

**SURF LIFE SAVING RESCUE FUND
(Charitable Investment Scheme)**

INVESTMENT POLICY

Policy Date: 22 May 2018

Replaces: Investment Policy (Approved 10 April 2018)

Next Review Date: 28 October 2018

TABLE OF CONTENTS

- 1. INVESTMENT POLICY OVERVIEW 3
 - 1.1 Background..... 3
 - 1.2 Overview of the Fund 3
 - 1.3 Investment Objectives and Policies 4
 - 1.4 Policy Review 4
- 2. INVESTMENT OBJECTIVES 4
 - 2.1 Objective 4
 - 2.2 Investment Risk Profile..... 5
 - 2.3 Risk Management Objectives 5
 - 2.4 Specific Return and Risk Management Objectives 6
 - 2.5 Reinvestment and Drawdown Policy 7
 - 2.6 Liquidity Management 7
- 3. APPOINTMENT OF INVESTMENT ADVISERS AND AUTHORISED DEPOSIT TAKING INSTITUTIONS..... 7
- 4. ASSET ALLOCATION AND APPROVED INVESTMENT BANDS 8
 - 4.1 Asset Allocation Benchmarks and Ranges 8
 - 4.2 Guidelines for Investment Committee, Investment Advisers & ADIs 9
- 5. BENCHMARKS AND PERFORMANCE MEASUREMENT 11
 - 5.1 Performance reporting..... 11
 - 5.2 Benchmark Selection 11
- 6. REPORTING AND ADMINISTRATION 12

1. INVESTMENT POLICY OVERVIEW

1.1 Background

The Surf Life Saving Rescue Fund (**Fund**) is a charitable investment scheme which is operated by The Surf Life Saving Foundation ACN 159 849 591 (**Foundation**).

The Foundation is exempt from certain provisions of the *Corporations Act 2001* (Cth) in relation to the operation of the Fund, pursuant to ASIC Corporation (Charitable Investment Fundraising) Instrument 2016/813 (**Instrument**), for so long as the conditions of the Instrument are met. One of those conditions is that an identification statement has been registered by the Australian Securities & Investments Commission (**ASIC**) and that registration has not been cancelled. The current identification statement in relation to the Fund was registered by ASIC on 4 May 2018 (**Identification Statement**).

The purpose of the Fund and the manner in which it operates is summarised in the Identification Statement and the Information Memorandum issued by the Foundation on 27 March 2018 (**Information Memorandum**).

Investments in the Fund may only be made on behalf of:

- surf life saving organisations in Australia which are members of or affiliated with Surf Life Saving Australia Limited ACN 003 147 180 (**SLS Entities**); and
- the Foundation as trustee of the trust known as the “Foundation Perpetuity Trust” ABN 23 002 494 198 (**FPT**), which was established by deed of trust, dated 19 May 2003 (**FPT Trust Deed**).

Investments held on behalf of SLS Entities are referred to as **Withdrawable Funds** and investments held on behalf of the FPT are referred to as **Perpetuity Funds** in the Information Memorandum.

SLS Entities may make donations to the FPT by depositing monies in the Fund as Perpetuity Funds. However, income or capital from these investments may only be paid to the donor if the Foundation (as trustee) makes a distribution to them in accordance with the terms of the FPT Trust Deed.

In this document, eligible entities who invest in the Fund are referred to as **Investors**.

1.2 Overview of the Fund

The purpose of the Fund is to provide an appropriate framework that facilitates SLS Entities and the FPT in accessing market linked financial products, with a view to building up a collective capital base which may be invested at more competitive rates than those individual organisations could otherwise access.

The Fund is operated by the Foundation, with the assistance and oversight of an Investment Committee. This ensures that rigid governance structures can be collectively applied with the pooling of funds assisting in both risk management and enabling the negotiation of lower management fees.

