Division	**Operations**	**Ref. No.**	**POL-4081**
Department	**Management**		
Title	**Investment Policy**		

1 PURPOSE AND SCOPE

This Investment Policy has been prepared to provide a strategy and framework for the prudent management of The Royal Australasian College of Surgeons (RACS) financial investments as per the RACS investment portfolio.

The purpose of this document is to:

- Outline the investment framework supporting the management of investment assets for the RACS investments.
- Define the investment goal and principles to guide the management of RACs financial investment capital.
- Document the governance arrangements in relation to the management of investments.
- Provide a framework exists to manage the investment risk in a prudent and appropriate manner.
- Establish a criteria against which assets are invested, risk tolerance is determined, and subsequent performance measured.

2 KEYWORDS

Investment, Committee, Portfolio, Funds.

3 BODY OF POLICY

3.1 Investment Goal

Ensure the investment portfolio is managed in a strategic and a proactive way to maximise the returns to RACS to ensure sufficient income is earned, and capital growth, in real terms, is achieved, to meet the budgeted requirements for RACS Corporate and the Foundation for Surgery and the strategic objectives of RACS. It has been determined by the RACS, that the time frame for the management of the capital is long-term and shall be at least 10 years given RACS is an ongoing concern.

3.2 Guiding Principals

The Investment portfolio must be comprised of transparent, appropriately risk adjusted and diversified investments with strong management and oversight, and regular reporting. Investments are appropriate and ethical. This includes avoiding investments in companies with over a 10% revenue contribution in the last financial year from the prohibited sectors; or any managed fund holding more than 10% of investments in the prohibited sectors.

Refer to Environmental, Social and Governance (ESG) Policy below.
Funds are invested in either long-term investments (i.e. equities) or short term/at call investments (ie. cash and fixed interest securities or hybrids).

The portfolio is managed in a strategic and a proactive way to maximise the returns to RACS to ensure sufficient income is earned, and capital growth, in real terms, is achieved, to meet the budgeted requirements for RACS Corpora and the Foundation for Surgery and the strategic objectives of RACS.

3.3 Governance

The RACS Finance, Audit and Risk Management (FARM) Committee of Council is responsible for the governance of the investment portfolio. The RACS Investment Committee (IC) reports directly to FARM and provides the oversight of the management of the investment portfolio.

The objectives of the IC are to:

- Allocate funds to external managers as determined by the investment committee taking into account past performance, area of investment and stock liquidity. The IC recommends changes to managers to FARM as and when required.

- Promote investments that are appropriate and ethical and seek to avoid investments from prohibited sectors as per ESG Policy based on information provided to the Committee.

- Report on portfolio performance to Council via FARM and refer to FARM for direction if there are any doubts as to the appropriateness or ethics of a potential investment.

- Ensure funds contributed to the investment portfolio are able to be invested as either long-term investments (i.e. equities) or short term/at call investments (ie. cash and fixed interest securities or hybrids).

- Determine the Asset Allocation to be recommended as a fixed percentage of funds to be allocated to a particular investment class the investment committee determines the asset allocation mix.

- Engage with Honorary Investment advisers (whom are not RACS Councillors/Company Directors) to advise RACS on the employment of tactical asset allocation, which aims to adjust the portfolio towards target asset allocation as market movements impact the value of sectors, and their weight in the portfolio.

3.4 Environmental, Social and Governance (ESG) Policy

RACS will not approve the acquisition of investments in companies or industries involved “prohibited sectors” which include:

- Tobacco
- Inappropriate Adult Entertainment
- Gambling
- Alcohol

To achieve this, the IC will avoid investments in companies with over a 10% revenue contribution in the last financial year from the prohibited sectors; or any managed fund holding more than 10% of investments in the prohibited sectors.

It is the responsibility of the IC to monitor the ESG policy to ensure it remains fit for purpose and make any recommended changes to FARM as required.

3.5 Investment Constraints

Without specific approval from FARM, no arrangement may be made by any party to enter into any type of securities lending arrangement, securities repurchase agreement, margin lending/other borrowing arrangement, or any leveraged securities arrangement, including warrants, options or other derivative product.

3.6 Risk Tolerance

The degree of risk applied across the investment portfolio is based on the objectives of the investment portfolio to:

- generate income to meet the obligations and strategic objectives of the College by maintaining a material strategic allocation to cash (liquid) assets, and
- maximise the likelihood of achieving real capital growth in the value of the portfolio with a high tolerance for risk (as per investment risk assessment) in achieving its objective of real capital gains over time.

3.7 Performance & reporting

In terms of performance, this policy aims to ensure that all College investments achieve or exceed the performance standards that have been approved from time to time.

To achieve this, the following is undertaken:

- The performance standards are reviewed and reported annually to FARM.
- The strategic assets allocation is structured to achieve an overall growth in the Investment portfolio of CPI plus a % increment over CPI. The % increment above CPI will be advised by the Investment Committee on regular basis.
- Recommendations to FARM on the appropriate asset allocation mix of investments to achieve the agreed objectives relating to investments (i.e. annual growth of CPI+5%).
- Reporting to FARM on Portfolio Return vs. Blended Benchmark Return, Post Franking & Fees basis.
- Recommendations over a rolling 3-5 year period.

3.8 Asset Allocation Ranges

Current asset allocation ranges for the investment portfolio are as follows:

Asset Class	Strategic Allocation	Allowable Range
Australian Shares	60%	50% to 70%
International Shares	20%	5% to 25%
Growth Assets	**80%**	**55% to 80%**
Hybrids	15%	0% to 20%
Cash & Cash like	5%	4% to 45%
TOTAL	**100%**	

A description of each approved asset class is as follows:

Asset Class	Risk Measure	Risk Mitigation
Cash (liquidity)	Low	Investment in Approved Deposit-taking Institutions (ADIs) and Cash Management Trusts with daily liquidity
Fixed Income	Moderate	Diversification of issuer, issue, maturity, rating, geography and seniority. Can be unhedged, fully or partially hedged.
Australian Equities	High	Diversification within sectors; limit to any individual company; limit on allocation to small caps
International Equities	High	Diversification within sectors; limits to geographies and individual companies. Can be unhedged, fully or partially hedged.
Alternate Assets	Low to High	Assets that are expected to have a low level of correclation to traditional asset classes defined above

Please note that Property is excluded as an approved asset class from this policy due to the high value of the Spring Street Melbourne site and its dominance within this asset class.

To achieve this:

- RACS shall monitor and manage the portfolio having regard to the strategic weighting to asset classes. However, the IC are not required to rebalance the portfolio back to its strategic allocation unless determined that an under or overweight position within an asset class is outside of the tolerance for risk having regard to the prevailing economic factors.

- Where an exposure reaches the maximum allocation, it is intended that it will be rebalanced back to the long term strategic allocation in the most effective manner, in accordance with recommendations made by investment advisers and approved by FARM.

- The IC will review the strategic asset allocation on at least an annual basis. This review of the strategic asset allocation will consider current actuarial and economic information, and any revised assumptions for capital market returns, volatilities and correlations.

3.9 Rebalancing Frequency

Every two months. Intra-meeting trading allowed with appropriate authorisations.

4 ASSOCIATED DOCUMENTS

Investment Committee Terms of Reference

Approver FARM
Authoriser Council