	SAAA POLICIES & PROCEDURES	
	Reference / Name	MGT 1.2.12-000 Management of Cash Assets.docm
	Revision No	0
	Revision Date	02 – 08 – 2017
	Owner	MFIN

Purpose

To ensure that cash assets not required as working capital to support day to day operations are kept secure and managed prudently to support the objects of the Association.


Scope

This policy and procedure covers:

- a. Establishment, management and maintenance of operating bank account(s)
- b. Appointment of an external investment advisor
- c. Development and adjustment of investment strategy
- d. Planning for and delivery of one-off or recurring withdrawals from investment fund account(s)
- e. Performance reporting
- f. Auditing

Prerequisites

- a. All cash assets of the SAAA must in the first instance be held in an account(s) with a major Australian Bank and where such account names are styled IAW the registered business name of SAAA
- b. All withdrawals and account transactions must be authorised by the Mgr. Finance (MFIN) IAW standing requirements for expenditure approval and supported as required by Authorisations for Financial Expenditure (AFEs)
- c. The Mgr. Finance (MFIN) must ensure that funds held in a regulated Australian bank operating account(s) are held in an account(s) that offer the most favourable outcome as a function of interest rate return, account operating costs and transaction requirements
- d. The National Council may invest static cash assets (those cash assets not required as working capital to support day to day operations) as it sees fit from time to time to support the objects of the Association IAW the Rules and this policy & procedure
- e. The specific purposes, conditions and prevailing strategy under which static cash assets may be invested, other than directly in a standard bank account under the direct control of TREAS and the National Council, are as follows:

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Purpose

Capital protection and delivery of stable cash returns on the basis of a long-term investment time horizon in order to fund a portion of the SAAA establishment technical resource team costs

Conditions

Setting of investment strategy and appointment of advisor:

- a. The National Council will agree and approve IAW the Rules from time to time an investment strategy which:
 - i. Must be selected to enable sale or exit without (in aggregate) undue term, market or liquidity restrictions
 - ii. Cannot be changed unless IAW the prevailing published Change Management Policy & Procedure and the Rules
 - iii. Defines, through mutual development and agreement with an appointed investment advisor, acceptable long-term ranges and prevailing (current) targets for allocation of funds to approved investment classes (refer Schedule 1 to this policy & procedure). These ranges and targets must be substantially consistent with strategies and risks commonly accepted and associated with investments by independent trustees
- b. In the formulation and implementation of the investment strategy, the National Council may from time to time decide to, but in any event if suitable relevant qualified experience does not reside within the National Council, seek other external professional advice from Accountants, Solicitors or Financial Planners
- c. The National Council or any individual members of these bodies must not under any circumstances, save for defining strategy, influence the investment placements made by an appointed investment advisor
- d. A copy of this policy & procedure and the Investment Strategy (refer Schedule 1) must be made available to Members of SAAA on request
- e. The National Council will appoint pursuant to approval by simple majority an external investment advisor who:
 - i. Is an accredited and licenced advisor with demonstrable experience in advising on and managing the allowable investment areas per the Rules and the defined SAAA investment strategy
 - iv. Can demonstrate to the satisfaction of MFIN a capability to deliver the requirements of and keep safe the assets of SAAA within the boundaries of an agreed investment strategy and associated targets
 - v. Manages in the order of \$500million of client funds or greater
 - vi. Actively manages investments in securities and other SAAA allowable investments and does not delegate this responsibility to others such as retail managed funds
 - vii. Has the expertise to actively manage and optimise the tax position / status of clients
 - viii. Cash to be held in a dedicated client investment account(s) and not a pooled or common unit account

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- ix. All individual investments must be identifiable as assets of the Association
- x. That has a comprehensive system of governance
- xi. Has financial reporting systems that report and / or provide:
 - 1. At least quarterly and annual formal reports covering:
 - a. Portfolio appraisal / MVs / cash balance
 - b. Statement and basis for management fees
 - c. Summary and detailed statement of incomes and income tax credits
 - d. Statement of purchases and sales by transaction
 - e. Statement of realised capital gains / losses
 - f. Cash ledger
 - g. Schedule of franking credits
 - 2. An online service suitable to ascertain portfolio value on a day to day basis
- xii. Offers a value adding, transparent and efficient fee and administration costs structure

Cash withdrawals from invested funds (other than bank) accounts:

- a. No withdrawals from invested funds account(s) managed by an appointed advisor must may occur without a defined purpose and without prior approval of recommendations by MFIN by simple majority of the National Council. Such withdrawals may be on either a one-off approved basis or on the basis of approved recurring amount(s)
- b. In the case of recurring withdrawals:
 - i. MFIN will define nominal monthly or quarterly cash withdrawal amounts that match the net target cash yields and are directly linked to specific SAAA business plan provisions for the funding of establishment technical staff support positions – and for no other purpose
 - ii. Such withdrawal amounts will be set and modified from time to time by MFIN so as to on a running 5yr average basis allow retention of a portion of the cash yield from investments (securities, cash etc) sufficient to maintain the market value of investments (securities, cash etc) at least constant in real terms