The Investment Committee has been appointed by the Board of the Foundation to assist it in exercising its duties, and specifically to assist with the following:

- the development of appropriate investment policies for the Fund, including appropriate benchmarks;
- the selection of appropriate Investment Adviser and ADIs; and
- the review of ongoing performance by the Investments with the Fund's investment policies, including their performance to agreed benchmarks.

Further details in relation to the Foundation and the Investment Committee are set in the Information Memorandum.

1.3 Investment Objectives and Policies

The investment objective of the Fund is to maximise the net (after fees and taxes) earnings of the funds under management at an acceptable level of risk that protects the capital value of the investments. Capital funds are accepted on specific terms, either in perpetuity or for a defined term, and prudently invested on the direction of the Investment Committee, through an appointed external investment adviser (**Investment Adviser**) or an authorised deposit taking institution (**ADI**).

This document sets out the specific objectives for different investment options and the policies to be adopted by the Foundation to ensure the prudent investment of moneys invested as part the Fund.

Within this document these policies incorporate:

- definitions of risk and desired investment outcomes;
- authorised asset allocation guidelines;
- investment guidelines; and
- reporting and administration guidelines.

This policy should be read in conjunction with the Identification Statement, the Information Memorandum and SLSF Board Policies with specific reference to (4.5) Investment Policy; Appendix N – Investment Committee; and Appendix S – Investment Policy. The requirements of the Information Memorandum take precedence in the event that there is any conflict between it and this policy.

1.4 Policy Review

This policy should be reviewed annually by the Foundation, with advice and assistance from the Investment Committee.

2. INVESTMENT OBJECTIVES

2.1 Objective

The objective of this policy is to ensure the prudent investment of non-operational funds that have been received from Investors as part of the Fund.

2.2 Investment Risk Profile

The Foundation manages a number of individual investments with varying investment time frames as part of the Fund. The time frame for each investment is driven by the objectives of the Investor. Generally speaking, the shorter the investment time frame, the more conservative the risk profile of an investment needs to be.

When investing monies as part of the Fund, Investors are given the option to choose one of three **Investment Options**, which are based on the relevant investment time frames:

- **Short Term** – up to 2 years
- **Medium Term** – 2 to 5 years
- **Long Term** – more than 5 years

The objectives associated with each Investment Option are as follows:

- **Short Term: Life Savers Cash Fund (LSCF)** – This option is appropriate for an Investor where there is a need to ensure the capital is protected and the funds are not subject to short term market fluctuations.
- **Medium Term: Life Savers Medium Term Fund (LSMTF)** – This option is appropriate where an Investor wants to seek a balance between capital growth and income returns.
- **Long Term: Life Savers Long Term Fund (LSLTF)** – This option is appropriate for Investors who are willing to accept significant volatility in order to achieve higher capital growth, via a strategic asset allocation between Australian and international assets.

The Foundation realises that values of growth assets may decline in real terms from time to time, but expects that over a normal investment cycle of 5 to 7 years the initial capital in real terms will be maintained as a minimum performance requirement.

In managing the Fund, the Foundation and the Investment Committee must ensure that the Foundation prudently considers all aspects of risk. In this context risk includes:

- compliance and reputation risk
- operational risk
- inflation risk
- manager risk
- liquidity risk, and
- diversifiable risk.

2.3 Risk Management Objectives

The key investment objective of the Fund is to adopt appropriate investment strategies that maximise investment returns at an acceptable level of risk, whilst also minimising the risk of the erosion of the capital value of the portfolio in the medium to long term.

This translates into the broad investment guidelines set out in this document that are designed to ensure that funds are:

- invested only in assets that comply with appropriate legal and regulatory requirements;
- diversified across asset class, fund manager and product to ensure a “risk adjusted return” which reflects the nominated risk profile;
- conservatively managed and remain focused on long-term capital growth;
- adopting appropriate investment strategies that maximise investment returns at an acceptable level of risk that will ensure the adequate protection of the capital value of the portfolio;
- once the asset allocation has been set by the Investment Committee, invested by the Investment Adviser in low cost funds to gain the highest quality, low cost exposure to each asset class. The chosen Investment Adviser will also have the following:
 - integrity;
 - appropriate expertise and professional skills;
 - strong reputation of its investment platform available for the specific investment requirements of the Fund;
 - transparent accountability; and
 - excellent reporting mechanisms.

