | 5                           | 8         |
| <b>Total Alternatives</b>       | <b>30</b> | <b>35</b>                   | <b>40</b> |
| Universe Bonds                  | 17        | 20                          | 23        |
| Long-term Bonds                 | 7         | 10                          | 13        |
| Cash and Short-Term Investments | 0         | 0                           | 4         |
| <b>Total Fixed Income</b>       | <b>25</b> | <b>30</b>                   | <b>35</b> |
| <b>Total</b>                    |           | <b>100</b>                  |           |

- Given the addition of new asset classes within the investment structure, and considering their illiquid nature, a transitional target allocation will need to be implemented during the asset deployment period. See Appendix B for the Transitional Asset Mix.
- A maximum of 10% of the Master Trust may be allocated to Canadian Equities.
- 50% of the non-Canadian currency exposure shall be hedged to the Canadian dollar. However, the currency hedge ratio may vary from 0% to 100% at the discretion of the currency overlay manager (see Appendix F).

4. *A maximum of 5% of the Master Trust may be allocated to Canadian Real Estate.*

Given the illiquid nature of the alternative asset classes, the deployment of capital, once an Investment Manager is selected, may be done over the course of several quarters. Thus, the Committee will seek to implement the long-term strategic asset mix outlined above within a reasonable time frame.

The Global Real Estate and Global Infrastructure allocations aim to hold direct real assets but will also hold listed securities as an interim solution and to provide liquidity.

The Private Debt allocation may be held in Universe Bonds during the deployment period and for liquidity purposes.

The Private Equity allocation may be held in Equities during the deployment period and for liquidity purposes.

For purposes 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 & cash equivalent instruments.

The assets of the Master Trust may be invested with balanced managers, specialty managers and/or index managers. The Committee shall establish an investment management structure and manager asset mix guidelines such that, when combined, the total asset mix and asset mix ranges are consistent with the preceding table. The active component may be invested with more than one active manager with different active styles and mandates to provide diversification and returns in excess of indices returns. Individual manager mandates and their associated guidelines are attached as Appendices C to F.

## **2.02 Return Expectations**

The investment managers appointed by the Province to manage the investment of part or all of the assets of the Plans (the "Investment Managers"), through the Managed Assets held in the Master Trust, are directed to achieve a satisfactory return through a diversified portfolio, consistent with acceptable risks and prudent management.

The long-term objective of the Plans is to achieve a total annual nominal rate of return, net of all expenses, that would be equal to or greater than the weighted average discount rate used in the Plans' respective actuarial valuation. Return objectives include realized and unrealized capital gains or losses plus income from all sources, including Non-Managed Assets. The long-term asset mix policy has been established for Managed Assets in order to provide a reference for long-term return requirements which are consistent with the liabilities of the Plans at a risk level acceptable to the Province.

## **2.03 Expected Volatility**

To achieve this long-term objective, the Plans have adopted an asset mix that has a bias to return seeking investments. Risk is managed by investing in a well-diversified portfolio of asset classes and managers.

## **2.04 Management Structure**

The Master Trust has a specialist management structure using a multi-manager approach.



Active management has been adopted in most asset classes, as it is expected to provide the opportunity to outperform specific investment benchmarks and it can provide lower absolute volatility of returns. A dynamic currency overlay strategy has been adopted to control currency risk opportunistically, within the parameters established in this policy. A cash equitization strategy has been introduced to optimize the utilization of cash and short-term investments and to increase the Master Trust efficiency, within the parameters established in this policy. This multi-manager approach diversifies the manager risk, making the Master Trust less reliant on the skills of a single investment manager.

The manager rebalancing guidelines and procedures are attached in Appendix A.

## Section 3—Permitted and Prohibited Investments

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### 3.01 General Guidelines

The investment of the Plans in the Master Trust must comply with the requirements and restrictions set out in the federal *Income Tax Act (Canada)* and the federal *Pension Benefits Standards Act* and their respective Regulations.

### 3.02 Permitted Investments

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

- (a) Equities
  - (i) Common and convertible preferred stock, listed on a recognized exchange
  - (ii) Debentures convertible into common or convertible preferred stock
  - (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 unitholders
  - (vii) Units of limited partnerships which are listed on developed country, globally recognized exchange
  - (viii) Exchange traded index participation units
- (b) Real Estate
  - (i) The real estate portfolio should provide for a stable long-term income flow, capital gains should at least offset inflation over the long term
  - (ii) The real estate portfolio should be diversified by property type (for example, office, retail, industrial, residential, storage); geographic distribution and investment size

- (iii) Land held for future development should be limited in amount, and only considered for investment if it is part of a defined development strategy
  - (iv) There should be clearly stated investment goals and objectives in proposed investments (including the expected return on investment)
  - (v) The sponsor of the real estate investments should have an investment strategy or action plan that will enable it to carry out the stated objectives; and
  - (vi) The real estate managers must have clear policies to address and manage potential conflicts of interest
- (c) Infrastructure
- (i) Infrastructure investments via independently managed pooled funds, limited partnerships or specialist corporate structures are permitted. The mandate of each fund, partnership or corporate structure will vary with the long-term goal of assembling a diversified portfolio
  - (ii) Permitted and prohibited investments in specific infrastructure transactions will be governed by the terms and conditions set out in the respective pooled fund contract, Offering Memorandum, Trust Agreement, or similar document that is applicable to each Investment Manager
- (d) Private Debt
- Non-publicly traded debt financing of companies, particularly in the small and middle market segment.
- (i) Private debt investment strategies also include, but are not limited to distressed debt, mezzanine debt, direct lending, infrastructure debt, commercial real estate loans, structured credit, special situations, royalties, special finance, non-core loan portfolios, regulatory capital relief trades, and venture debt
  - (ii) Permitted and prohibited investments in specific private debt transactions will be governed by the terms and conditions set out in the respective pooled fund contract, Offering Memorandum, Trust Agreement, or similar document that is applicable to each Investment Manager
- (e) Private Equity
- Private equity, either directly, through closed or open-ended pooled funds, or through participating shares or debentures of corporations or partnerships formed to invest in private equity.
- Private equity investments may include, but are not limited to:
- (i) Equity or quasi-equity in unlisted companies
  - (ii) Common or preferred shares of small and mid cap publicly traded companies
  - (iii) Investment trust securities

- (iv) Private equity funds
- (v) Mezzanine debt (usually includes an equity component)
- (vi) Options and Warrants linked to underlying securities
- (vii) Instrument for financing activities
- (viii) Venture Capital
- (ix) Late-Stage Venture Capital
- (x) Buyouts
- (xi) Special Situations

Permitted and prohibited investments in specific private equity transactions will be governed by the terms and conditions set out in the respective pooled fund contract, Offering Memorandum, Trust Agreement, or similar document that is applicable to each Investment Manager.

