
Cancer Research Trust

Investment Committee Charter

MAY 2015

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CANCER RESEARCH TRUST
INVESTMENT COMMITTEE
GOVERNANCE PROCEDURES & INVESTMENT MANDATE

1 DEFINITONS AND PURPOSE

1.1 Definitions

In this Charter:

'Agreement' means the Investment Management Agreement between the Trustee and the Investment Manager in relation to the Fund, as amended or replaced from time to time;

'Associate' means any or all immediate family (spouse or defacto spouse (including a same-sex partner) and non-adult children (18 years old or less), but not parents or siblings), family companies or family trusts.

'Charter' means this document as amended from time to time.

'Code of Ethics' means the code of ethics of the Investment Committee as set out in Appendix A;

'Directors' means the directors from time to time of the Investment Manager;

'Fund' means the Cancer Research Trust

'Investment Committee' means the Investment Committee of Cancer Research Trust constituted as provided in paragraph 2.2 below and initially consisting of each of the individuals named in paragraph 3.1 below;

'Investment Manager' means the company appointed from time to time as Investment Manager of the Fund;

'Investment Mandate' means the Investment Manager's investment objectives, guidelines and strategy as provided for in the Agreement.

'Member' means a member of the Investment Committee;

'Trustee' means Cancer Research Fund Pty Ltd A.C.N. 136 112 019 as trustee of the fund.

1.2 Purpose of this Charter

The purpose of this Investment Committee Charter is to set out:

- (a) the establishment, objectives and membership of the Investment Committee;
- (b) the responsibilities of the Investment Committee and its members; and
- (c) the procedures for the conduct of the Investment Committee's affairs.

2 **ESTABLISHMENT AND PROCEDURES**

2.1 **Background**

- (a) The Trustee has appointed the Investment Committee and delegated powers to, amongst other things, invest and manage the assets of the Fund in accordance with the recommendations of the Investment Manager and to monitor the performance of the Investment Manager.
- (b) The Trustee has appointed the Investment Manager pursuant to the Agreement to make investment recommendations, to the Investment Committee, subject to the Investment Committee's compliance with the procedures, codes and restrictions set out in this Investment Committee Charter, and any direction from the Trustee.

2.2 **Establishment and objectives of Investment Manager**

The Investment Manager has been appointed to:

- invest and manage the investments of the Fund on behalf of the Trustee, including sourcing and making suitable investments in accordance with the Agreement;
- keep the portfolio of the Fund under review, including to make full or partial realisation of or exit from investments, and to confer at regular intervals with the Investment Committee regarding the investment management of the portfolio;
- exercise all due diligence and vigilance in carrying out the Investment Manager's functions, powers and duties under the Agreement; and
- exercise due care in selecting, appointing and reviewing the performance of any agent of the Investment Manager in connection with investments of the Fund or any broker engaged by the Investment Manager.

The 'Investment Policy' set out in Appendix B outlines the investment mandate to be followed by the Investment Manager.

2.3 **Notification to Trustee**

The Investment Committee will advise the Trustee of any breaches of the Investment Mandate and any material matters relating to the Investment Committee that in the opinion of the Investment Committee should be disclosed to the Trustee.

3 **MEMBERSHIP OF INVESTMENT COMMITTEE AND THE ROLE AND POSITION OF MEMBERS**

3.1 **Initial Membership**

The Investment Committee of the Fund will comprise members appointed pursuant to clause 14 of the Fund Deed of Trust, being initially

Peter Leonhardt Director of Trustee
(Chairman)

Peter Mansell Director of Trustee

3.2 **Changes to Composition of Investment Committee**

The composition of the Investment Committee may be amended from time to time in accordance with the Fund Deed of Trust.

3.3 **Chairman**

The Chairman of the Investment Committee will be Peter Leonhardt or in his absence, one of the other Members, as elected. The Chairman's responsibilities will be to ensure that:

- (a) the meetings are conducted properly;
- (b) all parties are appropriately heard;
- (c) all agenda items and special issues are adequately discussed; and
- (d) minutes of meetings accurately reflect the attendance, discussions, and decisions made.

