



## NBIMC in New Brunswick

*The development of the financial services industry  
and capital markets in the Province*

Updated September 2010

## *Preamble*

The following information outlines the various ways that the NB Investment Management Corporation (NBIMC) has been able to assist in the development of the financial services industry and capital markets in the province of New Brunswick.

First and foremost we contribute by providing investment management services, based in our Fredericton office, that are tailored specifically to the pension funds under our management. We also provide these pension funds with a management fee advantage of approximately one third that of other alternative external fund managers, while at the same time ensuring that a significant portion of these costs are also spent and taxed within the Province versus being transferred to other international investment management centers.

A number of other benefits have also accrued to the Province from our operations. Other than the development of over forty highly skilled knowledge based jobs in the Province, there have been a number of other benefits that have arisen from our governing legislation.

For example we are one of the only Canadian institutional pension fund managers who have consciously designed a separate investment portfolio in which to evaluate local investment opportunities.

It is very important to point out however that all of the actions of NBIMC are conducted in a fiduciary fashion and only within the best interest of the funds under management.

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## *Legislation Governing our Actions*

NBIMC is governed by the NB Investment Management Corporation Act, which in itself outlines that our investment actions are subject to the Trustees Act. The sections relevant to our local activities are outlined below:

## NBIMC Act

<http://www.gnb.ca/0062/PDF-acts/n-06-01.pdf>

### Section 4

The objects and purposes of the Corporation are

- to act as trustee for the funds referred to in subsection 14(1),
- to provide investment counselling services and other services in respect of the funds referred to in section 15,
- to promote the development of the financial services industry and capital markets in the Province, and
- to carry out such other activities or duties as may be authorized or required by this Act or the Lieutenant-Governor in Council may direct.

### Section 10

Board to administer the affairs of the Corporation

The Board shall administer the affairs of the Corporation on a commercial basis and all decisions and actions of the Board are to be based on sound business practice.

### Section 17

Authorized investments

- 17(1) The Corporation shall, except as otherwise specifically provided in the Act or instrument establishing a fund referred to in subsection 14(1), **invest the money in those funds in accordance with the Trustees Act.**
- 17(5) In the development and implementation of the statements of investment policies and guidelines, the Corporation shall have regard to investment opportunities in the Province.

## Trustees Act

<http://www.gnb.ca/0062/PDF-acts/t-15.pdf>

### Section 2

Unless a trustee is otherwise authorized or directed by an express provision of the law or of the will or other instrument creating the trust or defining his powers and duties, he may invest trust money in any kind of property, real, personal or mixed, but in so doing, he shall exercise the judgment and care that a man of prudence, discretion and intelligence would exercise as a trustee of the property of others.

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## *Local Investment Programs*

The NBIMC Board has approved, within the Investment Policies of the Funds under management, the ability to invest in local opportunities that meet our risk adjusted return expectations. As outlined in a specific policy section (included below) all investments in these portfolios must fit within our duty as Trustee and Fiduciary for the funds under management.

### Section D.5

#### Local and Regional Investments

As a New Brunswick-based investor, NBIMC will use its geographic advantage to make investments within the Province and the Atlantic region that suit the Corporation's risk and return requirements as well as its fiduciary duties. When considering New Brunswick and regional investments not eligible under paragraph D.4 (Permissible Investments), the following criteria apply:

- In aggregate, investments will not exceed 2.0 percent of total fund assets, measured at book value;

- Any individual investment will not exceed 0.5 percent of the total fund assets, measured at book value; and
- The Corporation's commitment will normally not exceed 33.3 percent (one third) of the funds raised from the company's investors and will be on the same terms as the other participants.

These investments will require approval from the NBIMC Board of Directors.

All investments made under this mandate are to be recorded at fair value following the procedures adopted by senior management and contained in Valuation Policies (December 2007); all values are to be reviewed and updated at least annually.

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From an operational perspective we have created two separate portfolios: The N.B. Fixed Income Portfolio can invest up to 1% of assets in local debt based opportunities, while the Atlantic Opportunities Private Equity Fund can invest up to 1% of assets in local equity (or quasi-equity) based opportunities. The Atlantic focus, with respect to the equity fund, allows us to encourage co-investment alongside us in New Brunswick from other Atlantic Canada based investors by allowing us to be able to reciprocate in kind by investing in good opportunities where they may be looking for a partner in their home region.

NBIMC has invested to date approximately \$70 million in direct private equity with 11 New Brunswick based companies since the inception of the Corporation. More importantly these investments were co-invested alongside another approximately \$400 million in equity capital from other investment partners for a total injection of approximately \$470 million in local opportunities. In terms of our debt investment activity, NBIMC has invested approximately \$47 million with 5 New Brunswick opportunities over the same period.

Co-investment plays a significant role in our investment activities. It provides an additional level of due diligence expertise in evaluating investment proposals, an element of risk sharing, and the

potential to provide additional follow-on investment capital as companies grow. As important, we have co-invested in New Brunswick with at least five like-minded U.S. based private equity investors, each of who had never invested in the province before. A good investment experience will encourage these funds to become more involved in New Brunswick opportunities and therefore provide a more long-term sustainable source of equity capital.

It is also important to point out that NBIMC takes an active role with these types of investments. Due to the private nature of their activities, a great degree of oversight is required in monitoring their performance. We also attempt to take a proactive role in helping these companies fulfill their business plans and resource needs.

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### *University of New Brunswick - Student Investment Fund*

<http://www.unb.ca/fredericton/business/students/bba/flagship/sif.html>

NBIMC is proud to be one of the founding partners in the creation of the Student Investment Fund (SIF) with the University of New Brunswick's Faculty of Business Administration in 1998. NBIMC allocated an initial \$1 million of fund capital to the program to be invested by SIF program students in-line with a rigorous set of Investment Policies. The program also provides students with a structured study program that prepares them for writing the industry standard Chartered Financial Analyst Level One proficiency exam.

Along with the initial capital contribution, NBIMC has continued to provide the SIF with annual financial operating aid, staff support through lectures and field trip access, portfolio trading, accounting, and compliance and risk management services.

We are very pleased with the positive national exposure that the program has received in recent years and the success rate of its graduates. More importantly NBIMC has been privileged to have been able to provide employment opportunities to 18 of the program graduates since the program's inception.

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## *Local Service Firms*

The Corporation relies on local firms to provide specialized investment and capital markets services. For example Louisbourg Investments in Moncton has provided long standing investment management services with respect to Canadian public small capitalized company equity investments.

Legal services are conducted through a New Brunswick based law firm, and we rely on the local offices of two national accounting firms to provide both internal and external audit services that are specific to our business needs. More general consulting services for strategic planning facilitation, human resources, and information technology needs are sourced locally as much as possible.

The continued exposure and experience gained by local firms in servicing our requirements should obviously be helpful to other capital market related needs that will occur throughout the Province in the future.