

Approved by the Nikau Board, 20 April 2015

NIKAU FOUNDATION

STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

20th April 2015

1. Purpose

The purpose of the Statement is to:-

- a) Outline the policies and objectives that provide for the prudent investment of the assets of the Nikau Foundation.
- b) Set down policies that will underpin the preservation of the capital value of all investments while delivering satisfactory returns.
- c) Provide for the effective management of the investments by defining the role and responsibilities of the Trustees, establishing investment performance objectives, defining the investment constraints to be observed by the Trustees and ensuring adherence to such constraints.

2. Investment Philosophy

- a) The level of investment risk accepted by the Trustees will be reflected in the selection of investments, the underlying security and quality, the income and the capital gain, if any, of these investments. The investment policy will foremost reflect a desire to preserve the value of the Foundation's assets.
- b) In order to meet the Foundation's obligations and cashflow requirements sufficient funds should be invested in readily negotiable investments.
- c) The investment constraints placed on the Trustees are not designed to interfere with their ability to best manage the investment or to reduce the Foundations' ability to take advantage of market conditions.

3. Objectives

Background

- a) The Foundation is established under the auspices of the Trust Deed dated 20 December 1991 and the Variation Deed dated 10 February 2006.

Clause 1 extracts state as follows:-

- (d) Existing "Sub Trusts" means all sub trusts in existence as at the date of the deed.
- (f) "Foundation" means the perpetual public charitable trust established pursuant to the original trust deeds and extends to a sub trust or a specifically designated trust administered under the provisions of this deed.

"Sub Trust" means a trust for a specified authorised charity or charitable purpose.

Clause 4.2 and 4.3 provide:

“Subject to nomination by the donor testator or other benefactor the Board is empowered to invest or apply or deal with the property and any income from it in any way”

“In which the Board is empowered to invest or apply or deal with a Trust Fund under the powers in this deed.”

The investment objectives of the Foundation are accordingly detailed as follows:-

- I. To act as a focal point for the receipt of monies intended to be held in a trust/s, sub trust/s, or the Foundation and then invested on behalf of the trust/s, sub trust/s, or the Foundation.
- II. To invest the funds in a prudent manner.
- III. To develop investment policy guidelines recognising fiduciary responsibilities, adhering to the trustees’ responsibility under common law and statute.

4. Investment Policies

- a) To invest in compliance with the trust deeds of the Foundation, and in accordance with the trust deeds of any sub trusts or the wishes of donors.
- b) To preserve capital values, in real terms, over time.
- c) To invest in a manner to provide the liquidity necessary to meet all the Foundation’s cash requirements.
- d) To invest any monies received in advance from grants, or from organisations / individuals supporting the Foundation’s operational costs in interest bearing deposits with any one or more major registered banks, or their wholly owned subsidiaries in New Zealand, as approved by the Trustees from time to time, or government guaranteed deposits.
- e) To invest trust, sub trust and Foundation funds in accordance with the respective trust deeds and any nominations by the donor testator or benefactor.

Where no such nomination is provided then investment of the Funds should be on the basis of the guidelines outlined in this statement.

- f) To manage investment risk by appropriate diversification within and between asset classes, subject to a) and e) above.
- g) To comply with all applicable legislation requirements in taking investment decisions.
- h) To ensure that the Foundation’s assets are invested in a prudent manner.

5. Investment Guidelines

- a) Investments should be on the basis whereby consideration is given to preservation of capital, in real terms, over time.

- b) The investment portfolio weightings should be balanced as far as possible between investment classes, or otherwise as determined by the Board from time to time.
- c) For the purposes of investment all funds will be pooled into one central fund and income will be distributed in proportion to the contribution from each fund. Any specific donor instruction will override this clause.
- d) When making new investments the Trustees will consider ethical issues of the proposed investment.
- e) Investment classes are as follows:-
 - Deposits with the major registered New Zealand trading banks or their wholly owned subsidiaries.
 - Investments in Fixed Income securities in accordance to the below NZ Fixed Income Prudential SIPO Guidelines.
 - Investment in public company listed equity securities in New Zealand or internationally. No investment in a single company shall exceed 10% of the total investment portfolio and no investment in equity shall exceed 20% of the total equity investments.
 - Any other investment that the Board shall approve in line with their responsibilities. This could include placing funds with a fund manager or with a specific unit trust or similar such investment.

Initially it is not envisaged that the Foundation will invest directly in property, unless otherwise determined by the Board.

Where fund managers are employed it shall be their responsibility to ensure that the funds provided to them are managed in accordance with the terms of their mandate.

f) NZ Fixed Income Prudential SIPO Guidelines:

Security Type	Aggregate Exposure to Single Issuer per Categorisation	Aggregate Portfolio Exposure per Categorisation
NZ Government Debt	100%	100%
NZ State Owned Enterprises Debt	35%	75%
NZ Registered Bank Debt	35%	75%
NZ Local Government Debt	N/A	75%
IG Rated NZ Local Government Debt-	35%	75%
Non-IG Rated NZ Local Government Debt	20%	60%
Corporate Debt	N/A	75%
IG- Rated Corporate Debt	20%	75%
Non-IG Rated Corporate Debt	10%	35%
Unsubordinated IG Rated Registered NBDT Debt	15%	20%
Perpetual (callable & non-callable)	N/A	25%
IG- Rated Supra, Sovereign, Agency Debt	35%	75%
Subordinated Ranking Securities	N/A	50%
IG Rated Subordinated Securities	N/A	50%
Non-IG Subordinated Securities	N/A	20%

g) Benchmarked Investment Guidelines:

Moderately Conservative

Asset Class	Minimum	Benchmark	Maximum
NZ Cash	0%	5%	15%
NZ Fixed Interest	40%	50%	60%
NZ Listed Property (Growth)	0%	6%	11%
NZ Equities (Growth)	12%	22%	32%
International Equities (Growth)	7%	17%	27%
Alternative Investments (Growth) (eg Private Equity or NZ Alpha Fund)			5%
Allocation to growth assets	35%	45%	55%

These guidelines are intended to prescribe the portfolio structure over the longer term as the fund grows. It is recognised that the current small size of the fund may cause the structure to vary from these guidelines with a greater weighting to the more conservative asset classes.

Where specific investments criteria are imposed by the donor of a fund the investments held in compliance with these criteria will be excluded from calculations for compliance with the above guidelines.

Where the above exposure limits are breached in respect of an individual security through day to day market movements it is envisaged that they may be rebalanced upon the introduction of new funds rather than short term adjustments being made to investment holdings. Such movements, where material, shall be kept under review.

Where exposure to an asset class falls outside the range rebalancing will be required.

6. Reporting/Monitoring

- a) The Investment Committee of the Board shall monitor the Foundation's investments and cash position on a quarterly basis.
- b) The Investment Committee shall be three Nikau Foundation Trustees plus two external members with appropriate financial / investment experience. Until the fund reaches a significant size it is acceptable for only one external member of the sub committee to be appointed.
- c) The Board shall monitor the investment performance of all funds under management on a quarterly basis.
- d) Investments will be revalued quarterly for the purposes of monitoring performance.
- e) This policy will be reviewed at least every two years.

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