



Investment Policy

OBJECTIVE

The objective of the present policy is to set forth the principles governing management and investment by the Corporation of amounts it may receive from governmental authorities from time to time (the "Amounts").

1. MANAGEMENT OF THE AMOUNTS

- 1.1. The Corporation shall invest and manage the Amounts in accordance with the present policy which a prudent person would follow in making investment decisions with respect to property belonging to others¹.
- 1.2. The prudent person or prudent investor principle shall always guide investment decisions and, in case of conflict between such principle and any provision of this Investment Policy, the prudent person or prudent investor principle shall prevail.
- 1.3. The Corporation shall establish an investment committee (hereinafter referred to as the «Committee») that oversees all matters related to the investment management of the Amounts. The Committee should be composed of at least three directors who are not officers or employees of the Corporation. Members of the Committee shall be financially literate and have broad knowledge or experience in investment matters.²
- 1.4. The Committee shall recommend to the Board for its approval, the appointment of one or more independent, external investment advisors to provide investment advice. The Committee may also recommend to the Board the appointment of one or more professional portfolio managers to invest the Amount in a manner consistent with the approved Statement of Investment Policy and the investment strategy.³

2. INVESTMENT OF THE AMOUNTS

- 2.1. The Committee shall ensure that the principal amount of the Amounts that has not been disbursed or committed, be invested in accordance with the present policy and the prudent person principle set out in Section 1.1. Investment decisions shall be made with the principal objective being the preservation of the capital to meet future disbursement requirements.⁴

3. INVESTMENT GUIDELINES

- 3.1. The Corporation shall invest any grant it may receive, from time to time, in securities which are within those classes and permitted investments ("Eligible Securities"), subject to quantitative limits, as specified herein.
- 3.2. The deemed rating (the "Rating") of any Eligible Security will be established, at the time of acquisition by the Corporation of the Eligible Security, as:
 - 3.2.1. "AAA" if the Eligible Security has such a rating from two credit rating agencies (one of which must be Moody's or Standard & Poors ("S&P"), if available, and the other of which must be either the Canadian Bond Rating Service ("CBRS") or the Dominion Bond Rating Services ("DBRS"), and that security has the following ratings:

¹ Source : Amended and Restated Funding Agreement entered into on March 30, 2005 by and between Her Majesty the Queen of Right of Canada, as represented by the Ministry of Industry and Genome Canada (the "Amended Funding Agreement"), art. 4.1

² Idem, art. 4.2

³ Idem, art. 4.5

⁴ Idem, art. 4.3 (a)

Commercial Paper	CBRS	A-1+
	DBRS	R1 (High)
Other Securities	CBRS	A++
	Moody's	Aaa
	S&P	AAA
	DBRS	AAA

3.2.2. "AA" if the Eligible Security has such a rating from two credit rating agencies, one of which must be Moody's or S&P, if available, and that security has the following ratings:

Commercial Paper	CBRS	A1 (High)
	S&P	A1+
	DBRS	R1 (Middle)
Other Securities	CBRS	A+
	Moody's	Aa
	S&P	AA
	DBRS	AA

A designated rating shall include all sub-classifications. For instance, a "AA" rating by S&P shall include "AA-", "AA" and "AA+".

3.2.3. "A" if the Eligible Security has such a rating from two credit rating agencies, one of which must be Moody's or S&P, if available, and that security has the following ratings:

Commercial Paper	CBRS	A1 (Low)
	S&P	A-1
	DBRS	R1 (Low)
Other Securities	CBRS	A
	Moody's	Aa3,A1, A2
	S&P	AA-, A+, A
	DBRS	AAL,AH,A

3.3. All securities will be denominated in Canadian dollars⁵.

4. QUANTITATIVE LIMITS ON INVESTMENT HOLDINGS

4.1. Investments in the Eligible Securities of any one issuer, or two or more affiliated entities shall be limited to no more than ten per cent (10%) of the investment portfolio's assets of the Corporation⁶.