To ensure proper risk management, diversification is essential, namely in order to reduce concentration risk.

(f) Universe and Long-Term Bonds

- (i) Bonds, debentures, notes, non-convertible preferred stock, and other evidence of indebtedness of issuers, deemed to be Canadian, foreign, or supranational issuers whether denominated and payable in Canadian dollars or a foreign currency, provided such instruments are traded on a recognized exchange or through established investment dealers
- (ii) Mortgages secured against Canadian real estate
- (iii) Mortgage-backed securities
- (iv) Term deposits and guaranteed investment certificates
- (v) Asset-backed securities, provided they are 'AA' (or equivalent) or better rated and provided they meet the liquidity requirements of Section 3.03 below
- (vi) Private placement bonds, provided the issue is \$250 million or more in size, and provided they meet the conditions in Section 3.03 (e) and 3.04 (b) (iii)
- (vii) Real return bonds

(g) Cash and Short-Term Investments

- (i) Cash on hand and demand deposits

- (ii) Canadian and U.S. Treasury bills and bonds (with remaining maturities not exceeding 365 days) 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
  - (vi) Other money market instruments (maturity not exceeding 365 days)
- (h) Other Investments
- Deposit accounts of the custodian can be used to invest surplus cash holdings.
- (i) Derivatives
- The use of derivatives (such as options, futures and forward contracts) is permitted to protect against changes in exchange rates, interest rates and market indices; and for non-hedging purposes, as a substitute for direct investment. Sufficient assets or cash must be held to cover commitments due to the derivatives transactions.
- No derivatives can be used for speculative trading or to create a portfolio with leverage for the Master Trust or the Plans. However, the Master Trust and the Plans may be invested in a pooled fund using leverage when this type of pooled fund has been authorized by the Committee.
- (j) Pooled Funds
- Investment in pooled funds is permissible. While the guidelines in this Policy are intended to guide the management of the Master Trust, it is recognized that, due to the use of pooled funds, 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.
- In addition, the Investment Manager will ensure that the Committee has received a copy of the most recent version of the pooled fund policy and of any amendments to the pooled fund policy.
- (k) Promissory Notes
- The Promissory Notes held by the Plans are classified as non-managed assets and consequently, are not included in the long-term strategic asset mix presented in Section 2.03.

### 3.03 Minimum Quality Requirements (Universe and Long-Term Bonds)

(a) Quality Standards

Within the investment restrictions for individual portfolios, all portfolios should hold a prudently diversified exposure to the intended market.

- (i) The minimum quality standard for individual bonds and debentures is 'BBB' or equivalent as rated by at least two Recognized Bond Rating Agencies, at the time of purchase
- (ii) Except for federal and provincial issues, the minimum quality standard for individual short-term investments is 'R-1' (low) or equivalent as rated by at least two Recognized Bond Rating Agencies, at the time of purchase
- (iii) The investment manager of publicly listed investments shall consider the liquidity impact of a security at the portfolio level

(b) Split Ratings

In cases where the Recognized Bond Rating Agencies do not agree on the credit rating, the bond will be classified according to the methodology used by FTSE Canada, which states:

- (i) If two agencies rate a security, use the lower of the two ratings
- (ii) If three agencies rate a security, use the most common
- (iii) If all three agencies disagree, use the middle rating

(c) Downgrades in Credit Quality

The Investment Manager will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a recognized bond rating agency to below the purchase standards set out in Section 3.03 (a) Quality Standards:

- (i) The Committee will be notified of the downgrade by telephone at the earliest possible opportunity
- (ii) Within ten business days of the downgrade, the Investment Manager will advise the Committee in writing of the course of action taken or to be taken by the Investment Manager, and its rationale
- (iii) The Investment Manager will provide regular reporting on the status of the asset until such time as it matures is sold or is upgraded to a level consistent with the purchase quality standards as expressed in the above guidelines

(d) Rating Agencies

For the purposes of this Policy, the following rating agencies shall be considered to be 'Recognized Bond Rating Agencies':

- (i) Dominion Bond Rating Service (Canadian issuers only)
- (ii) Standard and Poor's
- (iii) Moody's Investors Services
- (iv) Fitch Ratings (foreign issuers only)
- (e) Private Placement Bonds
 

Private placement bonds and asset-backed securities are permitted subject to the following conditions

  - (i) The issues acquired must be 'A' (or equivalent) or better rated; and
  - (ii) The Investment Manager must be satisfied that there is sufficient liquidity to ensure a sale at a reasonable price

### 3.04 Maximum Quantity Restrictions

- (a) Individual Investment Manager Level

The Investment Manager shall adhere to the following restrictions:

- (i) Equities
  - a. For the top 100 equity securities by market capitalization included in the S&P/TSX Composite Index (over the last four quarters), no one equity holding shall represent more than 10% of the market value of an Investment Manager's Canadian Equity portfolio **or** 125% of that equity's weight in the S&P/TSX Composite Index, whichever is greater subject to an absolute limit of 15% of the market value of the Investment Manager's Canadian equity portfolio
  - b. For all other equities, no one holding shall represent more than 10% of the market value of an Investment Manager's Canadian or global equity portfolio
  - c. No one equity holding shall represent more than 10% of the voting shares of a corporation
  - d. No one equity holding shall represent more than 10% of the available public float of such equity or private placement security
  - e. No more than 15% of the market value of the equity manager's portfolio shall be invested in income trusts and limited partnerships
- (ii) Universe and Long-Term 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 the bonds of a single issuer and its related companies

