INVESTMENT POLICY

Introduction

The South African Veterinary Council (SAVC or Council) seeks, through the statutes of the Veterinary and Para-Veterinary Professions Act, 1982 to serve the interests of the people of South Africa by promoting competent, efficient, accessible and needs-driven service delivery in the animal health care sector; protect the health and well-being of animals and animal populations; protect and represent the interests of the veterinary and para-veterinary professions; regulate the professional conduct of the veterinary and para-veterinary professions; and set and monitor standards of both education and practice for the veterinary and para-veterinary professions.

In order to fulfil its mission, SAVC requires sound financial management and prudent oversight of operating and reserve funds, including their investment and expenditure. This Investment Policy (Policy) has been adopted by the SAVC Council to provide prudent guidelines for the investment of funds held by Council. The asset allocation parameters described in this Policy have intentionally been drawn in a broad range for the purpose of maintaining sufficient flexibility to act in the event of extreme conditions in the financial markets. The intent is that the actual asset allocation strategy(s) implemented for the Council’s funds will fall into a more narrow range based on current and expected future market conditions.

Funds held by the Council fall into three basic categories or "pools":

**Operating funds**, which are intended to fund the day-to-day operations and short term needs of the Council’s business, and which are expected to be called up to 3 years;

**Intermediate funds**, which are intended to provide for known expenditures within a 3-5 year time horizon, as well as to act as a source of funds for immediate, unanticipated expenditures that cannot be fully met by operating funds;

**Long term funds**, which consist of funds for which Council’s need is expected to, have a time horizon of longer than 5 years. Included in this pool are funds held for Council that are not expected to be used within the budget year; deferred revenue that has greater than a 12-month horizon for use; temporarily restricted and board designated assets that have a relatively long time horizon; and Council’s reserve fund for operating emergencies.

Council, and this Investment Policy, treat these three groups of funds differently.

**Purpose**

This Policy is adopted in order that:
1) There is a clear statement of the investment objectives and governance policies of Council.
2) Any outside asset manager and/or investment consultant have guidelines and restrictions and understand the investment objectives of Council.
3) Council has an appropriate basis for evaluation of the investment performance for all its invested funds on a regular and on-going basis.
**Investment Pools**
For the purposes of managing investment risk and optimizing investment returns within acceptable risk parameters, the funds are divided into three (3) separate investment pools. (See above for descriptions of the contents and purposes of these three pools.) The process for determining the Rand amount in each pool is set forth in the "Procedures" section of this Policy. The three investment pools shall be called the “Operating Fund,” the “Intermediate Fund,” and the “Long Term Fund.”

**Procedures**

**Roles and Responsibilities**
All funds held by Council shall be invested in a manner that complies with all applicable regulatory and fiscal requirements applicable to Council as currently constituted. Control of the investment of funds will be vested in the Council, the Finance Committee and the Registrar as specified in the following levels of responsibility:

A. Unless Council delegates its authority, Council will:
1) Establish and approve all investment and spending policies for the Council, including this investment Policy.
2) Review the investment objectives, investment performance, and asset allocation of all Council funds and the performance of the asset managers at least annually.

B. The **Finance Committee** will:
1) Monitor the implementation of this Policy to ensure that investment decisions fulfil the objectives of this Policy.
2) Consider any proposed revisions to this Policy and recommend any appropriate action to Council at least annually.
3) Propose to Council the specific Rand amounts to be maintained in the Operating Fund, Intermediate Fund, and Long Term Fund.
4) Review at least annually the target asset allocation and target investment return objective of the Intermediate Fund and the Long Term Fund and recommend any modifications to Council.
5) Engage an investment consultant (Consultant) as deemed appropriate to assist in implementing and monitoring the investment program.
6) Review quarterly reports from the Registrar and/or consultant in order to monitor fund performance and asset manager performance.
7) Consider from time to time additional criteria for investments necessary and appropriate to Council’s mission.

C. **The Registrar**
The Registrar is authorised to implement the investment decisions as approved by Council and/or the Finance Committee under this Policy. The Registrar is authorised to utilise the services of investment consultants and asset managers to carry out this Policy, as approved by Council or its designee.
The **Registrar** after appropriate consultation with the Finance Committee will:
1) Review investment decisions to ensure that they comply with the guidelines of this Policy.
2) Monitor investment performance of Council funds on a monthly basis.
3) Provide to the Finance Committee an investment status report at least quarterly.
4) Review this Policy at least annually and present to the Finance Committee any recommended changes.

D. **Investment Consultant**
Council may choose to retain the services of an investment consultant (Consultant). The consultant may be called upon to provide any or all of the following services:
1) Implement an asset allocation mix for the Intermediate Fund and the Long Term Fund within the objectives and guidelines of this Policy.
2) Identify, select, monitor and terminate, if necessary, investment managers, mutual funds and/or other investment vehicles.
3) Ensure that the Registrar receives monthly statements for all assets in the Intermediate Fund and the Long Term Fund.
4) Prepare and distribute to the Registrar and the Finance Committee quarterly reports summarizing and analysing investment performance of the Intermediate Fund and the Long Term Fund and each of the asset managers against appropriate benchmarks.
5) Present to the Registrar and the Finance Committee any recommended changes to this Policy.
6) Be available to confer with, the Registrar and the Finance Committee and/or Council, as necessary, to discuss portfolio structure, investment performance, capital markets, this Policy, and investment strategies.

