

FORESTERS
FINANCIAL



OP-6

Investment Policy Statement

OP-6

Board Approved: 3 February 2025

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DOCUMENT SUMMARY

Description of Policy	Investment policy statement
Policy Purpose	To provide a framework for the governance of investments, monitoring, reporting and associated obligations.
Policy Application	Board, Investment Committee and Investment Manager(s)
Revision Frequency	Annual
Approval Authority	Board
Governing Authority	Investment Committee
Policy Owner	Chief Executive Officer

Modification Date	Modified By	Reason for Modification
3 February 2025	CEO	Update for currency to enable discretionary mandate, new branding and greater specificity around Line 1 & 2 responsibilities and reporting.
3 June 2024	CIO	Change investment limits in Appendix B for Funds 72 & 51/C/F.
20 November 2023	CIO	Change investment limits in Appendix B for 51/C/F.
25 September 2023	CIO	Change investment limits in Appendix B for 51/C/F.
22 May 2023	CFO	Change investment limits in Appendix B.
27 February 2023	CFO	Policy update following Fund closures.
10 May 2022	CFO	Policy review.
28 February 2022	CFO and Investment & Unit Pricing Analyst	Policy revision and update.
21 July 2021	Financial Controller	Reformatting and inclusion of strategy, stress testing and updates to investment objectives.
26 October 2020	Financial Controller	To increase the Group C single counterparty exposure allowable limit to 30%.
27 May 2013		Policy Adoption.



DEFINITIONS

Board	Foresters Financial Board of Directors
CEO	Chief Executive Officer of Foresters
FC	Financial Controller of Foresters
Committee	Foresters Financial Investment Committee
CRO	Chief Risk Officer of Foresters
Foresters	Foresters Financial Limited
Fund	Benefit or Management Fund
Fund Rules	Benefit or Management Fund Rules
Operational Compliance Manager	Operational Compliance Manager
Investment Manager	Foresters appointed Investment Manager charged with advice, portfolio management and asset allocation
Investment Portfolio	Assets held by a Benefit Fund or the Management Fund

POLICY STATEMENT

The purpose of this policy is to document Forester’s approach to the sound and prudent management of investments within the Benefit and Management Funds.

This policy forms part of the investment framework and is to be read in conjunction with:

- RM1 Risk Management Policy, Framework & Strategy
- RM-3 Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement
- BO4 Investment Committee Charter
- BO8 Delegation of Authority
- OP16 Unit Pricing Policy; and
- OP17 Responsible Investment Policy.

POLICY SCOPE & OBJECTIVE

The policy applies to all investments held within the Benefit or Management Funds.

The Board, on endorsement or recommendations by the Investment Committee (“Committee”), will ensure that frameworks, systems and processes are in place for the effective management of each investment portfolio. It will satisfy itself that Foresters staff and investment managers are aware of the investment objectives, strategy and limits for each portfolio (See Appendices), and that the investments are being managed to ensure the best possible return relative to the authorised investments of each portfolio.

The investment objectives are detailed within the investment objective section below.

REGULATORY & GOVERNANCE REQUIREMENTS

Benefit Fund Rules	APRA approved Benefit Fund Rules
<i>Corporations Act 2001</i>	Requirements for Friendly Societies and Benefit Funds
PDS	Product Disclosure Statement prepared under the <i>Corporations Act 2001</i>



