

The University of Auckland Foundation

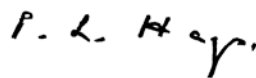
Endowment Investment Pool

Statement of Investment Policy and Objectives

Adopted by the Trustees on: 3rd December, 2010



Signature



Signature

The University of Auckland Foundation Endowment Investment Pool Statement of Investment Policy and Objectives

1. General

This document has been created to identify the process that the Trustees have gone through to establish their investment objectives and strategy for The University of Auckland Foundation *Endowment Investment Pool* (**EIP**). The Trustees are aware that they are subject to New Zealand legislation, particularly the Trustee Act 1956 and the Prudent Person rules of that Act and the Certificate of Incorporation. Appendix B summarises the relevant parts of the Certificate of Incorporation and Trustee Act 1956.

The Trustees have delegated the following powers to the Foundation's Investment Committee:

1. Interviewing, recommending as to selection, and monitoring of investment consultant(s);
2. Interviewing, recommending as to selection, and monitoring of fund manager(s);
3. Recommending as to approval and monitoring of SIPO(s).

This Statement of Investment Policy and Objectives (**SIPO**) provides all parties involved in the investment management of the EIP's assets with a working document that clearly identifies the investment objectives, strategy and constraints, and the performance measurement criteria.

The Trustees will review this SIPO on a regular basis taking into account a number of factors including any changes in investment markets and investment opportunities, managers and the Trustees' risk/return expectations.

2. Nature of Liabilities and Risk

2.1 Structure of Liabilities - Investment Funds

Endowment Funds represent “in perpetuity” capital which must, in the long run, be protected from inflation but also provide income for student scholarships, research fellowships, professional salaries and such like. Within the EIP are many separate endowment donations, of varying age, which are individually named, accounted for, and allocated their share of the EIP return. The older donations usually have had more time to build up retained investment returns to raise their balance over and above their initial nominal value.

Liquidation of Capital

The EIP does not liquidate capital, except in a few minor instances where the donor has allowed a small use of capital if there is not enough income available.

Outflows (Available Income)

See Distribution Policy in the appendix.

3. Investment Objectives

3.1 Investment Policy Objectives

The Trustees’ investment policy objectives are, to:

1. Ensure that the EIP’s investments comply with all legal requirements, and in particular the requirements of the Trustee Act 1956.
2. Ensure that the EIP’s assets are invested in a prudent manner.
3. Minimise investment risk by appropriate diversification of the EIP’s assets within and across each asset class.
4. Providing a reasonably consistent income stream to the University that, in conjunction with a policy of retaining investment surpluses, results in a high probability of the original endowment retaining its purchasing power over the long term.

3.2 Investment Performance Objectives

The Trustees have established the following investment performance objectives.

Primary Objective

The EIP return (net of investment manager fees) is to match or exceed the change in the CPI over rolling five year periods.

Secondary Objective

The EIP return (net of investment manager fees) is to exceed the change in the CPI by at least 5% pa over rolling five year periods.

3.3 Managers' Performance Objectives

The managers' performance objectives are as follows:

Manager	Asset Class	Performance Target (after fees)
Brook	Australasian Equities	2.5% pa above Index
AXA GI, ING (MFS)	International Equities - active	2.5% pa above Index
Yet to be appointed	International Equities - passive	match Index (before fees)
Yet to be appointed	Australasian Property	above Index
AMP CI	New Zealand Bonds	0.5% pa above Index
TAM (PIMCO)	International Bonds – Active Aggregate	0.5% pa above Index
Foundation	Cash (Class I) & bank backed term deposits (Class II)	above Index

Each manager's net of fees return will be measured against a *Performance Target* (see table above) over rolling five-year periods (12 months for Cash).

Future manager replacements and appointments will be approved by and noted in the minutes of the Board of Trustees.

A manager's performance will be considered unsatisfactory if the Performance Target as measured over rolling five-year periods (rolling 12 month periods for Cash) is not met.

For periods where EIP funds are invested for less than 5 years then performance will be measured on an "on-target" approach.

The indexes used to assess the managers' performance are shown in Appendix A.8.

In addition to the above criteria, the investment manager's performance is expected to be consistently in the top half and ideally in the upper quartile when measured against their peers in the Aon Investment Update over rolling five-year periods.