E. Asset Managers
It is anticipated that from time to time Council may seek the services of the Financial Services Board [FSB] registered Investment advisors and/or mutual fund managers (both herein referred to as "Asset Managers") to manage portions of the Intermediate Fund and the Long Term Fund. Any asset manager hired and given discretionary authority over assets in any part of Council’s portfolio will be subject to the guidelines in this Policy. Asset managers are responsible for investment of both principal and income, settlement of transactions, and providing liquidity as directed by the Registrar and/or the Consultant. Some managers may request an investment policy unique to their portfolio. Any such policy must be at least as restrictive as this Policy.

OPERATING FUND
Purpose
The purpose of the Operating Fund is to provide cash to meet the needs of Council’s general operations within the approved budget. This fund is managed by the Council’s banking institution in conjunction with the Finance Committee, the Registrar and Director Finance.

Investment Objectives
The investment objectives of the Operating Fund are:
1) Liquidity
2) Preservation of capital
3) Preservation of purchasing power

Investment Guidelines
Maturity
The maturities on investments for the Operating Fund shall be limited to 3 years or less. The Director Finance shall be responsible for scheduling maturities.

Income from the Operating Fund
Income from the Operating Fund shall remain in the Operating Fund and be available to support current operations during the course of the year, subject to annual adjustment of the level of the investment pools by Registrar and the Finance Committee.

Reporting
The Director Finance will prepare a report at least quarterly to be presented to the Council. The report may include items such as a schedule of investments, interest and dividend income, and current yield.

PERMISSIBLE INVESTMENTS
The Registrar shall be authorised to invest the Operating Fund as follows:
1) Money market funds
2) Check account/s

INTERMEDIATE FUND
Purpose
The Intermediate Fund is designed to provide for known expenditures within a 3 -5 year time horizon, as well as to act as a source of funds for immediate, unanticipated expenditures that cannot be fully met by operating funds.
Investment Objectives
The purpose of the Intermediate Fund is to meet expenses occurring as the result of unanticipated contingencies or budgeted special projects and to improve the return on funds held for expenditure over the next one to three years.

INVESTMENT OBJECTIVES
The investment objectives of the Intermediate Reserve are:
1) Current Income
2) Preservation of capital
3) Preservation of purchasing power
Recognising that intermediate market fluctuations may cause variations in the Intermediate Fund’s performance, the expectations will be to achieve the following objectives over a 3-5 year time period. (For purposes of measuring performance, total return is defined as all dividends and interest and both realized and unrealized gains and losses reduced by investment expenses and fees.)

INVESTMENT GOALS
1) The Intermediate Fund’s total return, net of investment expenses, should exceed inflation by 2.5%.
2) The Intermediate Fund’s total return, net of investment expenses, should meet or exceed the Consumer Price Index (CPI).

Investment Guidelines
The investment policies and restrictions presented in this Policy serve as a framework to achieve the investment objectives at a level of risk that Council deems acceptable. These policies and restrictions are designed to minimize interference with efforts to attain overall objectives, and to minimize the exclusion of any appropriate investment opportunities.

Time Horizon
The Intermediate Fund will be invested in securities appropriate for a three to five-year time horizon.

Risk Tolerance
The Intermediate Fund should be invested to minimize the likelihood of low negative total returns, defined as a one-year return worse than negative 3.0%.

Diversification
No more than 5% (at market) of the Intermediate Fund may be invested in the securities of any one issuer. No more than 20% (at market) of the Intermediate Fund may be invested in any one industry. International securities may not exceed 20% (at market) of the Intermediate Fund.

Asset Allocation (as a percentage of the Intermediate Fund)
The Intermediate Fund shall be invested in cash and/or cash-equivalents, fixed income securities, and equities. The proportion of the Intermediate Fund invested in each asset class should not be less or more than the following percentages:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Equivalents</td>
<td>25%</td>
<td>100%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>0%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Reporting
The Registrar or the consultant will prepare a report to the Finance Committee on a quarterly basis. The report shall contain a schedule of holdings, asset class percentages and performance compared to the objectives and to the appropriate indices.
PERMISSIBLE INVESTMENTS
The Registrar or the Director Finance shall be authorised to invest the Intermediate Fund as follows, subject to the diversification principles of this Policy.

Cash & Equivalents
Cash & Equivalents shall include those investments described as permissible in the Council’s Operating Fund.

Fixed Income
Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings and maturity premiums. The average weighted maturity of the fixed income portion of the Fund will be 1-2 years or less.

