



Statement of Investment Policy and Objectives (SIPO)

Endowment Investment Pool (EIP)

INTRODUCTION

This statement of Investment Policy and Objectives (the SIPO) prepared by the Trustees of the Massey University Foundation sets out the objectives, constraints, policies, beliefs and governing decisions about investments in relation to the assets in the Endowment Investment Pool (EIP). It is anticipated that this Statement will be in effect until modified, but the Board will make revisions at such time as they determine in order to better meet the Foundations' investment objectives. However the board will review this SIPO annually to ensure its continued appropriateness.

This SIPO takes account of:

- the Trust Deed constituting the Trust;
- The Trustee Act 1956
- Charitable Trusts Act 1957
- Charities Act 2005

BACKGROUND

The Massey University Foundation was established by the University pursuant to a trust deed dated 23 July 2004 and was registered as a charity on 30 June 2008.

The Trust's objectives are to:

- Assist Massey University
- Provide assistance to students and staff of the University for their educational advancement;
and
- To achieve the objectives of any gift to the Foundation for specific charitable objectives.

The Foundation actively solicits donations and then uses these to fund annual scholarships and research grants, as well as capital projects for the University (buildings or equipment). Many of the scholarships and research monies held by the Trust have been gifted in perpetuity, often through bequests, and the Trust has an implied duty of care to preserve the real value of these gifts.

The Trust has grown considerably in recent years. In 2006 the Trust had assets of \$4.8 million while as at 31 October 2016 the Trust had assets of \$28.7 million, \$24.8 million invested with Nikko Investment Management and \$3.9 million on term deposit or bank call accounts.

ROLES AND RESPONSIBILITIES

The Trust is governed by a board (normally alumni of the University) with the Vice Chancellor of the University (an ex-officio member) holding the power of appointment over fellow Trustees. Day-to-day management is overseen by the director. General Policy is managed in line with the Foundation Policy document.

Trustees shall:

1. Determine the objectives for the investment of the Trust's assets having regard to the nature of the liabilities and an appropriate level of risk;
2. Determine the number of investment managers of the Trust, select the investment manager of the Trust and make changes to the investment managers as appropriate;
3. Determine the guidelines and constraints for the Investment Manager for the investment of the assets;
4. Establish the investment performance objectives for the Investment Manager including minimum cash flow requirements and capital protection guidelines.
5. Monitor regularly the investment results to assess the progress being made towards the Trust's long term objectives and to determine whether the investment manager has;
6. Performed satisfactorily relative to their objectives; and,
7. Adhered to the investment guidelines.

TIME HORIZON

It is the intention that the Trust will exist in perpetuity to further assist the University to remain at the forefront of teaching and research.

SPENDING POLICY

Ensuring a stable and predictable level of spending for scholarships is a consideration for the Foundation. Funds received for scholarship and research are endowed so that the real value of the capital is retained and only earnings are released.

1. The Trusts spending is defined as scholarships, research grants and Foundation administration fee.
2. The Trusts spending policy is to release up to 5.0% of the EIP average annual opening Jan 1 balance (averaged over the prior 3 year period).
3. The Board can decide on the spending distribution of EIP Funds in any year as it thinks fit taking into account the financial conditions prevalent, the extent of any reserves, the purposes of the funds and longer term goals and with respect to 4 below.
4. In the event that there is no income available, the board is allowed reduce the Trusts real capital but is not permitted to do so in any two consecutive years.

INVESTMENT PHILOSOPHY

Safeguarding and growing our endowed investments is paramount. The Foundation believes in finding the managers that are best able to fulfil the Foundation's stated Investment objectives listed below.

INVESTMENT OBJECTIVES (IN ORDER OF PRIORITY)

The Trust wishes to achieve the desired level of spending while preserving and enhancing the funds purchasing power over time.

1. To return after inflation (as measured by CPI) 6% over a five year period.
2. Provide for an average annual distribution target of up to 5%.
3. Minimize investment risk by appropriate diversification of the EIP assets within and across each asset class.
4. To target no more than one negative return every four years
5. The Trust recognises that a 6% real return is a long term target that will not be achieved in every measurement period.

INVESTMENT STRATEGY

Asset Allocation

Asset	Target Allocation	Lower Range	Upper Range
Trans-Tasman Equities	20	0	30
Global Equities	30	0	50
Domestic Private Equity	15	0	10
Growth Assets	65	50	75
N.Z. Bonds	20	0	40
Global Bonds	10	0	20
Cash	5	0	100
Income Assets	35	25	50
Total Fund Assets	100		

RESTRICTIONS ON INVESTMENTS

In keeping with its trust deed the Foundation can invest in a range of investment vehicles as outlined in the first schedule, Boards Specific Powers of the 8th December 2014 deed. In addition the following specific policies also apply.