The Foundation shall not enter into any type of margin lending arrangement, nor allow any other borrowing to leverage the portfolio, except as part of a strategic hedging arrangement within the allowable asset allocation ranges as set out in section 4.1 of this document.

The Foundation shall not enter into any securities lending arrangement with any other party for any purpose.

2.4 Specific Return and Risk Management Objectives

The specific return and risk management objectives for each of the three Investment Options are:

Timeframe	Investment Option	Asset allocation	Return objectives of at least	Over rolling time period of	Likelihood of negative return
Short	Life Savers Cash Fund (LSCF)	Cash	Bloomberg AusBond Bank Bill Index	n/a	n/a
Medium	Life Savers Medium Term Fund (LSMTF)	Balanced: Cash Weighted	CPI + 2.5 %	3 years	2 in 15 years
Long	Life Savers Long Term Fund (LSLTF)	Balanced: Equity Weighted	CPI + 5%	10 years	1 in 6 years

2.5 Reinvestment and Drawdown Policy

In the absence of a specific request from an Investor, all dividends and realised gains will be reinvested in the same Investment Option.

For funds deposited as Perpetuity Funds, while the Foundation will endeavour to meet all redemption requests from the donor SLS Entities, provided such requests meet the criteria set out in the Trust Deed, the distribution of funds held on trust for the FPT is at the sole discretion of the Foundation acting in accordance with the FPT Trust Deed.

2.6 Liquidity Management

The Foundation recognises that there is liquidity risk associated with not being able to meet the specific liquidity needs of deposit holders. To mitigate this risk, the Foundation will request from deposit holders, on a semi-annual basis, a forecast of deposits and withdrawals. The Foundation will endeavour to maintain sufficient liquidity, taking into account the expected cash flows and costs.

3. APPOINTMENT OF INVESTMENT ADVISERS AND AUTHORISED DEPOSIT TAKING INSTITUTIONS

The Investment Committee must recommend to the Foundation the appointment of one or more Investment Advisers and one or more ADIs. Any appointments by the Foundation will be made on a case-by-case basis using information and research provided by the Investment Advisers, ADIs and any other appropriate sources.

An Investment Adviser is appointed to provide administration and advisory services as well as investing funds at the direction of the Investment Committee on behalf of the Fund.

An ADI means an authorised deposit taking institution, which is a corporation which is authorised under the *Banking Act 1959* (Cth). ADIs are subject to supervision and regulation by six principal agencies: the Australian Prudential Regulation Authority (**APRA**); the Reserve Bank of Australia (RBA); the Australian Securities and Investments Commission (ASIC); the Australian Securities Exchange (ASX); the Australian Competition and Consumer Commission (ACCC); and the Australian Transaction Reports and Analysis Centre (AUSTRAC). APRA is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and re-insurance companies, friendly societies and most of the superannuation (pension) industry. APRA's role includes establishing and enforcing prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by the institutions it supervises are met within a stable, efficient and competitive financial system. ADI's report prudential information to APRA including information in relation to capital adequacy, large exposures, credit quality and liquidity. Reporting is supplemented by consultations, on-site inspections and targeted reviews.

All Investment Advisers and ADIs appointed by the Foundation must meet appropriate legal and regulatory requirements as well as the investment guidelines contained in section 4.2 of this document. In addition, Investment Advisers:

- must hold an appropriate financial services licence;
- should be able to provide evidence of being in a sound financial position as required by the Foundation and be able to show a minimum of 5 years measured financial performance; and
- are required to have appropriate professional indemnity insurance cover and provide evidence of such cover upon request.

