FOUNDATION NORTH
Pūtea Hāpai Oranga
Funding to Enhance Lives

Statement of Investment Policies and Objectives

November 2023

The Whakataukī below reminds us that at the heart of our strategy is he tāngata – our people.

Unuhia te rito o te harakeke,
Kei hea ke te kōmako e kō,
Whakatairangitia,
Rere ki uta,
Rere ki tai,
Ui mai koe ki ahau he aha
te mea nui o te ao,
Māku e kī atu,
He tāngata, he tāngata, he tāngata,
Tihei mauri ora

If you should tear out the heart of the flax bush,
Where will the bellbird be?
Will it fly inland,
Fly out to sea,
Or fly around aimlessly,
But if you should ask me what the greatest thing on Earth is,
I will tell you,
It is people, it is people, it is people

1 Introduction

This Statement of Investment Policy and Objectives (the "**SIPO**") prepared by the Trustees (the "**Trustees**") of Foundation North (the "**Foundation**") sets out the objectives, policies and beliefs governing investment decisions in relation to the Foundation's assets.

This SIPO takes account of the requirements of;

- The Trust Deed (as amended) constituting the Foundation;
- The Trustees Act 2019; and
- The Community Trusts Act 1999.

Roles and responsibilities, as well as delegated authorities in relation to investment, are set out in the Foundation's Governance Manual.

2 Nature of the Foundation

Foundation North ("the Foundation"), formerly ASB Community Trust, is an "in perpetuity" Community Trust operating under the Community Trusts Act 1999, and is a corporate body registered under the Charitable Trusts Act 1957. It seeks to enhance the lives of the people of Tāmaki Makaurau Auckland and Te Tai Tokerau Northland (the Beneficiaries) by wisely allocating, equitably sharing, and responsibly managing the resources that are held in trust for present and future generations in this region.

The Foundation was formed on 30 May 1988 through the creation of a trust deed and settled with 100% of the issued capital (shares) of Auckland Savings Bank. The shares were subsequently sold to Commonwealth Bank of Australia with the proceeds forming the endowment of the Foundation that is managed in line with this SIPO.

The Foundation is a Public Benefit Entity which makes grants to qualifying organisations in its region (Tāmaki Makaurau Auckland and Te Tai Tokerau Northland). It is domiciled in Auckland, New Zealand. The Foundation's registered office is Allendale House, 50 Ponsonby Road, Grey Lynn, Auckland, New Zealand.

3 Foundation's Objectives

The Foundation's long-term objectives for the investment portfolio are to:

3.1 Maintain the real value of capital of the Foundation in perpetuity.

3.2 Ensure a stable level of spending over time.

3.3 Give effect to Te Ao Māori, environmentally sustainable, socially equitable, and socially inclusive values.

The Foundation's Asset consultant shall assess the reasonability of the above objectives against the investment portfolio on an annual basis, disclosing the underlying capital market assumptions used at the time.

The objectives above should be read in conjunction within the context of the Foundation's Reserving Policy and Spending Policy.

4 Investment Beliefs

The Foundation's approach to investing is framed by a set of clearly defined overarching beliefs that drive the investment decisions. The Foundation's investment beliefs are:

4.1 Strong governance and well-defined decision-making structures enable sound investment decision-making.

4.2 The investment horizon of the Foundation is long-term and setting an Asset Allocation that is appropriate to its investment horizon, objectives and risk-tolerance is the most important decision to be made as it is the primary driver of long-term success.

4.3 A broadly diversified portfolio both across and within asset classes improves the "risk to return" ratio over time.

4.4 Costs matter and in some asset classes low-cost passive strategies can be blended with higher costing active strategies to minimise the overall cost of investing. The primary goal is to maximise "net of fees" returns at an acceptable level of risk, while generating positive, measurable social and environmental impact alongside a financial return.

4.5 Some markets can be inefficient and active management can add value over benchmarks. For other markets and asset classes, manager structures that include a passive approach may be more appropriate to complement active strategies.