4. Investment Strategy

4.1 Long Term Strategic Benchmarks

The Trustees have formulated an investment strategy that is intended to achieve the two investment objectives.

The assets of the EIP will, where appropriate, be diversified across the different asset classes, to reflect the EIP's liabilities and performance objectives. The strategy and benchmark will be reviewed from time to time and as circumstances warrant.

The current strategy is set out in the following table.

Asset Class	Benchmark	Trading Range
Cash - Class I Securities*	10%	0% - 20%
Term Deposits - Class II Securities**	10%	5% - 15%
NZ Bonds	15%	10% - 20%
International Bonds	15%	10% - 20%
Total Income	50%	40% - 60%
Australasian Equities	15%	10% - 20%
International Equities	35%	30% - 40%
Australasian Property	0%	0% - 10%
Total Growth	50%	40% - 60%
Total Assets	100%	100%

* Class I Securities remaining term to maturity up to 730 days inclusive

** Class II Securities remaining term to maturity from 731 to 1827 days inclusive.

4.2 Review of Benchmark and Ranges

The appropriateness of the benchmark will be formally assessed at least once a year and kept under review to reflect any fundamental changes in the investment environment and changes to the EIP's investment policy.

4.3 Re-Balancing Policy

The weighting to each asset class within the Investment Fund will be within a tolerance of +/-5% beyond which action will be taken to bring the affected asset classes back to benchmark. The weighting to total Income and total Growth assets within the Investment Fund will be

within a tolerance of +/-10% beyond which action will be taken to bring the asset classes back to benchmark.

Unless the Trustees instruct otherwise:

- new cash will be applied to the most underweight asset classes within two months of its receipt, and
- if one asset class goes overweight then the entire portfolio will be rebalanced back to the benchmark asset allocations.

In an attempt to add value in excess of the benchmark return, the Trustees can use their discretion to go underweight or overweight the income or growth asset allocations, within the allowed trading ranges, taking into account appropriate leading indicator models and other suitable information as they see fit.

The following table shows for each asset class the current Investment Vehicle and Manager.

Asset Class	Investment Vehicle	Manager
Cash & Term Deposits	Various bank term deposits	The Foundation
NZ Bonds	AMP NZ Fixed Interest Fund	AMP Capital Investors
International Bonds	TAM International International Bond Fund GIF (PIMCO)	Tower Asset Management (TAM)
Australasian Shares	Brook Australasian Companies Fund	Brook Asset Management
International Shares	AXA GI WUT 51 ING Equities International (MFS)	AXA GI ING

5. Constraints

The following constraints will apply.

Legal Requirements: The investment of the EIP assets will comply with all legal requirements, and in particular with the Trustee Act 1956 (Prudent Person Legislation) and the Certificate of Incorporation.

Liquidity: The EIP must hold sufficient investments that are readily marketable so that there is sufficient liquidity to meet payments as they fall due.

Derivatives: The use of futures, options and other synthetic investments is permitted wherever their use is consistent with the objectives of the EIP to protect value, change asset allocation and/or duration, and any other lawful use, always abiding by these investment constraints. In particular, derivatives will not be used in a speculative

manner which would gear the funds and at all times all long positions are to be fully covered by cash or liquid securities and any short positions must be matched by physical securities. Where a fund of funds hedge fund strategy or absolute return strategy is included, the Trustees recognise some deviation from this constraint may be required.

Pooled Funds: Where the Trustees determine that an appropriate investment vehicle is a pooled investment arrangement, it is recognised by the Trustees that the strict interpretation of these investment constraints may not be possible or desirable. Where such a pooled arrangement is utilised the manager of that pooled arrangement shall be required to disclose to the Trustees as soon as practicable details of any investment that materially falls outside these constraints so that the Trustees can reassess the ongoing suitability of such a pooled investment vehicle.

Bank Cash & Term Deposits: Any issuer of Class I and Class II Securities, including Registered Banks, must be rated at least A-1 by Standard and Poor's (or equivalent).