RESPONSIBILITIES & ACCOUNTABILITIES

Appointed Actuary	<ul style="list-style-type: none"> • Provide advice on the alignment of investment strategy with liabilities, risk tolerances and return objectives. • Monitor compliance with APRA prudential standards, Benefit Fund Rules and Foresters' investment policies in the context of liability valuation and capital adequacy.
Board	<ul style="list-style-type: none"> • Evaluate and assess the appropriateness of recommendations from the Committee. • Assess the performance of the Committee against its Charter.
CEO	<ul style="list-style-type: none"> • Oversee compliance with the policy. • Consider and assess investment management including both discretionary mandates and recommendations in accordance with BO-8 Delegation of Authority Owns the primary relationship with the Investment Manager(s). • Oversee maintenance of investment and related policies.
FC	<ul style="list-style-type: none"> • Maintain and contribute to investment and related policies as they pertain to finance in collaboration with the Operational Compliance Manager. • Manage relationship with Investment Managers as it pertains to the finance function. • Perform internal and external reporting obligations in conjunction with the Operational Compliance Manager. • Consider and assess investment management including both discretionary mandates and recommendations in accordance with BO-8 Delegation of Authority
CRO	<ul style="list-style-type: none"> • Ensure maintenance of the Risk Management Framework. monitoring and reporting. • Oversee the policy review schedule in regard to investment management and related policies.
Operational Compliance Manager	<ul style="list-style-type: none"> • Monitor the Investment Manager in accordance with relevant APRA Prudential Standard(s), and Foresters' internal policies and delegations. • Maintain investment and related policies in collaboration with the finance function to ensure regulatory compliance. • Perform internal and external reporting obligations in conjunction with the Financial Controller.
Investment Committee	<ul style="list-style-type: none"> • Consider any matters related to the investments of Foresters (and its controlled entities) held within the Benefit and Management Funds. • Examine any matters referred to it by the Board.
Investment Manager	<ul style="list-style-type: none"> • Adhere to the Investment Management Agreement (IMA). • Advise on investment strategy and policies.

The Board is ultimately responsible for Foresters' investments including the investment governance framework for oversight and management. This includes robust decision-making processes and transparency around those decisions.

The Board has delegated oversight of the investment management of the various funds' investment portfolios to the Investment Committee, which makes recommendations to the Board for approval of the Investment Manager(s), investment strategy, investment objectives and asset allocation where appropriate.

The Committee is also responsible for overseeing the activities of the Investment Manager and Management to ensure their duties are carried out effectively and in accordance with this Investment Policy Statement.

INVESTMENT STRATEGY

The Board is responsible for the prudent management of the investment portfolios, which, at its broadest level, involves developing an appropriate investment strategy, effective implementation of that strategy and its monitoring and periodic review.

The Board believes that active management adds value to portfolio performance and that asset allocation is a major determinant of long-term investment performance.



The Committee will determine and periodically review the investment strategy, objectives and strategic asset allocation (SAA).

The Investment Manager will advise on strategy alternatives to achieve the objectives of a portfolio taking into account the Benefit Fund Rules governing each portfolio.

Considerations in setting investment strategy include:

- Any constraints imposed or implied by the APRA Prudential Standards, Foresters' ICAAP and the Fund Rules;
- Security of investments and the need to preserve capital;
- Liquidity of investments required to meet short-term liabilities;
- Volatility and the variability of investment returns; and
- Diversification to reduce risk.

The Committee will monitor compliance with the investment strategy on a quarterly basis.

INVESTMENT OBJECTIVES

The objectives of a portfolio will be designed to drive long-term financial performance for Members, manage risk appropriately and meet regulatory obligations.

Portfolio objectives are designed to provide a reasonable match between assets and liabilities, where appropriate.

The Committee, in consultation with the Investment Manager, Management and Appointed Actuary where necessary, will make decisions in consideration of respective fund attributes and investment objectives. (Refer: Appendix A.)

The Committee may seek further advice to ensure that investment objectives are appropriate.

STRATEGIC ASSET ALLOCATION

Strategic Asset Allocation ('SAA') is a long-term asset allocation designed to provide a reasonable match between assets and liabilities and will be optimised according to the investment objectives and fund investment limits, while meeting fund objectives and meeting or exceeding target returns. (Refer: Appendices B & C).

TACTICAL ASSET ALLOCATION / DYNAMIC ASSET ALLOCATION

The Committee may approve a deviation from the SAA as Tactical Asset Allocation ('TAA') or Dynamic Asset Allocation ('DAA')

The limits of the TAA/DAA will be determined by the Committee, after consultation with the Investment Manager(s) and Management.

REBALANCING

A fund's investment portfolio may vary from its Strategic Asset Allocation due to market movements, contributions to or withdrawals from a portfolio, or in response to a change in the nature of an investment.

The portfolio may be rebalanced to its Strategic Asset Allocation in compliance with the IMA and investment policy limits if in the interests of policy holders or approved by the Committee.

GRANDFATHERING

Where asset allocations move outside investment limits, the Committee may approve the 'grandfathering' of investments to allow for sufficient time for the investments to realign with policy limits.