4.2. Section 4.1 hereof does not apply in respect to:

4.2.1. investments in Eligible Securities issued by the Government of Canada or the government of a province, or Eligible Securities that carry the full faith and credit of either⁷; and

4.2.2. any index, segregated, mutual or pooled fund⁸.

⁵ Idem, art. 4.8

⁶ Idem, art. 4.7(a)

⁷ Idem, art. 4.7(b)(i)

⁸ Idem, art. 4.7(b)(ii) – Note : not a permitted investment under Section 6

- 4.3. Investments in the Eligible Securities with a credit Rating of “A” (including all sub-classifications of this Rating category) by at least one of the recognized credit rating agencies shall be limited to no more than twenty per cent (20%) of the investment portfolio’s assets of the Corporation⁹.
- 4.4. Investments in the Eligible Securities with a credit Rating of “AA” (including all sub-classifications of this Rating category) by at least one of the recognized credit rating agencies shall be limited to no more than seventy per cent (70%) of the investment portfolio’s assets of the Corporation¹⁰.
- 4.5. Investment in Eligible Securities that are not issued by, or carry the full faith and credit of either the Government of Canada or the government of a province shall be limited to no more than eighty per cent (80%) of the investment portfolio’s assets of the Corporation¹¹.

5. LIQUIDITY AND MATURITIES OF THE ELIGIBLE SECURITIES

- 5.1. The maturities and terms of investments shall match the profile of the Corporation’s forecasted disbursements and liquidity requirements. In cases where the timing of disbursements is unknown, investments shall be held in Eligible Securities with term to maturity of one (1) year or less¹².

6. PERMITTED INVESTMENTS

- 6.1. The following constitute permitted investments¹³:
 - 6.1.1. bank certificates of deposit¹⁴;
 - 6.1.2. banker’s acceptances¹⁵;
 - 6.1.3. treasury bills, commercial paper and other short-term securities, bonds and notes issued by the Government of Canada, the government of a province, the municipal governments and corporations¹⁶;
 - 6.1.4. asset-backed securities¹⁷; and
 - 6.1.5. mortgage-backed securities¹⁸.

7. PROHIBITED INVESTMENTS AND TRADING ACTIVITIES

- 7.1. The Corporation undertakes not to engage or invest in the following¹⁹:
 - 7.1.1. equities or shares issued by any corporation²⁰;
 - 7.1.2. hedge funds or funds of hedge funds²¹;
 - 7.1.3. fixed-income instruments rated below A- by S&P or Fitch Ratings, A3 by Moody’s or A-low by DBRS²²;
 - 7.1.4. derivatives or any instruments that have derivative holdings or features²³;

⁹ Idem, art. 4.7(c)

¹⁰ Idem, art. 4.7(d)

¹¹ Idem, art. 4.7(e)

¹² Idem, art. 4.9

¹³ Idem, art. 4.10

¹⁴ Idem, art. 4.10(a)

¹⁵ Idem, art. 4.10(b)

¹⁶ Idem, art. 4.10(c)

¹⁷ Idem, art. 4.10(d)

¹⁸ Idem, art. 4.10(e)

¹⁹ Idem, art. 4.11

²⁰ Idem, art. 4.11(a)

²¹ Idem, art. 4.11(b)

²² Idem, art. 4.11(c)

²³ Idem, art. 4.11(d)

- 7.1.5. non-marketable securities²⁴;
- 7.1.6. commodities²⁵;
- 7.1.7. repurchase agreements against securities which are not permitted to be held in the portfolio²⁶; and
- 7.1.8. margin transactions or any form of leveraging²⁷.
- 7.2. The Corporation shall not invest in securities that are not denominated in Canadian Dollars.²⁸

8. LONG-TERM OBJECTIVES AND EXPECTATIONS AND RISK MANAGEMENT²⁹

- 8.1. Investment Objective – It is the objective of the Investment management to outperform inflation, and preserve capital with low risk investments.

