



EASTERN BAY COMMUNITY FOUNDATION

Statement of Investment Policy and Objectives (SIPO)

October 2024

1. Background

The Eastern Bay Community Foundation is a Charitable Trust set up to inspire generosity in the Eastern Bay region and provide ongoing support for the charities and community groups that operate in the region.

Except for “pass-through” giving, donors set up a “fund” that is perpetual in nature, with the return generated from investment assets purchased with this capital, utilised to fund charities in the region. These individual donor funds are pooled for investment management purposes (“the Fund”) and invested in accordance with this Statement of Investment Policy and Objectives (“SIPO”), which aligns with the purpose.

The Foundation’s pooled Fund is projected to grow indefinitely into the future. The goals and objectives of the Foundation are strongly linked to the performance of the Fund.

Returns generated by the Fund will be utilised by the Foundation to:

1. Pay distributions to the nominated charities of the Foundation; and
2. Pay administration and third-party expenses of the Foundation.

The Foundation shall appoint Investment Managers to provide advisory, transaction, management or custodial services (or a combination of these).

Investments shall be within the agreed allocations of this SIPO

2. Purpose

- a) To outline the policies and objectives that provide for the prudent investment of all the assets of Eastern Bay Community Foundation (“the Foundation”), and
- b) Set down policies that will underpin the preservation of the long-term capital value of all investments while delivering satisfactory returns, and
- c) Provide for the effective management of the investments by defining the role and responsibilities of the Foundation Trustees, the Investment Committee and any appointed investment managers and advisers. Establish investment performance objectives. Define the investment constraints to be observed by the Foundation and ensuring adherence to such constraints.

3. Investment Philosophy

- a) The investment philosophy of the Foundation will denote a perpetual fund, with capital preserved in the long term and requiring regular cash distributions to fulfil its beneficial purposes.
- b) 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 these investments.

- c) 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.
- d) 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.
- e) In order to meet the Foundation's obligations and cashflow requirements sufficient funds should be invested in readily negotiable investments.
- f) The investment guidelines are not designed to interfere with the Foundation's ability to best manage the investments or take advantage of market conditions.

4. Investment Policies

- a) To achieve an average rate of return of at least 3.5% p.a. after fees, expenses, inflation, and tax (if any) over the longer term.
- b) To preserve capital value, in real terms, over the longer term.
- c) To invest in a manner to provide the liquidity necessary to meet all the Foundation's cash requirements.
- d) To manage investment risk by appropriate diversification within and between asset classes
- e) To comply with all applicable legislation requirements in taking investment decisions.
- f) To invest the Foundation's assets in a prudent manner.

5. Responsible Investment Policy

The Foundation will not intentionally invest in companies that produce goods or services that cannot be used responsibly or that cause widespread harm. The Fund will be managed with a Socially Responsible Investment Framework which reflects the Foundations Vision.

We also consider a company's conduct. If a firm demonstrates a sustained lack of integrity, we will not consider it as a possible investment.

6. Roles of Participants in Investment Management

- a) The Trustees have the ultimate authority over and responsibility for the Fund
- b) It is acknowledged that the Trustees have the power to invest all or any part of the Trust Fund in any way permitted by law and in such manner and upon terms as the Board thinks fit (Clause 8.2 of the Deed of Trust)

- c) The Foundation will establish and maintain its investment policies in this SIPO.
- d) The Foundation will appoint an Investment Committee to act on its behalf and undertake and fulfil any of its functions and powers as set out in the terms of reference for such Committee from time to time.
- e) The Foundation will engage and monitor the performance of any agents sub-contracted to perform investment or property management on its behalf, including ensuring that investments are managed in compliance with the SIPO.
- f) The Foundation has decided that it will engage investment managers in respect of the Securities.
- g) The Managers, if any, of the Securities Portfolio and the Direct Asset Portfolio will manage those assets in compliance, respectively, with the SIPO and will report to the Foundation on a regular basis, according to reporting requirements established by the Foundation.
- h) The managers' mandates will formally be reviewed by the Foundation at least biennial.
- i) The Investment Manager will be available for meetings with the IC on a quarterly basis or more frequently if required by the IC, and will be available for discussion and consultation on an ad-hoc basis. In addition, the Investment Manager will be available for meetings with the Trustees as required.

Craigs Investment Partners (CIP) were appointed October 2021 as the Investment Manager for the Foundation.

7. Custodian

Custody of the Fund's assets, with the exception of bequeathed assets that sit outside the SIPO, will be delegated to a trustee company or other financial institution similarly recognized as a depository for securities.

