

UNIVERSITY OF WAIKATO

FOUNDATION STATEMENT OF INVESTMENT POLICY AND OBJECTIVES



THE UNIVERSITY OF
WAIKATO
Te Whare Wānanga o Waikato

INTRODUCTION

The University of Waikato Foundation – Te Pou Taunaki – was established by the Trust Deed dated July 1992 and was registered as a charity in June 2008.

The Foundation is an independent charitable trust and the vehicle by which the University of Waikato receives donations and ensures funds are distributed to chosen areas. The Board of Trustees is responsible for ensuring all funds donated to the University are managed, invested sensibly, and disbursed appropriately according to donors' wishes.

The Foundation has traditionally held donor funds in term deposits and in one managed investment, but since 2020, most donor funds are held in managed investments. The Foundation uses two reputable investment firms for its Endowment Fund and its other portfolio.

A key driver of the Foundation – Te Pou Taunaki, is to provide a stable pipeline of income for current and future generations at the University of Waikato, as well as generate sufficient income and hold reserves to weather economic cycles and investment performance. Although there are immediate and short-term cash requirements for paying scholarships and prizes, the trustees and fund managers hold a long-term view of the Foundation's investments.

A Statement of Investment Policies and Objectives (SIPO) is designed to outline the investment approach of the Foundation – Te Pou Taunaki. Specific investment mandates are also held with the two current investment managers.

The asset allocation within the managed funds provides a mix of assets for short term and long-term growth, liquidity, income generation and capital protection. All these allocations have a level of risk which is understood and accepted by Trustees and have been discussed in detail between the University and the fund managers.

SCOPE OF THIS INVESTMENT POLICY

This document lays out the investment policies, objectives, and beliefs governing decisions about investments in relation to the Foundation's assets. It considers:

- The Trust Deed constituting the Foundation
- The Trusts Act 2019
- The Charities Act 2005
- The University of Waikato Fundraising and Philanthropy Acceptance Policy

PURPOSE

The purpose of this SIPO is to:

1. Articulate the investment goals and objectives of the Foundation
2. Provide high-level guidance regarding the Foundation's investments
3. Provide clarity to current and future donors about the University of Waikato Foundation's approach to managing funds

AUTHORITY OF THE FOUNDATION

The University of Waikato Foundation – Te Pou Taunaki is governed by a board of trustees, which has a fiduciary duty to ensure all funds donated to the University are managed, invested sensibly and disbursed appropriately according to donors' wishes.

The Foundation currently has two managed fund portfolios with reputable investment firms. It has been agreed that both fund managers provide a Discretionary Investment Management Service to the Board.

The Foundation has a long-term investment horizon, particularly the Endowment Fund which is building to a point where the returns it generates can be used to help the University of Waikato. The Foundation is exempt from New Zealand tax.

RESPONSIBILITY OF THE FOUNDATION BOARD

The Board is responsible for managing the Foundation's investments, overseeing appointed fund managers and ensuring money is distributed sensibly.

On an ongoing basis the Board will:

1. Maintain the appropriateness of this SIPO, taking into account the investment objectives and risk profile of the Foundation and the University.
2. Decide upon fund managers and review the performance of the fund managers and the portfolios.
3. Monitor compliance with this SIPO.
4. Seek to mitigate risk wherever possible while having regard to the return objectives of the Foundation on behalf of the University of Waikato.
5. Request and discuss information considered material; particularly in relation to significant changes to economic outlook, investment strategy, or any other factors, which have the potential to impact the Foundation's long-term investment objectives.

GENERAL INVESTMENT PRINCIPLES

1. Funds will be managed by advisors/fund managers for the University of Waikato Foundation – Te Pou Taunaki. The managers will report regularly to the Board of the Foundation.
2. Investments shall be within the agreed guidelines set out in this SIPO (and that of the individual mandates with the fund managers), and will be reviewed from time to time, including the ongoing need for Discretionary Investment Management Services.
3. Investment of the Foundation assets shall be broadly diversified to minimise the risk of significant losses but will sit mostly in the growth band unless/until this is reviewed.
4. The Foundation will recognise income, expenditure and gains or losses in the market value of investments on a quarterly basis, based on reports received from the fund managers.
5. The Foundation's second portfolio fund should be managed so that by the 2026 financial year, it generates enough income and growth to cover distributions.
6. The Foundation Board understands the associated gains and losses on its investments are consolidated into the wider University of Waikato Group for the purposes of annual reporting.