RISK MANAGEMENT

Foresters' risk management strategy is documented in RM1 Risk Management, Policy, Framework & Strategy.

Foresters' risk appetite and tolerance are documented in Appendix D – Risk Appetite Statement and Scorecard in RM-1 Risk Management Policy. Foresters' capital management framework is documented in RM3 ICAAP Summary Statement.

The society's risk management framework addresses investment related risks by providing for a target level of capital in recognition of risk charges applicable under:

LPS110 Capital Adequacy

LPS114 Capital Adequacy: Asset Risk Charge

LPS117 Capital Adequacy: Asset Concentration Risk Charge

Investment limits are determined in consultation with the investment manager within the limits outlined in the documented fund rules and ICAAP to ensure alignment with the portfolio's investment objectives and risk management framework.

Investment Risks

The following details individual investment risks and how they are to be addressed.

Liquidity Risk

Liquidity of the investment portfolios will be maintained in consideration of:

- Advice received from the Investment Manager and Appointed Actuary where appropriate;
- Liability profiles including projected benefit fund claims;
- Meeting cash flow requirements independently of other funds;
- Approved budgets and forecast expenditure; and
- The identification of a liquidity event.

Market Risk

- Foresters' assets, income and operating cash flows are exposed to changes in market interest rates. Investment Limits for each portfolio are set in consideration of capital requirements and mark to market valuation principles.
- Equity price risk is managed through diversification of a portfolio and security selection; and
- Foreign exchange risk arises when transactions are denominated in a currency that is not the entity's functional currency. Refer Foreign Investments section of this policy.

Credit Risk

- Assets subject to credit risk must be assigned a counterparty grade;
- The assignment of counterparty grades is essential to the capital adequacy assessment process; and
- Counterparty grades are assigned following Prudential Standard LPS001 Attachment A.

LEVERAGE

No leverage is permitted within the investment portfolios.

DERIVATIVES

Foresters' policy is to not invest directly in derivatives and that derivatives will not be used for trading or speculative purposes.

At the Board's discretion, Foresters may consider utilising derivatives to reduce the risk inherent in the investment portfolio, subject to the receipt of advice from the Appointed Actuary regarding the impact on liability valuations or solvency assessments.

Exposure via investment vehicles domiciled in Australia is permissible per the respective Benefit Fund Rules.



FOREIGN INVESTMENT

Foresters will only invest in foreign investment vehicles as permitted by the respective Benefit Fund Rules.

POOLED INVESTMENT FUNDS

Pooled investment funds may be used, provided they comply with the Benefit Fund Rules and adhere to investment policy limits. If requested by the Appointed Actuary, "look-through" data must be available to assess the underlying holdings.

A lack of look-through data may lead to higher risk charges, potentially breaching investment policy limits and APRA capital requirements. As a result, pooled investment funds should not be used in cases where the absence of look-through data increases risk charges unless explicitly approved by the Committee.

INVESTMENT MANAGER

Appointment

Foresters will utilise the services of licensed Investment Managers unless otherwise authorised by the Board.

The appointment of a new Investment Manager will only be approved by the Board following:

- The completion of a request for proposal process involving at least two, preferably three, Investment Managers;
- The interview of potential Investment Managers by the Committee; and
- The endorsement of the proposed Investment Manager to the Board by the Committee.

Investment Managers will be appointed and governed through Investment Management Agreements (IMAs). IMAs will adhere to the relevant Prudential Standard(s).

An IMA may offer a discretionary or advisory mandate to Investment Manager(s), as recommended by the Committee for the Board's approval.

The Investment Manager's reporting obligations are outlined in the Reporting section of this Policy.

Review

Management will conduct a review of the performance of the Investment Manager and submit a report to the Committee at least once per annum.

REPORTING

Investment Manager

The Investment Manager will provide a monthly performance and compliance report for each portfolio detailing compliance with the IMA, Foresters Investment Policy, Foresters Responsible Investment Policy and operational compliance requirements. Foresters' Line 1 operational compliance function and finance team reconcile transactions on a daily basis.

Investment performance will be measured against benchmarks. Benchmarks will be weighted according to the asset allocation of each portfolio and are the minimum required performance.

