

## **NERAM Foundation Advisory Committee Guidelines**

### **Introduction**

New England Regional Art Museum houses major art collections that are both significant to the New England area and the nation. The Foundation was established in recognition of the fact that the collections, and associated infrastructure, are of a size and value that make it difficult for the local community to fully fund recurrent expenditure for the scale of programs that the collections warrant. The objective is to build a large capital base that will produce enough income (after allowing for capital growth) to provide substantial financial support to NERAM each year.

The trustee and this committee are mindful of the history of the previous Foundations of the New Regional Art Museum and the sensitivity of the community towards the preservation of both donated capital and proceeds of fund raising projects. These guidelines have been formulated with a view to conservatively managing the capital of the Foundation, providing growth of that capital and ensuring that the contributions of donors and fund raisers are preserved and respected whilst recognising that the role of the Foundation is to provide income out of investment returns to NERAM to fund the operations and special projects of NERAM.

These Guidelines need to be read in conjunction with the NERAM Foundation Deed of Trust. The Trustee of the NERAM Foundation is NERAM Limited and therefore its Board. The trust deed provides power to appoint an Advisory Committee. These guidelines represent the full extent to which the trustee has delegated authority to the Foundation Advisory Committee (FAC).

### **The Advisory Committee will be:**

- Appointed by the NERAM Board (Trustee) annually.
- Made up of a maximum of 7 members being
  - 2 members of the NERAM Board elected by the NERAM Board.
  - 5 members elected by the NERAM Board and sought for their financial and commercial expertise.

### **The principal role of the Advisory Committee will be to:**

- Promote the NERAM Foundation to potential contributors.
- Receive donations and communicate with donors.
- Invest the Foundation assets in accordance with the trustees Investment Guidelines or in accordance with the specific wishes of the donors.
- Review the Investment Guidelines from time to time and recommend any changes from those reviews to the Trustee for approval.
- Promote the NERAM Foundation with a view to attracting new donations, gifts and bequests.

- Provide a progress report to the Board with details of the portfolio every quarter or on request.

### **Committee Structure**

- The Advisory Committee is to consist of interested representatives with appropriate skill sets;
- It is recommended that any committee should include people with considerable investment experience and expertise.
- A copy of all investment history and other records must be held both at NERAM and off-site.

### **Meetings**

- A minimum number of six meetings should be held each calendar year, preferably on a bi monthly basis. These meetings should be held after the receipt of up-to-date investment reports;
- Every six months a whole of portfolio review should be conducted;
- A full agenda should be circulated by the Secretary at least one week prior to each investment committee meeting;
- Control of meetings rests with the Chair who is elected annually by members of the committee;
- The Chairperson must ensure that the views of all committee members are heard;
- Minutes should be circulated by email within one week of the meeting;
- All decisions must be minuted;

### **Review Annually**

- Investment guidelines need to be reviewed at least annually;

### **Income support to NERAM**

- The trustee recognises that in order for the funds capital to keep pace with inflation and allow for fluctuations in the value of investments that a portion of each year's income needs to be retained in the capital of the fund.
- The Foundation will not distribute more than 75% of the years net income, excluding capital gains to NERAM;
- Income is defined as interest earned, dividends received (including imputation credits but excluding returns of capital) and distributions from Managed funds (excluding capital components);
- Income does not include donations, bequests proceeds from fund raising activities or capital gains.

### **External Advice**

- The Committee should seek external advice if and when it considers it necessary and to be in the best interests of the Foundation.
- External advice may come by way of written research or specific recommendations. Ideally the advice should be independent, reliable and consistent in approach;

## **Investment Protocols**

These guidelines recognise the fact that the capital of the funds has been provided by the community and is to be maintained for the long term benefit of NERAM. Accordingly, strict guidelines in respect to the selection of investments are imposed. With this in mind, the committee must take the following into account:

- Seek diversity across investment sectors and across stocks;
- Manage for a longer term view (5 plus years);
- Performance should be measured over a three to five year rolling time period;
- Define short and long term parameters for the portfolio and detail these in the Stock Selection Guidelines. Where the portfolio falls outside these parameters, the chairperson should ensure that the decision to remain outside of the guidelines is approved & minuted with appropriate reasoning;
- The committee must have an awareness of the risk features of all investments;
- All investments received by bequest are to be managed subject to the terms of the bequest.

## **Types of Investment**

The Foundation can invest in:

- Equities and securities traded on the Australian Stock Exchange including IPO's (Initial Public Offerings);
- Cash and cash related investments including income funds, bonds, term deposits, debentures, and listed income securities;
- Listed property trusts;
- Managed funds, listed investment companies and exchange traded funds (ETF's);
- Managed investments and associated investments issued under a prospectus approved for issue to the public by the Australian Securities and Investment Commission, or other relevant Australian Government authority;

Other Considerations:

- Due consideration is to be given to ensuring that the ethical nature of investments is compatible with the ethos of NERAM;
- Managing or the purchasing and owning of direct real property should not be part of the investment strategy.

## **Investment Selection Guidelines**

- When comparing investment alternatives, a consistent set of data must be used to perform any analysis.
- The following Stock Selection and Tracking Filters will apply (numbers below are ceilings):
  - Financial Filter:
    - Debt to Equity ratio of less than 60%;
    - Interest Cover greater than or equal to 3.5 times;
  - Earnings Filter:
    - Forecast earnings per share growth greater than 5%;
    - Yield greater than or equal to 3% grossed up equivalent
- General Selection Criteria:

- Stocks must be ASX 100 participants;
- No individual stock exposure to exceed 20% of the overall investment portfolio;
- Maximum number of stocks in the portfolio should not exceed 20;
- Cash balance to be maintained so that all current liabilities can be met;
- The cash balance of the fund should not be less than 15% of the total investments of the fund. Cash includes (but is not limited to) cash on hand, interest bearing deposits, cash management accounts and bank accounts.
- It is expected that overall investment performance should exceed the cash rate over any three year period. Any performance comparisons should relate to the majority of investments held. It is anticipated that listed equities will continue to occupy the bulk of the portfolio, therefore performance equivalent to or better than that achieved by the ASX 100 Index over any three year period is anticipated.

**Capital Preservation**

- The Board of NERAM will ensure that the Capital of the Foundation that comes from donations and fund raising is invested for the purposes of the Foundation and will not be spent.
- The Foundation may pay out up to 75% of the Foundation’s net income to NERAM.
- Retained income will be accounted for in an Income Reserve Account and this may be drawn on at the request of the Board, for the purposes of the Foundation trust, if there is majority approval of the Board. The Board and the Foundation Advisory Committee agree that any deductions from the Income Reserve Account would be detrimental to the long-term growth of the Foundation fund and therefore contrary to a stated objective of these guidelines. As such, a decision to draw on the retained income of the Foundation would only be taken by the Board in extraordinary circumstances.

Adopted by the Board on.....

To be reviewed on .....

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 Meg Larkin  
 Chair  
 NERAM Limited

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 Andrew Murray  
 Chair  
 NERAM Foundation Advisory Committee