NZ Bonds:

The maximum exposure to securities issued or guaranteed by entities (other than those issued or guaranteed by the NZ Government or Reserve Bank of New Zealand) shall be:

AAA to BBB-	85%
A+ to BBB-	45%
BBB+ to BBB-	15%

The maximum exposure to securities issued or guaranteed by any one entity (including associated entities), (other than those issued or guaranteed by the NZ Government or Reserve Bank of New Zealand) shall be:

AAA	10%
AA+ to AA-	8%
A+ to A-	6%
BBB+ to BBB-	4%

If the above exposure limits are breached the Manager shall advise the Foundation immediately the event occurs and advise a strategy for getting back within the allowed limits.

The Manager will advise the Foundation immediately the fund's total exposure below BBB including non-rated securities (but excluding government and quasi government non-rated securities) exceeds 5%.

Each quarter the Manager will advise the Foundation of its exposure (if any) to BBB+ and lower rated securities, including non-rated securities.

No exposure to securities rated lower than BBB- (by Standard and Poor's or an equivalent rating agency) will be held. If a bond's credit rating falls below BBB- then the manager must advise the Foundation immediately the event occurs and advise a strategy for exiting the bond that is in the best interests of the Foundation.

Unrated securities shall not be held, except for local authority securities which have been allocated a Manager rating A- or higher. Investment in international investments and/or foreign currency denominated investments is not permitted.

Investment in collateralised debt obligations or collateralised loan obligations is not permitted but the bond fund may invest into credit default swaps. The bond fund is permitted to invest in direct loans which comply with the Manager's strict risk policy criteria.

International Bonds: There will be an active global aggregate (sovereign and credit) manager.

The active global aggregate manager will invest in accordance with the following constraints:

Investments are to be managed to the Barclays Capital Global Aggregate World Bond Index. This index includes sovereign debt as well as corporate debt, mortgage-backed debt, asset-backed debt and derivatives.

The portfolio must at all times have a minimum weighted average credit rating by Standard & Poors of A- (or other equivalent rating by another rating agency). Investments in sub-prime securities are prohibited.

Apart from the exception below, all bond investments must be rated no lower than B- based on the rating applied by Moody's, S&P, or Fitch IBCA ('IBCA'), or if unrated, the equivalent in the best judgment of the Manager. In the event of a split rating, the higher rating will apply.

For money market instruments, the minimum credit ratings are P-2 by Moody's, A-2 by S&P, or F2 by IBCA.

The maximum portfolio exposure to Government debt is 35% and up to 100% of the fund may comprise non-Government

Investment Grade securities. Up to 20% of the fund can be in emerging market and High Yield debt.

Exposure to any single borrower (issuer) shall be limited to a maximum of 10% of the market value of the asset class at the time of purchase, except for government, government agency and supranational issues. Not more than 5% of an issue may be held except for government, government agency or supranational issues. Exposure to any corporate issuer shall not exceed 1% of the market value of the Fund. Sovereign emerging market exposure (below investment grade) shall be limited to 3% per issuer.

The International Bonds are to be 100% hedged to NZD at all times.

Australasian Equities: The Australasian Equity portfolio will consist of a mix of one or more pooled investment funds. The portfolio may include stocks listed on the Australian Stock Exchange (ASX) and unlisted stocks that the manager believes will list within 3 months of purchase (see below). The portfolio may hold up to 100% ASX-listed stocks and such investment will not be hedged back to NZD unless the Australasian Equity manager believes that it is appropriate to do so.

Property: All local and overseas property investments will be made via a Property Trust, Property Pool or Unit Trust with a reasonable level of liquidity. Investments by these funds may be in listed property companies or direct property holdings in New Zealand or Australia.

Maximum Holdings: Apart from the Foundation's own cash and bank term deposit investments (including its Class I & II Securities), no more than 10% of any asset class will be invested in any one trading entity or in any one Registered Bank without the prior written consent of the Trustees. The EIP shall have no more than 20% of its total funds invested with one manager in any one asset class. Where an active manager is used within an asset class the Trustees' preference is, wherever practical, to use at least two active managers, or at least one active and one passive manager, in order to spread manager-specific risk.

Associated Companies: The Investment Managers will not invest in any of their associated companies without the prior written consent of the Trustees.

Unlisted Shares: Investment in any unlisted company or Initial Public Offering will be allowed so long as the company is to list within 3 months of taking the position. If the period until listing is to be extended or if a

longer period until listing is stated, the Trustees' written permission to take or continue to hold the position will be required.

Cash: Each manager may hold cash within the individual asset sectors and will specifically advise the Trustees of this through the monthly reports.