Internal Reporting

The Committee will receive validation and reconciliation of the Investment Manager's reporting quarterly, as well as the reporting outlined in OP 16 Unit Pricing and Discretions Policy and OP 17 Responsible Investment Policy

INVESTMENT VALUATION

LPS112 Capital Adequacy: Measurement of Capital requires that investment assets be reported at fair value.



This includes term deposits in order to reflect their yield to maturity at the balance date.

STRESS TESTING

Stress testing is an important element of determining and assessing investment strategy.

Stress testing will be performed periodically that aligns with the settings determined under the Risk Management Framework or as requested by the Committee.

The Appointed Actuary will be engaged at least annually to conduct stress testing and report outcomes to the Committee.

The Committee will review the stress testing results and recommend any changes required to the Board.

REVIEW OF POLICY

The Board will review this policy annually or more frequently if required, including when there are:

- changes in relevant legislative requirements, prudential standards and guidance materials;
- significant changes to the product offerings of Foresters;
- significant changes to the financial position of Foresters, its management fund and/or its benefit funds; and/or
- significant changes in financial market conditions.



APPENDIX A – FUND ATTRIBUTES AND INVESTMENT OBJECTIVES

FUND NAME	TARGET RETURN	INVESTMENT HORIZON	VOLATILITY TOLERANCE	ESTIMATED No. OF NEGATIVE ANNUAL RETURN PER 20-YEAR PERIOD
MANAGEMENT FUND #72	Bloomberg AusBond Bank Bill + 1%	Short to Medium	Low	0.0
SAVING & INV CAP GTD #11	Primary: > RBA Cash Rate Secondary: Bloomberg AusBond Bank Bill	Short	Low	0.0
FUNERAL BENEFIT #51, #51F & #51C	Primary: > RBA Cash Rate Secondary: Australian CPI + 0.5%	Long	Low to Moderate	2.1
STATE TRUSTEES #53 & #53B	Australian CPI + 0.5%	Long	Low to Moderate	0.8
FUNERAL TRANSFER FUND #25	Bloomberg AusBond Bank Bill	Medium	Low	0.0
POLICE ASSOC VIC #90	Australian CPI + 0.5%	Long	Low to Moderate	1.3
SICK & FUNERAL FUND #41	Australian CPI + 0.5%	Long	Moderate	3.6
Market Linked - Balanced	Australian CPI + 2.0%	Long	Moderate	3.7
Market Linked - Sustainable	Australian CPI + 2.0%	Long	Moderate	3.7
Market Linked - Growth	Australian CPI + 3.0%	Long	High	4.5
Market Linked - High Growth	Australian CPI + 4.0%	Long	High	5.3



APPENDIX B – INVESTMENT FUND LIMITS [View Option #1]

Fund #	72	9	51, 51C/F	53, 53B	90	41	25
Less than 1 month	-	-	-	-	-	-	-
Less than 3 months		Min 10%	Min 5% Max 30%	Min 5%	Min 10% - 92	Min 5% Max 10%	Min 10%
Less than 12 months	\$2m+ above the liabilities	-	-	-	-	-	-
<u>Fixed and Floating rate investments</u>							
Over 1 month term	-	-	-	-	-	-	-
Over 3 months term	-	Max 90%	Max 95%	Max 95%	Max 90%	Max 95%	Max 90%
Over 6 months term	-	-	-	-	-	-	-
Longest term to maturity	30 years	3 years	25 years	15 years	20 years	30 years	10 years
<u>Equities</u>	Max 30%	-	Max 5%	Max 15%	-	-	-
<u>Bonds</u>	-	-	Max 80%	-	-	-	-
<u>Other asset types</u>	In excess of liabilities +\$2m	Nil	Nil	Nil	Nil	Nil	Nil
Overall average asset duration	Max 2 years	Max 6 months	Min 1 year Max 8 years	Max 8 years	Max 5 years -92 Max 15 years -90	Min 8 years Max 15 years	Max 5 years
Counterparty Grade 1 & 2	Min 60%	Min 80%	Min 25%	Min 25%	Min 80%	Min 60%	Min 80%
Counterparty Grade 3	Max 40%	Max 20%	Max 75%	Max 75%	Max 20%	Max 40%	Max 20%
Counterparty Grade 4	Max 20%	-	Max 20% ⁽³⁾	Max 10%	-	-	-
Counterparty Grade 5, 6 & 7	Nil	-	Nil	Nil	-	-	-
Counterparty Grade 4, 5, 6 & 7	-	Nil	-	-	Nil	Nil	Nil
Asset risk charge	-	Max 1%	Nil (1)	Nil (1)	Max 5%	Nil (1)	Max 5%