- b. Except for federal and provincial bonds, no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue
- c. No more than 10% of the market value of an Investment Manager's bond portfolio shall be invested in bonds rated 'BBB' (or equivalent) or lower
- d. Net foreign currency exposure is limited to no more than 10% of the market value of the bond portfolio
- e. No more than 20% of the market value of a manager's bond portfolio shall be invested in bonds of foreign issuers

(iii) Private Placement Bonds

- a. No more than 5% of the market value of an Investment Manager's bond portfolio shall be invested in any one private placement issue
- b. The Investment Manager's portfolio may not hold more than 5% of the market value of any one private placement
- c. No more than 15% of the market value of an Investment Manager's bond portfolio shall be invested in private placement bonds

(iv) Real Estate and Infrastructure

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 Master Trust assets or an individual Plan's 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 Master Trust assets or an individual Plan's assets.

(v) Private Debt and Private Equity

Investment in any one loan or private company shall not have a book value greater than or equal to 5% of the book value of the Master Trust assets or an individual Plan's assets.

### 3.05 Prohibited Investments

The Investment Manager shall not:

- (a) Invest in companies for the purpose of managing them
- (b) Purchase securities on margin, engage in short sales or purchase options (calls or puts) and other similar investment activity, except in the case of currency overlay or cash equitization strategies
- (c) Make any investment not specifically permitted by this Policy



### **3.06 Securities Lending**

The investments of the Master Trust or the Plans may be loaned, for the purpose of generating revenue for the Master Trust or the Plans, subject to the provisions of the federal *Pension Benefits Standard Act*, the federal *Income Tax Act* (Canada) and their applicable Regulations.

Such loans must be secured by cash and or/readily marketable government bonds, treasury bills and/or letters of credit, discount notes and bankers' acceptances of Canadian chartered banks. The amount of collateral taken for securities lending should reflect best practices in local markets. The market value relationship between collateral and securities on loan must be calculated at least daily.

The terms and conditions of any securities lending program will be set out in a contract with the securities lending agent. The securities lending agent shall, at all times, ensure that the Committee has a current list of those institutions that are approved to borrow the Master Trust's or the Plans' investments. If the Master Trust or the Plans are invested in a pooled fund, security lending will be governed by the terms and conditions set out in the pooled fund contract.

### **3.07 Borrowing**

The Master Trust and the Plans shall not borrow money, except to cover short-term contingency such as providing the necessary liquidity to settle the losses of currency forward contracts when liquidity on the markets is deemed insufficient. The borrowing can be made for a period that does not exceed one hundred eighty days, in order to allow sufficient times for markets to stabilize, subject to the Pension Benefits Standards Act, the Income Tax Act. Written permission of the Province is necessary for all situations other than for settling currency forward contracts.

## Section 4—Monitoring and Control

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### 4.01 Delegation of Responsibilities

The Province has overall responsibility for the Plans. However, the Plans permit the Province to delegate its administrative duties and responsibilities to the Committee and third party agents. This Policy is intended to provide a basis for ongoing communication between the Committee and the Investment Managers to ensure that the management of the Master Trust is consistent with market conditions and the objectives of the Plans.

- (a) Joint Investment Advisory Committee  
The Joint Investment Advisory Committee will:
- (i) Recommend the Statement of Investment Policies and Procedures for the Master Trust and the Plans for adoption by the Executive Council, reviewing the Policy at least annually and recommending to the Executive Council amendments, as appropriate
  - (ii) Recommend a management structure for the investments of the Master Trust and the Plans for approval by the Minister of Finance
  - (iii) Develop manager mandates, which outline the guidelines and objectives for each manager
  - (iv) Recommend the appointment or removal of investment managers, trustees, custodians, consultants, and others as required to carry out the administration of the Master Trust and the Plans, for approval by the Minister of Finance
  - (v) Monitor and coordinate the activities of the investment managers and other service providers to the Master Trust and the Plans
  - (vi) Review and evaluate, both quantitatively and qualitatively, the investment performance of the assets of the Master Trust, including the rates of return achieved relative to objectives established and the degree of risk assumed by the managers
  - (vii) Create, and monitor the activities of, sub-committees to undertake specialized research for the Committee

(b) Investment Managers

The Investment Managers will:

- (i) Invest the assets of the Master Trust and the Plans in accordance with this Policy and with their individual manager mandates
- (ii) With the exception of pooled fund managers, avoid dealing with governments, corporations, and organizations, which violate ethical and humanitarian principles to which the Province of Prince Edward Island subscribes, which are exemplified in Canada's support for the International Bill of Rights
- (iii) Inform the Committee of any changes in their senior personnel, investment philosophy or style within one week of the change
- (iv) Inform the Committee in writing, if the manager at any time feels any guidelines or restrictions are imprudent, or if these guidelines restrict the manager in achieving their performance objectives
- (v) Inform the Committee of recommended strategies and investments, which would require revisions or exemptions to the stated guidelines
- (vi) Meet with the investment personnel at the Department of Finance of the Province of Prince Edward Island when reasonably requested and provide written reports regarding their past performance, their future strategies and other issues as needed. Meet with the Committee upon request if required.
- (vii) File quarterly compliance reports (see section 4.03), as required by the Committee
- (viii) Provide the Custodian with all transaction and holdings information monthly and cooperate with the Custodian in resolving any discrepancies that may arise
- (ix) 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

- (c) Custodian/Trustee  
The custodian/trustee will:
- (i) Maintain safe custody over the assets of the Master Trust and assets of the Plans
  - (ii) Meet with the Committee as required
  - (iii) Execute the instructions of the Executive Council, the Committee and, subject to any restrictions imposed by the Committee, any Investment Manager appointed to manage the assets of the Master Trust or of the Plans
  - (iv) Record income and expenses of the Master Trust and the Plans and provide monthly financial statements as required by the Committee
- (d) Actuary  
The actuary will:
- (i) Perform actuarial valuations of the Plans as required
  - (ii) Advise the Committee on any matters relating to the design of the Plans, membership, and contribution rates
  - (iii) Assist the Committee in any other way required
- (e) Investment Consultant  
The investment consultant will:
- (i) Assist in the development and implementation of this Policy and related documentation and research alternative investment strategies, including investment manager searches
  - (ii) Monitor the performance of the Master Trust and the Investment Managers on a quarterly basis
  - (iii) Update the Investment Manager “Watch” list on a quarterly basis;
  - (iv) Support the Committee on matters relating to investment management and administration of the Master Trust and the Plans
  - (v) Meet with the Committee and sub-committees as required
- (f) Accountant  
The accountant will provide annual audited financial statements of the Plans.