Audit:

- a. The National Council must under the management of Mgr. Corporate Governance (MCG) commission independent annual audit to verify, as incremental to the standard audit scope, that:
 - i. Withdrawals from invested funds (other than bank) accounts have occurred IAW this policy & procedure
 - ii. Deposit or withdrawal transactions that result in a reduction or increase in funds invested have occurred IAW this policy & procedure
 - iii. Transfer of funds from SAF to SAAA have occurred IAW this policy & procedure
 - iv. The application of funds for the defined purpose have occurred IAW this policy & procedure
 - v. The appointed investment advisor has adhered to the agreed investment strategy

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- b. MCG must arrange internal quarterly audit to verify that the appointed investment advisor has adhered to the agreed investment strategy

Responsibilities


- a. Establishment, maintenance and management of operating bank accounts - MFIN
- b. Management and implementation of account transactions and approvals - MFIN
- c. Setting of investment strategy and appointment of advisor and related approvals - National Council
- d. Audit management, response and action – Mgr. Corporate Governance (MCG)
- e. Management of invested funds portfolio – Appointed investment advisor

Procedure

1. Establishment, management and maintenance of operating bank account(s)
 - a. With regard for anticipated account activity and day to day operating requirements, review options available from the regulated Australian banks to deliver the most favourable outcome as a function of interest rate return, account operating costs and withdrawal requirements – MFIN
 - b. Establish new accounts as required and / or consider replacing current currently held accounts further to review / periodic review of available options at intervals not exceeding 2 years – MFIN
 - c. Operate account transaction approvals IAW standing requirements and relevant policies and procedures – MFIN
2. Appointment of an external investment advisor
 - a. MFIN in consultation with President and / or Secretary procures and assesses proposals from external investment advisors that meet the requirements stipulated in the Prerequisites of this policy and procedure
 - b. MFIN should make available a copy of this policy & procedure to identified candidates and request statements / evidence that support capability to meet the requirements and objectives of SAAA
 - c. MFIN in consultation with President and / or Secretary conducts reference checks and due diligence which should at minimum include:
 - i. Verification of evidence through discussion and documentation that that the preferred external investment advisor candidate meets the requirements stipulated in the pre-requisites clause (e) of this policy and procedure
 - ii. Contact at least two parties who have entrusted a similar order of funds in a similar manner as contemplated with the preferred external investment advisor candidate to establish degree of satisfaction with:
 1. Delivery of service generally
 2. Performance vs targets

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3. Accessibility
 4. Flexibility
 5. Reporting
- d. Provided satisfactory reference checks and due diligence, MFIN to table recommendation to and seek approval of appointment on simple majority basis by the National Council
 - e. Provided approval is forthcoming, MFIN to prepare a letter of appointment that binds the appointed investment advisor to the relevant sections of this policy & procedure and provides for either party to terminate the arrangement without cause with 1 month's notice
3. Development and adjustment of investment strategy
 - a. MFIN in consultation with President and / or Secretary to develop the investment strategy and, if deemed necessary, engage other expert external advisors to assist and advise.
 - b. MFIN to present the investment strategy to the National Council for approval on a simple majority basis.
 - c. MFIN to work with an appointed investment advisor to develop mutually agreed long term ranges and current targets for allocation of funds to the approved investment classes. In the event of any substantial changes to prior approved parameters, MFIN to present to and seek approval on simple majority basis by the National Council
 - d. MFIN and appointed investment advisor shall work together on an ongoing basis to assess any changes to prior agreed investment strategy scope and parameters that may be prudent responses to changing market conditions. MFIN to present any such changes to and seek approval on simple majority basis by the National Council
 4. Planning for and delivery of one-off or recurring withdrawals from investment fund account(s)
 - a. MFIN to prepare proposals for one-off and recurring withdrawals as relevant and in consultation with the appointed investment advisor, and present for approval on simple majority basis by the National Council
 - b. MFIN and appointed investment advisor shall work together on an ongoing basis to assess any requirements for changes to prior agreed recurring withdrawal plans, and if required present for approval on simple majority basis by the National Council
 - c. MFIN to authorise and implement all cash transaction movements intra Investment fund accounts and SAAA operating bank account(s)
 5. Performance reporting
 - a. MFIN will publish financial quarter summary investment performance data to the National Council as it becomes available
 6. Auditing
 - a. MCG to arrange / delegate quarterly internal audit IAW scope stipulated in the pre-requisites of this policy & procedure to be carried out ideally by a

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suitably qualified ordinary Member of SAAA or otherwise by a National Council Member, and report any issues to the National Council


- b. MCG to arrange / delegate annual internal audit IAW scope stipulated in the pre-requisites of this policy & procedure to be carried out by an independent external auditor.
- c. MCG to respond / take action in consultation with MFIN and / or Secretary as may be required in the event of any issues

