

# INVESTMENT PLANNING POLICY

Apprenticeships  
R US



Honesty, Integrity & Accountability

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Policy Name	Investment Planning Policy
Date introduced	18 <sup>th</sup> February 2022
Policy Owner	Board
Policy Type	Governance
Applicable	Apprenticeships Are Us Ltd and Aperus Investments Pty Ltd
Revision date	19 April 2023

## INTRODUCTION

The Board of Apprenticeships Are Us Ltd is responsible for ensuring that the organisation operates within a responsible, sustainable financial framework and that the organisation has adequate resources to carry out its work. Apprenticeships Are Us Ltd.'s Investment Plan forms an important part of fulfilling this responsibility.

This Investment Planning Policy and Procedure describes Apprenticeships Are Us Ltd.'s investment policies and objectives and sets out constraints on investments. This policy is required to be complied with in preparing an investment plan.

As a registered charity with DGR status, Apprenticeships Are Us Ltd is subject to obligations imposed by the ACNC.

## PURPOSE

This policy is designed to:

- Direct the use of investment funds of Apprenticeships Are Us Ltd in preparing an investment plan; and
- Direct Apprenticeships Are Us Ltd.'s future financial planning strategies to ensure the organisation can maintain its operating budget and create growth whilst observing socially responsible ethical standards.

This policy establishes investment objectives, policies, guidelines, and sets out eligible securities for investment. These are to apply to all assets held by Apprenticeships Are Us Ltd for charitable purposes. In doing so, the policy:

- a) Clarifies the delegation of duties and responsibilities concerning the management of these funds.
- b) Identifies the criteria against which the investment performance of the organisation's investments will be measured.
- c) Communicates the objectives to the Board, staff, investment managers, brokers, donors, and funders that may be involved.
- d) Confirms policies and procedures relative to the expenditure of charitable funds.
- e) Serves as a review document to guide the ongoing oversight of the management of the organisations' investments.

## POLICY

Apprenticeships Are Us Ltd is a not-for-profit organisation with charitable objects of educating and training apprentices and is registered as a charity with the ACNC. Any investment policy of Apprenticeships Are Us Ltd must, as a starting point, maximise the financial return of the company for the furtherance of its charitable purposes. The Board must act honestly and reasonably, with due care and skill, to formulate an appropriate investment policy in the best interests of the charity and its purposes.

The Board of Apprenticeships Are Us Ltd is responsible for maintaining and extending the assets of the organisation, to provide for its long-term financial viability. In its stewardship of Apprenticeships Are Us Ltd.'s financial assets, the Board has adopted this policy to ensure that any assets not required for the current operating budget will be invested in accordance with Apprenticeships Are Us Ltd.'s Investment Plan.

The purpose of Apprenticeships Are Us Ltd.'s Investment Plan is to manage the cash assets not required for current operating expenses so as to maximise the earnings of such assets, while retaining security, minimising risks, and observing socially responsible ethical standards.

All interest and other earnings derived directly by Apprenticeships Are Us Ltd from its investments are to be deposited into Apprenticeships Are Us Ltd.'s operating account and thus will become part of the annual operating budget.

The interests which Apprenticeships Are Us Ltd holds in wholly owned subsidiaries are to be managed consistently with this policy.

**The Investment Plan should be designed to ensure that:**

- Apprenticeships Are Us Ltd.'s funds are utilised to achieve a balanced operating budget.
- Apprenticeships Are Us Ltd is creating capital growth and generates income.
- There will be access to sufficient cash reserves to cover current liabilities.
- Apprenticeships Are Us Ltd will have access to sufficient cash funds and liquid assets for establishing new projects.
- Apprenticeships Are Us Ltd will have access to cash or liquid assets for unforeseen expenses.
- Apprenticeships Are Us Ltd.'s investments will encourage socially responsible outcomes.

**Apprenticeships Are Us Ltd Investment Plan must conform with the following principles:**

- Priorities set in the Business Plan are to be adhered to.
- Investments are to be made in low to medium risk ventures; that is, investments that provide for security of capital over the medium to long term.
- Apprenticeships Are Us Ltd will only invest with reputable, established, proven, financial institutions.
- Apprenticeships Are Us Ltd will not invest with organisations whose operations are socially irresponsible or incompatible with the mission of the organisation. In particular, Apprenticeships Are Us Ltd will not invest in any organisation with a major proportion of its operations in the following areas:
  - Tobacco sales
  - Alcohol
  - Firearms
  - Gambling
  - Fossil Fuels

Where Apprenticeships Are Us Ltd.'s investments at the time of the adoption of this policy include organisations with significant operations in these areas, these investments will be over time converted into more socially responsible investments.