## 4.02 Performance Measurement

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

(a) Total Fund Level

The primary objective for the Master Trust is to earn a rate of return that exceeds the rate of return earned on a benchmark portfolio consisting of the following returns, weighted as indicated:

| Asset Class           | Index <sup>1</sup>                                | %          |
|-----------------------|---|------------|
| Global Equities       | MSCI All Country World Index (Net)                | 35.0       |
| Global Real Estate    | Consumer Price Index + 3%                         | 10.0       |
| Global Infrastructure | Consumer Price Index + 4%                         | 10.0       |
| Private Debt          | Bloomberg Barclays 3 Months TBill + 5%            | 10.0       |
| Private Equity        | MSCI All Country World Index (Net) + 3%           | 5.0        |
| Bonds                 | Fixed Income Benchmark <sup>2</sup>               | 30.0       |
| Currency Hedge        | 50% of the foreign currency exposure <sup>3</sup> | 0.0        |
|                       | <b>Total</b>                                      | <b>100</b> |

1. In Canadian dollars unless otherwise stated.

2. 67% FTSE Canada Universe Bond Index, 33% FTSE Canada Long-Term Bond Index.

3. Applicable to non-Canadian dollar investments.

(b) Manager Level

The performance objectives for each manager are summarized in Appendix C.

## 4.03 Compliance Reporting by Investment Manager

The Investment Manager is required to complete and deliver a compliance report to the Committee and the investment consultant each quarter. The compliance report will indicate whether the Investment Manager was in compliance with this Policy during the quarter. Copies of the compliance reports must be sent to the Committee and to the investment consultant.

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 Master Trust and the Plans 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 in the Compliance Report, detailing the nature of the conflict.

In the event an Investment Manager is not in compliance with the Investment Manager's own investment policy, the Investment Manager is required to advise the Committee immediately, detail the nature of the non-compliance and recommend an appropriate course to remedy the situation.

#### **4.04 Standard of Professional Conduct**

The Investment Manager is expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct and Asset Manager Code of Conduct, as promulgated by the CFA Institute.

The Investment Manager will manage the Master Trust's and the Plans' assets with the care, diligence, and skill that an investment manager of ordinary prudence would use in dealing with pension plan assets. The Investment Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.

## Section 5—Administration

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### 5.01 Conflicts of Interest

This standard applies to the Province and the members of the Committee, as well as to all agents employed by them, in the execution of their responsibilities under the *Pension Benefits Standards Act* (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 Master Trust and the Plans.

Any Affected Person is required to comply with the Conflict of Interest Guidelines for the Civil Service endorsed by the Executive Council of the Province of Prince Edward Island.

A copy of the Conflict of Interest Guidelines will be provided on request.

### 5.02 Related Party Transactions

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

- (a) The transaction is both required for operation and or administration of the Plan(s) and the terms and conditions of the transaction are not less favourable than market terms and conditions
- (b) The combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial to the Fund

The Province, on behalf of the Plans, may not invest the moneys of the Plans in the securities of a related party unless those securities are acquired at a public exchange, as defined in the Regulations to the *Pension Benefits Standard Act* (Canada).

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

A “related party” in respect of the Plans, means:

- (a) The administrator of the Plans or who is a member of the Committee, board of trustees or other body that is the administrator of the Plans
- (b) An officer, director, or employee of the administrator of the Plans
- (c) A person responsible for holding or investing the assets of the Plans, or any officer, director, or employee

- (d) An association or union representing employees of the Province, or an officer or employee
- (e) A member of the Plans
- (f) A person who directly or indirectly holds, or together with the spouse or a child of the person holds, more than ten percent (10%) of the voting rights attached to all voting securities of the Province
- (g) The spouse or child of any person referred to in any of paragraphs (a) to (f)
- (h) An affiliate of the Province
- (i) A corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (a) to (g)
- (j) An entity in which a person referred to in paragraph (a), (b), or (f), or the spouse or a child of such a person, has a substantial investment
- (k) An entity that holds a substantial investment in the Province

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 Plans, where that person is not the administrator of the Plans.

### **5.03 Selecting Investment Managers**

In the event that a new Investment Manager must be selected, or additional Investment Manager(s) added to the existing Investment Manager(s), the Committee will undertake an Investment Manager search. The criteria used for selecting an Investment Manager will be consistent with the investment and risk philosophy set out in Section 1.0 (Investment and Risk Philosophy).

### **5.04 Monitoring of Asset Mix**

To ensure that the Master Trust operates within the guidelines stated in this Policy, the Committee shall monitor the asset mix quarterly.

Rebalancing is intended to assist in managing the long-term strategic asset mix, as market fluctuations can alter the asset mix and therefore the expected risk and return. Rebalancing will take place, on a best effort basis, over a period of three months following the end of a quarter after which an imbalance has been identified. The rebalancing process will be performed based on asset classes subject to the guidelines set out in Appendix A.

### **5.05 Monitoring of Investment Managers**

#### **Ongoing Monitoring**

At least quarterly, the Committee will monitor and review the:

- a) Assets and net cash flow of the Master Trust



- b) Investment Manager's 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
- e) Investment performance of the Master Trust in relation to the rate of return expectations outlined in this Policy
- f) Individual Manager Monitoring and Review Process in accordance with the following procedures

Some of these responsibilities may be delegated to either the Province or the Investment Consultant.

