



Investment

Overview

This Investment Policy sets the parameters for managing cash reserves which may form part or all of the North Belconnen Community Association Inc. investable pool of assets, as determined by the Management Committee. The Committee has ultimate fiduciary responsibility for the management of the Fund and has given delegated authority to the Executive Committee.

Definitions

In this document:

- 'NBCA' means North Belconnen Community Association Inc;
- 'Committee' means the Management Committee of the NBCA;
- 'Financial Year' means a one-year period from 1st July, ending 30th June the following calendar year;
- 'Fund' means the investment portfolio consisting of surplus funds held on the balance sheet of NBCA which are available for investment;
- 'Executive Committee' means the Executive Committee of the NBCA including President, Vice President, Treasurer and Secretary. The CEO may act on behalf of the Executive Committee if requested;
- 'Investment Manager' means the professional and qualified firm(s) or individuals who are engaged by the Committee to provide investment advice and services under contractual terms;
- 'Investment Mandate' means the Fund's investment objectives, guidelines and strategy as provided for in this IP; and
- 'IP' means this document – the Investment Policy.

Policy Principles

The purpose of this Investment Policy (IP) is to set out the Fund's:

- Alignment of the portfolio to the needs of the NBCA – The investment portfolio is designed to have consideration for NBCA's income and capital objectives. The portfolio is to exhibit the characteristics and attributes required to deliver on the stated income and capital objectives.
- Corporate Governance – As an organisation, the NBCA believes in strong corporate governance. This IP confirms a robust and considered investment policy for the NBCA. It also articulates the authorities and responsibilities within the chain of processes. This reduces risk within the business and provides confidence for our stakeholders.



- Evidence of Prudence – A policy paper trail which demonstrates the NBCA’s prudent investment management principles and processes.
- Continuity – We believe that the investment policy continuity during times of the NBCA Committee personnel change is important. Similarly, the investment policy will focus on the objectives through all investment market environments.
- A Framework to Review the Philosophy/Portfolio Objectives – This IP will serve as a reference point for reviewing the NBCA’s investment philosophy and the portfolio objectives on a periodic basis.
- A Framework to Review the Investment Manager – This IP will also serve as a reference point to evaluate the performance of the Investment Manager on a periodic basis.

Investment Objectives and Guidelines

Investment Objectives

The objective of the NBCA is to increase the real value of the Fund over the long term so that the NBCA is better resourced to deliver on its purpose and objectives.

The capital component comprises of that portion of accumulated surpluses which does not need to be drawn upon under NBCA’s current cash flow assumptions.

The investment *return objective* for the Fund is to achieve long term total returns (income and capital growth) of ***Consumer Price Index (CPI) All Groups + 2.5% over a rolling 5-year period after fees.***¹

Asset Allocation Considerations

The following factors are to be considered when determining the asset allocation for the Fund.

- The income tax exempt status of the NBCA’s funds;
- The time horizon for the Fund;
- The investment objectives of the Fund;
- The benefits of holding investments which provide access to franked income;
- The need for sufficient capital preservation requirements;
- The need for diversification to avoid over-exposure to individual issuers, sectors or instruments;
- The potential impact of inflation, requiring an exposure to growth assets in order to maintain and grow the real capital value of the portfolio over the long term; and
- The utilisation of strategic asset allocation bands and tactical asset allocation to provide for flexibility as the investment environment changes.

¹ As published on the Reserve Bank of Australia website at <https://www.rba.gov.au/inflation/measures-cpi.html>



Asset Allocation Benchmarks

The asset allocation benchmarks are summarised below:

	Asset Allocation Benchmark	Tactical Asset Allocation Ranges
<u>Defensive Assets</u>	50%	
Cash	10%	0% to 100%
Fixed Interest - Domestic	20%	0% to 35%
Fixed Interest - Global	15%	0% to 25%
Alternative Assets - Defensive	5%	0% to 15%
<u>Growth Assets</u>	50%	
Alternatives - Growth	0%	0% to 15%
Property	5%	0% to 15%
Australian Equities	25%	0% to 45%
International Equities	20%	0% to 35%
	100%	

The benchmark represents the long-term asset allocation aim for the Fund that best reflects the desired risk profile. It is understood that with market fluctuations, withdrawals and contributions it is unlikely that at any point in time the actual asset allocation will equal the benchmark exactly.

The ranges above allow for tactical tilts towards preferred investment themes, but ensure that appropriate diversification is maintained, with limited exposure to any one asset class reducing the possibility of negative returns.

If the Executive Committee, under authorisation, or the Committee form the view that the portfolio must be liquidated or invested in a manner outside the benchmark ranges, they will inform the Investment Manager in writing with details of the investment approach the Committee is seeking to implement and the term of this position.