4.6 The Foundation seeks to responsibly manage the resources that are held in trust for present and future generations in Tāmaki Makaurau and Te Tai Tokerau. It believes that integrating Environmental, Social and Governance (ESG) factors into its investment decision-making and ownership practices will improve the long-term performance (through opportunities for wealth creation and better risk management) of its investment portfolio and is fundamental to exercising its fiduciary duty. The Foundation's Responsible Investment Policy is outlined in Section 13 below.

4.7 We believe that being a good Te Tiriti partner aligns and extends our integrated ESG approach and supports sustainable investment.

In making investment decisions the Foundation will adhere to the Fundamental Investment Principles set out in Appendix 1.

5 Spending Policy

5.1 The Foundation's spending is defined as annual grants plus operational and capital expenditures.

5.2 The Foundation's Spending Policy is to annually spend 4.5% of the Trust Fund's closing market value averaged over the previous 20 quarters.

5.3 No annual grants will be permitted if spending results in the Foundation's Trust Fund (net assets) falling below the Foundation's Real Capital.

5.4 The Spending Policy is to be read in conjunction with the Foundation's Reserving Policy.

6 Investment Objectives

6.1 In order to achieve the desired level of spending while preserving and enhancing the Fund's purchasing power over time, the real (i.e. inflation-adjusted) return target for the portfolio should be at least the spending rate.

6.2 The Foundation's investment objective is to achieve a portfolio return of inflation (as measured by CPI) plus 4.5% over rolling 5-year periods.

6.3 The Investment Committee recognises that the 4.5% target above CPI is a long-term target and may not be achieved in every measurement period.

6.4 The base currency of the Portfolio is New Zealand dollars, and all performance measures are to be calculated therein.

7 Target Policy Portfolio

The Target Policy Portfolio for the Foundation is shown by asset class in Exhibit 1 below.

Exhibit 1: Target Policy Portfolio Asset Allocation including Policy Ranges

Asset Class	Style	Target	Policy Ranges
Global Equity	Growth	31%	**21 - 41%**
Emerging Market Equity	Growth	6%	**2 - 10%**
Global Private Equity	Growth	17%	**10 - 24%**
Alternatives	75% Growth 25% Defensive	13%	**6 - 20%**
Infrastructure	50% Growth 50% Defensive	8%	**2 - 14%**
Property	50% Growth 50% Defensive	4%	**0 - 8%**
Sub-Investment Grade Credit	75% Growth 25% Defensive	4%	**0 - 8%**
Private Credit	75% Growth 25% Defensive	4%	**0 - 8%**
Global Fixed Interest	Defensive	3%	**0 - 8%**
NZ Fixed Interest	Defensive	3%	**0 - 8%**
Cash	Defensive	5%	**0 - 10%**
NZ Impact Investments	Growth	2%	**0 - 10%**
Total		**100%**	

7.1 The portfolio is weighted to growth asset classes like equities, (both private and public), which have historically outperformed other asset classes and are therefore the Foundation's growth engine. It is recognised that a portfolio biased to growth assets could be severely impacted during periods of prolonged deflation or unanticipated inflation. The objective of defensive allocations to Alternatives, Fixed Income, Infrastructure and Property is to protect the portfolio during such environments. These allocations should also offer portfolio diversification benefits that moderate portfolio volatility.

7.2 Alternatives are included to reduce the volatility inherent in an equity-biased portfolio. The returns from this asset class are not highly correlated to equity and fixed income markets, thereby reducing the variability of returns without sacrificing performance.

7.3 Fixed Interest is included to provide protection against a prolonged economic contraction. To fulfil its deflation hedging role, a proportion of the allocation to Fixed Interest (both global and New Zealand) will be in Sovereign Securities.

7.4 Sub-Investment Grade Credit is included to provide a yield enhancement from exposure to lower quality credit,

7.5 Private credit is included to provide a yield enhancement from exposure to illiquid bonds.

7.6 Real assets such as Property and infrastructure are included to provide an inflation hedge.

7.7 Impact investments are investments made into companies, organisations and funds with a view to achieving a measurable social or environmental impact alongside a commercial return. As noted in the Foundation's Impact Investment Policy, Foundation North recognises that impact investment is an approach that can be used to enhance the lives of the people of Tāmaki Makaurau Auckland and Te Tai Tokerau Northland. Impact investments include but are not limited to direct ownership of property, public or private equity, loans, shares or investments in social enterprises and cash investments with a specific purpose or guarantees.