### **Quarterly Performance Evaluation**

Each of the equity, open-end alternative and fixed income Investment Manager mandates will be evaluated by the Investment Consultant using the following performance factors:

- Did the portfolio's annualized 4-year return trail the portfolio's performance objective?
- Did the portfolio's 4-year annualized return rank below the median comparable fund manager return?

An Investment Manager mandate is placed on "Watch" if the answers to both performance factors questions are "Yes".

An investment manager mandate could also be placed on "Watch" if their short-term performance is significantly below their performance objective, as this might make the achievement of the long-term performance objective unlikely.

The performance for the closed-end alternative Investment Manager mandates will be evaluated based on the convergence of the internal rate of return towards the stated performance objective as the investment period approaches its term.

### **Quarterly Qualitative Evaluation**

An Investment Manager mandate will automatically be placed on "Watch" if its strategy is removed from the Investment Consultant's preferred manager list. The Investment Consultant will revise the on "Watch" assessment on a quarterly basis.

Investment Manager mandates not rated by the Investment Consultant will be placed on "Watch" if the answer to any of the following questions is "Yes":

- Was there turnover of key investment personnel?
- Was there a significant change in investment process?
- Did the number of clients/Assets under management change materially?
- Was there a significant change in the ownership structure of the firm?

### **Watch List Procedures**

If an Investment Manager mandate remains on the "Watch" list for a period of four consecutive quarters, the Joint Investment Advisory Committee shall:

1. State the need and rationale for the Investment Manager mandate to remain on the “Watch” list and extend the on “Watch” assessment for an additional period of four quarters; or
2. Remove the Investment Manager mandate from the “Watch” list, indicating the rationale for confidence in the Investment Manager’s ability to meet its long-term objectives; or
3. Initiate a review of other suitable options for consideration as a potential replacement for the Investment Manager

A case-by-case approach will be applied for closed-end Investment Manager mandates.

## **5.06 Dismissal of an Investment Manager**

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 Master Trust such that the Investment Manager’s services are no longer required
- (b) Dissatisfaction with client servicing
- (c) Failure to adhere to this Policy or the applicable manager mandate

## **5.07 Voting Rights**

The Province has delegated voting rights acquired through the investments held by the Master Trust and the Plans to the custodian of the securities to be exercised in accordance with the Investment Managers’ instructions. Investment Managers are expected to exercise all voting rights related to investments held by the Master Trust and the Plans in the interests of the Plans’ members. On a quarterly basis, the Investment Managers shall report their voting activities to the Committee.

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

## **5.08 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.

(e) Infrastructure

A certified written appraisal from a qualified independent appraiser at least every two years or audited financial statements as applicable and available.

(f) Private Debt

Value is set using a standard discounted cash flow model, where the discount curve is developed using a third-party risk-free rate curve and credit curve, plus a manager-established credit rating and an adjustment for uniqueness premium set when the security is issued.

(g) Private Equity

A certified written appraisal from a qualified independent appraiser at least every two years.

(h) Pooled Funds

According to the unit value calculated at least monthly by the Investment Manager or its custodian.

(i) Promissory Notes

Promissory Notes are valued at book value.

## 5.09 Policy Review

This Policy may be reviewed and amended at any time, but it must be formally reviewed by the Province, or the Committee, at least annually.

## 5.10 Soft Dollar Arrangements

The Committee may request Investment Managers responsible for segregated assets to direct security trades to specific investment brokers to generate commission rebates for the Master Trust or the Plans. This activity should in no way impact the Investment Managers' investment decisions or the Investment Managers' ability to trade securities for the Master Trust or the Plans.

# **Appendix A**

## **Province of Prince Edward Island Master Trust**

### **Investment Management Structure and Rebalancing Guidelines**

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#### **Purpose of the Investment Management Structure Rebalancing Guidelines**

The Joint Investment Advisory Committee for the Province of Prince Edward Island adopted the investment management structure and rebalancing guidelines outlined below to ensure that the asset mix of the Master Trust is maintained within the allowable ranges adopted by the Executive Council and outlined in the Statement of Investment Policies and Procedures.

The Committee is responsible for the Investment Management Structure and the Rebalancing Guidelines.

## Investment Management Structure

The asset mix of the Master Trust will be maintained within the allowable ranges described in the table below<sup>1</sup>:

### Rebalancing Ranges

| Assets Class   | Minimum %   | Target %     | Maximum %   |
|--|-------------|--------------|-------------|
| Global Equities <sup>2,3</sup>                                       |             |              |             |
| <i>Beutel Goodman Canadian Equity</i>                                |             | 8.9          |             |
| <i>TDAM Low Volatility All World Equity</i>                          |             | 10.5         |             |
| <i>Baillie Gifford Global Equity</i>                                 |             | 10.5         |             |
| <i>Wellington Global Small Cap Equity</i>                            |             | 5.2          |             |
| <b>Total Global Equities</b>   | <b>30.0</b> | <b>35.0</b>  | <b>40.0</b> |
| Global Real Estate <sup>4</sup>                                      |             |              |             |
| <i>TD Greystone Canadian Real Estate</i>                             |             | TBD          |             |
| <i>Morgan Stanley U.S. Real Estate</i>                               |             | 5.0          |             |
| <i>CBRE Global Fund of Funds Real Estate</i>                         |             | 5.0          |             |
| <i>SSGA Global Listed Real Estate</i>                                |             | 0.0          |             |
| Total Global Real Estate   | 7.0         | 10.0         | 13.0        |
| Global Infrastructure  |             |              |             |
| <i>Lazard Global Listed Infrastructure</i>                           |             | 0.0          |             |
| <i>Global Infrastructure Partners (GIP) Manager to be determined</i> |             | 5.0          |             |
| <i>Manager to be determined</i>                                      |             | 5.0          |             |
| Total Global Infrastructure  | 7.0         | 10.0         | 13.0        |
| Private Debt   |             |              |             |
| <i>Manager to be determined</i>                                      |             | 10.0         |             |
| Total Private Debt   | 7.0         | 10.0         | 13.0        |
| Private Equity   |             |              |             |
| <i>Baillie Gifford Private Companies II</i>                          |             | 2.5          |             |
| <i>Manager to be determined</i>                                      |             | 2.5          |             |
| Total Private Equity   | 2.0         | 5.0          | 8.0         |
| <b>Total Alternatives</b>  | <b>30.0</b> | <b>35.0</b>  | <b>40.0</b> |
| Universe Bonds   |             |              |             |
| <i>GSAM Canadian Core Plus Bond</i>                                  |             | 10.0         |             |
| <i>TDAM Canadian Core Plus Bond</i>                                  |             | 10.0         |             |
| <i>TD Greystone Canadian Mortgage</i>                                |             | 0.0          |             |
| Total Universe Bonds   | 17.0        | 20.0         | 23.0        |
| Long Bonds   |             |              |             |
| <i>GSAM Canadian Long-Term Core Plus Bond</i>                        |             | 5.0          |             |
| <i>TDAM Canadian Long-Term Core Plus Bond</i>                        |             | 5.0          |             |
| Total Long Bonds   | 7.0         | 10.0         | 13.0        |
| Cash and Short-Term Investments                                      | 0.0         | 0.0          | 4.0         |
| <b>Total Fixed Income</b>  | <b>25.0</b> | <b>30.0</b>  | <b>35.0</b> |
| <b>Total</b>   |             | <b>100.0</b> |             |

