



GREYTOWN  
TRUST LANDS  
*Growing the Community since 1871*

# **Statement of Investment Policies and Objectives (SIPO)**

as at 31 March 2022

## 1. Introduction

This statement of Investment Policy and Objectives (the “**SIPO**”) prepared by the Trustees (the “**Trustees**”) of Greytown District Trust Lands Trust (the “**Trust**”) sets out the objectives, policies and beliefs governing decisions about investments in relation to the Trust’s assets.

This SIPO takes account of the requirements of:

- Greytown District Trust Lands Act 1979 (the **Act**).
- Trusts Act 2019.

## 2. Nature of the Trust

Since its inception in 1871, the Trust has held real estate assets for the benefit of the Greytown community in the manner contemplated by its Act. The Trust makes grants from its retained earnings pool to a range of community sectors, including education, sport, culture & heritage as well as grants to qualifying individuals.

The Trust is governed by a board of Trustees, six in total, elected for a period of 6 years.

## 3. Trust Objectives

The Trust’s long term objectives are to:

- 3.1. Maintain, enhance and grow its portfolio of income generating assets.
- 3.2. Ensure targeted and sustainable level of distribution to its beneficiaries.
- 3.3. Maintain equity between present and future generations.

## 4. Investment Beliefs

The Trust’s approach to investing is framed by a set of clearly defined, overarching beliefs that drive the investment decisions. The Trust’s investment beliefs are:

- 4.1. Strong governance and well defined decision-making structures enable sound investment decision-making.
- 4.2. The Trust’s investment horizon is long term and setting an asset allocation that is appropriate to its objectives and risk tolerance is the most important decision to be made as it is the primary driver of long term success.
- 4.3. A diversified portfolio both across and within asset classes improves the risk to return ratio over time.
- 4.4. Costs matter and in some asset classes low cost passive strategies (fixed interest/government bonds) can be blended with higher costing active strategies (property redevelopment/private capital) to minimise the overall cost of investing. The primary goal is to maximise net of fees/management cost returns, at an acceptable level of risk.
- 4.5. Responsible investors should have regard to the environmental, social and governance (ESG) issues of companies/assets they invest in.

**In making investment decisions the Trustees will adhere to the Fundamental Investment Principles set out in appendix 1.**

## 5. Spending Policy

- 5.1. The Trust’s spending is defined as annual grants plus operational and capital expenditures.
- 5.2. Over the next five years (review end of year three (March 2024)) the Trust’s spending policy is to allocate up to \$107,000 of its annual net profit to annual grants.

- 5.3. The Trust's spending policy is to retain the balance of its annual net profit, allocated to existing asset improvement capex and new asset acquisitions.
- 5.4. Existing asset improvement capex allocation is based on the individual asset management plans for each property.
- 5.5. Acquisition spending policy is driven by our investment objectives.

## 6. Investment Objectives and Benchmarks

- 6.1. The Trust's investment objective/hurdle for its non-real estate investments is to achieve a return equal to or greater than 150 basis points over the NZ Government 90 day bank bill rate Bond rat (as a minimum). As at 31.3.2022 this equates to 2.99% (1.49% + 1.5%).
- 6.2. The Trust's investment objective/hurdle for its real estate assets is to achieve annual returns equal to or greater than the Smart Shares NZ Property ETF annual return. Smart Shares is a NZX Group Company, the NZ Property ETF (exchange traded fund) invests in NZ's leading listed real estate entities, covering all commercial real estate sectors. As at 31.3.2022 the annual return for the fund was net 2.69% after fees and tax at 28% - 3.74% gross after fund charges. The return does not include unrealised revaluation gains/losses.
- 6.3. The Trustees recognise the investment hurdles are long term targets and may not be achieved in every measurement period and may be over reached in others.

## 7. Target Policy Portfolio

- 7.1. The target policy portfolio composition for the Trust's total investment portfolio as at April 2022 is:

Sector	Policy Target (2022-23 Amounts based on \$15,817,748 (portfolio & cash)	Policy Target (2021-22 Amounts based on \$14,722,600 (portfolio & cash)
Direct Real Estate	69.6% (\$11,010,000) <i>Excl long leasehold (community lands)</i>	90% (\$13,250,340) <i>Including long leasehold (community lands)</i>
Balanced Managed Fund	30.4% (\$4,807,748)	8% (\$1,177,800)
Cash*	Included in managed fund	2% (294,452)
<i>* These amounts will be dictated by the business plans for each asset (capex cash flow requirements)</i>		

- 7.2. The target policy portfolio composition for the Trust's direct commercial real estate portfolio is:

Sector	Policy Target 31 Mar 2022	Policy Target 31 Mar 2021
Industrial	54%	45%
Bulk Retail	24%	35%
Retail/Office	22%	20%

**In the event Whanganui property is sold, the target policy portfolio will be updated to reflect sale proceeds going into managed funds and sector reweighting for the directly held real estate portfolio.**

- 7.3. The Trustees recognise the policy targets are long term and will be subject to reweighting periodically as asset valuations improve/decline over time along with projected annual portfolio capex spend.

## 8. Rebalancing Policy

- 8.1. The Trustees recognise that investing in a direct commercial real estate portfolio restricts the ability to react over the short term given the higher level of illiquidity.
- 8.2. Short term over/under weights +/-10% are not viewed as material, the Trustees are concerned with medium – long term performance, benchmarked as previously noted (6.2).

# Appendix 1

## **Fundamental Investment Principles**

This Statement of Investment Policies and Objectives is based on certain investment principles that the Trustees of the Trust regard as fundamental and constant. The Trustees intent is to manage the Trust's portfolio in accordance with these principles, regardless of cyclical ebbs and flows in the capital markets. This document is intended to ensure continuity of purpose and implementation regales in changes in the composition of Trustees.

## **Time Horizon**

On the one hand, the Trust's portfolio investment time horizon should be infinite, since the Trust is expected to exist in perpetuity. On the other hand, the purpose of the Trust is to provide, over time, a steady and sustainable distribution of funds to the community. The investment objectives and target policy portfolio of the Trust seeks the appropriate balance between these conflicting time horizons.

## **Spending**

The ideal spending policy ensures a balancing of priorities, whereby the current needs of the Trust are not sacrificed in the interests of the future, nor are future needs sacrificed to those of the present. The Trust's spending is defined as annual grants plus operational and capital expenditure.

## **Asset Allocation**

The Trustees recognise that historically the Trust has invested exclusively in directly held real estate asset. The Trustees require a greater level of asset diversification in order to manage risk and will seek a suitably qualified external investment advisor to assist with the expansion of asset allocation as the need arises.

## **Rebalancing**

In order to obtain the benefits of diversification and maintain a relatively constant risk exposure, portfolio holdings may be rebalanced according to stipulated guidelines using normal cash outflows to ensure that the actual portfolio asset allocation remains within an acceptable range to target policy allocations. Rebalancing entails selling high buying low in a disciplined manner. Disciplined rebalancing ensures the Trust does not chase "flavour of the month" asset classes, essentially avoiding market timing which is invariably fraught with risk.

## **Cash Allocation**

This is now covered under the managed investment fund.

## **Investment Policy Review**

This policy shall be reviewed annually, once asset revaluations have been finalised.