3.4 **Secretary**

The Secretary of the Investment Committee will be the Secretary of the Trustee or in his/her absence, another person, as elected. The Secretary is not a Member but will attend all meetings of the Investment Committee. The Secretary's responsibilities will be to ensure that:

- (a) Members are given notification of the time, date and location of meetings;
- (b) the agendas of meetings (together with the appropriate papers) are communicated to each Member at least 48 hours prior to the scheduled meeting or such shorter period as may be agreed;
- (c) minutes which accurately record the deliberations of the Investment Committee are prepared following a meeting of the Investment Committee, and are distributed to each Member; and

- (d) all documentation used in the process (including all checklists, correspondence, agendas, minutes, consents and verification of information) is maintained.

4 **MEETING PROCEDURES**

4.1 **Other attendees**

The Investment Committee may invite any other personnel including representatives of the Investment Manager to attend any Investment Committee meeting, as invitees.

4.2 **Attendance by experts and others**

Where specific agenda items relate to experts' reports, appropriate representatives of those organisations may be asked to attend in person at one or more of the Investment Committee meetings in order to:

- (a) present their reports;
- (b) address specific issues in such reports; and
- (c) address questions raised by the Investment Committee.

4.3 **Frequency**

Investment Committee meetings will be scheduled at least quarterly at a time and date to be notified by the Secretary and otherwise as appropriate as determined by the Secretary.

4.4 **Meetings**

- (a) At each meeting of the Investment Committee, the following items should be considered as standing items:
 - (i) chairman of the meeting, and any appointment of a stand in chairman;
 - (ii) minutes of last meeting, including confirmation that those minutes accurately reflect the conduct of and discussions in that meeting;
 - (iii) disclosure of any conflicts of interests, being a direct or indirect pecuniary interest that any Member or their Associate has in a matter being considered, or about to be considered, by the Investment Committee if their interest could conflict with the proper performance of their duties in relation to the consideration of the matter;
 - (iv) status of investment proposals considered at last meeting;
 - (v) consideration of new investment proposals;

(vi) report on existing investments and exit opportunities;

(b) In relation to items 4.4(a)(iv)-(vi) each Member is required to consider whether each proposed or existing investment is within the scope of the Investment Mandate, and voice any concerns where the Member considers it is not.

4.5 Quorum

The quorum for a validly constituted meeting of the Investment Committee is 2 Members.

4.6 Decisions of the Investment Committee

All decisions taken by the Investment Committee must be by majority vote of the Members attending the relevant meeting. Members of the Investment Committee have delegated authority to approve portfolio adjustment transactions as recommended by the Investment Manager subject to the investments being within the parameters of the current Investment Mandate.

4.7 Circular resolutions

Decisions of the Investment Committee may be made by way of a circular resolution signed by each member of the Investment Committee. Circular resolutions should however be confined to procedural or routine administrative matters.

4.8 Reporting to the Trustee

The Investment Committee must report six monthly to the Trustee, or more often as required.

4.9 Confidentiality

All matters and materials considered by the Investment Committee or by individual Members of the Investment Committee should be regarded as absolutely confidential unless otherwise advised by the Chairman, or required to be reported to the Investment Manager or the Trustee.

5 MEMBERS' AGREEMENT TO BE BOUND

Each of the undersigned, in their capacity as Members agrees to be bound by the terms of this Charter (including the appendices):

.....
Peter Leonhardt (Chairman)

.....
Peter Mansell

APPENDIX A - INVESTMENT POLICY

1 Introduction

The aim of this Investment Policy is to:

- Define the Fund's investment objectives and tolerance for risk; and
- Specify the Fund's investment guidelines, standards for monitoring investment performance and distribution policy.

2 Investment Objectives

The investment objectives of the Fund are to:

- Ensure that the investment of the Fund are managed in compliance with Schedule 2 of the Fund Deed of Trust
- Invest the assets legally;
- Invest the assets prudently ensuring the portfolio has an appropriate risk profile and adequate levels liquidity and diversification; and
- Generate total returns (capital and income) which exceed the outgoings of the Fund (distributions and costs) and enable the Fund to maintain its real capital value over time.

3 Risk Statement

The Fund has an investment time horizon of perpetuity and seeks to grow its assets to sustain the real value of the underlying capital and income stream. It is recognised that investing in growth assets (equities and property), in contrast to investing in defensive assets (bonds and cash), will increase the volatility of returns over shorter time frames. The Investment Committee understands the need to invest in growth assets and that asset values may fall in real terms from time-to-time.

3.1 Liquidity

The Investment Committee recognises that short term risks may arise from the potential of the investment portfolio to experience a shortfall in the income required to meet the distribution requirements of the Fund. To offset this, the investment portfolio should maintain sufficient liquidity to meet the Fund's expected annual distribution requirements plus costs.