Allowable Investments and Restrictions

Allowable investments are detailed below for each asset class:

Cash

- Cash Deposits, Cash Management Trusts/Investments backed by Australian licensed and regulated banks and deposit taking institutions no less than an A-credit rating)
- Term Deposits



Fixed Interest

- Term deposits
- Direct Government & Semi-Government Bonds
- Corporate securities and direct securities from investment grade issuers
- Direct Hybrid Capital issues from investment grade issuers
- Social and Environmental Bonds – Social Impact Bonds, Green Bonds, Gender and/or Social Development Goal Bonds
- Managed funds that are predominantly invested in those assets

Alternative Investments

- Managed alternative asset products relating to strategies such as long / short equity (absolute return focus), global macro, CTAs, diversified credit, private equity, currency, unlisted property, direct infrastructure, mezzanine finance, distressed debt, hedge funds, catastrophe bonds, solar/water/wind and commodities

Property

- Directly held property
- Listed Australian Real Estate Investment Trusts (REITS)
- Listed Global Real Estate Investment Trusts (GREITS)
- Managed funds that are predominantly invested in those assets

Australian Equities

- Direct Equities
- Listed Investment Companies with an Australian focus
- Exchange Traded Funds
- Managed funds that are predominantly invested in those assets (this may include Long/Short Australian Equity Funds as long as they are aligned with the benchmark)

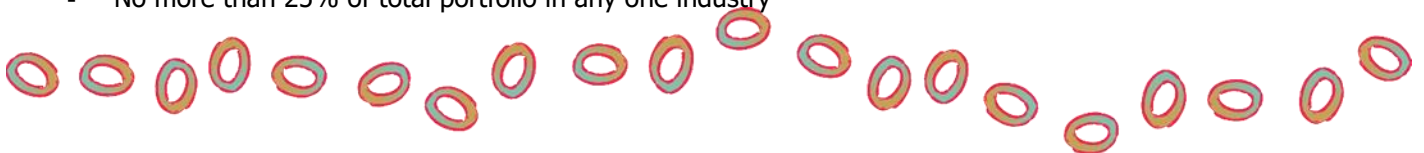
International Equities

- Direct International Equities – listed on a recognised major stock exchange
- Exchange Traded Funds
- Listed Investment Companies with an international focus
- Managed international equities products (this may include Long/Short Equity Funds as long as they are aligned with the benchmark)

Investment Restrictions

The following investment restrictions apply.

- No investments in fixed income instruments where the issuer rating is below investment grade (currently BBB- / S&P)
- No direct investment in assets which involve repurchase agreements (including warrants, options or other derivatives)
- No more than 25% of total portfolio in any one industry



- No more than 10% of total portfolio in any one issuer
- No more than 20% of total portfolio in any one managed product or ETF

Socially Responsible Investments

The Committee have determined that the NBCA has a responsibility to ensure that our investment practices are in accordance with the ethics, morale's and beliefs of the NBCA our community.

To pragmatically align our investment mandate with these material issues, there will be no direct investments made in securities (companies) involved in production of fossil fuels, armaments, and tobacco.

When evaluating direct securities and fund managers that may be included in the Fund, the Investment Manager will take a best endeavors approach to ensure that there is no individual exposure (of more than 10%) to each individual excluded industry, as identified within this IPS.

Where the Committee concludes an organisation is not behaving in a socially responsible manner, it reserves the right to instruct the Investment Manager in writing (via the Executive Committee) to specifically exclude this organisation and all associated holdings from the portfolio. The Committee understands and accepts that the exclusion of industries, specific stocks or funds has the potential to limit the investment universe available to the Investment Manager and as such limit the risk adjusted return generated by the Fund.

In addition, direct securities and managed funds will be evaluated using Environmental, Social and Governance (ESG) metrics.

Designated Authorities

Authority

The Committee designates their authority to the Chief Executive Officer, President and Treasurer for:

- cash movements;
- approving corporate actions, and investment changes, providing they are presented in written form to both the CEO and Treasurer; and

When approving any of the above, two of the three delegates must authorise changes.

Reporting

The Investment Manager will provide quarterly performance reports and an annual tax report summarising current investment strategies, the Fund's performance, and any other relevant information to the Executive Committee, which in turn will provide it to the Committee.

The Executive Committee will present annually to the Committee, or upon request by the Committee, summarising current investment strategies, the Fund's performance, and any other relevant information.

In addition, the Executive Committee will meet with the Investment Manager quarterly to review performance and discuss market opportunities as well as any administrative issues.



Performance Benchmarks

Each quarter, the Executive Committee should review the performance of the Fund using the performance benchmarks outlined below:

Asset Class	Benchmark
Cash	Bloomberg Ausbond Bank Bill Index
Australian Fixed Interest	Bloomberg Ausbond Composite 0+Yr Index
International Fixed Interest	Bloomberg Barclays Global Aggregate Index Hedged AUD
Property	FTSE EPRA/NAREIT Developed Net Total Return Index
Australian Equities	ASX 200 Accumulation Index
International Equities	MSCI All Country World Index Ex-Australia Net AUD
Alternatives – Defensive	Reserve Bank of Australia Official Cash Rate
Alternatives – Growth	Reserve Bank of Australia Official Cash Rate

Investment Manager

The Executive Committee may appoint an Investment Manager to, amongst other things, invest and manage the Fund as its agent subject to this IP and any express limitations of authority. In such an event, the NBCA will enter into an agreement with the Investment Manager directing the Investment Manager to manage the Fund according to this IP.

