THE UNIVERSITY OF AUCKLAND FOUNDATION LONG TERM AND SHORT TERM INVESTMENT POOLS

STATEMENT OF INVESTMENT POLICY AND OBJECTIVES (SIPO)

1. INTRODUCTION

The purpose of this Statement of Investment Policy and Objectives (SIPO) is to provide all parties involved with the University of Auckland Foundation (the Foundation) with a document that sets out the objectives and policies that govern investment decisions relating to the Foundation's Long Term Investment Pool (LTIP) and Short Term Investment Pool (STIP), known collectively as the Investment Pools (IPs).

Trust Deed

The Trust Deed provides the Trustees of the Foundation with broad authority to invest the IPs' assets.

The IPs will be invested in a manner which considers the requirements of the Trusts Act 2019.

Responsibilities

The Trustees are responsible for the objectives and policies set out in the SIPO, however, implementation and oversight are delegated to the Investment Committee. Further detail on the allocation of responsibilities can be found in Section 9.

Effective Date

This SIPO takes effect from 1 January 2025.

Review Dates

The Trustees will review this SIPO in detail every three years or more frequently if there is a significant change in the Foundation's circumstances. The Investment Committee, in conjunction with the Investment Advisor, will undertake an annual high-level review of the SIPO to ensure it remains fit for purpose and will recommend any appropriate adjustments to the Trustees for approval.

2. FINANCIAL OBJECTIVES

The LTIP will be invested in a broad range of diversified investments designed to achieve the following objectives:

- Maximise the total amount of distributions that can be financed by the investments of the LTIP over the long term, subject to a prudent level of portfolio risk
- Maintain the LTIP's real capital in perpetuity

The STIP will be invested fully in cash instruments to ensure adequate liquidity to meet distribution requirements.

3. INVESTMENT OBJECTIVE

The investment objective of the LTIP is to earn an annual real (i.e. inflation-adjusted) return, after investment management and advisory fees, but before spending, of 5.0% over a rolling 10-year period, in order to be able to comfortably achieve its long-term spending rate of 4.0%.

The Trustees recognise that the 5.0% real return target is a long-term target and will not be achieved in every measurement period.

The investment objective of the STIP is to match or exceed the [S&P/NZX 90-day Bank Bill Index] over rolling twelve-month periods.

4. STRATEGIC ASSET ALLOCATION

The Strategic Asset Allocation Targets for the LTIP are categorised under two broad Asset Groups:

- Equity Assets
- Credit Assets

Table 1: Strategic Asset Allocation and Rebalancing Ranges

Asset Classes	Policy Target	Policy Ranges
Equity Assets	73.75%	60 – 80%
Australasian Equity	10.00%	5-15%
Global Equity	35.00%	30 – 40%
Emerging Market Equity	5.00%	0 – 10%
Private Investments	13.75%	7.5 - 17.5%
Property	7.50%	0 – 10%
Infrastructure	2.50%	0 – 5%
Credit Assets	26.25%	20– 40%
New Zealand Fixed Interest	11.25%	7 – 18%
Global Fixed Interest	5.00%	0 – 10%
Private Credit	5.00%	0 – 10%
Cash and Equivalents	5.00%	0 – 15%

4.1 Equities (public and private) have historically outperformed other asset classes and therefore serve as the LTIP's growth engine. It is acknowledged that a portfolio heavily biased to Equity Assets could face significant losses during periods of unanticipated inflation or prolonged deflation.

4.2 Credit Assets should provide more stable returns, liquidity and protection against a prolonged economic contraction. In order to fulfil its deflation hedging role, a significant proportion of the allocation to both New Zealand and Global Fixed Interest will be invested in investment grade fixed interest securities. Private Credit provides access to higher yielding forms of credit whilst maintaining interest generation and capital preservation.

4.3 The policy target to all unlisted investments (Private Investments, unlisted Infrastructure and Private Credit) refers to the current net asset value, rather than the value of the total commitments.

4.4 The Strategic Asset Allocation serves as a guide to target asset allocations. However, there may be times when asset classes are over- or underweight relative to its target allocations.

4.5 The STIP will be fully allocated to Cash and Equivalents, while observing the limits detailed in Section 8.

5. TACTICAL ASSET ALLOCATION AND REBALANCING POLICY

5.1 At times the Investment Committee may decide to underweight or overweight certain asset classes relative to the Strategic Asset Allocation on the basis of relative valuations and current investment opportunities, resulting in a tactical asset allocation. Such allocations would be allowed to vary from the Target within the Policy Range for each asset class as set out in Table 1.

