

Dear President Lahey,

The Investment Committee, under the authority of the Board of Governors, would like to provide the University of King's College community an update on the management of the university's endowment.

As you are aware, the Investment Committee drafted, and the Board of Governors approved, the Statement of Responsible Investment Policy and Goals (SRIPG) in 2017 (last updated in November of 2022) to ensure that the endowment is managed with the expressed goal of securing the university's financial future, while also ensuring the capital is managed in line with the values of our community. Along with transparency, return expectations and a specific Target Asset Mix—including a balance between fixed income, equities and alternative assets—the policy also includes specific expectations of investing in compliance with an Environmental, Social and Governance (ESG) approach.

The United Nations – Principles of Responsible Investment ([www.unpri.org](http://www.unpri.org)) has provided the global institutional investment community with a strong base and guidance for an ESG approach to investment and this is an important part of the SRIPG, where our Investment Manager must adhere to the UN-PRI policies and be an active signatory of those policies. The current Manager, TD Asset Management, is aware of, and in compliance with, this expectation.

The Investment Committee, which serves at the behest of the Board of Governors is, as you know, not the active manager of the endowment, nor does the Committee make investment decisions. Rather, it is charged with selecting the active manager and ensuring that the chosen manager adheres to the policies laid out in the SRIPG.

As of March 31st, 2025 the endowment was over \$53.5 million in value, which is an impressive block of capital. Prior to the adoption of the SRIPG, the endowment value was \$43 million. However, in the world of institutional investment, this is considered too small an amount to make individual investments with critical analysis, efficiency and minimal investment management cost—while still being able to achieve return and diversification expectations. Therefore, the endowment is limited in the investment vehicles it can access. The Manager, with the oversight of the Committee, has taken the pragmatic approach to participate in commingled funds, which is the way to achieve the necessary diversification and net return expectations (after investment management fees).

Commingled funds, whether they are focused on equities (stocks), fixed income (bonds, corporate or government debt) or alternative assets (real estate, real assets & specific niche strategies), provide the most secure and defensive way for the university to protect and grow the endowment with the most efficiency at the lowest cost. However, commingled funds come with limitations as it pertains to specific holdings within each fund. The Committee cannot direct the Manager to purchase or sell specific investments being made within each commingled fund.

Therefore, the Committee is limited to requesting the Manager to select commingled funds that are in line with the SRIPG, but with the realistic expectation that not every single holding within each commingled fund will align with all our community members' approach or definition of Responsible Investing.

The annual disclosure of endowment holdings, which is made public on the King's website every June, shows all the individual holdings within each commingled fund. Observers may notice that at certain times, there will be holdings on the list that will test the spirit and expectations outlined in the SRIPG. It is important to understand, as previously stated, that the endowment cannot divest (or increase exposure) of any of these specific investments as they sit within the larger commingled fund. To remove individual investments, the endowment Manager would be forced to divest from the entire fund. In most cases, this is an untenable approach as the endowment would be subject to unreasonable investment concentration and a lack of diversification, which puts the endowment and the financial future of the university at considerable risk.

It is important to note that while total fund divestment is challenging for the stated reasons, in March of 2024, the Investment Committee gave direction to the Manager to divest of one of the commingled funds. This was done as there was consensus that the fund included holdings that were clearly outside of our expected values, and in conflict with the SRIPG. The holdings that were specifically targeted for

divestment were weapon manufacturers. The investment Committee continues to monitor all the other commingled funds, however, further divestment would result in the endowment being too concentrated thereby increasing the overall risk and violating fiduciary obligations as noted in the SRIPG.

Further, recognizing the divestment may not always be possible or practical, the SRIPG goes on to state:

“We believe, in most situations, that engagement is a superior approach to divestment in effecting changes on ESG issues.”

In support of this approach of engagement, the Investment Committee does monitor and discuss with the investment management team at TD on an ongoing basis how the investment manager is evaluating companies through an ESG lens. This includes discussion of how it is using its voting power and access to portfolio company management to encourage portfolio companies, particularly those in industries like natural resources where ESG practices may not have been historically strong, to effect transitioning to stronger ESG practices and potentially to lead the economy to a low-carbon, ESG-positive future. In summary, and on behalf of the Investment Committee, we remain focused on being the responsible steward of capital to ensure that Canada's oldest chartered university has a bright future while navigating a challenging investment environment and continuing our commitment to be as closely aligned as possible to the values of our SRIPG. As ever, we continue to welcome the input and participation of the student body, faculty, staff, alumni and the broader King's community as we work together to secure King's financial future.

Respectfully,

A handwritten signature in black ink, appearing to read 'Stuart', with a stylized flourish at the end.

Stuart Pattillo

Chair of the Investment Committee, Member of the Board of Governors