3.2 Diversification

Prudent asset class diversification will be employed to reduce the likelihood of the portfolio generating negative returns. The Fund's investments will be selected with the aim of limiting the chance of a *negative return (in any 1 year) to once every 5 years*.

The portfolio will be invested in a mix of direct securities and appropriate investment funds offered by the Investment Manager.

4 Return Objectives

To mitigate the longer term risk of inflation, the Fund will target long term returns from income and capital but before annual distribution and costs of around 6% above inflation as measured by the Consumer Price Index (CPI). The long term return target has been determined based on the benchmark asset allocation and 10 year forecast for CPI and returns for each asset class.

The Fund aims to (after deduction of all costs):

- Grow the underlying capital of the Fund to offset the effects of inflation over the long term; and
- Generate a growing income stream capable of funding the Fund's annual distribution requirements outlined in Section 7.

5 Investment Guidelines

5.1 Asset Classes

The Investment Committee permits investment in the following asset categories:

- Cash deposits, cash management trusts/investments with Australian licensed and regulated banks and deposit taking institutions with no less than an AA credit rating;
- Australian Government and Corporate bonds, *ASX listed Hybrids and Bonds*, and managed fixed interest products;
- Australian listed Real Estate Investment Trusts (REITs);
- Australian and international equities; and
- Alternative Investments

5.2 Asset Allocation Considerations

The following factors are to be considered when determining the asset allocation for the investment portfolio.

- Use of investments which provide access to franked income;
- Need for sufficient liquidity to meet the distribution requirements;
- Potential impact of inflation, requiring an exposure to growth assets in order to maintain the real capital value of the portfolio over the long term; and
- Use of asset allocation bands and tactical asset allocation to provide for changes in the investment environment.

The recommended asset allocation for the Fund

Asset Class	Benchmark	Ranges
Cash*	5%	2% to 10%
Fixed Interest	20%	10% to 30%
Australian Equities/AREIT	45%	30% to 55%
International Equities	25%	10% to 40%
Alternative Investments	5%	0% to 10%
	100%	

* The actual allocation to cash may exceed the upper range for short periods of time as new cash inflows into the Fund are processed.

5.3 Taxation

The Fund's investment income or capital gains are not subject to taxation and the Fund is able to obtain a rebate of franking credits on relevant dividend income. This should be recognised when selecting investment strategies for the Fund.

5.4 Investment Restrictions

Unless specifically authorised, the Fund shall not enter into any type of margin lending arrangement, nor allow any other borrowing to directly leverage the portfolio.

5.5 Performance Reporting

An investment portfolio performance report is to be compiled and reviewed by the Investment Committee on a quarterly basis. The report is to include:

- return for the portfolio, expressed as a percentage;
- performance reports on all the individual investments funds held by the Fund;
- return on investment relative to the benchmark index for each individual investment fund held by the Fund and for the overall portfolio; and
- the percentage of exposure to each asset class relative to the benchmark allocation.

5.6 Performance Benchmarks

The following benchmarks are to be utilised, unless otherwise recommended by the Investment Committee and ratified by the Trustee:

Asset Class	Benchmark
Cash	Bloomberg Bank Bill Index
Fixed Interest	Bloomberg Composite Bond Index
Australian Equities/AREIT	S&P/ASX 200 Accumulation Index
International Equities	MSCI World ex Australia Index A\$
	MSCI World ex Australia Index hedged to A\$
Alternative Investments	HFRI Fund of Funds Composite Index USD

The Investment Committee will, on a quarterly basis, review the performance of the investment portfolio using the performance benchmarks outlined in above.

The performance of the investment portfolio will be measured against the Morningstar AUS Multisec Growth Benchmark and the JBWere Capital Growth Benchmark.

6 Reporting and Administration

The Investment Manager will prepare an annual report summarising current investment strategies, economic conditions and market outlook, investment portfolio performance, and any other relevant information. This report will be made available to current and prospective account holders of the Fund.

7 Distribution Policy

7.1 Annual Distribution

The Fund may distribute net income generated in a financial year subject to the provisions of the Deed of Trust.

If the capital value of the Fund fails to keep pace with inflation, as measured by the capital value of the Fund at the start of the financial year adjusted for the movement in the CPI in the previous financial year, the required distribution may be reduced by the amount required to maintain the real capital value of the Fund.

7.2 Distribution of Capital

The capital of the Fund must not be distributed for a period of ten (10) years from inception of the Fund.