

Asset Allocation & Investment Strategy

The Geyser Community Foundation

Updated June 2011

Geysler Community Foundation (GCF)

Asset Allocation and Investment Strategy for Endowment funds (capital held in perpetuity)

This strategy is based on the following criteria:

1. Under our assumptions and based on current inflation, income for distributions 2.77% of invested funds.
2. Total portfolio return target 6.20% pa.
3. The total portfolio return (post inflation) expected range, between 0% and 10% per annum.
4. Capital preservation is paramount.
5. All securities should be invested as per agreed guidelines.
6. Portfolio growth should be equal to or greater than the rate of inflation, to maintain the real value of the capital.
7. The time frame for the portfolio is in perpetuity, however current asset allocation recognises the early stage of formation of GCF.
8. The investment strategy is agreed with the GCF Trustees as at the date of this agreement. GCF has a long term buy and hold strategy and this will be maintained as our overall investment process.
9. The investment strategy will be reviewed annually, or as required.

Distribution Policy

1. Trustees may make funds available to the Distribution Advisory Committee, which may be made from the current or accumulated return achieved after making allowance for the inflation reserve, or the return achieved before making adjustment for the inflation reserve.
2. It is GCF Policy that Trustees retain the average real value of the capital over time. This can be calculated over the long term to take account of short term fluctuations.
3. Distributions are calculated as at the 31st March each year.
4. Distributions will be made available for payment as at 30th June each year.
5. Unless otherwise agreed with Donors no distributions may be made until a Named Fund reaches the minimum fund size, currently \$50,000.
6. No distributions may be made from a named fund until those funds have been invested for a minimum of 12 months, prior to 31st March in any year.

Asset Allocation

The agreed asset allocation is:

ASSET CLASS	Benchmark Portfolio	Minimum	Maximum

Cash & Fixed Interest	75%	65%	100%
NZ & Aust Shares	10%	0%	15%
NZ Property	10%	0%	15%
International Shares	5%	0%	10%

Total Portfolio Limits

Total exposure across all asset classes to any one entity or its subsidiaries must not exceed 15% of the total portfolio. Short term bank deposits (< 6 months to maturity) are excluded from this policy.

Investment Parameters

A minimum of 75% of direct equity investments should be limited to large cap stocks (eg NZX 50, ASX 200).

Fund Manager

Craigs Investment Partners Investment Management Limited (CIPIML) is approved to manage named funds, through the Defined Portfolio Conservative Fund.

The fund manager will co-ordinate administrative requirements for GCF. This includes calculating minimum retentions for annual inflation adjustment of the perpetual capital, and the sell down of units to pay approved distributions.

Geographic and Sector Exposure

The Fund Manager will advise on relative weightings to country and sectors.

Fixed Interest investment limits

Guideline security maxima	
S&P Rating band (Actual or implied)	Range % of fixed interest portfolio
Unrated (Implied Investment Grade rating)	0% - 10%
Credit rating BBB- to A-	0% - 40%
Credit rating A- or higher	60% - 100%
Sub debt exposure	0% - 30%
Perpetual debt exposure	0% - 15%

The fund manager will manage asset allocation within GCF SIPO guidelines.

Investment Committee

Members nominated by the GCF Trustees, and advised to the manager.

Current members are T Davies (Chairman), J Bright, and M Patchell.

Investment committee members are authorised by the GCF Trustees to act for the GCF until otherwise advised.

Approval Process

Minimum of two nominated investment committee members will approve in writing, implementation of any transactions.

Performance Expectations

The agreed minimum level of return has been calculated at 6.2 per annum (assessed on a 3 year rolling average), which after current inflation, costs and fees, generates 2.77% pa available for distribution.

Target Return over the 90 day Bank Bill		3.00%
	Weighting	Margin Over
NZ Fixed Interest	50.0%	3.00%
Cash	25.0%	0.00%
Equities	25.0%	6.00%
	100.0%	
Current 90 day Bank Bill	3.20%	3.00%
Total expected Return		6.20%

Total Portfolio Return as at December		6.20%
	Weighting	Income
NZ Fixed Interest	50.0%	5.75%
Cash	25.0%	3.20%
Equities	25.0%	4.00%
Total Expected Income Return		4.68%
Expected Capital Return on Equities		1.30%
Expected Capital Return on Fixed Interest		0.22%
Total Expected Return		6.20%

Inflation and Fee Assumptions

Current Inflation	Geyser Foundation Costs	Current Management Expense Ratio
1.6.% ¹	1.0%	0.83%

¹ Inflation for the two years to 30 September 2010 was 1.6% per annum.

Investment Implementation

In order to achieve sufficient diversification, the enclosed asset allocation strategy will be implemented for all named funds where capital is held in perpetuity. Investments will be made through the CIPIML Conservative Fund.

Implementation and timing will be approved by, and is at the discretion of, the GCF Trustees. Cash and short term deposits may be held with any NZ Registered Bank with a minimum credit rating of A+.

Named Fund Size

The minimum size that a named fund can invest in a diversified portfolio is \$50,000 unless otherwise agreed by GCF Trustees. Any funds in existence or under discussion prior to May 2011 are exempt from this policy. Minimum lump sum contributions are \$1,000.

Relationship Manager

The relationship manager is James Beale, an Authorised Financial Advisor, Craigs Investment Partners Tauranga. The relationship manager will review performance of the fund manager, and provide advice to the GCF Trustees as required.

Fund Manager Reviews

The relationship manager will review and report to GCF on the fund manager performance. The following benchmarks will be used to measure the relative performance of the portfolios and the fund manager. The fund manager will report their performance by asset class, against the benchmarks, on a quarterly and annual basis.

Benchmarks

SECTOR	BENCHMARK
NZ Cash	NZX 90 Day Bank Bill Index
NZ FIXED INTEREST	NZX Corporate Investment Grade
NZ PROPERTY	NZX Property Index (Gross)
NZ EQUITY	NZX 50 Index Gross (With Imputation Credits)
AUSTRALIAN EQUITY	S&P/ASX 200 Index in NZD
WORLD EQUITY	MSCI World Index Gross in NZ\$

Policy for transfer of an Investment Portfolio as an Endowment

GCF Trustees will consider the transfer of existing investment portfolios.

Upon acceptance by the GCF Trustees, the transfer will be made to the custodian used by the GCF Investment Manager.

The Relationship Manager will review the holdings in accordance with the GCF Asset Allocation & Investment Strategy,. This review must ensure the fund is consistent with GCF policy.

Recommendations made by the Relationship Manager are to be approved by the GCF Trustees.

Existing GCF Establishment and Administration charges and donations apply.

GCF Distribution Advisory Committee will consult with donors regarding distributions.

Policy for other non cash Gifts to GCF as an Endowment

With respect to non cash gifts to GCF, the Trustees of GCF will consider any transfers on a case by case basis. GCF will consult with the donor, or the donor's representative, as required.

Existing GCF Implementation and Administration charges apply.

Asset Allocation and Investment Strategy for Gifts and Pass Through Funds (capital not to be retained in perpetuity)

The investment committee will develop investment policy as required, for Gifts and Pass Through Funds.

This will ensure the funds are held in term deposits, or other investments, that are appropriate for the term requested by the donor.