

GOVERNANCE POLICY

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ISSUING AUTHORITY	Trust Board	ISSUE DATE:	29/08/06
		REFERENCE	CS 3.2

1. Purpose

The purpose of this policy is to define the Museum's investment objectives and policies.

2. Definitions

Long-term investments	Investments not expected to be realised within one year
Short-term investments	Investments expected to be realised within one year
Asset Replacement Fund	Depreciation funds received from Territorial Local Authorities to replace assets when they reach the end of their economic lives
Trust and Bequests Fund	Funds given to the Museum usually with obligations to invest the funds and spend the income on specified things
Endowment Fund	Funds given to the Museum to be used at the Board's discretion
Operating Reserves	Other funds for operating purposes

3. Policy

3.1 The objective of the Asset Replacement Fund is to maintain the purchasing power of dedicated funds to replace assets at the end of their economic lives.

3.2 The objective of the Trust and Bequests Fund is to provide for expenditure specified by donors while maintaining the real value of the original trust donation.

3.3 The objective of the Endowment Fund is to grow total funds under management in order to provide for the Auckland War Memorial Museum's future funding needs.

3.4 The objectives for the Asset Replacement, Endowment and Trust and Bequest funds are similar and will be managed as a single fund (the Investment Fund). The obligations associated with the Investment Fund are framed as long term investment objectives.

3.5 The Operating Reserves are short-term in nature and will be invested in short-term investments.

3.6 The Investment Fund will be invested in a broad range of assets, which may include domestic and international investments, designed to achieve the following objectives:

- a) Maintain the real value of the Investment Fund with regard to inflation.
- b) Maximise the total returns that can be provided by the Investment Fund over the long term, subject to a prudent level of portfolio risk as determined from time to time by the Board.

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c) Maximisation of total returns also implies minimisation of fees and elimination of any unnecessary tax burden.

3.7 Investment responsibilities under specific trusts, common law and statute must be met. The Board will:

- a) determine an appropriate level of investment risk in consultation with professional advisers;
- b) behave at all times in a prudent manner; and
- c) consider the recommended asset allocation, being the level of diversification across asset classes, securities, sectors, and markets.

3.8 Liquidity must be considered and maintained at an appropriate level.

3.9 The investment structure must be able to accommodate changes in the Investment Fund's requirements and the investment environment.

3.10 The Board will consider and approve an investment strategy to meet these objectives and engage investment managers to implement the strategy.

3.11 The portfolio will be monitored on an ongoing basis.

3.12 All aspects of the investment process and functions must be reviewed at three yearly intervals.