7.8 The Target Policy Portfolio (Exhibit 1) serves as a guide to long-term target asset allocations. However, there may be times when the Foundation overweights or underweights certain asset classes relative to long-term target allocations or initiates exposure to other asset classes opportunistically based on relative valuations and current investment opportunities. Any such exposures will be made within the approved Active Asset Allocation Policy Range for the asset class concerned (see Exhibit 2).

8 Rebalancing Policy

8.1 The objective of rebalancing is to keep the Portfolio's asset allocation at or near target policy weights in order to obtain the benefits of diversification and maintain an asset allocation that has been designed to help achieve the Foundation's investment objectives, without incurring additional unintended risks.

8.2 The allocation to each asset class should observe its Target Policy, unless a specific Medium Term Asset Allocation has been established for the asset class with advice from the Foundation's Asset consultant. The Medium Term Asset Allocation allows variation from the Target Policy within the Policy Range for each asset class (see Exhibit 1). Once the allocation to any asset class exceeds the Policy Range, it should be rebalanced to its Target Policy or Medium Term Asset Allocation if one has been established) in a timely basis on advice from the asset consultant.

8.3 Rebalancing transactions within SIPO guidelines has been delegated by the Investment Committee to the Foundation's Chief Executive Officer (with authority to sub-delegate to the Head of Investments and Finance and investment staff) with advice from the Foundation's asset consultant. These transactions include manager redemptions and additions to meet operating cash needs and capital calls/distributions for private investments.

8.4 Whilst rebalancing of private investments is not possible due to illiquidity, the policy ranges serve as a guide for the commitment-pacing of private managers.

8.5 In order to avoid incurring unnecessary transaction costs, rebalancing actions should be timed to coincide with cash flow requirements as far as practicable on a monthly basis.

9 Liquidity Policy

9.1 Sufficient short-term liquidity should be maintained to fund grants and operating costs for 12 months, currency hedge losses and uncalled commitments without the need to incur unacceptable losses through selling assets. There must be sufficient flexibility in liquidity to allow for changes in the Foundation's requirements and to take advantage of opportunities in the investment environment.

9.2 Liquid assets are defined as those assets that can be readily converted into cash within 30 business days and where conversion within that period is not expected to have a significant adverse effect on their realisable value.

9.3 The minimum level of liquid assets in the portfolio should be 50% of total investment funds, allocated through the Target Policy Portfolio Asset Allocation.

9.4 If this minimum level of liquid assets is not achieved due to significant falls in liquid assets, thus decreasing the proportion of liquid assets of total investment funds, then the Foundation should work with its Asset consultant to determine a plan to bring the liquid assets back to the minimum level within 12 months.

10 Portfolio Benchmarks

10.1 Level 1, Primary Objective Benchmark: The long-term return (over rolling 5 to 10 year periods) of the Portfolio is to achieve a real return target of 4.5% (CPI plus 4.5%).

10.2 Level 2, Target Policy Portfolio Benchmark: A secondary objective in the portfolio benchmarking is to measure whether the Portfolio has performed in line with expectations given the allocation to each asset class in the portfolio. To evaluate this, the returns of the Foundation will be measured against a blended policy index composed of indices reflecting the allocation and benchmark of asset class in the Target Policy Portfolio (Exhibit 3) . This benchmark may also be referred to as a 'reference portfolio' as it represents a, passive allocation implementation. The portfolio should be evaluated against portfolio benchmarks over rolling 3 to 5 year periods.

10.3 Level 3, Asset Class Benchmark: The actual asset class returns composed of the aggregate of the underlying manager returns, weighted by the actual weights of each manager, measured against the index return appropriate to that asset class (Exhibit 3). Asset classes should be evaluated against asset class benchmarks over rolling 3-to-5-year periods on a monthly basis (quarterly for non-marketable assets).