Agreement to Deviate from the Investment Guidelines: The managers may request from the Trustees, in writing, permission to go outside the agreed guidelines. Any such request will detail the reasons for such a request.

6. Investment Performance Monitoring

6.1 General

The principal goals of performance monitoring are to:

- assess the extent to which investment objectives are being achieved;
- compare the performance of the EIP's appointed managers against the performance of other relevant professional managers and market indexes;
- ascertain the existence of any particular weakness in the managers; and
- allow the Trustees to continually assess the ability of the managers to successfully meet the EIP's objectives.

Returns on the assets within the EIP will be monitored by the Trustees in relation to the benchmark portfolios and the agreed Indexes. Refer to Appendix A paragraph A.8.

Manager returns will also be compared with those achieved by a suitable peer group, such as a group of comparable professional wholesale fund managers.

Each manager will be assessed in relation to a set of performance objectives relevant to their portfolios. Section 3.3 sets out the performance targets for each manager. The performance of the EIP managers will be monitored quarterly.

Each investment manager's role will be reviewed by the Trustees on a regular basis. Factors taken into account in these reviews will include

investment style, resources, organisational strength, investment performance relative to objectives, and any other factors considered relevant to the manager's continuing ability to meet its investment performance objectives and the overall investment objectives of the EIP.

7. Reports and Meetings

Each manager will report at least monthly in accordance with a format agreed with the Trustees. Each investment manager will attend meetings of the Trustees as required to discuss strategy, portfolio activity performance, or any changes of key personnel.

8. Allocation of Responsibilities

Function	Responsibility
Set Investment Objectives	Trustees/Consultant
Develop Investment Strategy <ul style="list-style-type: none"> - level of risk - broad policy guidelines - taxation implications - number of investment managers 	Trustees/Consultant
Determine Procedures <ul style="list-style-type: none"> - cashflows, rebalancing 	Trustees/Foundation Manager
Selection of Managers <ul style="list-style-type: none"> - both initial and ongoing - establish performance objectives 	Trustees/Consultant
Negotiation of Agreements with Service Providers	Trustees/Consultant
Set Manager Benchmarks and Mandates	Consultant/Investment Managers
Monitor Investment Consultant	Trustees
Maintain Knowledge of Investment Environment	Trustees/Consultant
Monitor Compliance	Consultant
Security Selection and Portfolio Management <ul style="list-style-type: none"> - in accordance with Investment Management Agreement/Trust Deed/instruction from Trustee/investment policy 	Investment Managers
Regular Investment Reports	Consultant/Investment Managers
Investment Advice <ul style="list-style-type: none"> - significant events and changes - performance monitoring 	Consultant
Evaluate Manager performance	Trustees
Review Investment Managers	Trustees/Consultant
Implementation of rebalancing	Trustees/ Foundation Manager
Currency Management	Investment Managers
Review of SIPO	Trustees/Consultant

Appendix A – Manager mandates

A.1 International Equities

The active managers are required to invest actively in pooled funds of International Equities. The Trustees have decided that they also require passive International Equity investment. A passive manager is yet to be appointed.

International Equities are to be 50% hedged to NZD as a neutral currency position. The passive currency manager will be guided by the Trustees from time to time as to the appropriate level of hedging required (refer A.2).

The active managers' outperformance target after expenses is the MSCI Gross Index (US/NZD) UK Close (50% hedged) plus 2.5% pa, over rolling five year periods. The passive manager is required to track the index.

The appointed active managers are AXA GI and MFS.

A.2 Currency Management Strategy

International Equities

The benchmark hedged position is 50% of the EIP's exposure to International Equities. The Trustees can direct the currency hedging exposure within a range of 0% to 100% of the International Equities exposure. The Trustees will consider on advice a mean reversion currency model based on a long term TWI currency weighted index exchange rate and 2 standard deviation limits around the average. This process is expected to add value, over complete currency cycles, by actively managing currency in respect of the International Equities exposure (both active and passive).

International Bonds

The International Bond Funds are to be fully hedged (within an acceptable range of 97%-103%) to NZD at all times by the manager (refer A.5).

Australasian Equities

The AUD\$ exposure within the Australasian Equities asset class may be hedged to NZD from 0% to 100% as the manager sees fit, with a 0% currency hedge as its neutral benchmark position.

