



Statement of Investment Policies and Objectives

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Background

The Endangered Species Foundation of New Zealand (The Foundation) is a registered charitable organisation that convenes, collaborates, creates, communicates and resources positive change for Aotearoa's unique natural heritage. We aim to save the 'Rarest of the Rare' by coordinating and supporting high-priority conservation projects that protect New Zealand's most vulnerable indigenous species and habitats from extinction. Established in 2013, The Foundation's vision is a future in which Aotearoa's unique natural heritage is valued, cared for, and sustained by us all, and where all New Zealanders have the chance to make a lasting contribution.

Purpose

The purpose of this SIPO is to assist the Board, the Foundation and the Investment Adviser in effectively supervising, monitoring and evaluating the management of the investment portfolio (the portfolio).

The investment programme is defined in various sections of the SIPO by:

- Stating in a written document The Foundation's attitudes, expectations, objectives and guidelines for investment.
- Setting forth an investment structure for managing the portfolio. This structure includes various asset classes, ethical standards, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of diversification and total return over the investment time horizon.

- Establishing formal criteria to select, monitor, evaluate and compare the performance of securities on a regular basis.
- Encouraging effective communication between the Trust, the Foundation, Investment Adviser and interested parties.
- Complying with all applicable fiduciary, prudence and due diligence requirements experienced investment professionals would utilise, and with applicable laws, rules and regulations.

Governance & Investment Management - Duties and Responsibilities

Governance

The responsibility for the oversight of the Foundation's investments and adherence with this investment policy rests with the Trustees. The Trustees have delegated oversight of day-to-day investment management to the Investment Committee.

The Investment committee is responsible for:

- Regularly reviewing the investment performance and advising trustee of performance or any adjustment required.
- To appoint and remove Investment Manager as appropriate.
- To determine the most appropriate investment strategy based on the advice of the investment manager to achieve the investment objectives
- Distributions are in line with this policy and approved.
- To report to the Foundation annually regarding overall performance and total cost of deliver.

Decisions to depart from this Investment Policy require the unanimous approval of the Trustees or, as part of their delegated authority, the Investment Committee.

Investment Management

External investment professionals (Investment Manager) have been appointed to oversee and undertake the day-to-day investment management of the Foundation's investments on a discretionary basis.

Detailed investment mandates provide a clear delegated authority to invest funds, in a manner consistent with this policy, and include operating guidelines as well as the Investment Manager' reporting requirements.

The Investment Manager is responsible for:

- Managing investments consistent with the SIPO on a day to day basis.
- Ensuring investment assets are appropriately diversified and conform with the time horizon and risk/return profile.

- Providing advice on investment approaches, asset classes and any strategies required to maintain the investment in line with this SIPO to the Investment committee.
- Monitoring and providing reporting of actuals against agreed benchmarks (as detailed in this SIPO) on a monthly basis.

The overall performance of the Foundation's investments and its Investment Manager will be evaluated on a regular basis, against the objectives set out in this Investment Policy and by reference to the returns available from cash assets and achieved in investment markets over the relevant evaluation period.

Fund Distribution Policy

The Foundation aim to make distributions each year equal to a minimum of 2.5% of the capital base at the start of the year.

The targeted level of distributions may be reviewed from time to time reflecting the growth of the endowment, the nature and extent of opportunities to deliver on the Foundation's purpose, and changes in investment market conditions (e.g. should expected investment income increase or decrease markedly).

Portfolio risk and investment return expectations for the General Corpus

The Foundation's investment risk profile will be set to prudently grow the capital base over the long-term.

The Trustees recognise that investment markets are prone to short-term volatility, which in turn can result in fluctuations in the capital base. To help ensure the capacity of the Foundation to consistently make annual distributions to deliver on its Purpose, the Trustees will seek to build a capital buffer and in the ordinary course will target making grants up to a maximum level equivalent to two-thirds of investment income. (It will not in the ordinary course make distributions out of the corpus itself).

Each year the Trustees will review the Foundation's financial position:

- If the capital buffer is below the level targeted by the Trustees specific advice will be taken from the Investment Manager regarding the investment outlook to determine if any action needs to be taken;
- If the assets comfortably exceed the capital buffer targeted by the Trustees, such surplus shall be taken into account by the Trustees in setting the Foundation's distribution policy.

The return – and acceptable volatility of return – targets of the Trustees are to achieve:

Over the Long term (20+ years)

- a real return after investment and other expenses, on average, of at least 5.0% per annum, and

Over the Short term (rolling 2-3 years)

- a cash yield (i.e. cash flow income return) of 5.0% of the capital base per annum (noting that the Foundation is a non-taxpayer).