The Custodian will report to the Foundation and will:

- Provide safekeeping for Fund assets;
- Process authorised transactions as directed by the IC or via an appointed and authorised Investment Manager;
- Collect interest, dividends, distributions and the proceeds of cash equivalent and fixed income instrument maturities;
- Inform the Investment Manager of pending corporate actions (e.g. name changes, mergers, etc.) and process instructions related to such matters;
- Deposit and transfer funds and payment of expenses as directed by the Foundation;

8. Strategic Asset Allocation

The strategic asset allocation of the Foundation is:

Asset Class	Target Portfolio %	Minimum %	Maximum %
NZ Equities	21%	11%	31%
Australian Equities	14%	7%	21%
International Equities	33%	23%	43%
Property	3%	0%	8%
Alternatives	4%	0%	9%
Commodities	0%	0%	5%
Interest in Diversified fund	0%	0%	20%
Other	0%	0%	5%
Total Growth Assets	75%	65%	85%
Fixed Income	16%	6%	26%
Cash	3%	0%	20%
International Fixed Income	6%	0%	11%
Total Income Assets	25%	15%	35%

9. Investment Constraints

- i) The Eastern Bay Community Foundation is a registered Charitable Trust. Its year end is 31 March.
- ii) The Foundation is registered with the Inland Revenue as a Charitable Trust and the Fund is exempt from income tax.
- iii) The Foundation is perpetual in nature, and therefore the Fund enjoys a long-term investment horizon
- iv) The Fund requires sufficient liquidity to support its annual distribution objectives. The IC must ensure there is sufficient Fund liquidity to support the distributions as determined by the Trustees.

10. Growth Objective:

The Foundation is primarily looking to achieve moderate to high returns, accepting this may result in fluctuations in the portfolio value. Over the long run, this Growth portfolio is expected to provide a total gross return of 4.0% to 5.0% per annum. There is potential for a negative return in 7.2 out of every 20 years.

11. Income objective:

Our aim is to distribute up to 4.0% by way of income annually to each fund’s designated recipients with an additional 1.0% transferred to our Operations Account for the annual administration fee. In years where the fund returns more than 5.0% any additional return will be retained in the fund for reinvestment and to provide a buffer for any years where the fund returns less than 5.0% to allow for a consistent level of distribution. In addition to these objectives, we will aim to protect the portfolio against the effects of inflation, maintain appropriate liquidity and ensure a prudent level of diversification.

12. The Foundations Risk Profile

Investing requires a balance between risk and return. The key is determining what level of investment risk the Beneficiaries can tolerate. The Trustees have reviewed their return requirements to fund ongoing distributions and grow the capital of the portfolio and have approved a change in asset allocation. The new asset allocation is Growth, made up of 75% Growth investments and 25% Income investments. The Trustees have agreed to use the standard CIP benchmark asset allocation for a Growth portfolio.

The risk profile for such a Growth setting is outlined below:

Risk Profile	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive
Asset Allocation	Conservative	Balanced Income	Balanced	Growth	High Growth

Moderately Aggressive , the Trustees prefer higher returns and will take risks to achieve

13. Return on Investments

The long-term investment objectives of the Fund are:

- To preserve the nominal value of the Fund, with a preference for maintaining the real value over time;
- To generate sufficient return within the Fund on a rolling annual basis to:
 - Cover the administration expenses of the Fund, including the Investment Manager’s fees and charges;
 - Contribute to the operating expenses of the Foundation; and
 - Provide sufficient long term returns to enable the Foundation’s charitable distributions.

14. Risk Tolerance

The IC and the Trustees of the Foundation acknowledge the long-term investment objectives of the Fund and understand and accept that short-term investment market volatility may impact Fund valuations in the short term.

The Fund shall seek to minimise investment risk, to the extent possible, in achieving the Fund objectives, recognising the benefit of charitable status with respect to taxation.

The expected long-run annual risk (as measured by the standard deviation) of the Fund is based on the asset allocation. There is a tradeoff between risk and return. Portfolios that

hold a larger portion of growth assets have a higher expected return over the long run, but are also higher risk, as returns are more volatile. Therefore based on assumptions, over the long term this portfolio is expected to generate a gross total return before fees/tax of approximately 4.0% to 5.0% per annum. This return comprises two parts - the expected yield (income from interest and dividends) and expected capital gain (from security price movements).

15. Reporting/Monitoring

The Investment Committee will monitor the Foundation's investments in a timely manner and similarly report to the Foundation

- b) The Foundation will regularly monitor the investment performance of all funds under management against relevant market benchmarks (where available).
- c) Investments will be revalued as appropriate for the purposes of monitoring performance and accounting reporting standards.
- d) This policy will be reviewed at least biennially prior to the end of each financial year.

16. Rebalancing the portfolio / SIPO limit breaches

Asset Allocation:

The Investment Committee has delegated authority to position the portfolio within the asset class ranges specified in this SIPO. Where the Securities Portfolio asset class exposure limits are breached through "market to market" valuation movements, the Investment Committee will rebalance the portfolio back within the allowable ranges within one month of the breach being recorded unless otherwise an extension to this timeframe is agreed.

Individual Securities:

Where the exposure limits are breached in respect of an individual security through day-to-day market movements or fund flows into or out of the portfolio it is expected that the Investment Committee will correct any position within one month unless otherwise an extension to this timeframe is agreed.

General provisions:

Where the breach of an exposure limit occurs other than due to market valuation movements or as a result of fund flows in the case of individual securities, the Foundation is to be informed within five working days of the deviations that exist in the portfolio and the Investment Committee's intended actions to correct the position. Individual securities held but which fall outside guidelines can be retained for longer periods than those specified above in order to protect the performance of the portfolio and its orderly management on agreement between the Investment Managers and the Foundation.

17. Conflict of Interest

Where any party to this SIPO has a conflict of interest, it must advise the IC of the relationship and extent of such conflict. The IC will then determine the appropriate course of action.

Adoption of Statement of Investment Policy and Objectives

The Trustees of the Foundation adopted this Investment Policy Statement

Date	Action	Signed
00/00/2024	SIPO Adopted	