

DEVELOPMENT WEST COAST

Investment Fund

S I P O

STATEMENT OF INVESTMENT POLICY AND OBJECTIVES



Prepared by
Bancorp Treasury Services Limited

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Development West Coast Investment Fund

SIPO

Statement of Investment Policy and Objectives

EXECUTIVE SUMMARY

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- The Development West Coast is a trust for charitable purposes, established for the benefit of the community of the present and future inhabitants of the West Coast Region.
- The Investment Fund is expected to produce a rate of return from its investments, which are, after investment management expenses, at least 3% per annum in excess of the inflation rate over any 3 year period.
- The Investment Fund assets are managed within the Trustees' adopted asset allocation strategy.
- The asset allocations and all other investment control features are outlined in Development West Coast's Treasury policy, which is appendix one of the SIPO.
- The Trustees will monitor over time, with the assistance of Investment Advisor(s) as appropriate, the suitability of the adopted asset allocations and the performance of any appointed Fund Managers on an annual basis.

EFFECTIVE DATE AND REVIEW DATES

Effective Date

- The review of this Statement of Investment Policy and Objectives ('SIPO') relates to the Investment Fund of Development West Coast and takes effect from 1 April 2007. Progressive implementation of the asset allocations outlined in Development West Coast's treasury policy (Appendix One of the SIPO) will occur.

Review Dates

- The SIPO is reviewed no later than 31 March each year.

OBJECTS OF TRUST

Deed of Trust

- The Deed of Trust ("the Deed") provides that the Trustees must invest the entire Investment Fund in accordance with this SIPO, subject to the provisions of the Trust Deed.
- The Trustees shall invest all assets of the Trust in a manner expected to ensure continuing compliance with the Deed and any relevant legislation.

Purpose

- The Trust is a trust for charitable purposes for the benefit of the community of the present and future inhabitants of the West Coast Region.
- The Trustees shall apply and use the Trust's funds exclusively for the general purposes outlined in the Deed.

DISTRIBUTION ASSETS

The Trust's assets are comprised of the Investment Fund and the Distribution Assets. These concepts are defined in the Deed. This SIPO relates to the Investment Fund, as required under clause 13.1 of the Deed.

ALLOCATION OF RESPONSIBILITIES

Responsibilities are outlined in the Treasury policy, which is appendix one of the SIPO.

INVESTMENT RISK

- Fluctuations in investment returns directly impact the level of income available for distribution. Investment risk is therefore borne by the future recipients of distributions from the Fund. However Development West Coast also operates an investment fluctuation reserve to smooth year on year fluctuations (this is detailed in the Treasury policy).

INVESTMENT OBJECTIVES

- The broad investment objectives for the Fund are to achieve a level of Income, which is needed to meet the distribution requirements of Development West Coast in any one-year and to provide for a reasonable element of capital growth. This is required to preserve the real value of the Trust Fund thereby enabling increased distribution levels over time.
- More specifically, the Fund's investment policy aims to earn a rate of return after investment-related expenses and any taxes, that exceeds CPI increases by at least 3% pa over rolling 3 year periods.

- In addition, outperformance will be sought where appropriate (ie where management is active as opposed to passive) relative to the notional return on a benchmark portfolio designed to reflect the risk profile according to which the assets are invested at the time.

- The Benchmark Portfolio that the Fund's returns will be monitored against over the long term is as follows:

Asset Class	Benchmark %
Growth Assets	55
Income Assets	45

INVESTMENT POLICY

General

- Specific investment policies are determined by Development West Coast's Treasury policy but in general terms when making decisions on investment strategy, the Trustees will have regard to the overall circumstances of the Investment Fund, and will comply with all applicable legislative requirements.
- The Fund's investments will be managed with a view to ensuring that the Investment Fund will have sufficient liquidity to meet expected cash flow requirements.
- Investment risk will be limited by appropriate diversification both within and between asset classes as determined by the asset allocations detailed in the Treasury policy.

Asset Allocation Strategy

- The exposures to the various asset classes will be monitored, taking into account the underlying exposures in any pooled investment vehicles and the impact of futures and options on an effective exposure basis.

- The appropriateness of this Benchmark Portfolio will be formally assessed at least once a year and kept under constant review to reflect any fundamental changes in the investment environment and changes to the Fund's investment policy.
- A more detailed breakdown of the asset class allocation is contained in the Trust's Treasury Policy document.

INVESTMENT MANAGEMENT STRUCTURE

The Trustees will determine how the Investment Fund assets will be managed. In general terms fixed interest and cash investments ("FIC") are managed in-house with assistance from an independent Treasury Advisor. An investment sub-committee oversees the management of these assets in line with risk management parameters outlined in the Treasury policy. Development West Coast's Australasian Equity investments are managed under a direct investment mandate, whereby the Trust will hold a core portfolio of blue chip stocks listed on the ASX and NZX listing boards. International equity exposure will be achieved primarily via the use of Fund Managers as determined by the Trustees and in accordance with the asset allocations contained within the Treasury policy. Under some circumstances a portion of the international equity investments can be

managed in house with assistance from an independent investment advisor(s). Controls on this are outlined in the Treasury policy. Investment in Alternative Assets will, similar to the approach taken with international equities, be primarily achieved through use of properly selected Fund Managers.

- If the difference in the relative performance of the Fund Managers causes one Fund Manager to exceed the asset allocations detailed in the Treasury policy then sufficient assets are to be transferred, on the Trustees' authority, between the Fund Managers to bring the weights back to benchmark.
- The mandates for Fund Managers are specified in the Treasury Policy.

TAXATION

- The Trust is registered as a charity and is exempt from taxation.

INVESTMENT FLUCTUATION RESERVE

- Out of the Initial Capital, Trustees have established an Investment Fluctuation Reserve of \$10M. The Reserve can be accessed to smooth income volatility intra-year although no more than \$5 million can be transferred to the Distribution Fund in any one year.