1. Pooled Vehicles
Where the Investment Manager determines that an appropriate investment is a Unit Trust or pooled investment arrangement it is recognised by the Trustees that the strict enforcement of the investment guidelines, constraints and requirements may not be possible in the overall best interest of the Trust. Where such an investment is made, the Investment Manager shall be required to disclose to Trustees as soon as practicable, details of any investment so that the Trustees may continually reassess the overall suitability of such an investment.
2. Liquidity Policy
The EIP must hold sufficient investments that are readily marketable so that there is sufficient liquidity to meet payments as they fall due.

3. Responsible Investment Policy

Any investment managers that the Foundation is invested with are required to be signatories to the United Nations Principles for Responsible Investment.

4. Credit Risk

There is no limit on the exposure to New Zealand Sovereign debt or Sovereign debt where the credit rating is above that of the New Zealand Government.

5. Fixed Interest investments shall have at least a Standard and Poor's BBB credit rating (Investment Grade) or equivalent. Where a security does not have an official credit rating only those securities determined by Trustees to be of sufficient credit quality to attain an investment grade rating will be included in the portfolio.

6. All cash and cash equivalent investments should have at least a Standard and Poor's rating A-2 or equivalent and carry minimal default risks.

PORTFOLIO BENCHMARKS-MEASURING PERFORMANCE AND REPORTING

1. Quarterly: A quarterly report outlining the fund's performance will give a commentary of events effecting performance of the portfolio in that quarter as well as an overview and outlook of the investment and economic markets for the next quarter.
2. Annually: full financial statement and market commentary.

MONITORING AND REVIEW

1. The investment managers will meet with the board of the Foundation annually to review performance.
2. The appointment of an Investment manager will follow a comprehensive review of the capabilities and resources of suitable providers by the board and in consultation with any external advisors appointed for the purpose.
3. Trustees do not guarantee that any manager will be appointed for any specific time, irrespective of their particular investment management agreement; however, managers should not be terminated over a short time period for poor performance alone. Termination on a period of less than three years should normally be predicated on something other than performance.
4. Asset Allocation benchmarks and Fund Managers appointed will be formally reviewed every year.

Appendix A-Manager Mandates

A.1 Global Equities

Nikko Asset Management

A.2 Australasian Equities

Nikko Asset Management

A.3 Global Bonds

Nikko Asset Management

A.4 New Zealand Bonds

Nikko Asset Management

A.5 Domestic Equities

Nikko Asset Management

A.6 Alternative Assets

Nikko Asset Management

A.7 Currency Management Strategy

Nikko Asset Management

A.8 Cash Management Strategy

Nikko Asset Management

Appendix B-Benchmark Indices

B.1

Asset Class	Index
Cash	NZX 90-day Bank Bill Index
NZ Bonds	S&P/NZX NZ Government Stock Index
Global Bonds	Barclays Global Aggregate Bond Index-hedged to NZD
Australasian Equities	S&P/NZX 50 Index Gross with Imputation Index
Global Equities	MSCI ACWI-hedged 50% to NZD
Australasian Private Equity	NZX 90 day Bank Bill Index plus 8%

B.2 The primary investment objective of the EIP, net of fees and costs, is to produce a return that exceeds the change in the CPI by 6% per annum over rolling 5 year periods. Investment returns for the Trust should be evaluated against the portfolio benchmark over rolling 3-5 year periods.

Appendix C -Additional Policies

- C. 1 The use of futures, options and other synthetic investments (derivatives) is permitted wherever their use is consistent with the objectives of the Trust and the investment constraints. In particular, derivatives will not be used in a speculative manner that would gear the funds and at all times all long positions are to be fully covered by cash or liquid securities and any short positions must be matched by physical securities.
- C.2 The Trust is not permitted to borrow or gear the Investment funds in any way.
- C.3 Global Equity foreign currency exposure is 50% hedged to the New Zealand dollar with a tolerable range of 45% to 55%.
- C.4 Global Bonds foreign currency exposure is 100% hedged to the New Zealand dollar with a tolerable range of 97% to 103%.
- C.5 Australasian Equity foreign currency exposure is 50% hedged to the New Zealand dollar with a tolerable range of 45% to 55% implemented at the discretion of the investment manager.
- C.6 Reserves of the aggregated EIP investment pool should be maintained above the inflation adjusted level of endowed assets at or \$1.2 million, whichever is the greater.