5.2 The objective of rebalancing is to keep the LTIP's portfolio asset allocation at or near its tactical or Strategic Asset Allocation weights in order to obtain the benefits of diversification and maintain an asset allocation that has been designed to help achieve the stated investment objectives, without incurring additional unintended risks.

5.3 Minor rebalancing transactions (within 2% of current positioning) have been delegated to the Foundation's Investment Staff with advice from the Investment Advisor, as detailed in Section 9.

5.4 If an asset class moves outside of its Policy Range then it will be rebalanced back inside the range as soon as is reasonably practicable. This will be completed by the Foundation's Investment Staff in consultation with the Investment Committee and Investment Advisor.

5.5 In order to avoid incurring unnecessary transaction costs, rebalancing actions should be timed to coincide with cash flows to the extent reasonably possible.

5.6 Whilst rebalancing of private investments generally may not be possible due to illiquidity, the policy ranges serve as a guide for the planned placing of monies with private managers.

6. PORTFOLIO BENCHMARKING

6.1 The LTIP's portfolio, asset classes and managers will be benchmarked to relevant indices for performance evaluation.

6.2 While, as already noted, the Investment Objective is to achieve a real return of 5% over the long-term, a secondary objective is to measure whether the portfolio has performed in line with expectations given the allocation to each asset class in the portfolio (the "Policy Benchmark"). To evaluate this, the returns of the LTIP will be measured against a blended policy index composed of indices reflecting the allocation and benchmark of asset class in the Strategic Asset Allocation. See Table 2 for a reference to asset class benchmarks.

6.3 Manager Weighted Benchmark: A blend of indices representing the benchmarks for individual managers, weighted by the amount invested in each manager.

Table 2: Composition of the Policy Benchmark[1]

Asset Classes	Benchmark
Equity Assets	Blend of Asset Class Benchmarks at SAA Weights
Australasian Equity	50% NZX50 Index / 50% ASX200 Index
Global Equity	MSCI World Index (Net)
Emerging Market Equity	MSCI Emerging Markets Index (Net)
Private Investments	70% MSCI World Index (Net) / 15% S&P NZX 50 Index / 15% ASX200 Index
Property	Investment Property Databank (NZ) Index
Infrastructure	S&P Global Infrastructure Index
Credit Assets	Blend of Asset Class Benchmarks at SAA Weights
New Zealand Fixed Interest	Bloomberg NZBond Composite Bond 0+ Yr Index
Global Fixed Interest	Bloomberg Barclays Global Aggregate Bond Index
Private Credit	50% Bloomberg NZBond Composite Bond 0+ Yr Index / 50% Bloomberg Barclays Global Aggregate Bond Index
Cash and Equivalents	S&P/NZX NZ 90-day Bank Bills Index

7. CURRENCY HEDGING

7.1 Currency exposure can introduce additional unrewarded volatility to the portfolio. The currency hedging policy manages the impact of currency fluctuations to portfolio returns over time by limiting the portfolio's total unhedged foreign currency exposure to a maximum of 40% of the LTIP's total assets.

7.2 The currency hedging policy will be implemented by asset class as outlined in Table 3.

Table 3: Currency Hedging Policy

Asset Classes	Policy Target	Hedging Policy	Acceptable Hedging Ranges
Australasian Equity	10.00%	50% Hedged	0 - 105%
Global Equity	35.00%	50% Hedged	45 - 70%

[1] Benchmarks are hedged in line with the LTIP's currency policy (Table 3)

Emerging Market Equity	5.00%	No Hedging	---
Private Investments	13.75%	No Hedging	---
Property	7.50%	No Hedging	---
Infrastructure	2.50%	No Hedging	---
New Zealand Fixed Interest	11.25%	No Hedging	---
Global Fixed Interest	5.00%	100% Hedged	90 - 105%
Private Credit	5.00%	No Hedging	---
Cash and Equivalents	5.00%	No Hedging	---

7.3 Where possible hedging will be implemented at the manager level. Where hedged share classes are not available, a passive currency overlay will be used.

7.4 In the event that the cost of carry from hedging an asset class approaches 100 basis points or more, on an annual basis, the hedge ratios for the LTIP will be re-evaluated.

