



**Taranaki  
Foundation**  
Inspiring. Giving.

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# **STATEMENT OF INVESTMENT POLICY AND OBJECTIVES (SIPO)**

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Foundation**

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AND OBJECTIVES (SIPO)**

2 April 2024

## **1. Purpose**

- a) To outline the policies and objectives that provide for the prudent investment of all the assets of Taranaki 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.

## **2. 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.

### **3. 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.

### **4. Responsible Investment Policy**

- a) The Foundation will not intentionally invest in companies that produce goods or services that can't be used responsibly or that cause widespread harm.

This means we will not intentionally invest in:

- 1. Tobacco or tobacco related product growers or producers
- 2. Weapons manufacturers including firms that produce landmines, chemical and nuclear weapons and assault rifles
- 3. Casinos or other gambling firms including companies that produce specialised hardware and software used for gambling

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.

### **5. Roles of Participants in Investment Management**

- a) The Foundation will establish and maintain its investment policies in this SIPO.
- b) 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.
- c) 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.
- d) The Foundation has decided that it will engage investment managers in respect of the Securities Portfolio on a discretionary mandate basis where the investment managers have, with the Investment Committee, responsibility for maintaining portfolio asset structures and exposures and selecting individual securities.

- e) 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.
- f) The managers' mandates will formally be reviewed by the Foundation at least biennial.

**6. Strategic Asset Allocation**

- a) The strategic asset allocation of the Foundation is:

<b>Asset Type</b>	<b>Range</b>	<b>Strategy Assets</b>
Securities Portfolio	65% to 100%	Growth Assets: 75% Income Assets: 25%
Direct Asset Portfolio	0% to 35%	May include: Direct Property, Direct Infrastructure, Private Equity, Venture Capital Alternatives, Absolute Return Funds, Impact Funds, Vested Property.

**7. Direct Asset Portfolio Policy**

- a) Direct asset investments may be held by the Foundation, within the portfolio allocation limits specified within this SIPO.
- b) Specifically, Direct Property investments will:
  1. only be invested in properties located in New Zealand
  2. contain properties graded category B or better
  3. have tenant "types" that comply with the Foundation's Responsible Investment Policy
  4. have all properties managed by reputable property managers selected through an appropriate selection process and reviewed for performance on an ongoing basis.
- c) All direct asset holdings to be subject to regular review for their appropriateness.
- d) The Direct Asset Portfolio policy is to be reviewed biennial.

## 8. Securities Portfolio Policy

- a) The Securities Portfolio weightings should be adequately diversified and should be balanced as far as possible between investment classes as set out in this SIPO, or otherwise as determined by the Foundation from time to time.
- b) Investment classes are as follows:

### Income Assets

- NZ Cash / Short term investments will comprise deposits with, or securities issued by the major registered New Zealand trading banks or their wholly owned subsidiaries.
- Investments in Fixed Income securities may comprise:
  - i. NZ Fixed Income securities within the Prudential SIPO Guidelines set out in section 8(c);
  - ii. International Fixed Income securities via appropriate pooled investment vehicles with an average credit quality of Investment Grade (BBB Standard & Poors) or better.

### Growth Assets

- Investment in public company listed equity securities in New Zealand or internationally or appropriate Exchange Traded Funds or similar pooled fund structures. No investment in a single company will exceed 5% of the total investment portfolio and no investment in any one equity fund will exceed 20% of the total equity investments.
- An alternative asset is any non-traditional asset with potential economic value that would not be found in a standard investment portfolio. They can often be useful to include in portfolios as they are uncorrelated with more traditional asset classes or, can have a lower volatility. Due to the unconventional nature of alternative assets, valuation of some of these assets can be difficult. Examples include unlisted growth assets (Private Equity), hedge funds and high yield debt instruments.
- Any other investment that the Foundation may approve.