A.3 Australasian Equities

The manager is to invest in pooled funds consisting of actively chosen stocks listed on the New Zealand and Australian share markets. Australian stocks are to be held on an unhedged basis unless the Australasian Equity manager believes that it is inappropriate to do so.

The manager's outperformance target is to achieve a return after expenses at least 2.5% pa above the NZX 50 Gross (without imputation credits) Index over rolling five-year periods. The appointed manager is Brook Asset Management.

A.4 New Zealand Bonds

The manager is to invest in a pooled NZ Bond product that itself invests directly in New Zealand Fixed Interest Securities.

The manager's outperformance target is to achieve a return after expenses of at least 0.5% pa above the ANZ NZ Government Stock Gross Index, measured over rolling five-year periods.

The appointed manager is AMP Capital Investors.

A.5 International Bonds

The manager is to invest in a pooled fund that gives exposure to International Bond markets. The Trustees have decided to have an active global aggregate fund.

The active manager's outperformance target is to achieve a return after expenses of at least 0.5% pa above the Barclays Capital Global Aggregate World Bond Index 100% hedged to NZD, measured over rolling five year periods.

The manager is to hedge the portfolio back to NZD 100% at all times (within an acceptable range of 97%-103% to allow for currency fluctuations). The appointed active global aggregate bond manager is Tower Asset Management (PIMCO).

A.6 Cash & Term Deposits (Class I and Class II securities)

The manager will invest in cash, cash equivalent investments, and term deposits of five years or less duration, with organisations with a level of security rated at least A-1 by Standard & Poor's (or equivalent). No borrowing, other than borrowing for mismatch of settlement transactions, is permitted without the Trustees' written consent.

The performance target is to achieve a return in excess of the ANZ 90 Day Bank Bill Index, measured over rolling 12-month periods.

The Foundation is the Class I & II Securities manager

A.7 Fees

The fees for the structure are as follows:

Asset Class	Fee (Basis Points)
Cash (Class I Securities)	0
Term Deposits (Class II Securities)	0
New Zealand Bonds	35
International Bonds – active	55
Australasian Equities	65
International Equities – active	AXA GI 68, ING 70
International Equities - passive	Yet to be appointed

A.8 Indexes

Asset Class	Index
Cash (Class I securities)	ANZ 90 Day Bank Bill Index
Term Deposits (Class II securities)	ANZ 90 Day Bank Bill Index
NZ Bonds	ANZ NZ Government Stock Gross index
International Bonds - active	Barclays Capital Global Aggregate World Bond Index (100% hedged to NZD)
Australasian Equities	NZX 50 Gross Index (without imputation credits).
International Equities – active	MSCI Gross Index (US/NZD) UK Close (50% hedged to NZD)
International Equities - passive	MSCI Gross Index (US/NZD) UK Close (50% hedged to NZD)

Appendix B - Trustee Requirements

Certificate of Incorporation dated 28 November 2002

4. The Trusts

Application of the Trust Fund

The Trustees shall hold the Trust Fund exclusively for the Charitable Purposes with power (subject to clause 5) to:

- (a) Accumulate the income of the Trust Fund that has not been applied toward the Charitable Purposes at the end of the Academic Year as an addition to the capital of the Trust Fund, and
- (b) Apply in their discretion any part of the income and capital of the Trust Fund (to the extent of the whole if they think fit) toward the Charitable Purposes.

“Charitable Purposes” means every purpose that is charitable at law in New Zealand and includes:

- (a) The advancement of knowledge and the dissemination thereof by teaching and research,
- (b) Assisting Students to pursue courses of study at the University,
- (c) The general advancement of the University.

Trustee Act 1956

SECTION 13B Duty of Trustee to Invest Prudently

Subject to sections 13C and 13D of this Act, a trustee exercising any power of investment shall exercise the care, diligence, and skill that a prudent person of business would exercise in managing the affairs of others.

SECTION 13C Duty of Certain Persons to Exercise Special Skill

Subject to section 13D of this Act, where a trustee's profession, employment, or business is or includes acting as a trustee or investing money on behalf of others, the trustee, in exercising any power of investment, shall exercise the care, diligence, and skill that a prudent

person engaged in that profession, employment, or business would exercise in managing the affairs of others.

