



## MELBOURNE COMMUNITY FOUNDATION

### INVESTMENT OBJECTIVES AND GUIDELINES

#### Investment Objectives

- Investment objectives are set on the assumption that a high proportion of Foundation funds will be retained in perpetuity.
- The investment objective is to achieve a total rate of return on investment funds of at least three percentage points greater than the growth in the Consumer Price Index over rolling three year periods.

*Note:* It is a requirement that 80% of income be distributed to maintain the tax deductible status of the fund.

#### Definitions

Income is defined as receipts or accumulations of dividends, interest, trust distributions, rents and similar cashflows.

Capital is defined as receipts or accumulations of movements in asset prices, redemptions of asset values and realised capital gains (or losses).

*Note:* The Trust Deed of the Melbourne Community Foundation does not define income or capital.

#### Risk

The Trustee legislation requires trustees to protect funds against inflation. Therefore, the legislators must assume that some investment in equity linked markets is required.

Risk aversion is facilitated by diversification and by professional advice. In addition, because markets fluctuate over time investments should take a medium to long term view in order to minimise risk.

Liquidity may be required for certain sub funds but a minimum notice period of at least 6 months is required for significant withdrawal of capital except where there is a prior arrangement.

Undistributed income is transferred to capital at least once per year.

## Investment Portfolio

The Board of Melbourne Community Foundation will set the assets mix for funds for investment.

All funds will be placed under management according to the Carnbrea & Co. Managed Discretionary Account Service Agreement.

The asset mix may include cash, equity, fixed interest, listed and unlisted trusts and "hybrid" (part fixed interest, part equity) securities. The mix will vary over time in order to benefit from opportunities and protect against downside.

Recommendations to the Finance and Investment Committee on the initial mix and subsequent variations will be based on professional advice provided by Carnbrea & Co Limited.

The asset allocation below provides a useful benchmark for the Investment committee:

Asset Class	Investment Ranges	Strategic Long Term Target Asset Allocation
Property (Direct/Listed and Unlisted	0% - 20%	10%
Australian Equities	25% - 75%	60%
International and Alternative Investments	0% - 20%	10%
Fixed Interest	0% - 50%	15%
Cash	2% - 90%	5%
Total		100%

The maximum exposure to total growth assets does not exceed 85%.

## Investment Control

The Finance and Investment Committee of the Trustee will approve all investment transactions on behalf of the Trustee.

The Trustee may authorise the Chief Executive Officer to retain a defined level of funds in an operating bank account to meet short term budgeted expenses.

The Chief Executive Officer will maintain a policy and procedures manual to cover processes used in implementing the Foundation's investment policy.

The Trustee must ensure compliance with investment policy and procedures. The external auditor may be asked to include such compliance in the scope of the audit.

The Finance and Investment Committee will report quarterly to the Trustee's Board of Directors on compliance and performance.

## Ethical Investment

The Trustee authorises Carnbrea & Co to favour investment in companies that have sound environmental, social and governance policies and have demonstrated responsible corporate social responsibility practice.

Consideration in relation to corporate social responsibility will include environmental sustainability, employment practices, procurement policies, corporate governance and ethics.

Specific exclusions include companies whose dominant purpose or product relates to tobacco, gambling or weapons and companies that persistently infringe indigenous or human rights.

## Investment Reporting

Quarterly reporting from the investment advisers through the Finance and Investment Committee will consist of;

- an asset allocation report;
- a portfolio appraisal showing each investment, its cost, at market value and current income yield;
- a schedule of investment movements for the period, ie. purchases and sales and capital adjustments;
- performance compared to an industry benchmark;
- comments as to strategy and outlook.

Monthly reporting from the investment advisers through the Finance and Investment Committee will consist of:

- an asset allocation report;
- a portfolio appraisal showing each investment, its cost, at market value and current income yield;
- a schedule of investment movements for the period, ie. purchases and sales and capital adjustments;
- performance compared to an industry benchmark.

Finance & Investment Committee  
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