

1. Trustee, Board and Finance and Investment Committee

The Trustee of the Melbourne Community Foundation is the Community Foundation Network (CFN) Ltd, a not-for-profit company limited by guarantee.

MCF is governed by an honorary Board, members of which bring expertise in a range of fields including business and financial management, law and community development.

The Finance and Investment Committee, a sub-committee of the Board, is responsible for:

- advising the Board on the financial and business affairs of MCF
- advising the Board on the investment policy, process and performance of the Funds
- considering any strategic directions in the area of finance and investment and identify their financial, physical and human resource implications.

The Finance and Investment Committee comprises internal and independent members with experience and skills in investment, banking, accounting and finance reporting to the Board on a monthly basis.

2. MCF Investment Management

2.1 Investment Approach

All decisions relating to MCF's investment of the Trust Fund are the legal responsibility of the Trustee, through the MCF Board. Investment matters are dealt with by the Board's Finance and Investment Committee, which is responsible for the design and execution of the asset allocation strategy and investment activities.

MCF adopts two investment approaches:

2.1.1 Long term growth investment

The long term growth investment option is the core MCF investment approach for building endowment and generating annual income for distribution. The strategic asset allocation is 80% growth assets and 20% cash or fixed income securities.

2.1.2 Medium term income investment

The medium-term income investment approach is designed primarily for 2 situations:

- sub-funds which the Trustee holds with the intention of granting capital as well as income within a shorter period of time, say 3-5 years;
- flow through giving programs, primarily workplace-giving programs where employee contributions are distributed and corporate contributions are used to build the endowment.

The strategic asset allocation is predominantly cash and fixed income securities and targeted to have 15% in growth (Australian equities and/or property).

2.1.3 Within the context of its legal obligations and in determining the appropriate investment approach for each sub-fund, the Trustee will take into consideration:

Sub-Funds (at least \$100,000): the intended longevity and granting program of a sub-fund. Upon establishment of a sub-fund, a donor may request an investment approach appropriate to these intentions involving a combination of the two investment approaches.

- (i) The Fund: the life and granting program of the Trust Fund are critical determinants in the design, construction and execution of the investment strategy of the Trust Fund. For example, it is a requirement that 80% of income, across the combined growth and income portfolios, be distributed over a rolling three year period to maintain the tax deductible status of The Fund.
- (ii) Investment advice: recommendations from the Trust Fund's investment manager as to asset allocation strategies and investment activities appropriate to the current investment landscape.

Note: MCF cannot offer financial advice to donors.

2.3 Investment Manager

In June 2009, Beulah Capital was appointed as MCF's investment manager for three years, effective 1 July 2009 following a formal review process. For further details on Beulah Capital please refer to: www.beulahcapital.com.

2.4 Investment Portfolio

The Board of MCF sets the asset mix for funds under investment.

All funds are placed under management with MCF's investment manager according to the mandate and service agreement. All investments are held in the name of the Trustee. There is no custodian.

The asset mix may include equity, fixed interest, listed hybrid securities, listed and unlisted trusts, unlisted private equity, convertible bonds, preference shares, commodities, foreign exchange, derivatives and cash.

Undistributed income is transferred to capital at least once per year.

2.5 Environmental, Social and Governance Investment Guidelines

Under the mandate, MCF's investment manager will be responsible for adhering to MCF's environmental, social and governance requirements.

3. Donor Reporting

MCF provides donor statements every six months. These statements detail the investment and transaction activity attributed to each sub-fund and the investment performance attributed to the sub-fund.

The donor statements also detail the attributed amount of income available for distribution.

In its annual reporting, MCF reports on the overall Trust Fund performance.

4. Investment Management Fees

MCF pays an annual Investment Management Fee of 0.5% of capital on funds up to \$30 million and 0.3% of capital on funds above \$30 million.

Brokers' commission / funds' fees are charged as incurred. The investment manager has an agreed brokerage rate ranging from 0.1% to 0.3%, and does not retain any part of the brokerage fees.

All investment returns are expressed net of all investment fees.