



# HAWKE'S BAY FOUNDATION

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## **Hawke's Bay Foundation Statement of Investment Policies and Objectives**

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Adopted: 20 June 2023



# Hawke's Bay Foundation

(the Foundation)

## Statement of investment policies and objectives

This statement summarises the investment policies of the Trustees of the Foundation (Trustees) for the long-term investment of the assets of the Foundation. It is referred to as a SIPO. The intention of the Trustees is to review and update, as appropriate (but at least annually), the SIPO to reflect any change in the Foundation's investment strategies, changes in investment markets and community characteristics, and the Trustees' requirements.

Any change of such policy will be agreed by the Trustees.

The statement is set out as follows:

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### History

Version	Adopted	Comment
1.0	28 October 2014	Initial Sipo
2.0	9 April 2019	General update & strengthening of RI policy
2.1	1 April 2020	General update
2.2	16 April 2022	General update
3.0	20 June 2023	Move to a DIMS portfolio

## **1. General**

### **1.1 Background**

The Foundation is registered as a charity with the Charities Services.

The Foundation is a community foundation with the underlying principle that responsibility begins at the local level. It provides a vehicle for individuals, families, companies and groups to endow local charitable organisations. It also acts as an investment vehicle for other charities and organisations.

Donations and legacies given to the Foundation that are held in the Endowment Fund will be invested prudently and in perpetuity with income being distributed for designated charitable purposes and, as appropriate, the wider community.

### **1.2 Taxation**

The Foundation's investment income is subject to normal taxation rules for charitable Foundations. Therefore, the Foundation does not expect to pay income tax on the investment income earned on its assets.

### **1.3 Balance date**

The balance date of the Foundation is 31 December.

### **1.4 Primary objectives**

The primary objectives underlying the investment policies for the Foundation are:

- a) To ensure that the assets of the Foundation are invested prudently, consistent with the Foundation's purposes.
- b) To ensure that money is available for distribution, as required, to meet the granting policies.
- c) To maximise the funds available for distribution over the long-term.
- d) To generate income from the investment of the assets consistent with the intended short-term distributions.
- e) To maximise the returns available to support the work of the Foundation.
- f) To grow the assets of the Foundation, over the medium-term and maximise the long-term value of the assets in real terms.

### **1.5 Grants policy and fees**

The grants policy of the Foundation is to target distributions each year at 4.0% of the endowment funds.

The targeted level of distributions will be reviewed from time to time, as market conditions vary, the priorities of the Foundation change and opportunities to meet the Foundation's purpose arise.

In addition, the Foundation takes a fee of 1% of the average value of the Fund each year for its operating costs (not including the Investment Manager's fee).

1.6 **Return requirements**

The return requirements of the Trustees is to achieve a real return after inflation and investment and other expenses (including the 1% fee of the Foundation) of at least 2.50% per annum measured over a rolling five-year period.

1.7 **Temporary departures from this statement**

The Trustees recognise that circumstances will occur which require a departure from the guidelines set out in this SIPO. Any such departure requires the prior approval of the Trustees.

## **2. Management**

### **2.1 Trustees' responsibilities**

The Trustees meet regularly, and investments is a specific agenda item at each meeting.

### **2.2 Investment Committee**

The Trustees have constituted an Investment Committee to act on their behalf and undertake day to day oversight of the Foundation's investments and fulfil any functions with respect to the Foundation's investments, including:

- a) Implementing the Trustees' investment policies.
- b) Overseeing the appointment of the Investment Manager and managing that relationship.
- c) Advising the Trustees of required changes or issues regarding the Foundation's assets.
- d) Reporting to the Trustees on the performance of the Foundation's assets on a basis agreed with the Trustees.

The delegation of duties and functions to the Investment Committee does not absolve the Trustees of their responsibilities with respect to the management of the Foundation's assets.

### **2.3 Investment Manager**

The Trustees have engaged an investment manager (Investment Manager) with delegated discretion to manage the day-to-day decisions in relation to the Foundation's investments, in accordance with this SIPO.

The authority delegated to the Investment Manager is documented in a mandate that covers delegated discretion, performance evaluation, reporting, and the investment guidelines and requirements appropriate, to ensure the Foundation's Investments are managed within the guidelines of this SIPO.

In addition, the Investment Manager appointed may:

- a) Not hold, without prior disclosure to the Trustees, any investment in its own company, its parent or any subsidiary and must disclose any investment in associated companies.
- b) Not delegate to another investment manager.
- c) Exercise any voting rights in respect of the Foundation's investments, If it does so it must exercise those voting rights in the best interests of the Foundation.

The Trustees in consultation with the Investment Committee, may change the Investment Manager.

### 3. Investments

#### 3.1 Investment philosophy and beliefs

The investment philosophy and beliefs of the Trustees (alongside the Trustees' Primary Objectives set out in clause 1.4 and the Responsible Investment Policy set out in clause 3.5) will denote a perpetual fund, with the real value of capital (after inflation and investment expenses and other expenses) preserved in the long term and requiring regular cash distributions to fulfil its beneficial purposes.

- a) The level of investment risk accepted by the Foundation will be reflected in the selection of investments, the underlying security, and the total expected returns of those investments.
- b) The investment policy will underpin the preservation of the medium-term real value of the Foundation's assets. While negative investment return years should be expected from time to time, they will not invalidate the maintenance of the longer-term capital objective or potentially limit the ability to continue distributions. The impact of inflation and deduction of the costs of administering the Foundation are considerations.
- c) Distributions may be sourced from time to time from any element of the investments of the Foundation and its investment returns, including investment income, realised and unrealised capital gains and underlying capital.
- d) In order to meet the Foundation's obligations and cashflow requirements sufficient funds should be invested in readily negotiable investments.