SECTION 13D Provisions in Trust Instrument Relating to Duty of Investing Trustees

13D(1) [Contrary intention in trust instrument] The duty imposed on a trustee by section 13B or section 13C of this Act shall apply to a trustee if and so far only as a contrary intention is not expressed in the instrument, if any, creating the trust or any Act, and shall have effect subject to the terms of that instrument or Act.

13D(2) [Rules of law to apply] Any rules and principles of law relating to any provision in an instrument that purports to exempt or limit the liability of a trustee in respect of any breach of trust, or to indemnify a trustee in respect of any breach of trust, shall remain in force and apply in respect of any provision in a trust instrument that expresses a contrary intention for the purposes of subsection (1) of this section.

SECTION 13E Matters to Which Trustee May Have Regard in Exercising Power of Investment

Without limiting the matters that a trustee may take into account, a trustee exercising any power of investment may have regard to the following matters so far as they are appropriate to the circumstances of the trust:

- (a) The desirability of diversifying trust investments;
- (b) The nature of existing trust investments and other trust property;
- (c) The need to maintain the real value of the capital or income of the trust;
- (d) The risk of capital loss or depreciation;
- (e) The potential for capital appreciation;
- (f) The likely income return;
- (g) The length of the term of the proposed investment;
- (h) The probable duration of the trust;
- (i) The marketability of the proposed investment during, and on the determination of, the term of the proposed investment;
- (j) The aggregate value of the trust estate;
- (k) The effect of the proposed investment in relation to the tax liability of the trust;
- (l) The likelihood of inflation affecting the value of the proposed investment or other trust property.

SECTION 13M Court May Take into Account Investment Strategy in Action for Breach of Trust

In considering whether a trustee is liable, in respect of any investment made by that trustee, for any breach of trust in respect of any duty -

- (a) To exercise the care, diligence, and skill that a prudent person of business would exercise in managing the affairs of others; or
- (b) To exercise the care, diligence, and skill that a prudent person engaged in a profession, employment, or business that is or includes acting as a trustee or investing money on behalf of others would exercise in managing the affairs of others, -

the Court may, if it thinks it appropriate, take into account -

- (c) Whether the trust investments have been diversified, so far as is appropriate to the circumstances of the trust; and
- (d) Whether the investment was made pursuant to any investment strategy formulated in accordance with the duty referred to in paragraph (a) or paragraph (b) of this section, as may be applicable.

Prudent Person Rule

"Prudence is a test of conduct and not performance. Neither the overall performance of the portfolio, nor the performance of individual investments should be viewed as central to the enquiry. Prudence should be measured primarily by the process through which investment strategies and tactics are developed, adopted, implemented and monitored. Prudence is demonstrated by the process through which risk is managed, rather than by labelling of specific investment risks as either prudent or imprudent.

If the test of prudence is to be found in the process by which investment choice is exercised, it follows that documents must be kept to record that process for future use in the event of challenge. Careful documentation of all relevant factors bearing on the decision should be observed.

The need for prudence applies not only to new investments, but also in the regular review of existing investments."

SOURCE: New Zealand Law Society Seminar, 1988.

Appendix C – Distribution Policy

Definitions & Abbreviations

“Available Income”

Means income made available for distribution to the beneficiary of an Endowment or Endowment Like Fund

“Consumer Price Index” (CPI)

The Consumer Price Index as supplied by the Reserve Bank of NZ

“Capital Value”

Means the Nominal Value adjusted for inflation, usually measured by CPI

“Chairman”

Means the Chairman of the Foundation

“Current Use Investment Pool” (CUIP)

Means an Investment Pool designed to maintain its Nominal Value and provide liquidity for distributions while returning incidental interest and other investment income

“Current Use Fund”

Means a Named Fund that is invested into, and granted its share of, the CUIP; it may be distributed in its entirety

“Donation”

Means any gift, grant, or bequest made or pledged to the Foundation including all dispositions of property, whether goods, real estate, rights or monies, where there is no consideration made or paid to the donor for that disposition

“Endowment Expenditure Account” (EEA)

Means an account that holds Available Income prior to its distribution

“Endowment Fund”

Means a Named Fund that is invested into, and granted its share of, the EIP, which usually has a minimum requirement to preserve Nominal Value and sometimes, in addition, a requirement to preserve Capital Value