Asset concentration risk charge	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<u>Exposure to single counterparties</u>							
Australian & State Government securities	No limit	No limit	No limit	No limit	No limit	No limit	No limit
Bank bills & bank deposits combined	Max \$20m	Max \$20m	Max \$20m or 30%, if greater	Max \$20m	Max \$20m	Max \$20m	Max \$20m
Equities	Max 3%	-	Max 0.50%	Max 2%	-	-	-
Other asset types	Max 10%	Max 2%	-	-	Max 4%	Max 4%	Max 4%
Other asset types, counterparty grades 1, 2, 3	-	-	Max 5% ⁽²⁾	Max 4%	-	-	-
Other asset types, counterparty grade 4	Max 5%	-	Max 2.5% ⁽²⁾	Max 2%	-	-	-

(1) Net of discretionary component of liabilities

(2) The counterparty limits for the Funeral Benefit Fund (exempt), Fund 51 are Counterparty 1,2 & 3 = 4% and Counterparty 4 = 2

(3) For securities rated Grade 4 from issuers rated Grade 3 or higher. For issuers rated Grade 4, max 15%



APPENDIX C – ASSET ALLOCATION TARGETS AND RANGES

ASSET CLASS	MANAGEMENT FUND #72			SAVING & INV CAP GTD #11			FUNERAL BENEFIT #51, #51F & #51C			STATE TRUSTEES #53 & #53B			FUNERAL TRANSFER FUND #25		
	SAA	Max	Min	SAA	Max	Min	SAA	Max	Min	SAA	Max	Min	SAA	Max	Min
Cash (incl. Term Deposits)	40.0%	100.0%	30.0%	25.0%	100.0%	10.0%	25.0%	100.0%	10.0%	15.0%	100.0%	10.0%	100.0%	100.0%	100.0%
Government Bonds	0.0%	0.0%	0.0%	0.0%	40.0%	0.0%	8.0%	40.0%	0.0%	0.0%	20.0%	0.0%	0.0%	0.0%	0.0%
Credit	60.0%	70.0%	0.0%	75.0%	90.0%	0.0%	64.5%	80.0%	0.0%	77.5%	90.0%	0.0%	0.0%	0.0%	0.0%
Real Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Uncorrelated	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equities - Domestic	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	5.0%	0.0%	7.5%	15.0%	0.0%	0.0%	0.0%	0.0%
Equities - Global	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%



ASSET CLASS	POLICE ASSOC VIC #90			SICK & FUNERAL FUND #41			BALANCED & SUSTAINABLE			GROWTH			HIGH GROWTH		
	SAA	Max	Min	SAA	Max	Min	SAA	Max	Min	SAA	Max	Min	SAA	Max	Min
Cash (incl. Term Deposits)	25.0%	50.0%	0.0%	7.5%	45.0%	10.0%	3.0%	60.0%	0.0%	3.0%	40.0%	0.0%	3.0%	20.0%	0.0%
Government Bonds	40.0%	90.0%	30.0%	70.0%	90.0%	50.0%	12.5%	30.0%	0.0%	7.0%	20.0%	0.0%	0.0%	6.0%	0.0%
Credit	25.0%	30.0%	0.0%	22.5%	35.0%	5.0%	38.5%	60.0%	20.0%	26.0%	40.0%	10.0%	12.0%	20.0%	0.0%
Real Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.0%	15.0%	0.0%	12.0%	15.0%	0.0%	12.0%	20.0%	0.0%
Uncorrelated	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	10.0%	0.0%	6.0%	10.0%	0.0%	7.0%	15.0%	0.0%
Equities - Domestic	10.0%	20.0%	0.0%	0.0%	0.0%	0.0%	15.0%	30.0%	7.5%	21.0%	40.0%	10.0%	30.0%	50.0%	15.0%
Equities - Global	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	19.0%	30.0%	7.5%	25.0%	40.0%	10.0%	36.0%	50.0%	20.0%