The Investment Manager should:

- hold an Australian Financial Services Licence (unless the Investment Manager is exempt or is authorised to provide financial management services as a representative of another person who holds an Australian Financial Services licence);
- comply with investment requirements imposed by State laws or Territory laws;
- invest and manage the Fund on NBCA's behalf, including sourcing and making suitable investment recommendations in accordance with this IP;
- keep the Fund under review, including making full or partial realisation of or exit from investments, and to confer at regular intervals with the Finance Committee regarding the investment management of the Fund;
- exercise all due diligence and vigilance in carrying out the Investment Manager's functions, powers and duties under the IP; and
- advise the Executive Committee of any breaches of the IP and any material matters relating to the Investment Manager that in the opinion of the Investment Manager should be disclosed to the Executive Committee.

The Investment Manager must promptly disclose any conflict of interest he or she has with managing the Fund on NBCA's behalf and must disclose any commissions or other benefits he or she may obtain in relation to any recommended investment.



Investment Manager Performance

The Executive Committee will review the Investment Manager's performance on an annual basis. In assessing the Investment Manager's performance, consideration will be given to the following:

- investment style;
- responsiveness;
- proactive approach to investment opportunities;
- value adding customer service;
- flexible, accurate and timely reporting; and
- investment performance

The NBCA recognises that short-term fluctuations may cause variations in performance; the Executive Committee intends to evaluate the Investment Manager's performance from a long-term perspective.

The provision of investment management services should be reviewed by the Executive Committee every 5 years, noting the annual review process above.

Individual recommendations made by the Investment Manager can be approved by at least two authorised members of the Executive Committee, so long as it falls within the approved investment strategy. Any such authorisation by members of the Executive Committee will be documented, for example in an email.

Execution of Investment Manager Recommendations

Any two members of the Executive Committee can approve recommendations from the Investment Manager providing they fall within the approved investment strategy. Any such authorisation by members of the Executive Committee will be documented, for example in an email. The Investment Manager may not make any investment without the approval of at least two members of the Executive Committee.

Risk Statement

In seeking to maximise returns, the Committee is mindful of the inherent risks.

The Committee also understands the relationship between risk and reward, particularly over the longer investment time frame. Following is a summary of some of the risks that have been considered in formulating an appropriate investment strategy:

Inflation risk

The real purchasing power of investments may not keep pace with inflation. Inflation is an important consideration for all investors. If the after-tax return on investments is less than the rate of inflation, then the real value of money will decline.

Interest rate risk

Where fixed rate investments are required, maturing money may have to be reinvested at a significantly lower rate depending on the underlying interest rate movements.

Market risk

The investment portfolio holds exposure to a wide range of assets which the Committee expects will produce returns divergent from and superior to the risk-free rate over the long term.

Movements in the markets (both domestic and internationally) mean the value of investments can go down as well as up, sometimes suddenly. Different types of investments experience different levels of volatility. The Committee expects that the portfolio will experience equity market risk, debt market risk (interest rate duration, credit spread duration, default risks) and currency exposure risks.



Credit risk

Credit risk (or counterparty risk) is the risk of default by the counterparty on its contractual obligations. At the portfolio level, risk exposures must remain within approved limits based on credit ratings of the financial instruments and counterparties. Appointed managers of investments are required to ensure that the average credit quality within the portfolio is within agreed guidelines.

Liquidity risk

The Committee recognises that short term risks may arise if investable funds are required to be withdrawn at short notice. NBCA may incur minor costs when funds are required in unexpected circumstances. To offset this, the NBCA should maintain sufficient liquidity and take into account the expected cash flow and costs to avoid selling assets at inappropriate times.

Legislative risk

The NBCA investment strategy could be affected by changes in the current laws and regulations. This should be reviewed as required.

Operational risk

This relates to general operational risk that may involve an economic or reputation risk. It includes fraud, theft, unauthorised use of financial instruments and other breaches of delegated authority. This also includes loss due to poor account keeping, inadequate information systems or human error.

To manage this risk, the Executive Committee will:

- keep proper accounts and records of the transactions and affairs;
- Maintain a sufficient internal control framework that minimises potential loss from unrecorded or unauthorised transactions; and
- Ensure the availability and reliability of hardware and software systems.

Review Procedures

The NBCA may make future changes to this policy to improve the effectiveness of its operation and ensure compliance with relevant legislation.

Feedback on this policy can be directed to the Senior Manager – Business and Operations at any time. Whilst feedback is welcome, it may not necessarily lead to a change in the policy.

Conflict of Interest

All conflicts of interest must be declared by Management Committee members or staff concerned at the earliest time after the conflict is identified. Declarations are to be made to the Management Committee Executive.

Policy Document Status

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President's Signature:



Committee Representative Signature:



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