“Endowment Investment Pool” (EIP)

Means an Investment Pool designed to maintain its Capital Value while also generating Available Income that maintains its purchasing power over the long term

“Endowment Like Fund”

Means a Named Fund that is invested into, and granted its share of, the EIP, which allows for distributions that may, from time to time, reduce its value to below Nominal Value but not usually so as to distribute it in its entirety

“Foundation”

The University of Auckland Foundation

“Goods & Services Tax” (GST)

Means any supply of services or goods by the Foundation, or any related party, whether in substance or form where the Foundation, or the related party, would be bound to charge and account for Goods and Services Tax

“Investment Pool”

Means a collection of assets (including, but not limited to, goods, real estate, rights or monies) that are, in combination, to provide the financial resources to carry out the objectives of the Named Funds invested into the pool

“Named Fund”

Means a fund in the Foundation that is separately named and accounted for that holds: donations or sponsorships given for a specific, general, or discretionary purpose; or any unallocated or residual monies that may be used at the Trustees’ discretion

“Nominal Value”

Means the original dollar value of the Donation or Sponsorship

“Retained Income”

Means income retained to add to the Nominal Value of the Endowment or Endowment Like Fund

“SoMF”

The University of Auckland School of Medicine Foundation

“Specified Investment Fund”

Means a Named Fund that is invested into, and granted its share of, a SIP

“Specified Investment Pool” (SIP)

Means an Investment Pool whose nature is specified either by the Trustees or the Donor and which is held and accounted for separately from the CUIP or the EIP, usually to deliver specific objectives of the Specified Investment Fund, which could not be achieved by investing into the CUIP or EIP

“Sponsorship”

Means and includes all dispositions of property, whether goods, real estate, rights or monies, where there is a consideration made to the sponsor for that disposition

“Statement of Investment Policies & Objectives” (SIPO)

Means a statement of investment policies and objectives that govern the operation of a given Investment Pool

“Trustees”

Means the Trustees of the Foundation

“University”

The University of Auckland

Endowment Fund Distribution Policy

1.0 Definitions & Abbreviations

See Definitions & Abbreviations immediately preceding.

2.0 Purpose of this Policy

This policy seeks to provide rules for the Trustees to make decisions about which income shall be distributed (as Available Income) to a beneficiary; or retained (as Retained Income) to build up the reserve of an Endowment Fund, hence preserving its Capital Value in the long term.

3.0 POLICY

3.1 The Foundation will determine, and inform the beneficiary of, the next calendar year's (CY2) forecast of funds available for distribution both in aggregate and for each Endowment Fund (i.e. its Available Income) in the middle of the current calendar year (CY1). For Endowment Funds, where new donations or sponsorships in the last year have been a substantial proportion of its value, the forecast distribution will usually be based on a "target" distribution rate of 5% of the Endowment Fund's value (calculated as at the end of that fund's previous financial year). For more mature Endowment Funds, the budget distribution will usually be based on the Yale formula of 70% of the current year's budgeted distribution escalated for inflation and 30% of the long term spending rate (assumed to be the 5% target until history suggests otherwise) applied to a weighted time series of the Endowment Fund's historic market value. The inflation rate will usually be taken to be the CPI. However, for any Endowment Fund, particularly at its start, the Available

Income may be less in particular to comply with, or build towards a 10% buffer above, any minimum fund level required by its Deed, rules or gift agreement;

3.2 If the beneficiary, subsequent to the forecast, requests a lower amount in CY2, the Foundation, exercising its sole discretion to decide what is distributed from each Endowment Fund, will accord priority to building towards a 10% buffer above any minimum fund level required by its Deed, rules or gift agreement. Conversely if the beneficiary, subsequent to the forecast, requests an additional amount in CY2, the Foundation, exercising its sole discretion to decide what is distributed from each Endowment Fund, will consider that request taking into account: investment returns; the Capital Value of the fund; whether a 10% buffer above any minimum fund level required by its Deed, rules or gift agreement has been attained; and the actual amount of expenditure undertaken or planned.

3.3 The Trustees may review and alter this policy from time to time, including the above percentages.

3.4 In the case of a conflict between this policy and any terms laid out in a deed or agreement governing a particular gift, the latter will be observed.