1. *Given the addition of new asset classes within the investment structure, and considering their illiquid nature, a transitional target allocation will need to be implemented during the asset deployment period. See Appendix B for the Transitional Asset Mix as well as rebalancing guidelines.*
2. *A maximum of 10% of the Master Trust may be allocated to Canadian Equities.*
3. *The allocations will be revised once the Global equity portfolio is reviewed and approved.*
4. *A maximum of 5% of the Master Trust may be allocation to Canadian Real Estate.*

## **Rebalancing Guidelines**

The Committee shall monitor the asset mix quarterly, to ensure the Master Trust operates within the guidelines established in the Statement of Investment Policies and Procedures. Rebalancing will take place, on a best effort basis, over a period of three months following the end of a quarter after which an imbalance has been identified.

The assessment of the asset allocation will be performed on a market value basis, based on the monthly financial statements provided by the custodian. Rebalancing will seek to bring the allocation of the asset class(es) that has breached the rebalancing range(s) back within the allowable ranges as set in the table above.

These rebalancing guidelines may not apply if a manager is on the “watch” list where:

- the manager may take priority as a source-of-funds for Master Trust withdrawals
- the manager will receive lowest or no priority in cases of contributions to the Master Trust

Maintaining similar manager weights may not be possible in illiquid asset classes such as real estate, infrastructure, private debt and private equity with limited or no available ability to rebalance.

## Appendix B

### Province of Prince Edward Island Master Trust

### Transitional Asset Mix

#### Purpose of the Transitional Asset Mix

Given the addition of new asset classes in the strategic asset mix of the Province of Prince Edward Island Master Trust as outlined in the table in Section 2.03, namely Private Equity and Private Debt, as well as the increase to the target allocation of other alternative investments and given the illiquid nature of these aforementioned asset classes, a transitional target asset mix will need to be implemented during the asset deployment period. The table below outlined the Transitional Asset Mix:

| Asset Class                     | Index <sup>1</sup>                      | Minimum<br>% | Benchmark <sup>3</sup><br>% | Maximum<br>% |
|---------------------------------|---|--------------|-----------------------------|--------------|
| Global Equities <sup>2</sup>    | MSCI All Country World Index (Net)      | 32.5         | 37.5                        | 42.5         |
| <b>Total Equities</b>           |   | <b>32.5</b>  | <b>37.5</b>                 | <b>42.5</b>  |
| Global Real Estate <sup>4</sup> | Consumer Price Index + 3%               | 7.0          | 10.0                        | 13.0         |
| Global Infrastructure           | Consumer Price Index + 4%               | 7.0          | 10.0                        | 13.0         |
| Private Debt                    | Bloomberg Barclays 3 Months TBill + 5%  | 0.0          | 0.0                         | 13.0         |
| Private Equity                  | MSCI All Country World Index (Net) + 3% | 0.0          | 2.5                         | 5.0          |
| <b>Total Alternatives</b>       |   | <b>12.5</b>  | <b>22.5</b>                 | <b>32.5</b>  |
| Universe Bonds                  | <i>FTSE Canada Universe Bond Index</i>  | 27.0         | 30.0                        | 33.0         |
| Long-term Bonds                 | <i>FTSE Canada Long-Term Bond Index</i> | 7.0          | 10.0                        | 13.0         |
| Cash and Short-Term Investments | <i>FTSE Canada 91 Day TBill</i>         | 0.0          | 0.0                         | 4.0          |
| <b>Total Fixed Income</b>       |   | <b>35.0</b>  | <b>40.0</b>                 | <b>45.0</b>  |
| <b>Total</b>                    |   |              | <b>100.0</b>                |              |

1. In Canadian dollars unless otherwise stated.
2. A maximum of 10% of the Master Trust assets may be allocated to Canadian Equities.
3. 50% of the non-Canadian currency exposure shall be hedged to the Canadian dollar. However, the currency hedge ratio may vary from 0% to 100% at the discretion of the currency overlay manager (see Appendix F).
4. A maximum of 5% of the Master Trust assets may be allocated to Canadian Real Estate.

The target Investment Manager allocations shown in Appendix A will be temporarily rescaled based on each asset class target allocation from the transitional asset mix.