10.4 Level 4, Investment Managers' Benchmark: Investment managers' returns are measured against their chosen benchmarks over rolling 3-year periods monthly (quarterly for non-marketable assets).

10.5 Level 5, Peer Group comparative Benchmark: on an annual basis the foundation will be measured against their chosen peers, and compared at an overall portfolio level, and asset class level if appropriate.

Exhibit 2: Composition of the Target Policy Portfolio Benchmark or 'Reference Portfolio'

Asset Classes	Policy Targets	Target Policy Portfolio Benchmark
Global Equity #	31%	MSCI World Index (net divs^), 100% hedged to NZD
Emerging Markets Equity	6%	MSCI Emerging Markets Index (net divs^), unhedged in NZD
Global Private Equity	17%	MSCI All Country World Index (net divs^) +3%
Alternatives	13%	Cash +5%
Infrastructure	8%	50% CPI+6%, 50% FTSE Developed Core Infrastructure 50/50 Index (Hedged to AUD)
Property	4%	50% MSCI/Property Council of New Zealand Property Index, 50% FTSE/NAREIT Developed Index
Sub-IG Credit	4%	50% Credit Suisse Leveraged Loan Index, 50% Bloomberg Global High Yield Index
Private Credit	4%	Cash+4%

Global Fixed Interest	**3%**	**Bloomberg Global Aggregate Index, hedged to NZD**
NZ Fixed Interest*	**3%**	**S&P/NZX NZ Bond Composite Index**
Cash	**5%**	**S &P/NZX Bank Bill 90-Day Index**
Impact Investments	**2%**	**NZ CPI**

Note: Benchmarks are hedged in line with the Foundation's currency policy (Exhibit 3)

^ net divs refers to the value of the index including the total dividends paid by constituent companies after accounting for withholding taxes and expenses associated with the dividend payments.

 # We will also measure the Global Equity asset class against the MSCI All Country World Paris Aligned Index on an annual basis,

** Includes an allocation to ILBs*

11 Currency Hedging

Currency exposure introduces additional volatility to the portfolio, which is a source of risk for the globally oriented portfolio. Currency hedging should primarily be used to manage the impact of currency fluctuations to portfolio returns over time.

11.1 Emerging Markets Equity will be unhedged as the trading volume and liquidity of hedging instruments in these markets tend to be lower in addition to a higher overall cost of hedging.

11.2 Global Private Equity will generally be left unhedged due to the inability to estimate with any precision the timing or magnitude of cash distributions, in addition to valuation of private assets occurring with a quarter lag.

11.3 Global Fixed Interest will have a 100% hedge as the default unless an active manager is chosen whose strategy attempts to, and has shown the ability to, add value via currency selection, in which case that manager's exposure may not be 100% hedged.

11.4 Foreign currency denominated investments where the cash flow yield is relatively stable and is the primary source of investment returns should be hedged where practicable.

11.5 Impact Investments will be unhedged.

11.6 The portfolio targets a 33% exposure to foreign currency, with a range of 25 – 50%

11.7 The Foundation's asset class hedging ranges to achieve the target exposure are set out below in Exhibit 3.

Exhibit 3: Currency Hedging Policy

Asset Class	Policy Target	Hedging Range
Global Equity	31%	0-100% Hedged
Emerging Markets Equity	6%	No Hedging
Global Private Equity	17%	No Hedging
Alternatives	13%	0-100% Hedged
Infrastructure	8%	0-100% Hedged
Property	4%	0-100% Hedged
Sub-IG Credit	4%	0-100% Hedged
Private Credit	4%	50-100% Hedged
Global Fixed Interest	3%	100% Hedged
NZ Fixed Interest	3%	No Hedging
Cash	5%	No Hedging
Impact Investments	2%	No Hedging
Total Currency Exposure Target	33%	25% - 50% Currency Expense

12 Manager Concentration Limits

To provide reasonable assurance that no single manager could have a disproportionately negative impact on the Foundation's aggregate results, exposure to any single actively managed fund should be limited to:

- 10% for a growth fund. These funds typically exhibit higher volatility which results in the potential to have bigger impact on portfolio returns.
- 20% for a defensive or multi-manager fund. These funds characteristically have lower risk and/or are more diversified which enables larger positions to be taken.