INVESTMENT OBJECTIVES

1. The Foundation's investments shall be invested in liquid securities, defined as securities that can be transacted quickly and efficiently with minimal impact of market price.
2. The Foundation's Endowment Fund should be managed to at least maintain the real capital value of the fund (inflation adjusted) while generating growth, on average, over the long term, returning gains to the portfolio.
3. The Foundation shall make reasonable efforts to preserve capital, overall, even though losses may occur in individual securities and in certain asset classes in the short to medium term (less than five years).
4. Preservation of capital shall include reference to inflation.
5. Although reasonable risk is necessary to produce long-term investment results that meet the Foundation's objectives, the Board is to make every reasonable effort to minimise risk relative to the desired return.

INVESTMENT GUIDELINES

Allowable assets:

Cash and cash equivalents (call or term deposits up to 90 days, including cheque accounts with any of the New Zealand registered banks) in NZD and foreign currencies.

- a. Domestic and international fixed Interest securities
 - b. Local Authority bonds
 - c. Registered banks
 - d. Term deposits greater than 90 days
 - e. Corporate bonds
 - f. Preference shares
3. Equity and Property Securities
- g. Listed and unlisted property
 - h. Shares in publicly listed companies on registered stock exchanges, directly or via exchange traded funds
 - i. Unlisted funds
 - j. Alternative investments

Prohibited holdings:

Prohibited securities, investment and/or financial instruments include companies whose principal businesses operate in the following industries:

- a. Tobacco products
- b. Recreational cannabis
- c. Alcoholic beverages
- d. Oil and gas exploration with the exception of companies in this sector who are committed to decarbonisation and are deemed to be leading by example
- e. Armaments/weapons, including nuclear
- f. Gambling
- g. Mining with the exception of companies who are who are committed to decarbonisation and are deemed to be leading by example

The Board aims to avoid investing in industries or organisations whose purpose does not align with the values and objectives of the University and does not meet generally accepted standards around ethical investing. The trustees recognise that investing in pooled funds can be the best way to achieve investment outcomes, and understand that in doing this, they are not always able to control the investment in specific companies.

Target asset allocation:

Growth assets will make up approximately 75% of the portfolios including:

1. Listed New Zealand equities
2. Listed Australian equities
3. Listed international equities
4. Listed and unlisted property
5. Alternative investments
6. Commodities

Income assets will make up approximately 25% of the portfolios including:

2. New Zealand fixed interest
3. International fixed interest
4. Cash

Both existing portfolios have minimum and maximum bands for exposure to those assets.

In addition, the Foundation holds cash in bank accounts, and sometimes occasionally term deposits.

ACCUMULATION PHASE

The Foundation will remain in an accumulation phase for the Endowment Fund until that fund reaches \$20 million, and for the second portfolio until at least the 2026 financial year. During that period, no distributions will be made other than those necessary to fund scholarships, prizes or other commitments. In the main these payments will be made from cash on hand in Foundation bank accounts.

The total value of both Funds is expected to grow through increases in the value of the underlying investments and additional donations on average over the long term.

DISBURSEMENT RATE

From the 2026 financial year, the Board agrees to consider disbursing some gains from the second portfolio to the wider University (above the commitments for scholarships, prizes etc). Any surplus funds above this would be reinvested in the fund.

An indicative disbursement/spend rate would be 4% (or the average return, after expenses on Foundation investments for the previous three years), less the average inflation. This methodology, which would be applied to the three-year rolling average of the value of the portfolio, will help funds grow and maintain any properly endowed funds at a level where capital is preserved, over and above the distributions already committed to. The rate will be calculated annually in June and agreed upon at the July Foundation board meeting.

The Foundation understands this is a long-term and ongoing target but will not be achieved in every measurement period.

From time to time, the board may also approve operating inside or outside this disbursement figure, and may make special distribution of gains from the portfolio, or remove capital for its intended purpose.

REPORTING AND MONITORING

The fund managers will report formally to the Board of the Foundation on an annual basis, including a review of asset allocation strategy, performance versus benchmarks, risk profile and consistency with the investment strategy. Fund managers will also supply quarterly ongoing reviews for the Board.

ADMINISTRATION EXPENSES

The University of Waikato covers the staffing costs of the Development Office which looks after the Foundation, and any audit costs related to the Foundation. Fund manager fees are paid out of the portfolios. All donations made to the University of Waikato Foundation go to the area of need and are not used for operational expenses.

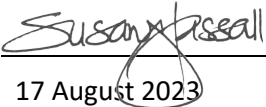
EFFECTIVE DATE OF SIPO AND REVIEWS

This SIPO takes effect on 1 August 2023. The Board intends to review this SIPO at least every two years or more frequently at their sole discretion.

This statement is approved by the Board of the University of Waikato Foundation and certified by:

Name: Susan Hassall, ONZM

Role: Chair, Foundation Board

Signature: 

Date: 17 August 2023