## Appendix C

### Summary of Investment Manager Mandates and Performance Standards

| Asset Class / Manager                | Mandate                          | Benchmark <sup>1</sup>   | Performance Objective (p.a.)  | Benchmark Effective Date    |
|--------------------------------------|----------------------------------|--|---|-----------------------------|
| <b>Equity</b>                        |                                  |  |   |                             |
| Beutel, Goodman & Company Ltd.       | Canadian Equity                  | S&P/TSX Capped Composite   | Benchmark + 1.1%  | March 31, 2016              |
| Baillie Gifford & Co.                | Global Equity                    | MSCI ACWI (Net)  | Benchmark + 2%  | March 31, 2017              |
| TD Asset Management                  | Low Volatility All World Equity  | MSCI ACWI (Net)  | Rate of return equal to the benchmark while maintaining a lower market risk | June 30, 2017               |
| Wellington Management                | Global Small Cap Equity          | MSCI ACWI Small Cap (Net)  | Benchmark + 2%  | June 30, 2017               |
| <b>Real Estate</b>                   |                                  |  |   |                             |
| TD Greystone Asset Management        | Canadian Real Estate             | MSCI/REALPAC Canada Quarterly Property Fund Index                              | Outperform the Benchmark  | June 30, 2018               |
| CBRE                                 | Global Fund of Funds Real Estate | CPI + 3%   | Outperform the Benchmark  | July 1 <sup>st</sup> , 2022 |
| Morgan Stanley                       | U.S. Real Estate                 | NCREIF Fund Index – Open-End Diversified Core Equity (“NFI - ODCE”) (EW) (Net) | Outperform the Benchmark  | December 31, 2017           |
| State Street Global Advisors         | Global Listed Real Estate        | FTSE EPRA/NAREIT Developed Liquid NTR (Hedged to CAD)                          | Positive tracking error of 0.6%   | June 30, 2015               |
| <b>Infrastructure</b>                |                                  |  |   |                             |
| Lazard Asset Management              | Global Listed Infrastructure     | MSCI World Core Infrastructure (Hedged to CAD) (Net)                           | Benchmark + 1%  | June 30, 2018               |
| Global Infrastructure Partners (GIP) | Direct Infrastructure            | CPI + 5%   | Outperform the Benchmark  | July 1 <sup>st</sup> , 2022 |



| Asset Class / Manager                | Mandate  | Benchmark <sup>1</sup>   | Performance Objective (p.a.)         | Benchmark Effective Date    |
|--------------------------------------|--|--|--------------------------------------|-----------------------------|
| Private Equity                       |  |  |                                      |                             |
| Baillie Gifford Private Companies II | Private Equity   | MSCI ACWI (Net) + 3%   | Outperform the Benchmark             | July 1 <sup>st</sup> , 2022 |
| Fixed Income                         |  |  |                                      |                             |
| Goldman Sachs Asset Management       | Universe Core Plus Bonds   | FTSE Canada Universe Bond  | Benchmark + 0.8%                     | March 31, 2016              |
| TD Asset Management                  | Universe Core Plus Bonds   | FTSE Canada Universe Bond  | Benchmark + 0.8%                     | February 29, 2016           |
| Goldman Sachs Asset Management       | Long-Term Core Plus Bonds  | FTSE Canada Long-Term Overall Bond   | Benchmark + 0.5%                     | April 30, 2017              |
| TD Asset Management                  | Long-Term Core Plus Bonds  | FTSE Canada Long-Term Overall Bond   | Benchmark + 0.5%                     | April 30, 2017              |
| TD Greystone Asset Management        | Canadian Mortgage  | 60% FTSE Canada Short-Term Overall Bond<br>40% FTSE Canada Mid-Term Overall Bond | Benchmark + 0.5%                     | October 31, 2018            |
| Private Debt                         |  |  |                                      |                             |
| First Eagle Alternative Credit       | Private Debt   | S&P 500 /Morningstar LTSA US Leveraged Loan 100 Index                            | Outperform the Benchmark             | TBD                         |
| Cash Equitization                    |  |  |                                      |                             |
| State Street Global Advisors         | Optimization of the Master Trust's liquidities   | 60% FTSE Canada Federal Non-Agency Bond<br>40% MSCI ACWI                         | Positive tracking error vs benchmark | July 1 <sup>st</sup> , 2022 |
| Currency Overlay                     |  |  |                                      |                             |
| State Street Global Advisors         | Currency overlay on global equity, global real estate and global infrastructure exposure | Policy benchmark of a 50% currency hedged position.                              | Benchmark + 0.3%                     | June 30, 2018               |

1. In Canadian dollars unless otherwise stated.

Commingled or pooled funds are used for all mandates except for the Beutel Goodman Canadian equity mandate (Appendix D) as well as the cash equitization and the currency overlay mandates managed by SSGA (Appendix E and F). For commingled and pooled funds, the provisions of the investment policy of such pooled funds shall prevail over those of this Investment Policy. The investment policies applicable to the commingled or pooled funds are attached to the Investment Policy in Appendix F and the Managers must also promptly inform the Committee of any significant change to these investment policies

# Appendix D

## Province of Prince Edward Island Master Trust

### Investment Manager Mandate and Performance

#### Standards Specialty Canadian Equity - Beutel, Goodman & Company Ltd.

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#### Investment Manager Mandates

Beutel, Goodman & Company Ltd. has been appointed by the Joint Investment Advisory Committee of the Province of Prince Edward Island with approval of the Minister of Finance as a Canadian equity manager for a segment of the Master Trust. The Committee is responsible for this mandate.

Beutel, Goodman & Company Ltd. is responsible to invest in Canadian equity investments as defined in the Statement of Investment Policies and Procedures, in accordance with the guidelines outlined in this Appendix.

#### Asset Mix and Asset Mix Ranges

The table below lists the broad asset classes that may be used and the minimum and maximum exposures for each asset class (all percentages are based on market value) for the Investment Manager's total portfolio.

|                                 | Minimum % | Benchmark % | Maximum % |
|---------------------------------|-----------|-------------|-----------|
| Cash and Short-Term Investments | 0         | 0           | 10        |
| Canadian Equities               | 90        | 100         | 100       |

#### Permitted Investments

Investments in Canadian equities, short-term investments and cash are permitted subject to the above asset mix guidelines and Section 3 of the Statement of Investment Policies and Procedures.

#### Other Investments

No other type of investment is allowed without prior written approval of the Joint Investment Advisory Committee.

## **Quality and Quantity Guidelines**

Those set out in Section 3 of the Statement of Investment Policies and Procedures.

## **Return Objectives**

The Investment Manager should strive to obtain a rate of return on Canadian equities (including realized and unrealized capital gains and losses) which exceeds the total return on the S&P/TSX Composite Capped Index by 110 basis points, or 1.1%, per annum.