- Apprenticeships Are Us Ltd will not invest with organisations whose governance disregards fundamental requirements of openness to diversity.

## **RESPONSIBILITIES OF THE BOARD**

The Board will ensure that its fiduciary responsibilities concerning the proper management of Apprenticeships Are Us Ltd.'s charitable funds are fulfilled through appropriate investment structures, internal and external management, and portfolio performance consistent with all policies and procedures.

The Board is required to approve an Investment Plan on an annual basis in line with this Investment Planning Policy.

The Board will also review this Investment Planning Policy and update the policy to ensure it meets objectives that reflect the long-term investment-risk orientation for Apprenticeships Are Us Ltd.'s charitable funds.

## **INVESTMENT CONSIDERATIONS**

The Board must consider the purposes of Apprenticeships Are Us Ltd and its assets in managing and investing charitable funds. All individuals responsible for managing and investing Apprenticeships Are Us Ltd.'s charitable

funds must do so in good faith and with the care that an ordinarily prudent person in a like position would exercise in similar circumstances. In making any decision relative to the expenditure of charitable funds, each of the following factors must be considered, and properly documented, in the minutes or other records of the Board:

1. general economic conditions.
2. possible effect of inflation or deflation.
3. expected tax or duty consequences, if any, of investment decisions or strategies.
4. the role that each investment or course of action plays within the overall investment.
5. expected total return from the income and appreciation of investments.
6. other resources of the organisation.

## EXPENDITURE OF CHARITABLE FUNDS

All decisions relating to the expenditure of charitable funds must assess the uses, benefits, purposes, and duration for which the charitable fund was established.

For each decision relating to the expenditure of charitable funds for investments, a contemporaneous record should be kept and maintained describing the nature and extent of the consideration that the Board or delegated authority gave to each of the stipulated factors.

## RISK TOLERANCE AND INVESTMENT RISKS

Analytical data shows that a positive correlation exists between the level of risk assumed and the returns that can be expected. The risk appetite will depend upon the objects of Apprenticeships Are Us Ltd, which are charitable in nature. In formulating its investment strategy, the view of the Board is that Apprenticeships Are Us Ltd should adopt a conservative approach as befits its charitable status and not-for-profit purpose. As a result, it has a moderate tolerance to risk, noting its longer-term perspective of maintaining a strong capital basis to fund the activities of Apprenticeships Are Us Ltd in perpetuity, or for as long as it continues to meet the charitable needs of the Australian community. Apprenticeships Are Us Ltd will, in general, seek to protect its capital rather than put its capital at unnecessary risk to maximise capital profits.

All aspects of risk are to be considered and prudently managed in the investment process. In this context, risk factors to be considered include the following:

- a) **Market risk:** the overall risk that the value of market invested securities will fluctuate significantly.
- b) **Business risk:** the risk that a particular company in which securities are invested becomes insolvent or suffers a major downturn.
- c) **Interest rate risk:** the risk of a significant movement in interest rates.
- d) **Liquidity risk:** the risk that any investment held in the Investment Portfolio can be sold quickly and with minimal price change.
- e) **Diversification risk:** the risk that there is an insufficient spread of securities in different asset categories. It also refers to there being an insufficient spread of shares in different companies across different sectors to offset the loss or decline in value of one or more shares in the Investment Portfolio. This equally applies to investments in fixed interest securities.
- f) **Currency risk:** the risk of an adverse movement in currencies.
- g) **Inflation risk:** the risk that an outbreak of inflation may unexpectedly reduce real returns.
- h) **Political risk:** the risk of government instability, or that a company may be adversely affected by or become subject to adverse government regulation.

- i) **Operational risk:** the risk of system/internal control failure by a particular fund manager or investment advisor.

## INVESTMENT OBJECTIVES

Consistent with this background, the objective is to grow the long-term corpus of the funds, while having due regard to risk, recognising Apprenticeships Are Us Ltd.'s charitable status and purpose.

## TIME HORIZON

Apprenticeships Are Us Ltd favors allocating funds towards investments with a long (5 years plus) time horizon to enhance the portfolio's capital returns, consistent with Apprenticeships Are Us Ltd.'s risk tolerance.