LONG TERM FUND

Purpose
The purpose of the Long Term Fund is to enhance the purchasing power of funds held for future expenditure, supplement the current operations if necessary, and help maintain the long term overall financial stability of Council.

Investment Objectives
The investment objectives of the Long Term Fund are:
1. Long-term growth of capital
2. Preservation of purchasing power
The objectives of the Long Term Fund should be pursued as a long-term goal designed to maximize the returns without exposure to undue risk. It is understood that fluctuating rates of return are characteristic of the securities markets. Recognizing that intermediate market fluctuations may cause variations in the Fund’s performance, the expectations of the Long Term Fund will be to achieve the following objectives over a three to five year time period. (For purposes of measuring performance, total return is defined as all dividends and interest and both realised and unrealised gains and losses reduced by investment expenses and fees.)

Minimum Annual Goals
1) The Long Term Fund’s total return, net of investment expenses, should exceed the Consumer Price Index by at least 3% annually.
2) The Long Term Fund’s total return, net of investment expenses, should exceed the Inflation rate by a minimum of 5% annually.

Measurement Criteria
1) The total return, net of investment expenses, of each individual asset manager will be evaluated against an appropriate individual benchmark index and a peer group.

INVESTMENT GUIDELINES
The investment policies and restrictions presented in this Policy serve as a framework to achieve the investment objectives at a level of risk that Council deems acceptable. These policies and restrictions are designed to minimise interference with efforts to attain overall objectives, and to minimise the exclusion of any appropriate investment opportunities.

Time Horizon
The Long Term Fund will be invested in securities appropriate for five or more years.

Risk Tolerance
The Long Term Fund should be invested to minimise the likelihood of low negative total returns, defined as a one-year return worse than negative 10.0%.

Diversification
No more than 5% (at market) of the Long Term Fund may be invested in the securities of any one issuer. No more than 20% (at market) of the Long Term Fund may be
invested in any one industry. International securities may not exceed 20% (at market) of the Long Term Fund.

**Asset Allocation** (as a percentage of the Long Term Fund)

The Long Term Fund shall be invested in cash and/or cash-equivalents, fixed income securities, and equities. The proportion of the Long Term Fund invested in each asset class should not be less or more than the following percentages:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Equivalents</td>
<td>0%</td>
<td>15%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>Equities</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>0%</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Target Allocation**

A target asset allocation ("Target Allocation") will be established periodically for the Long Term Fund. The target asset allocation will fall within the asset allocation guidelines established in this Policy. It will be the policy of Council to be fully invested to the maximum extent possible. Any excess cash holdings in separate short term fixed income accounts should be minimized.

The investment consultant will present the Registrar and the Finance Committee with a recommended target asset allocation for the Long Term Fund. This target will be reviewed regularly, at least annually.

**Rebalancing**

In the event that the asset allocation of the Long Term Fund +/- 15% (defined as a percentage of the target as opposed to a percentage of the overall portfolio) from the Target Allocation in any asset class, the investments will be rebalanced to bring the allocation back in line with the target allocation. When any asset class falls below its minimum allocation, it is immediately brought back to its target. This is accomplished by taking funds away from those asset classes that have the largest percentage deviation above their target allocations, in descending order, until the asset class is back to target. The entire portfolio need not be rebalanced.

When any asset class exceeds its maximum allocation, it will be brought back to its target. Proceeds from the liquidation should be allocated to those asset classes that have the largest percentage deviation below their target allocations, in descending order. The entire portfolio need not be rebalanced.

When new cash additions/withdrawals are made/taken throughout the year, they should be allocated/harvested in a manner that seeks to maintain the overall asset allocation at or near its target.

The portfolio’s asset allocation will be monitored and rebalanced, as necessary, on a quarterly basis.

**Reporting**

The Registrar or the Consultant will prepare a report to the Finance Committee on a quarterly basis. The report shall contain a schedule of holdings, asset class percentages and performance compared to the objectives and to the appropriate indices.

**PERMISSIBLE INVESTMENTS**

The Registrar or the Director Finance shall be authorised to invest the Long Term Fund after approval of Council and the Finance Committee, subject to the diversification principles of this Policy.
**Cash & Equivalents**
Cash & Equivalents shall include those investments described as permissible in Council’s Operating Fund.

**Fixed Income**
Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings and maturity premiums. The average weighted maturity of the fixed income portion of the Fund will be 12 years or less. The maximum maturity of any individual fixed income security will be 30 years or less.

**Equities**
The part of the Long Term Fund invested in stocks should be prudently diversified. The Registrar or the Director Finance shall be authorised to invest the Long Term Fund after approval by Council on the recommendations of the Portfolio Finance, subject to the diversification principles of this Policy:

**Alternative Investments**
Alternative investments, including hedge funds, managed futures, and other non-traditional investments, shall only be acquired when using a mutual fund or professionally managed pool of such investments to provide for a prudent level of diversification.

**Investment Policy**
Council will appoint an investment consulting firm on the advice and input from the Finance Committee.