In addition, investments should not constitute more than 10% of a third-party pooled fund's assets under management*

The Investment Committee may at its discretion make exceptions to these limits, for example, for the purposes of averaging in, testing a new asset class or manager, or building a relationship.

**Note: The limit applies at the strategy/fund level, not the individual investment vehicle level (share class)*

13 Responsible Investment Policy

The Foundation is the kaitiaki of the funds for the people in Tāmaki Makaurau Auckland and Te Tai Tokerau Northland in perpetuity. As such, the Foundation has a financial as well as social responsibility to its stakeholders. Investing responsibly and integrating Environmental, Social and Governance (ESG) factors into its investment decision-making (including those of the underlying investment managers) and ownership practices are aligned with the expectations of our stakeholders. As all investments create impact the Foundation:

- aims to minimise harm,
- seeks positive impacts while generating wealth.

The Foundation strongly believes that climate change is an urgent global issue to address and supports actions to help deliver the goals of the Paris agreement. As such, the Foundation targets the transition of its investments to achieve net zero portfolio greenhouse gas emissions by 2050 or sooner (referred to below as "Net Zero 2050"). Interim milestones will be set and monitored against, with regular reviews for alignment with the target.

The Foundation is a signatory to the United Nations Principles for Responsible Investment (UNPRI). The UNPRI embodies an internationally accepted framework for investors to manage sustainability issues in a manner consistent with improving long-term investment returns. The Foundation aspires to fully meet the UNPRI principles and strongly prefers working with investment managers who are aligned with the UNPRI principles and Foundation North's organisation values.

The Foundation seeks investment managers that are active stewards, creating and preserving long-term value for current and future generations by responsibly managing and allocating their capital. This may be through active engagement with companies, regular responsible voting and by incorporating material ESG matters into investment decisions. The Foundation requires public equity investment managers to support their local Stewardship Code as signatories and providing regular reporting to the Foundation on their stewardship activities.

The Foundation **seeks** investment opportunities that:

- Advance climate change solutions such as reduction of carbon emissions in alignment with Net Zero 2050;
- Advance environmental regeneration, nature conservation and sustainable use of natural resources, including air, water and land;
- Manage the risks of climate transition;
- Create a more sustainable, socially inclusive world.

The Foundation has determined investments that will be **excluded** include:

- Controversial and nuclear weapons[1];
- The manufacture of tobacco products;
- Fossil fuels extraction through oil sands and thermal coal extractors;
- Fossil fuels reserves exposure that is non-aligned with Net Zero 2050.

[1] as defined per Kiwisaver legislation in relation to investment exclusions.

The Foundation expects all investment due diligence undertaken by the asset consultant to include a thorough understanding of the Manager and Investment strategy's commitment to Net Zero 2050.

To ensure its portfolio is efficiently managed and highly diversified, the Foundation may invest via investment managers' pooled products. In doing so, the Foundation recognizes that:

- the Foundation has limited influence over the ownership of securities within such pooled products; and
- at times, there may be ownership in securities of entities or activities that some stakeholders may not approve of. There is often no cost-effective way of identifying and excluding these investments from the vast investment universe.

The Foundation's Statement on Responsible Investment can be viewed on the website (link).