## INVESTMENT GUIDELINES

In line with the principle of diversification and moderate risk tolerance, while seeking to maximise returns, the following approach is to be taken to investments.

ASSET	SPECIFIC GUIDELINE	ALLOWABLE INVESTMENTS
<b>Cash</b>	Separate accounts for income and capital	Cash deposits
	Sufficient cash held to cover needs in each account	Cash management Trusts/Investments backed by Australian licensed and regulated Banks and deposit taking institutions (ADIs)
	Maximise yield, while diversifying and minimising risk	Term deposits
<b>Government Bonds</b>	Held in investment grade issuers as defined by S&P or Moody's	Direct Government Bonds
	No single holding to be >5% of the Apprenticeships Are Us Ltd.'s investment value	Semi-Government Bonds
	Can be held via Management Investment vehicles	Managed Investments that are predominantly invested in these assets
	Domestic only	
<b>Credit</b>	Held in investment grade issuers as defined by S&P or Moody's	Corporate securities
	No single holding to be >5% of the Foundation's investment value	Direct securities within this class
	Can be held via Managed Investment vehicles	Direct Hybrid capital notes
		Private debt
	Managed investments that are predominantly invested in these assets	
<b>Real Assets</b>	No single holding to be >50% of the Foundation's investment value	Listed Real Estate Investment Trusts
	Can be held via Managed Investment vehicles	Property Trusts
		Infrastructure

		Managed Investments that are predominantly invested in these assets
<b>Equities</b>	Either Australian or International	Direct equities
	No one equity holding >20%	Listed invested companies
	Convertible securities to be considered as equity	
	Willing to pay a competitive brokerage rate on shares that are traded to balance the cost of funds management with access to best research and analysis	
<b>Uncorrelated Strategies</b>	Any investment that demonstrates clear uncorrelated characteristics	Managed Investments that are predominantly invested in these assets

## INVESTMENT ADVISERS

Apprenticeships Are Us Ltd will appoint an Independent Investment Adviser to recommend a Strategic Asset Allocation and investment portfolio, including specific fund managers, and to implement the investment strategy in line with the policy described in this document.

Apprenticeships Are Us Ltd will only appoint Independent Investment Advisers and/or specific managers who can provide a well-established custodial service and provide superior investment insights and service. Such a service will record receipt of dividends and distributions and will attend to all settlement requirements and corporate actions. Investments shall be registered in the name of the custodian and held solely on trust for Apprenticeships Are Us Ltd.

The Investment Adviser must be able to meet Apprenticeships Are Us Ltd.'s investment objectives.

The Investment Advisor should be mindful of managing conflicts of interest in an appropriate way.

The appointed Investment Adviser will be required to comply with authority and responsibilities, as follows:

### INVESTMENT ADVISER – TABLE OF AUTHORITY AND RESPONSIBILITY

<b>Authority to Operate</b>	Hold an appropriate Australian Financial Services License (AFSL);
	Provide evidence of being in a sound financial position and be able to show a minimum of three years measured financial performance;
	Have appropriate professional indemnity insurance cover and provide evidence of such cover upon request.
<b>Compliance &amp; Conflict of Interest</b>	Comply with the <i>Investment Policy and Procedures</i> at all times. Any exceptions are to be approved by the Apprenticeships Ars Us Ltd;
	Report all compliance breaches promptly to the Board;
	Ensure appropriate management of conflicts of interest that arise in performing its role.
<b>Reporting, Responsiveness &amp; Management</b>	Report to the Apprenticeships Are Us Ltd fund manager performance;
	Prepare and provide portfolio reporting in a reasonable timeframe to the Apprenticeships Are Us Ltd;
	Provide input to the asset allocation benchmarks and tolerance bands that will deliver the requirements of the Investment Policy and Procedures for approval by the Apprenticeships Are Us Ltd;
	Respond to all other requests for information from the Board within a reasonable timeframe;
	Implement recommendations once approved by the Board of Apprenticeships Are Us Ltd;

	Actively manage the investment fund managers;
	Have strong communication skills and processes together with effective reporting to allow the Board of Apprenticeships Are Us Ltd to carry out its responsibilities.
<b>Assumed Knowledge &amp; Credentials</b>	Be a high-quality Adviser at a reasonable price, but not necessarily the lowest cost Adviser;
	Demonstrate a strong understanding of the requirement of not-for-profit organisations generally;
	Have appropriate skill in the selection of fund managers;
	Demonstrate a strong understanding of the requirements of a fiduciary and manage according to 'prudent investment' principles;
	Demonstrate they can deliver an appropriate service to Apprenticeships Are Us Ltd;
	Demonstrate a long-term track record in selecting potential fund managers and constructing portfolios (in asset classes relevant to the proposal). Particular attention is to be paid to risk management and return;
	Quote transparent fees on a 'total cost of investing' basis (including adviser, platform, and underlying investment expenses).