9. DIVERSIFICATION POLICY AND ASSET ALLOCATION STRATEGY³⁰

- 9.1. Investment will be diversified to prevent adverse effects of any given investment from unduly penalizing the overall portfolio performance. Diversification is interpreted to include different types, characteristics, and numbers of investments.
- 9.2. Asset allocation – The portfolio shall usually be structured with the following guidelines :

Asset Class	Minimum	Maximum
Short Term	0 %	100 %
Bonds		
<ul style="list-style-type: none"> • Canada's (including securities guaranteed by the Government of Canada) 	- %	100 %
<ul style="list-style-type: none"> • Provincial's 	- %	100 %
<ul style="list-style-type: none"> • Corporate (including asset and mortgage backed securities) 	- %	40 %

10. LENDING OF CASH OR SECURITIES³¹

- 10.1. Lending of cash or securities is not allowed under the present Investment Policy.

11. PERFORMANCE MEASUREMENT AND MONITORING PROCEDURES³²

- 11.1. The responsibilities, duties and authority of the Investment Committee include the following:
 - 11.1.1. Oversight of the performance of the portfolio and the investment manager according to the guidelines and principles enumerated above.
 - 11.1.2. Hire outside professional investment advisor(s) at the Committee's discretion.
 - 11.1.3. Conduct quarterly meetings to assess the portfolio's investment position and modify it if appropriate;
 - 11.1.4. Provide the Board with a quarterly report which documents the monitoring activities of the Investment Committee and documents the compliance with the approved

²⁴ Idem, art. 4.11(e)
²⁵ Idem, art. 4.11(f)
²⁶ Idem, art. 4.11(g)
²⁷ Idem, art. 4.11(h)
²⁸ Idem, art. 4.8
²⁹ Idem, art. 4.4(a)(i)
³⁰ Idem, art. 4.4(a)(ii)
³¹ Idem, art. 4.4(a)(viii)
³² Idem, art. 4.4(a)(ix)

guidelines and the Investment Policy and comparison of performance against accepted indices benchmark, such as the Scotia Capital 182 day T-Bill index and the Scotia Capital 365 day T-Bill index.

12. INVESTMENT STRATEGY³³

- 12.1. Investment Philosophy – Primary emphasis shall be placed on safety of principal by minimizing risks from either market or credit factors and optimizing returns as a prudent investor.
 - 12.1.1. The investment manager should act as an active, pragmatic investor for all market conditions. Their broad investment philosophy should consider that :
 - 12.1.1.1. markets are often inefficient in the short term and therefore the investment manager should be active;
 - 12.1.1.2. inefficiencies exist at the macro economic sector and security level and therefore the investment manager should seek to add value through analysis of duration, credit bands, curve positioning and individual security selection;
 - 12.1.1.3. economic and business cycles are the primary determinants of value change and hence analysis of these should be at the core of their investment process;
 - 12.1.1.4. the investment manager should seek to outperform both the market and their peer group;
 - 12.1.1.5. the investment manager should focus on Genome Canada's longer-term investment requirements.

13. CONFLICT OF INTEREST

- 13.1. The Committee shall ensure that all investment advisors or portfolio managers who are involved in the investment and management of the Amount disclose in writing, on a timely basis, the nature and intent of his/her interest, including any material interest in any entity that is a party of a transaction with the Corporation³⁴, as well as any other matters requested from all Directors and Officers of the Corporation pursuant to the Confidentiality and Conflict of Interest Policy of the Corporation which applies mutatis mutandis to the aforementioned advisors and managers.

14. REVIEW OF POLICY

- 14.1. The Board of Directors of the Corporation shall periodically review the present Management and Investment Policy but no less frequently than annually³⁵, specifying permitted transactions, risk limitations for all markets and credit risks faced by the Corporation as well as levels of authority of officials who can commit the Corporation to different types of transactions. The Committee shall ensure that the Board of Directors is regularly made aware of any significant financial risks facing the Corporation, including the consequences of potential significant losses on investments of any or all of the Amounts.

³³ Idem, art. 4.4(b)

³⁴ Idem, art. 4.6(a)

³⁵ Idem, art. 4.4(a)