



# Scouts Victoria

## Investment Policy and Investment Strategy

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### SCOPE

This policy applies to all investments managed by the Scout Association of Australia, Victorian Branch (Branch), including funds and investments of its controlled entities. Scout owned freehold property is treated as a youth program delivery asset and not as part of the investment portfolio and therefore lie outside the scope of this policy.

### PURPOSE AND RISK STATEMENT

In addition to its operating accounts, the Branch administers several investment portfolios being:

- Short term liquidity in the form of cash held by Branch.
- Surplus to liquidity requirements, investment funds held by Branch.
- Funds held in the Victorian Scout Foundation (VSF)
- Funds held within the EM Lothian Trust (EML)

The purpose of these funds is:

- 1) To provide long term financial stability for Scouts Victoria
- 2) To subsidise operating revenue and assist in keeping membership fees affordable.
- 3) To provide direct support to fundraising and infrastructure investment
- 4) To provide funds as required for the overall benefit of Scouts Victoria and its members.
- 5) In the case of EML, to provide funds for youth members to attend overseas events.

The objective of the ISC is to ensure that these funds are managed in a manner that provides a reasonable return without unnecessary risk taking. The risk appetite of the ISC can be summarised as follows:

***“To Invest funds in a manner that provides a return equal to or better than benchmark without significant risk to capital”.***

### POLICY STATEMENT

It is Scouts Victoria policy that all reasonable precautions will be taken to ensure that the Branch's investment portfolios are preserved whilst increasing its value, maintaining liquidity and managing risk. Investment decisions shall consider both financial return and ethical (environmental, social justice and corporate governance) factors.

### RESPONSIBILITIES

Funds and investments held within the Branch are managed by the Investment Sub Committee (ISC) and overseen by both the Finance Sub Committee (FSC) and the Branch Executive Council (BEC).

It is the responsibility of the Investment Sub-committee to:

- take the lead role in investing and managing the Branch's investment portfolios
- actively manage these funds and investments
- work closely with the Branch's investment advisor or advisors
- prepare monthly reports of all transactions.
- provide an annual report of benchmark performance to the BEC.

- prepare/review the Branch Investment Strategy each year and, if considered desirable, recommend changes for approval by the BEC.

#### **It is the responsibility of the BEC to**

- appoint an Investment Sub-committee each year.
- on the recommendation of the ISC, appoint an Investment Advisor to work with the ISC.
- ratify all transactions made by the ISC at the monthly BEC meetings.

#### **The Investment Advisor shall**

- appoint an Authorised Representative to work with the Investment Subcommittee and invest funds in accordance with their decisions.

#### **The Branch Finance Manager shall**

- Ensure settlement of all investments are successfully completed.
- Prepare monthly investment reports.
- Advise the ISC of any liquidity requirements.

## **PROCEDURES**

### **Appointment of Investment Advisor**

The BEC shall appoint an investment advisor, after considering the recommendation of the ISC. The appointee must hold an Australian Financial Services Licence to conduct a financial services business and hold professional indemnity insurance. The appointment shall be for a maximum of three years but may be renewed after review.

### **Decisions on purchasing and selling stocks**

Decisions on purchasing and selling stocks shall be made after considering the advice of the Authorised Representative of the Investment Advisor and be made by a majority decision of the ISC, with the aim being for all decisions to be made by consensus.

### **Socially Responsible Investment**

Investment decisions shall have regard to whether companies or funds produce goods, services and practises that promote the health and welfare of individuals and communities and the environment or produce goods, services or practises that are linked to abuses of human rights, poor occupational health and safety or employee relations, or bad environmental management.

### **Ethical Screening**

Investments shall be regularly reviewed to ensure that the Branch does not knowingly invest in companies or funds with involvement in alcohol production, armaments, gambling, pornography industries and tobacco manufacture.

### **Reporting**

A monthly report shall be provided to the BEC for their information and ratification of transactions undertaken. The report shall include a summary of investments by type, the investment mix at cost and at current market valuation, and a listing of all buy/sell transactions. At end of year, a performance report will be prepared comparing the Investment against the specified benchmarks.