### **APPOINTMENT OF OTHER SPECIALIST ADVISER(S)**

Apprenticeships Are Us Ltd may appoint other advisers in several areas including:

- **asset allocation**, manager research and specialist asset classes.
- **legal**, including advice on the statutory obligations of Apprenticeships Are Us Ltd and assistance with contract negotiations with external parties.
- **tax**, including ensuring any tax and/or reporting obligations of Apprenticeships Are Us Ltd are met and advising on the tax and duty implications of particular investment structures.

Selection of other Advisers for these roles may consider, among other criteria specific to the role:

- demonstrated commitment to best-practice portfolio management.
- the skills and experience the Adviser brings to the role.
- the substance and viability of the Adviser; and
- the costs that can be expected to be incurred.

### **PROHIBITED SECURITIES**

For the avoidance of doubt, the following additional categories of investment are prohibited:

1. Futures contracts.
2. Put and call options.
3. Unlisted Australian equities.
4. Unlisted Australian property trusts.
5. Short selling of shares.
6. Purchasing under margin lending arrangements.
7. Warrants listed on ASX.
8. Commodities.
9. Alternative Assets, as listed above, including (a) Mortgage securitizations, and (b) Hedge funds.
10. No liability mining companies.
11. Direct international bonds, as outlined above.



## **OFF-MARKET SHARE BUYBACK OFFERS**

Apprenticeships Are Us Ltd.'s policy on off-market share buyback offers is:

- a) To participate fully in acceptable buyback offers on existing corporate holdings being where there is a large component of franked dividends, and a satisfactory overall investment return to Apprenticeships Are Us Ltd.
- b) To purchase either more stock in an existing holding which is the subject of a buyback offer, or to replenish a new holding of quality stock which has been subject to a buyback offer.

## **SHARE PURCHASE PLANS**

Companies are permitted by the ASX to issue up to \$15,000 worth of shares per annum to each shareholder without having to produce a prospectus (Product Disclosure Statement or PDS). Commonly, such shares are offered at a discount on the market price and are a means by which a company can raise modest amounts of capital at little cost, as the issue of a PDS is both onerous and expensive.

Apprenticeship Are Us Ltd will, in general, automatically apply for such issues, unless the market price falls below the application price.

To this end, Apprenticeships Are Us Ltd or its sharebroker will not send its application(s) to the share registrar of the company until near the end of the period when the risk of loss is largely eliminated.

## **RIGHTS ISSUES**

Australian companies regularly employ rights issues to raise substantial amounts of capital. Rights issues involve the issue of extra shares to each shareholder, in proportion to existing holdings, for example, on the basis of one 'new' share for every five already held. These shares are almost always issued at a discount on the current market price.

Apprenticeships Are Us Ltd will generally subscribe to such issues, subject to the application price remaining above the market price, after adjusting for any dividend differences.

Applications will not be lodged until near the closure of an issue to minimise the risk of loss.

## **HEDGING POLICY**

Apprenticeships Are Us Ltd acknowledges that investments in non-Australian assets may be beneficial to the performance of the portfolio, both from a risk and return perspective. Apprenticeships Are Us Ltd also acknowledges that international investments may be hedged to protect against movements in the Australian dollar relative to the offshore currency that is being used to acquire international investments.

The Board will permit hedging of the foreign exchange components of the portfolio.

Currency transactions may only be used to hedge other international asset exposures in line with the Boards recommendations, and currency exposures may not be established for a speculative purpose or to open up other exposures.

# INVESTMENT PLANNING PROCEDURES

## RESPONSIBILITIES

The **Chief Executive Officer (CEO)** and the **Chairman**, in consultation with the Board and the board nominated independent investment consultant, are responsible for recommending an Investment Plan portfolio for consideration by the Board in the context of the annual Business Plan.