The Investment Committee will review the performance of the investment portfolio as assessed using the performance benchmarks outlined in section 5.2 of this document.

4. ASSET ALLOCATION AND APPROVED INVESTMENT BANDS

The Foundation will invest funds held as part of the Fund in accordance with the policy set out in this document. The Foundation may choose to invest outside this policy only in circumstances whereby a specific donation from an individual donor (not an SLS Entity) comes with a request to invest in a manner not permitted in this policy, provided that it does not contravene the requirements of the FPT Trust Deed. The Foundation is not required to accept any funds that have such requests attached to them.

Under this policy, the Foundation may make investments in the following asset categories:

- cash deposits, cash management trusts, investments with Australian licensed and regulated banks and deposit taking institutions with no less than a AA credit rating;
- Australian and International Government and corporate bonds and managed fixed interest products;
- Australian and international property through listed Real Estate Funds (REITs) and managed real estate products; and
- Australian and International equities directly or through managed funds.

This Policy prohibits any investment carried out for speculative purposes.

4.1 Asset Allocation Benchmarks and Ranges

The Foundation has approved the following benchmarks and asset class bands (ranges) for the three Investment Options (LSCF, LSMTF and the LSLTF).

These ranges provide for changes in the investment environment and enable the Foundation and Investment Committee to choose particular weightings within these bands according to the needs of the Fund and the conditions of the prevailing market and economic conditions.

Asset class	Life Savers Cash Fund		Life Savers Medium Term Fund		Life Savers Long Term Fund	
	Cash: On Call & Term (ADI)		Balanced: Cash Weighted (Managed Investments & Term Deposits)		Balanced: Equity Weighted (Managed Investments & Term Deposits)	
	Target Allocation %	Range %	Target Allocation %	Range %	Target Allocation %	Range %
Cash*	100	100	20	15-25	0	0-10
Fixed Interest	-	-	45	0-50	30	0-40
Property	-	-	10	5-15	10	5-20
Australian Equities	-	-	15	5-25	30	20-60
International Equities	-	-	10	5-25	30	20-60
Alternative Investments	-	-	-	-	-	-
Total	100		100		100	

The asset allocation benchmarks and ranges in the table above will be reviewed periodically in conjunction with this policy or when one of the following triggers are met:

- movement of plus or minus 10% in the ASX All Ordinaries Index within a one (1) month period;
- movement of plus or minus fifty (50) basis points in the Reserve Bank of Australia's Official Cash Rate within a one (1) month period;
- movement of plus or minus forty (40) basis points in the Consumer Price Index (All Groups) for the previous 12 months;
- deposit or withdrawal that exceeds 10% of funds under management (FUM) for any deposit holder with FUM greater than \$1 million;
- any occurrence that has had, or is expected to have, a significant impact on financial markets;
- any other circumstance where the Foundation deems a review is required.

4.2 Guidelines for Investment Committee, Investment Advisers & ADIs

This section 4.2 details the guidelines associated with each asset class. These guidelines are to be used when selecting Managed Investments and ADIs and are to be continually complied with by the Investment Committee, Investment Advisers and ADIs.

4.2.1. Cash Securities

For the purposes of this policy, cash securities in respect to the Short Term Investment Option are deemed to be deposits on account with an APRA approved ADI.

In the case of the Medium Term and Long Term Investment Options, it is likely that Investment Committee may have a mixture of ADI deposits and cash management trust deposits, or the like, that have some market exposure that may cause the underlying capital value of the investment to vary.

4.2.2. Fixed interest securities

For the purposes of this policy, fixed interest securities means:

- Commonwealth Government bonds;
- State Government or Government authority bonds;
- bank and corporate bonds, medium term notes, floating rate notes, debentures or other forms of transferable, coupon bearing instruments;
- mortgage backed notes;
- indexed bonds and annuities;
- longer dated bank secure investments; and
- managed funds which invest in the above.