## **Measurement Basis and Time Frame**

Investment results will be monitored and reviewed on a quarterly basis. The return objective includes realized and unrealized gains or losses plus income from all sources. Investment returns are measured on a time-weighted basis. Measurement against performance objectives will normally be over four-year moving periods.

## **Statutory Requirements**

The Investment Manager must meet the requirements for eligible investments outlined in the Federal Pension Benefits Standards Act and the Income Tax Act and Regulations, and all subsequent amendments. No investment should be made or retained which could result in the imposition of any tax under the Income Tax Act.

## **Responsibility of the Investment Manager**

The Investment Manager is responsible for complying with the Statement of Investment Policies and Procedures for the Province of Prince Edward Island Master Trust.

**Effective Date:** March 31, 2016

# Appendix E

## Province of Prince Edward Island Master Trust Investment Manager Mandate and Performance Standards Cash Equitization - State Street Global Advisors

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### Investment Manager Mandate

State Street Global Advisors has been appointed by the Joint Investment Advisory Committee of the Province of Prince Edward Island with approval of the Minister of Finance as a cash equitization manager to optimize the cash exposure of the Master Trust. The Committee is responsible for this mandate.

As a cash equitization manager, State Street Global Advisors seeks to reduce the benchmark tracking error due to frictional cash, inefficient cash flow management, asset allocation mismatch, and implementation delays.

### Cash Equitization Guidelines

The manager shall monitor the actual market exposure of the Master Trust relative to the target market exposure and shall adjust the difference through the use of permitted investments. The table below describes the target market exposure for the mandate.

|                      | Minimum<br>% | Target<br>% | Maximum<br>% |
|----------------------|--------------|-------------|--------------|
| Global equities      | 35           | 40          | 45           |
| Alternatives & Bonds | 55           | 60          | 65           |

---

### Permitted Investments

Investments in derivatives, short-term investments, cash and cash equivalents as well as exchange-traded products or other pooled or collective investment vehicles whether registered, institutional or otherwise, for which an affiliate of SSGA may act as Investment Advisor, are permitted subject to the above asset mix guidelines and Section 3 of the Statement of Investment Policies and Procedures.

### Other Investments

No other type of investment is allowed without prior written approval of the Joint Investment Advisory Committee.

## **Quality and Quantity Guidelines**

Those set out in Section 3 of the Statement of Investment Policies and Procedures.

## **Return Objective**

The objective is to obtain a positive tracking error relative to the benchmark.

## **Measurement Basis and Time Frame**

Investment results will be monitored and reviewed on a quarterly basis. The return objective includes realized and unrealized gains or losses plus income from all sources. Investment returns are measured on a time-weighted basis. Measurement of the strategy's contribution in absolute terms will normally be over four-year moving periods.

## **Statutory Requirements**

The Investment Manager must meet the requirements for eligible investments outlined in the federal Pension Benefits Standards Act and the Income Tax Act and Regulations, and all subsequent amendments. No investment should be made or retained which could result in the imposition of any tax under the Income Tax Act.

## **Counterparties**

The Investment Manager will use best judgment, diversification, and prudence to manage and minimize counterparty risk.

## **Responsibility of the Investment Manager**

The Investment Manager is responsible for complying with the Statement of Investment Policies and Procedures for the Province of Prince Edward Island Master Trust.

**Effective Date:** July 1st, 2022

# Appendix F

## Province of Prince Edward Island Master Trust

### Investment Manager Mandate and Performance

#### Standards Currency Overlay Manager - State Street Global Advisors

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#### Investment Manager Mandate

State Street Global Advisors has been appointed by the Investment Advisory Committee of the Province of Prince Edward Island with approval of the Minister of Finance as a currency overlay manager for the foreign currency exposure of the Master Trust. The Committee is responsible for this mandate.

As a currency overlay manager, State Street Global Advisors is mandated to hedge 50% of the Master Trust's foreign currency exposure in 10 developed currencies. The manager also has the discretion to adjust the hedge ratio, within the ranges established in this Policy, based on its views of the current market and/or expectations for future currency movements. The manager also has the discretion to adjust the hedge ratio, within the ranges established in this Policy, based on its views of the current market and/or expectations for future currency movements.

#### Currency Hedge Guidelines

The table below lists the target hedge ratio for the foreign exchange hedge that may be used and the minimum and maximum hedge ratio for each asset class (all percentages are based on market value) for the hedged portfolios.

|  | Minimum<br>% | Target<br>% | Maximum<br>% |
|--|--------------|-------------|--------------|
| Developed Country Currency Hedge Ratio | 0            | 50          | 100          |

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#### Permitted Investments

Investments in derivatives, short-term investments, cash and institutional based pooled funds are permitted subject to the above asset mix guidelines and Section 3 of the Statement of Investment Policies and Procedures.

#### Other Investments

No other type of investment is allowed without prior written approval of the Joint Investment Advisory Committee.

#### Quality and Quantity Guidelines

Those set out in Section 3 of the Statement of Investment Policies and Procedures.

**Return Objective**

The return objective is to add 30 basis points, or 0.30%, above the policy benchmark of a 50% currency hedge position.

**Measurement Basis and Time Frame**

Investment results will be monitored and reviewed on a quarterly basis. The return objective includes realized and unrealized gains or losses plus income from all sources. Investment returns are measured on a time-weighted basis. Measurement against performance objectives will normally be over four-year moving periods.

**Statutory Requirements**

The Investment Manager must meet the requirements for eligible investments outlined in the federal Pension Benefits Standards Act and the Income Tax Act and Regulations, and all subsequent amendments. No investment should be made or retained which could result in the imposition of any tax under the Income Tax Act.

**Counterparties**

The Investment Manager will use best judgment, diversification, and prudence to manage and minimize counterparty risk.

**Responsibility of the Investment Manager**

The Investment Manager is responsible for complying with the Statement of Investment Policies and Procedures for the Province of Prince Edward Island Master Trust.

**Effective Date:** June 30, 2018

**Appendix G**  
**Pooled Fund Investment Policies**

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