## PROCEDURES

### RESPONSIBILITIES OF THE BOARD

- The Board will develop and/or propose policy recommendations regarding the management of all charitable funds.
- The Board will set long-term and short-term investment policies and objectives for Apprenticeships Are Us Ltd.'s charitable funds, including the study and selection of asset classes, determining asset allocation ranges, and setting performance objectives (after having taken appropriate advice).
- The **Chairman** will investigate investment options and make recommendations to the Board, in the form of an Investment Plan, as part of the annual Business Plan. The Investment Plan must conform with the principles laid out in the Apprenticeships Are Us Ltd Investment Policy.
- The Board will determine that charitable funds are prudently and effectively managed with the assistance of management and any independent investment advisors and/or other outside professionals.
- Apprenticeships Are Us Ltd, CEO and Board will meet biannually with the investment consultant to discuss the performance of the investment portfolio and report to the Board.
- The Board will monitor and evaluate the performance of all those responsible for the management of charitable funds.
- The CEO and Board will receive information about and keep track of the progress of all investments, and report on the progress of the investments to the Board.
- The Investment Plan will be reviewed every 6 months as part of the strategic planning for the Business Plan.
- Decide on the retention and/or dismissal of investment advisors and/or other outside professionals.
- Receive and review reports from management, investment consultants and/or other outside professionals, if any.
- Periodically meet with management, investment consultants and/or other outside professional's management, investment consultants and/or other outside professionals.
- Convene regularly to evaluate whether this policy, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives set for the management of charitable funds.

### RESPONSIBILITIES OF MANAGEMENT

Management shall be responsible for the day-to-day administration and implementation of policies established by the Board concerning the management of charitable funds. Management shall also be the primary liaison between any investment advisors and/or other outside professionals that may be retained to assist in the management of such funds. Specifically, management shall:

- Oversee the day-to-day operational investment activities of all charitable funds subject to policies established by the Board.

- Ensure that the service providers adhere to the terms and conditions of their contracts; (a) have no material conflicts of interests with the interests of Apprenticeships Are Us Ltd and, (b) performance monitoring systems are sufficient to provide the Board with timely, accurate, and useful information.
- Regularly meet with any outside service providers to evaluate and assess compliance with investment guidelines, performance, outlook, and investment strategies.
- Tend to all other matters deemed to be consistent with due diligence with respect to prudent management of charitable funds.
- Comply with official accounting and auditing guidelines regarding due diligence and ongoing monitoring of investments.
- Prepare and issue periodic status reports to the Board.

## **MONITORING AND REVIEWING OF PERFORMANCE**

The Board will review the performance of the investment portfolio, at a minimum on a bi-annual basis, using the performance benchmarks outlined in the Investment Planning Policy and Procedure.

The performance of the Independent Investment Adviser will be reviewed at a minimum on an annual basis. In assessing the Independent Investment Adviser's performance, consideration will be given to the following:

- investment performance relative to approved benchmarks.
- investment style.
- responsiveness.
- communication.
- proactive approach to investment opportunities.
- value adding customer service; and
- flexible, accurate and timely reporting and compliance with this Investment Planning Policy and Procedure.

## **BREACHES OF INVESTMENT PLANNING AND POLICY PROCEDURE**

Where the Investment Manager or a specific fund manager is in breach of the terms of the Investment and Planning Policy and Procedure, the Board must conduct a review of the causes of the breach. Depending on the findings of the review, the Investment Adviser and/or specific fund manager may be terminated outside of the formal review cycle.

The Investment Adviser is to be instructed to immediately report any breach to the Board. All breaches are to be reported on a bi-annual basis along with the materiality of the breach.

## **REVIEW OF POLICY**

The Review of the Investment Planning Policy and Procedure is the responsibility of the Board.

The Investment Planning Policy and Procedure will be reviewed at a minimum on an annual basis. It will also be reviewed if major changes occur in capital markets, the regulatory environment, or the investment environment. Such changes may include:

- fundamental change in the long-term inflation rate or in expected investment returns.
- emergence of new investment products or products offerings.
- significant changes in Government policy; and

The Investment Adviser will be expected to promptly provide relevant information with respect to such developments, as well as a view and a recommendation as to their impact on the portfolio.

Significant underperformance by the Independent Investment Adviser and specific fund managers against both the investment objectives and/or the appropriate composite benchmarks for the agreed asset allocation may result in termination of the Investment Adviser or the specific fund manager prior to the scheduled review.

#### **DOCUMENT CONTROL**

<b>Version</b>	<b>Authorized by</b>	<b>Authorization Date</b>	<b>Sections</b>	<b>Amendment</b>
1.1	Board	18/02/2022		Adopted as new policy
1.2	Board	19/04/2023	All	