7.5 In the event that the LTIP's foreign currency exposure hits the 40% limit, the Global Equity hedge ratio will be increased to bring the overall exposure down to 37.5%. Once the overall foreign currency exposure decreases to 35%, the Global Equity hedge ratio be reduced to 50%.

7.6 An in-the-money 90-day currency hedging contract may be realised early and re-set (i.e. at 30 or 60 days into the contract) if the realisation value exceeds 5% of the amount being hedged (assuming a 50% hedge). Investment Staff must discuss and agree any such action with the Chair of the Investment Committee before proceeding.

8. MANAGER CONCENTRATION LIMITS

8.1 To provide reasonable assurance that no one manager could have a disproportionately negative impact on the LTIP's aggregate results:

- Exposure to any single actively managed fund should be limited to:
    - 15% of the LTIP's assets, for an Equity fund. These funds typically exhibit higher volatility which results in the potential to have bigger impact on portfolio returns
    - 20% of the LTIP's assets, for a Credit or multi-manager fund (either Equity or Credit). These funds characteristically have lower risk and/or are more diversified which enables larger positions to be taken
- In addition, LTIP investments should not constitute more than 10% of a third-party pooled fund's assets under management[2]
- No single firm (excepting the Foundation itself or the University of Auckland as an agent as a manager of any LTIP assets), regardless of the mix of the underlying assets, should manage more than 20% of the LTIP

[2] The limit applies at the strategy/fund level, not the individual investment vehicle level

8.2 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.

8.3 Bank Cash & Term Deposits: Any issuer of Class I and Class II Securities, including Registered Banks, must be rated at least A– by Standard and Poor's (or equivalent)[3]. The following bank maxima apply at initiation for the IPs' Term Deposits:

Tier	Maximum issuer exposure	Inclusions
One	35%	ANZ, Westpac, BNZ, ASB, Rabobank & Kiwibank
Two	10%	NZ-registered, non-Tier 1 bank

For avoidance of doubt, the maximum issuer exposure will apply to the collective target cash exposure of LTIP and STIP. In the event that a bank rating falls below A– (defined as a Downgrade Event), all existing Term Deposits with the bank will ordinarily be held to maturity but only after the Investment Staff have confirmed that approach with the Chair of the Investment Committee.

9. ALLOCATION OF RESPONSIBILITIES

Role of the Trustees

The Trustees are responsible for:

- Establishing the objectives and policies set out in the SIPO.
- Reviewing, updating and approving the objectives and policies on a triennial basis, or as the Investment Committee advise
- Oversight of LTIP compliance with the objectives and policies
- Selection of the LTIP's Investment Advisor

Role of the Investment Committee

The Investment Committee's responsibilities include:

- Ensuring compliance of the LTIP with the objectives and policies set out in the SIPO
- Annual high-level review of the SIPO
- Manager selection and monitoring
- Quarterly review of investment performance taking into account the long-term objectives of the LTIP
- Quarterly rebalancing – typically arising from a decision to make tactical tilts or in response to a sizeable inflow (e.g. donation) or outflow (e.g. distribution)

[3] Where there are 3 credit ratings provided for a given bank, at least two ratings of A- or higher. If there are up to two ratings given, then all ratings have to be A- or higher.

Role of Management / Investment Staff (Staff)

The responsibilities of Staff involve, but are not limited to:

- The day to day management of the LTIP and STIP
- Administration of investments (supported by the Investment Advisor)
- Operational rebalancing within 2% of the portfolio's current positioning, provided the resulting asset allocation conforms to SIPO guidelines. Transactions include investing the proceeds from maturing term deposits, partial manager redemptions and additions to meet operating cash needs, settlement of currency hedge and capital calls/distributions for private investments
- Management of term deposits and cash
- Implementation of currency hedging policy and management of currency hedging contracts when these are directly between the Foundation and a New Zealand bank
- Implementation of Investment Committee decisions

Role of Investment Advisor

Provide ongoing advice and recommendations on portfolio construction and allocations across sub-asset classes and geographies. The advisor will:

- Report LTIP and STIP performance and positioning
- Maintain a schedule of attractive investment opportunities
- Recommend appropriate managers and the role they play in the portfolio
- Provide necessary due diligence and supporting analysis on recommended managers
- Provide administrative support to Staff
- Monitor all investments and exposures
- Lead training for the Investment Committee or Staff as required