### **Investment Income**

All income derived from the investment portfolios shall be credited to the Branch and its controlled entities accounts.

## **DEFINITIONS**

### **Authorised Representative**

The person appointed by the Investment Advisor as their liaison officer.

### **Controlled Entities**

For the purposes of this policy, controlled entities means the Victorian Scout Foundation Trust, the EM Lothian Trust and the Boy Scouts (Victoria) Memorial Fund.

### **Income/Investment Income**

The earnings of the Investment Portfolio over a given period (usually 12 months). For this purpose, the income comprises interest, dividends, franking/imputation credits and capital gains on the sale of investments.

### **Investment Advisor**

A suitably qualified and experienced firm/company that has been appointed by the BEC to assist the Investment Sub-committee in making investment decisions.

### **Investment Portfolio**

Funds of the Branch and its controlled entities not required for the day-to-day operations of the Branch, as determined from time to time by the Branch Finance Manager.

## **RELATED DOCUMENTS, REFERENCES**

Note: This policy replaces the Investment Policy 2019.

## **ATTACHMENTS**

Investment Strategy – 2023

Investment Subcommittee Charter – 2023

## **PROCEDURE OWNER**

Chairman, Investment Subcommittee.

# Investment Subcommittee: Investment Strategy FY 2023/24

## Background and Purpose

This strategy paper is for the financial year ending June 30, 2024.

The strategy will consider:

- The expected cashflow requirements of the Scout Association of Australia, Victorian Branch (Branch)
- The Investment Policy
- The state of the current markets
- The current strengths and weaknesses of the portfolios' and
- The investment objectives as formulated by the ISC and ratified by the BEC

## Workplan

The following actions are to be completed by the ISC this financial year:

- 1) Review and appoint an investment adviser.
- 2) Diversify the portfolios by reducing the exposure to the banking and finance sector.
- 3) Introduce some growth potential into the portfolio while maintaining yield.
- 4) Introduce the ASX 200 as the benchmark for all equity portfolios.
- 5) Readjust the minimum cash limit for VSF and EML

## Appointing an Investment Adviser

The ISC has reviewed the performance of the current adviser (JB Were) and interviewed one other potential adviser (Bell Potter). The ISC is recommending to the BEC that Bell Potter be appointed for the next 3 years.

## Diversifying the Portfolio and Introducing Growth

The ISC has determined that the previous focus of on investments shift from concentrating purely on yield to a mix of yield and growth. To this end the portfolio will reduce its exposure to the banking sector (high dividend and franking credit stocks) and introduce a maximum sector exposure limit (40%) into the portfolio mix limits. The ISC, with assistance from the Investment Adviser, will introduce exposure to high growth stocks within the ASX 200 and their equivalents overseas.

## New Benchmark

The ISC will adopt the ASX 200 as the annual performance benchmark.

	ASX 200	SV Consolidated
31/5/2023	-1.26%	7.61%
30/6/2022	16.73%	14.55%
30/6/2021	1.89%	3.11%
30/6/2020	23.14%	8.75%
30/6/2019	-2.93%	8.54%
30/6/2018	11.52%	8.84%
	<hr/> <hr/> 8.18%	<hr/> <hr/> 8.57%
EML	6 year return p.a.	9.11%
VSF	6 year return p.a.	8.19%
Branch	6 year return p.a.	8.40%
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## For BEC Approval

- 1) Cash minimums for the EML and VSF portfolios be reduced to **10%** from 30% and 15% respectively.
- 2) The appointment of Bell Potter as investment adviser.
- 3) A limit on sector exposure to 40% of each equity portfolio.
- 4) The expansion of available stocks to include the ASX 200 and overseas stocks (of ASX 200 equivalence) to a maximum of **15%** of the portfolios.
- 5) Overseas stocks (of ASX 200 equivalence) are not to exceed 15% of the portfolios.
- 6) The adoption of ASX 200 as the annual benchmark.