Any investments where more than 30% of the portfolio has equity features or the ability to behave as an equity type security either in the present or at some time in the future are to be classified as equity.

Guidelines for investing in fixed interest securities are:

- all direct bank and corporate securities must have a minimum rating of BBB +(investment grade); and
- only direct securities which actively trade in liquid markets can be directly purchased on behalf of the Fund.

Term deposits on account with an APRA approved ADI may be used as a proxy for Fixed interest securities at the discretion of the Investment Committee.

4.2.3. Property

Guidelines for investing in property are:

- property assets are to be held via listed REITs or managed property funds;
- no physical property is to be held directly as part of the investment portfolio of the Fund due to liquidity issues, difficulty in diversification and valuation uncertainty; and
- managed property funds may hold direct property provided they have adequate diversification and liquidity within the Fund.

4.2.4. Equities

For the purposes of this policy, equities means:

- shares, convertible notes, options or any other security that exposes the Fund to the movement in the value of an organisation's equity;
- any exchange traded derivatives for the purpose of hedging the portfolio; and
- any managed investment where more than 70% of the assets of the product are made up of Australia and or International equities;

Unless utilising an Individually Managed Account (IMA) product or other facility that manages international equities on a discretionary basis, direct international equities should not be held.

4.2.5. Alternative Investments

Alternative investments are comprised of two categories: alternatives strategies and alternative assets.

Alternative strategies use a range of more complex strategies across the various asset classes (both mainstream and alternative) to create risk and return profiles that differ from those of the underlying markets. This typically involves the use of derivatives, borrowing, short-selling and more active investment management approaches. Examples include hedge funds or trading funds.

Alternative assets are those assets outside the mainstream asset classes of shares, property or bonds. Examples include private equity, infrastructure, opportunistic property and specialist credit.

This policy does not permit investments in alternative investments.

5. BENCHMARKS AND PERFORMANCE MEASUREMENT

5.1 Performance reporting

The appointed Investment Adviser must provide an investment portfolio performance report to the Investment Committee or the Foundation on a quarterly basis, or more regularly if requested by the Foundation. An investment portfolio performance report shall be provided through the Commercial Manager to the Investment Committee or the Foundation, as required. The report is to include on an after fee basis:

- return on investment, expressed as a percentage;
- performance report on income and market movements;
- return on funds invested relative to the relevant benchmark index; and
- the percentage of exposure to each asset class compared to the target allocation as determined by this policy.

5.2 Benchmark Selection

The performance of each Managed Investment is to be evaluated by using market related benchmarks by asset class and by relative Managed Investment performance comparisons.

A good benchmark will be measurable, specified in advance and appropriate for the Managed Investment's style and approach.

In regard to benchmarks for performance for each asset class, the following benchmarks are to be utilised unless otherwise recommended by the Investment Committee and ratified by the Foundation:

Cash	Bloomberg AusBond Bank Bill Index
Australian Fixed Interest	UBS Composite Bond Index
Property	ASX 300 A-REIT Index
Australian Equities	ASX 300 Accumulation Index
International Equities	MSCI World ex Australia Index
Alternative Investments	Bloomberg Aus BondBank Bill Index + 2%

The Investment Committee should recommend for Foundation approval, specific benchmarks for each Managed Investment when specific investment products have been chosen.

Due to the nature of alternative investments, an absolute return benchmark is considered the most appropriate for them.

6. REPORTING AND ADMINISTRATION

The appointed Investment Adviser must make a presentation to the Foundation on an annual basis and, if required by the Foundation, up to quarterly.

The Foundation will only use Investment Advisers who have a well-established custodial service. Such a service will record receipt of dividends and distributions and will attend to all paperwork and settlement requirements and corporate actions on behalf of the Fund.

All investments shall be registered by the Investment Adviser or ADI in the name of the Foundation and held in accordance with the terms of the Information Memorandum and any specific agreement with Investors.