Where fund managers are utilised via pooled fund structures it will be their responsibility to ensure that the funds provided to them are managed in accordance with the governing documents and terms of those pooled fund products. The Foundation's appointed investment managers to provide periodic assurance that any sub fund managers that are utilised for Securities investment, have provided appropriate confirmation of compliance with their product governing documents and obligations.

Where active investment strategies are employed, the investment manager is expected to exceed:

- i. the returns of market indices after fees over rolling 3-to-5-year periods for each sector portfolio; and
- ii. the return of the market indices weighted by the benchmark asset

allocation for the total portfolio after fees.

The market indices that the Foundation expects the investment managers to monitor its performance against are:

Sector	Index
NZ Cash	S&P/NZX Bank Bills 90-Day Index
Fixed Interest	S&P/NZX Corporate A
NZ Equities	S&P/NZX 50 Portfolio Gross w/o Imputation Credits
International Equities	MSCI World Index in NZD
NZ Listed Property	S&P/NZX All Real Estate
Alternatives	As agreed with the Foundation

c) NZ Fixed Income Prudential SIPO Guidelines:

Security Type / Category	Aggregate Exposure to Single Issuer in category	Aggregate Portfolio Exposure in category
NZ Government Debt	100%	100%
NZ State Owned Enterprises Debt	35%	75%
NZ Registered Bank Debt	25%	75%
NZ Local Government Debt	N/A	75%
IG Rated NZ Local Government Debt	35%	75%
Non-IG Rated NZ Local Government Debt	15%	40%
Corporate Debt	N/A	75%
IG- Rated Corporate Debt	25%	75%
Non-IG Rated Corporate Debt	15%	35%
Unsubordinated IG Rated Registered NBDT Debt	20%	20%
Perpetual (callable & non-callable)	N/A	25%
IG- Rated Supra, Sovereign, Agency Debt	35%	75%
Subordinated Ranking Securities	N/A	40%
IG Rated Subordinated Securities	N/A	40%
Non-IG Subordinated Securities	N/A	20%

d) 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 “mark 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.

#### (h) Currency Hedging

The Securities portfolio may be exposed to foreign exchange risk in respect of any international shares and international fixed interest investments held from time to time.

The Foundation's benchmark policy is to maintain a 100% currency hedge to New Zealand dollars in respect of any international fixed interest investments. It is, however, recognised that some minor deviations from this fully hedged level may occur from time to time due to practical implementation issues.

The Foundation's benchmark policy is to maintain a 0% currency hedge in respect of any international share investments held in the portfolio. The Investment Committee may, however, hedge up to 25% of the total currency exposure arising from international share on an opportunistic basis.

#### (i) Derivatives / Leverage

The Investment Committee or any investment managers must not use derivatives, physical securities or any combination of the two to produce financial exposures that would result in the leverage of the portfolio. Derivatives should only be used to produce financial exposures which would otherwise be obtained through the use of physical securities in the absence of leverage.

### 9. Reporting/Monitoring

- a) 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 biennial prior to the end of each financial year.

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## APPENDIX – Securities Portfolio Mandate

All Investment Agreements include Asset Class Benchmarks and Ranges aligned with the Section 6 Strategic Asset Allocation. These are discussed, agreed and set at the time of entering the Investment Agreement.

1. a) Investment Agreement



The Foundation entered into a Managed Portfolio Service (MPS) with Craigs Investment Partners for the management of a Securities Portfolio.

2. a) Investment Agreement

The Foundation entered into a Premium Advisory Service (PAS) with Forsyth Barr Limited for the management of a Securities Portfolio.

3. a) Investment Agreement

The Foundation entered into a Discretionary Investment Management Service (DIMS) Jarden Wealth Limited for the management of a Securities Portfolio.

Date	Action	Signed
22 June 2022	SIPO Adopted	B. Barnett 
9 August 2023	SIPO reviewed, updated & adopted	B. Barnett 
2 April 2024	To be approved	