References

- a. Policy & Procedure MGT 1.1.02 Change Management
- b. Policy & Procedure MGT 1.1.12 Internal Audit
- c. Policy & Procedure MGT 1.2.02 Manual of Authorities
- d. Policy & Procedure MGT 1.2.09 Banking
- e. SAAA Rules

Definitions

Acronym or Terminology	Concise definition or meaning
SAAA	Sport Aircraft Association of Australia
TREAS	Treasurer of SAAA
MCG	Mgr. Corporate Governance and if not specifically appointed defaults to the President of SAAA
MFIN	Mgr. Finance and if not specifically appointed defaults to the Treasurer
National Council	Collectively the prevailing appointed National Councillors and Office Bearers of the SAAA

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Schedule 1

SAAA Investment Strategy

Objectives:

- Deliver capital and income targets against a background of 5 – 7 year running averages time horizon
- Protect and aim to maintain the value of the cash assets at least constant in real terms, and
- Aim to derive a surplus income stream target equivalent to 5 – 7% per annum of capital employed
- Expectation of volatility that may lead to negative returns limited to the order of 20%
- In recognition of the 5 - 7 year investment time horizon, a high proportion of investments in growth assets is acceptable
- Ensure that investments are planned to allow sufficient liquidity to meet all commitments at all times
- Ensure that appropriate mixes of investments are held by to support these objectives

Investment Choice:


The National Council has determined the investments of SAAA funds may include any one or more of the following:

- Australian listed securities
- International listed securities
- Listed APHRA Regulated bank securities
- Cash and term deposits
- Australian fixed income
- International fixed income
- Alternatives (i.e. infrastructure etc)

Unlisted securities, property funds and other investment funds or vehicles are not acceptable.

In making specific investment placements, the National Council requires the appointed investment advisor to take into account all of the circumstances of SAAA, including:

- The risks and likely return associated with each investment
- The range and diversity of investments held by the fund
- Any risks coming from limited diversification
- The liquidity of the investments
- The expectations and preferences of SAAA
- Expected cash flow requirements and reliance by SAAA on cash returns from invested funds to meet its existing and prospective liabilities

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Investment Policies:

The National Council expect the appointed investment advisor to achieve the objectives of SAAA through:

- Regular monitoring of the performance of the investments, the overall investment portfolio mix and the target recurring cash returns
- Re-balancing the investment portfolio due to changes in market conditions through prudent and measured asset sales and new investments as appropriate
- All investments included must be rated by an independent rating Agency

The appointed investment advisor will aim to follow the investment strategy, however, will at all times apprise and consult with the Treasurer of SAAA prior to making substantial changes to the target investment mix in response to market conditions and opportunities available to better meet the stated objectives. The appointed investment advisor should at all times be mindful of any adverse impact on the performance of placed investments.

Risk profile and risk tolerance:

SAAA has a long-term investment time horizon and is accordingly prepared to endure a reasonable level of capital value and returns volatility consistent with the stated investment time horizon and not exceeding the order of 20%

SAAA understand:

- The trade-off between investment risk and long-term capital and income growth and have indicated capital preservation & stability is a priority
- Investment risk is ultimately borne by the Members of SAAA as fluctuations in investment returns may affect the level of services to or fees charged to Members of SAAA.


Insurance:

The National Council has considered whether the Fund should hold a contract of insurance and concluded that the objects of SAAA are philanthropic and insurance is not required.

Asset Allocation:

The defined operating ranges and target asset allocations will recognise the need to have a diversified asset mix. However, given the long-term investment horizon and the requirement to drawdown income, the allocation will have a capital preservation asset bias and be focused on ensuring an adequate income stream.

The National Council recognise the higher risk in investing predominantly in growth assets and the volatility associated with the approved investment classes other than bank cash and term deposits. The volatility will be compensated by the prospect of achieving higher average long run returns and growth. In order to minimise this risk, the appointed investment advisor will consider distributing investments across different industries and sectors where possible.

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The acceptable long-term ranges and current (6 – 12 month) targets for allocation of funds to approved investment classes are mutually agreed between SAAA and the appointed investment advisor as follows:

Investment Allocation Ranges and Targets:

** This table is populated with Long-term Range and Current Target data as an example only*

<i>Last updated: [Dd – Mm – Yyyy]</i>	Long-term Range %	Current Target %
Growth Assets		
Australian listed equities	30 – 80%	+/- 60%
International listed equities	0 – 30%	+/- 5%
Listed APHRA Regulated bank securities	0 – 25%	+/- 5%
Alternatives (i.e. infrastructure etc)	0 – 10%	+/- 5%
Defensive assets		
Cash and term deposits	5 – 35%	+/- 10%
Domestic fixed income	0 – 10%	+/- 5%
International fixed income	0 – 10%	+/- 5%
Alternatives (i.e. infrastructure etc)	0 – 10%	+/- 5%
		100%