14 Version Control

Version	Approved / Updated	Change from Preceding Version
1.	Approved 2002	**Revised Asset Allocation Strategy.**
2.	Approved Dec-05	**Revised Asset Allocation Strategy.**
3.	Approved Jun-06	**Ethical inclusion to Investment Objectives.**
4.	Approved Oct-06	**Inclusion of Derivatives Policy.**
5.	Approved Nov-06	**Inclusion of Responsible Investment Policy. Inclusion of Absolute Return Funds Policy.**
6.	Updated Jul-07	**Updated to reflect changes in investment managers.**
7.	Approved May-08	**Inclusion of Performance Objective. Updated Responsible Investment Policy. Revised Asset Allocation Strategy.** **Inclusion of Benchmark Indices.**
8.	Approved Oct-10	**SIPO revised following Cambridge Associates (C|A) Investment Planning Review (IPR) concluded on 19-Jul-10.**
9.	Approved Jun-13	**SIPO revised following C|A IPR concluded on 29-May-13.**

10.	Approved Mar-14	**Benchmark for Global Fixed Interest revised.**
11.	Approved Oct-14	**Revised wording and order of Investment Beliefs.**
12.	Approved Sep-15	**Clause 7.4 amended to include direct investments in NZ Real Estate.**
13.	Approved Oct-15	**Revised to reflect new name (Foundation North) including update of Nature of the Trusts section.**
14.	Approved Mar-16	**Clause 7.4 amended to include Any allocation to direct investment in New Zealand Real Estate will be subject to the terms of the approved NZ Direct Real Estate Investment Guidelines.**
15.	Approved Mar-17	**Target Asset Allocation and Ranges revised.**
16.	Approved May-17	**SIPO revised (Responsible Investment Policy).**
17.	Approved Mar-18	**SIPO revised following C|A triennial review. Changes minor in nature – simplification of benchmarks, policy targets and policy ranges.**
18.	Approved Aug-19	**Impact Investment**
19.	Approved Nov-21	**SIPO revised following a full review implemented on the appointment of JANA. Changes covering spending policy, target return, asset allocation, liquidity policy, benchmarks, hedging policy and responsible investment policy.**
20.	Approved Feb-23	**Revised following formal SIPO review. Objectives, beliefs, and Responsible Investment Policy updated.**
21.	Approved Nov-23	**Revised following annual SIPO review. Hedging Policy, Target policy portfolio, benchmarks and asset class buckets (away from factor based approach) updated.**

Appendix 1
Fundamental Investment Principles

This Statement of Investment Policies and Objectives is based on certain investment principles the Investment Committee of the Foundation regards as fundamental and constant. The Investment Committee's intent is to manage the Foundation's Portfolio in accordance with these principles, regardless of cyclical ebbs and flows in the capital markets. The documentation of these principles is intended to ensure continuity of purpose and implementation regardless of changes in the composition of the Investment Committee.

Time Horizon

The Foundation's Portfolio investment time horizon should be infinite, since the Foundation is expected to exist in perpetuity. However, the purpose of the Trust Fund is to provide, a steady and sustainable distribution of funds to the community. The investment objectives and target policy portfolio of the Foundation seeks the appropriate balance between these priorities.

Spending

The ideal spending policy ensures a balancing of priorities, whereby the current needs of the Foundation are not sacrificed in the interests of the future, nor are future needs sacrificed to those of the present. The Foundation's spending is defined as annual grants plus operational and capital expenditure.

Asset Allocation

Trustees regard the choice of asset allocation policy as the decision which has the most influence on the likelihood that it will achieve its investment objectives. The Trustees have retained responsibility for this decision which is made with the advice of the Foundation's Asset consultant, which has carried out asset-allocation analysis to assess the likelihood of the Foundation's objectives being met.

Allocation to Equities

A reasonably high allocation to equities is required to support spending while preserving the purchasing power of the Trust Fund. The Committee understands that a high commitment to equities, in all forms, may result in periods of diminished purchasing power and higher short-term volatility.

Diversification

By allocating funds to asset classes whose returns are not highly correlated over time, the Foundation aims to mitigate some of the volatility inherent in equities and thereby provide greater stability in spending distributions than might be possible with a more concentrated portfolio. Although such diversification means the Foundation may not reap all of the benefits of equity bull markets, it will also avoid the full brunt of bear markets.

Rebalancing

In order to obtain the benefits of diversification and maintain a relatively constant risk exposure, portfolio holdings will be rebalanced according to stipulated guidelines using normal cash outflows to ensure that the actual portfolio asset allocation ideally fluctuates within the exposure bands and does not deviate materially from target policy allocations or Medium Term Asset Allocation allocations if these have been established.