3.2 To implement the Foundation's Investment philosophy and beliefs, the assets will be invested based on the following long-term benchmark allocation and will generally be maintained within the ranges indicated. The benchmark and ranges will be reviewed at least annually as circumstances change and will be reassessed as appropriate.

Asset class	Benchmark allocation	Allowable range
<b>Liquidity</b>		
Cash	5.0%	0% - 20%
<b>Income</b>		
Cash	0.0%	0% - 20%
NZ bonds	5.0%	0% - 20%
<b>Growth</b>		
NZ property	5.0%	0% - 15%
NZ shares	30.0%	20% - 40%
Australian shares	30.0%	20% - 40%
Global shares	25.0%	15% - 35%

- 3.3 The following investment guidelines and requirements have been set for prudential reasons to ensure there is an adequate level of security in the investments. They relate to the day-to-day management of the assets and in each case can be deviated from, as appropriate, by the Investment Manager with approval by the Investment Committee.

#### Shares

- a) Investments will generally be publicly listed, widely held securities trading in recognised markets in New Zealand (NZX), Australia (ASX) and other global markets.
- b) While accumulating an exposure to global equities, pooled investment vehicles may be appropriate to obtain diversification in providing exposure to a greater number of entities than would otherwise be achieved through direct investment.
- c) Currency movements associated with overseas equity investments will normally be unhedged. However, hedging is permitted if the Investment Manager (after consultation with the Investment Committee) considers market conditions determine that hedging is prudent.
- d) Except where there is a clear strategic advantage which has been accepted and approved by the Trustees, the Foundation should not hold more than 5% of the shares on issue in any one entity and no direct holding in a single entity should equate to over 5% of the market value of the Foundation's assets.

#### Bonds

- a) Bond investments are not limited to government guaranteed investments and in New Zealand should focus on non-government guaranteed securities where appropriate.
- b) No bonds with a credit rating of less than Standard & Poors BBB- credit rating can be held in the Foundation's portfolio.
- c) No holding of a single government issue should exceed 5% of the market value of the Foundation's assets.
- d) No holding in a single non-government entity should exceed 3% of the market value of the Foundation's assets.

#### Cash

- Cash and cash equivalent investments, with a maximum duration 12 months, shall be invested with organisations with a level of security equal to, or better than, a Standard & Poors AA- credit rating or Moodys or Fitch equivalent. Cash and cash equivalent investments can be implemented through the Foundation's own banking facilities or those offered through the Investment Manager.

#### General

- a) All investments must be prudent investments and shall be made in accordance with the requirements of this SIPO and applicable legislation.
- b) Borrowing is prohibited.
- c) Investments in assets other than those contemplated by this SIPO are not permitted.

#### Pooled investments

Where the Trustees, the Investment Committee or the Investment Manager under its delegated authority, determine that an appropriate investment vehicle is a pooled or managed investment arrangement, it is recognised that the strict application of the investment guidelines outlined in this SIPO may not be possible or be in the overall best interests of the Foundation. Where a pooled vehicle or service is used, the manager of the pooled arrangement or the Investment Manager, as appropriate, shall be required to disclose to the Investment Committee, as soon as practicable, details of any investment that falls outside the guidelines and requirements so that the Investment Committee, can continually reassess the overall suitability of such an investment vehicle.

#### **3.4 Non-traditional investments**

The Foundation may, with the prior approval of the Trustees, invest in assets outside the traditional asset classes of cash/bank deposits, bonds, property and listed equities. Such assets may include private equity, property, venture capital and special opportunity investments. If such an investment was contemplated, then an amendment to this SIPO would be required.

#### **3.5 Responsible investment policy**

The Foundation will not invest in any entity or product where it is expected that in doing so would have a significant detrimental impact on the Foundation's investment reputation.

In this context, the Trustees recognise that there may be some circumstances in which it is appropriate to consider exclusions of a sector or a specific equity investment.

In particular, the Trustees expect the Investment Manager to avoid investing in companies associated with gambling, armaments, alcohol and tobacco or whose activities would be deemed to be unlawful under New Zealand law.



#### 4. Monitoring and review

4.1 The overall performance of the Foundation will be evaluated on an ongoing basis in terms of return and volatility against:

- a) The Foundation's return requirements.
- b) The return, after expenses, of a portfolio with the benchmark asset allocation invested in the market indices used to review the individual asset sector returns.
- c) such other objectives as determined by the Trustees from time-to-time.

4.2 The performance of each sector will be evaluated on a return and volatility basis over the period indicated against the return of the appropriate market index.

Sector	Market index <sup>#</sup>	Evaluation period
<b>Fixed income</b>		
Cash	S&P/NZX Bank Bills 90-Day Index	1 year
NZ bonds	S&P/NZX Investment Grade Corporate Bond Index	3 years
<b>Shares</b>		
NZ	S&P/NZX 50 Index	5 years
Australian	S&P/ASX 200 Accumulation Index (NZD)	5 years
Overseas	MSCI All Country World Index (NZD)	5 years
Property	S&P/NZX All Real Estate Index	5 years
<p><i># Each index will be adjusted for tax slippage as appropriate (e.g. imputation credits) to make the comparison like with like.</i></p>		