## Branch Executive Committee: Investment Subcommittee Charter

<b>Constitution</b>	The Investment Subcommittee (ISC) is a subcommittee of, and responsible to, the Branch Executive Committee (BEC) under Clause 34 & 35 of the Constitution.
<b>Purpose</b>	The role of the ISC is to oversee the investment activities of the Scout Association of Australia, Victorian Branch (Branch) and its major subsidiaries.
<b>Functions</b>	<p><b>The functions of the Subcommittee are as follows</b></p> <ul style="list-style-type: none"> <li>• allocate investments to asset classes in line with economic and investment market conditions and in line with the current Investment Policy-and Branch Investment Strategy</li> <li>• maintain a 'Duty of Care' and prudent investment standards when investing Branch assets.</li> <li>• review Branch's investment policies and recommend any changes (including without limitation any investment guidelines and asset allocation ranges) to the BEC</li> <li>• recommend the selection of external advisors/brokers to the BEC.</li> <li>• oversee the administration of Branch's investments periodically reviewing the allocation and performance of investments, considering compliance and investment policies/strategies as well as risk levels.</li> <li>• provide an annual report of benchmark performance to the BEC.</li> <li>• Annual review the performance of the investments (this includes monitoring the total return of the investments)</li> <li>• periodically review the performance of the Investment Advisor and recommend to the BEC on an annual basis their retention or replacement</li> </ul>
<b>Membership</b>	<p><b>The membership of the Subcommittee shall be expertise-based and encompass the following areas of expertise</b></p> <ul style="list-style-type: none"> <li>• banking and finance (ideally with an investment advisory background)</li> <li>• accounting (at least one member to have relevant qualifications and experience as an accountant or financial professional)</li> <li>• general business acumen</li> <li>• portfolio risk management</li> <li>• operation of Not-for-Profit registered charities.</li> </ul> <p>Members shall be appointed by the BEC for a two-year term and shall be eligible for reappointment, of whom one member will be a member of the Victorian Scout Foundation as nominated by the Foundation Board. In accordance with Clause 34 of the Constitution, at least two members shall be members of the BEC</p>
<b>Chairperson</b>	<p><b>The Chairperson of the ISC</b></p> <ul style="list-style-type: none"> <li>• shall be a member of the BEC and be appointed by the BEC (the Chairperson will generally be the Honorary Treasurer):</li> <li>• is responsible for giving notice of meetings, developing agendas and chairing all meetings of the ISC:</li> <li>• shall provide a written report of significant findings and recommendations of the ISC to the BEC following each ISC meeting.</li> </ul>

<b>Meetings and Procedures</b>	<p>The ISC shall meet and regulate its meetings and proceedings as it may think, subject to the following provisions</p> <ul style="list-style-type: none"> <li>• the meeting quorum shall be a majority of members.</li> <li>• decisions shall be made by majority vote and, in the event of an equality of votes, the chairman shall have a casting vote.</li> <li>• non-members may be invited to attend meetings and contribute to discussions but shall not have voting rights.</li> <li>• minutes shall be taken of all meetings and record those present, and all resolutions adopted.</li> <li>• members shall be invited to disclose any conflicts of interest at the commencement of each Subcommittee meeting.</li> </ul> <p>The authorised representative of the Association's duly appointed investments advisor shall have a standing invitation to attend meetings of the subcommittee, as shall the Branch Finance Manager.</p>
<b>Delegated Authority</b>	<p>The ISC shall have the authority to seek any information it requires necessary to achieve its functions, including the seeking of independent advice.</p> <p>The ISC shall have the authority to make decisions on purchasing and selling of stocks in accordance with the provisions of the Branch's approved Investment Policy and Investment Strategy and subject to ratification by the BEC, but does not otherwise have the authority to make decisions or spend monies on behalf of the BEC other than in accord with the BEC's Delegation Policy.</p>
<b>Reporting and Performance Assessment</b>	<p>The ISC shall provide regular reports to the BEC of its activities and decisions. The ISC shall prepare an annual work program and undertake an annual performance evaluation of its achievements.</p>