Cash Allocation

To ensure sufficient liquidity is always available to the Foundation the minimum level for cash will be 3% at all times.

Purpose of the Allocation to Fixed Interest

The primary purpose of the fixed interest portfolio is to help maintain spending distributions from the Foundation during a period of prolonged economic contraction, without having to sell equities at depressed prices. Credit may be included in this allocation for increased yield and diversification purposes, with the recognition that credit will not provide as strong a hedge during a period of prolonged economic contraction.

Purpose of the Allocation to Property and Infrastructure Assets

The primary purpose of the allocation to inflation-sensitive assets is to hedge the portfolio against unanticipated inflation, which can dramatically decrease the Foundation's purchasing power and its ability to sustain spending. Portfolio diversification is an important secondary consideration.

Currency Hedging

Over the long term, currency fluctuations are expected to even out to zero. Over the short to medium term, currencies can introduce substantial volatility to various asset classes and the portfolio as a whole. While theoretically, investors should be 100% hedged if all of their liabilities are denominated in their local currency, the practicality of the 100% default hedge is not ideal due to; the costs involved, the at times significant cash flows which can pose a serious administrative and operational risk to the Foundation, and the fact that most of the benefit is achieved prior to reaching the 100% hedge. The reduction in volatility (standard deviation) in addition to consideration of the aforementioned, determines the desired level of currency exposure for the overall portfolio, which is then implemented through assigning a hedging ratio for each asset class.

Manager Structure

The Foundation's portfolio will be predominantly managed in an active style using a core-satellite manager structure. By adopting a core-satellite structure the Foundation will achieve a well-diversified, cost-effective passive or enhanced-passive core combined with a number of concentrated satellite portfolios with active mandates and niche/opportunistic strategies.

Manager Monitoring and Evaluation

The Foundation's asset consultant will be responsible for the evaluation and monitoring of each manager in the portfolio. The asset consultant will be responsible for notifying investment staff and the committee of any material issues or concerns with underlying investments as they arise. The asset consultant will be responsible for recommending the hiring and terminating of managers. The asset consultant has legal and regulatory obligations to always act in the best interests of its clients and maintains a Conflicts of Interest Policy that assists in ensuring that its clients are all treat fairly and equitably.

The Foundation will select an asset consultant with suitable resources, capabilities, and processes for due diligence, evaluation, and monitoring of managers. Any investments within the portfolio that are not monitored by the asset consultant will be agreed upon in advance between the Foundation and asset consultant. The asset consultant will notify the Foundation on an annual basis of any managers in the portfolio that are not monitored as a part of the aforementioned process.

Hiring Managers

Investment managers are contracted to fulfil specific roles in the portfolio. The Investment Committee recognises that managers should not be selected on the basis of recent performance, but on their longer-term record and also on the basis of other criteria, such as personnel, research capabilities, back-office systems, fees, alignment with the Foundation's Responsible Investment Policy and the Foundation's organisation values. Prior to the appointment of an investment manager, extensive due diligence will be undertaken by the Foundation's Asset consultant and investment staff. The research shall be in accordance with the Asset consultant's research policies, which are disclosed to the foundation.

Terminating Managers

Investment managers should not be terminated for poor performance over a short time horizon by default. Terminations within a period of at least three years should normally be predicated on something other than performance; for example, fundamental changes in the manager's personnel or organisation; a failure to fulfil the mandate for which the manager was hired; evidence of illegal or unethical behaviour; or a decision by the Foundation to cease investing in the manager's asset class. The termination of investment managers will be evaluated jointly by the investment staff and the external Asset consultant.

Investment Policy Review

Under its charter, the Investment Committee is required to review the Foundation's Statement of Investment Policy and Objectives (SIPO) annually. While it is not anticipated that the SIPO will be changed frequently, the Committee should review the policy periodically to ensure that the Foundation is capitalising on available market opportunities.

Best Practises

The Investment Committee commits itself to a process of continuous review and adoption of global best practices in the oversight of the Foundation's portfolio where appropriate.