



Statement of Investment Policy and Objectives (SIPO)

Background

Our Vision

Growth through giving.

Our Mission

Connecting people with charitable causes through place-based giving that lasts forever.

Geyser Community Foundation provides a smarter way to give to the community you love. We invest and grow your donations so the income they earn benefits your chosen local causes year on year, forever.

We're part of a network of Community Foundations that have been growing around Aotearoa New Zealand since 2003. But the concept of pooling and investing charitable donations for the good of a local area has been a growing global movement for over 100 years now. It works for everyday people because you don't have to be wealthy to have an impact; all giving makes a difference through our smarter giving model.

Giving back to the local community through Geyser allows Donors to:

- **Leave a gift in their will** – know their gift will make a real difference, forever.
- **Donate during their lifetime** – see their donation make a difference and receive tax benefits (conditions apply).

We manage separate funds for the Rotorua District and the Taupo District communities.

When people give through Geyser their capital remains intact. It is invested in perpetuity with the income being distributed to causes and charities they care about every year - forever.

Donations, gifts and legacies form the “capital base” or “endowment”. Each year the endowment is adjusted by the general inflation rate to ensure that the capital base is maintained and preserved in real terms.

Geyser expects to receive donations, gifts and legacies with and without specific management and distribution instructions, although untagged funds are preferred. Specially “tagged” donations and bequests will be managed according to the specific wishes of the donor, where practicable managing these funds closely in accordance with the principles set out below. All other funds will form a permanent and enduring part of the Community Funds and will be managed strictly according to the principles set out below.

The primary objectives underlying investment decision-making by Geysers are:

- to ensure that Geysers endowment assets are invested prudently and in a manner consistent with Geysers purpose and values;
- to maintain and grow the capital base above the rate of inflation, investing the endowments in accordance with the investment strategy and targets established by the Trustees;
- to ensure that sufficient cash and/or liquidity is available to make distributions and meet the granting policies and commitments of Geysers; and
- to maximise the funds available for distribution over the long-term.

Distribution policy and grants

The focus of Geysers will be to build the capital base to the point that the Foundation has sufficient scale to commence the making of distributions out of investment income on an enduring basis. Once sufficient scale has been achieved, we envisage being in a position to make distributions each year equal to a minimum of 2.0% 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 Geysers purpose, and changes in investment market conditions (eg should expected investment income increase or decrease markedly).

Portfolio risk and investment return expectations

Geysers 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 Geysers 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 returns. (It will not in the ordinary course make distributions out of the endowment itself).

Each year the Trustees will review the Geysers financial position:

- If the capital buffer is below the level targeted by the Trustees specific advice will be taken from the Investment Managers 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 Geysers’ 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 Geysers 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:

Asset Class	Benchmark Allocation	Allowable Range
Liquidity: Cash	5%	0% - 20%
Income: Bonds	50%	30% - 65%
Growth: Property / Shares / Other	45%	30%-60%

In respect of the above strategy:

- Grants approved but not paid and other distribution commitments pending within 12 months will be held in highly liquid cash/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.
- Geysers has 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 Managers and approved by the Trustees.
- Geysers and its Investment Managers will have a period of 6 months to integrate newly received bequests (whether cash, financial assets or other) into the Investment Strategy.

Asset Allocation and Investment Strategy for Pass Through Funds (not to be retained in perpetuity) and Gifts

The Investment Committee will consider any Pass Through Funds and Gifts on a case by case basis. This will ensure the funds are held in term deposits, or other investments, that are appropriate for the donor.

Investment guidelines and restrictions

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

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

Shares and 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 Committee.
- Geysers 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 endowment.
- 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 in the liquor, gambling, tobacco, pornography, arms and ammunition sectors are considered incongruent with the purpose and values of Geysers and are precluded.

Bonds

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

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 and Poor's A1 rating.

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 Geysers' community purpose 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 endowment 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 Donor these funds will be managed by Geysers (and, where applicable, by its Investment Managers) in accordance with the instructions of

the Donor. Where no specific instructions are received relating to the specific investment strategy to be used, the funds shall be managed in accordance with the general policy.

Governance and Investment Management Governance

The responsibility for the oversight of Geysers' 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.

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

A minimum of two nominated Investment Committee members will approve in writing, the implementation of all cash transactions. The Investment Manager will act on authority of Geysers' signatories as advised from time-to time.

Investment Management

External investment professionals (Investment Managers) will be appointed to oversee and undertake the day-to-day investment management of Geysers' investments.

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 Managers' reporting requirements.

The overall performance of Geysers' investments and its Investment Managers 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.

A full review of Investment Managers and their performance and fees will be conducted every three years.

Approved by the Board: 27 June 2023



Distribution Policy

General Principles

- The Investment Committee will recommend to the Board the funds available for distribution.
- The funds for distribution may be made from the current or accumulated return achieved after making allowance for the inflation reserve and annual administration fee of 1.5% of all funds with a capital value of less than \$1 million, and 1% for funds valued at \$1 million or more.
- It is expected that the minimum distribution will be 2% of the inflation adjusted capital base at the start of the year, with no more than two-thirds of investment returns being distributed if this is higher.
- In determining distributions, each year the endowment will be adjusted by the general inflation rate to ensure that the capital base is maintained and preserved in real terms.
- Distributions are calculated as at the 31 March each year.
- Distributions will be made available for payment as at 30 June each year.
- Unless otherwise agreed with Donors no distributions may be made until a Named Endowment Fund reaches the minimum fund size, currently \$50,000.
- No distributions may be made from a Named Endowment Fund until those funds have been invested for a minimum of 12 months prior to 31 March in any year except where there is a valid reason when distributions will be looked at on a case by case basis.
- Any distribution not paid out in any year be returned to capital unless otherwise authorised by the Board.

Approved by the Board: May 2020