Investment strategy

The assets will be invested based on the following long-term strategic asset allocation and will generally be maintained within the allowable ranges indicated – refer to Investment guideline for more detailed breakdown of asset types:

Asset class	Benchmark allocation	Allowable range
Liquidity: Cash	5.0%	0% - 20%
Income: Bonds	50.0%	30% - 65%
Growth: Property/shares/other	45.0%	30% - 60%

In respect of the above strategy:

- Fund distributions approved but not paid and other distribution commitments pending within 12 months will be held in highly liquid assets including fixed interest, as appropriate.
- Investments will be managed on a predominately “buy and hold” basis, and the investment portfolio diversified across a minimum of 25 investments, without undue concentration in any one company, sector or asset class.
- The foundation recognise that this investment fund is not for speculation and that long term “buy and hold” should include index funds with a focus on low fees to maximise return to the Trust.
- The Foundation have NZ dollar distribution objectives and commitments. As such, the majority of liquidity and income assets should be NZ dollar assets. Where overseas investments are made, the currency risks of overseas investments may be hedged, if recommended by the Investment Manager and approved by the Trustees.
- The Foundation and their Investment Manager will have a period of 6 months to integrate newly received bequests (whether cash, financial assets or other) into the Investment Strategy.

Investment guidelines and restrictions (General Corpus)

The investment guidelines and restrictions summarised below are in place for prudential reasons and apply to the General Corpus but not specially tagged bequests.

Departures from these require the unanimous written approval of the Trustees.

Shares & property

- Investments must generally be confined to publicly listed, widely-held securities trading in recognised markets. Investments in NZ or Australian private equity funds may be permitted with the prior written consent of the Investment Advisory Committee.
- The Foundation should not hold more than 2.0% of the equity of any one company and no individual holding should be over 5.0% of the value of the endowments.
- The property assets will be confined to listed securities. Direct property investments may only be made with the unanimous consent of the Trustees.
- **Investments in companies with significant exposure to fossil fuel extraction, mining, weapons, landmines, tobacco, alcohol, adult entertainment and gambling, are considered incongruent with the purpose and values of both the Foundation and are precluded.**

Bonds

- The average credit quality of the portfolio should be equivalent to at least a Standard & Poors investment grade (BBB) credit rating. No more than 20% of the Foundation's endowment may be invested in securities that are non-investment grade or perpetual.
- International securities are limited to stock with Standard & Poor's credit rating of grad of AA+ or higher.
- With the exception of New Zealand government stock, no holding of an investment grade bond should exceed 5.0% of the value of the endowments and no holding of a non-investment grade or perpetual bond should exceed 3.0% of the value of the endowments.

Cash

- Cash includes bank deposits and bank bills up to 365 days from a registered New Zealand bank (or equivalent financial institution) and shall have a level of security equal to, or better than, a Standard & Poors A1 rating.
- Cash should only be held due to timing of rebalancing, change in investment or distribution requirements.

General

- Investments shall be made within the context of a prudent overall approach and a paramount objective to ensure real capital preservation over the longer term. The Trustees recognise their investment responsibilities will at times extend beyond pure financial considerations reflecting the Foundation's conservation environmental and education purposes and underlying values.
- Borrowing to invest is prohibited, except in relation to direct property assets with the written consent to the trustees.

- Total holdings (bonds and shares) in any one organisation, other than government bonds, shall not exceed 7.5% of the value of the endowments excluding new funds awaiting investment.
- Other than hedging foreign currency risk on overseas investment, no financial derivatives may be used.
- Where bequests are specially tagged by a benefactor these funds will be managed by the Foundation (and, where applicable, by their Investment Manager) in accordance with the instructions of the benefactor.
- Ethical considerations regarding the type of investment detailed above must be taken into account with all investments, however the trustee recognise that it is not always possible to ensure that this condition is met, and that when there is doubt the investment manager must communicate to the investment committee.

Asset Class	Minimum Allowable Exposure %	Strategic Asset Allocation %	Maximum Allowable Exposure %
New Zealand Equity	15%	15%	30%
Australian Equity	10%	10%	20%
International Equity	5%	10%	15%
New Zealand Property	0%	10%	15%
Total Growth Assets	30%	45%	65%
NZ Fixed Income	5%	35%	45%
International Fixed Interest	0%	15%	15%
Cash	0%	5%	20%
Total Income Assets	5%	55%	35%
Total		100%	

Rebalancing

The percentage allocation to each asset class may vary depending upon market conditions. The SAA has upper and lower limits for each asset class as set out in the table above.

To remain consistent with asset allocation guidelines, the investment manager will periodically review the portfolio and each asset class. If the actual weighting has moved outside the tolerances described above, the manager shall rebalance the portfolio back towards the recommended weighting. This rebalancing is to be completed as required, and at least annually, and reported to the investment committee.

Rebalancing tends to involve buying underperforming assets at relatively lower prices and selling relatively higher priced assets. Cost effective rebalancing can be achieved by reinvesting cash

accrued from distributions and maturities.

This SIPO has been approved by both the Trustees of:

The Endangered Species Foundation of New Zealand

on this date

21 May 2021