Tuvalu Trust Fund

Report of the Investment Committee and results for the half year ended March 2017

Highlights

TTF Investment results

- The first half year to March 2017 has been influenced by the US election of Trump as President and the share market anticipation of growth from tax cuts and spending on infrastructure – but which may not actually occur. Even so, the world economic outlook is more positive in terms of consistent expected growth across all major economies, than for some time. The risk of deflation has reduced and interest rates are rising. Markets may have over-anticipated so there could be falls in both equities and bonds (as yields rise).

- Inflation as measured by the Australian CPI All Groups Index has been 1% for the half year.

- Market Value of the TTF Investments at 31 March 2017 was $166.90 million while Maintained value was $161.43 million so investments exceeded Maintained Value by $5.47 million or 3.4%.

- The annual investment target is CPI + 4.5% pa, or 3.2% for the half-year so the 4.4% result was over target by 1.2%.

- The new investment approach started in March 2012. In the 5 years since then, the investment return (after fees) has been 7.3% per annum which is 0.7% pa above the target. Overall the new approach is providing the desired results and the Investment Committee continues to have confidence in the fund managers and their ability to respond promptly to financial markets. We continue to consider the approach is well suited to the uncertain markets.

- Many global sharemarkets remain at or near record highs. The US Federal Reserve increased US interest rates for a second time in December 2016 and expects to make further small increases. This means the TTF may experience some fall in value over the coming months, but given the OBAA approach, any fall would be expected to be less than the markets as a whole.

NZ Institute for Pacific Research Review

- The Investment Committee has prepared comments the NZIPR review recommendations and this is attached to this report. An early Board decision is required on whether or not TTF has an intergenerational purpose.

Tuvalu Survival Fund

- The Government has requested the TTF Board approve extending the role of the Investment Committee to include the Tuvalu Survival Fund with the cost to met by the TTF. Should the Board approve this, the Investment Committee suggests that any extended role of the Committee should be set out in a separate document along with the existing extended role relating to the CIF.

CIF

- Investment of the CIF is in the lower risk Schroder's fund that has a target of CPI + 3.5% and allows withdrawals at short notice. A separate quarterly report from the Investment Advisor is prepared on the performance of the CIF investment. The CIF has now been invested for 3 years and achieved a return of 4.4% pa (net of fees) compared with the target of 4.3% (also net of fees). The returns for the half-year were positive 2.9%. Previously the CIF earned about 2% pa when invested in term deposits, though this would have fallen as interest rates have declined.

- Capital preservation and gaining improved returns for the CIF are both important now that it has around $28 million. Despite some quarterly fluctuation, the results are now above target. It needs to be acknowledged that achieving the higher return does involve an increase in risk relative to bank deposits. CIF investment strategy will need to be reviewed regularly, especially if Government has a need to draw down a significant portion for budget support. The SIOP for CIF has now been approved by GoT cabinet and it will benefit from an explicit risk tolerance limit like the SIOP for TTF so that the Investment Committee is able to monitor the investment accordingly.

Recommendation

The Investment Committee recommends the Board:

- Receives and notes the report of the Investment Committee for the half-year to March 2017.
- Considers the paper on the Tuvalu Survival Fund and, if approved, requests the Investment Committee to draft a policy paper setting out the extended role of the Committee in providing advice on other funds (CIF, TSF and potentially FTF).
- Considers the Investment Committee's detailed responses to the NZ Institute for Pacific Research recommendations and provides guidance on each item especially clarification on the purpose of TTF.
- Encourages GoT to set a risk tolerance limit for the SIOP for CIF as a basis for monitoring by the Investment Committee.

Committee activities

1. Since the Trust Fund's last meeting in November 2016 in Auckland, the Investment Committee held a meeting in Sydney on 2 March 2017 and another by Skype on 1 May 2017 to enable this report to be prepared and distributed a week prior to the Board meeting. (Minutes are in Attachment 3.) The meetings with fund managers are particularly useful and they are very frank about their actions, views on investment markets and future expectations. The Committee also progressed the analysis and consideration of specific items through email exchanges.

2. Quarterly reporting by Eriksens continues to provide the data needed to allow the Investment Committee to monitor fund manager performance. Content also continues to be refined with further improvements on comparators and risk measures and more detailed reporting on the CIF.

Investment Targets

3. The investment targets for the TTF and its two fund managers are set out below, as a reminder. The TTF's target is lower than the combined fund manager's targets and is higher than the aim of providing an annual distribution of 4% of the value of the fund, after maintaining real value.

   a. **TTF targets**:
   Achieving a return (net of investment expenses) over 5 year periods of at least 4.5% pa in excess of price inflation as quantified by the Australian Consumer

Price Index (All Groups) not seasonally adjusted as measured by the Australian Bureau of Statistics (CPI) and so that the likelihood of achieving a negative return (net of investment expenses) over any 12-month period is less than 20% (i.e. less than once every 5 years).

b. **AMP target**:
An investment return of CPI + 5.75% pa before fees over a 5-year period. As the fees are 0.75% this is a target of 5.0% + CPI (Trimmed Mean). The volatility is managed within a tight range and the likelihood of a negative return is set at a lower level than that of TTF.

c. **Schroders target**:
An investment return of CPI + 5% pa before fees over rolling 3-year periods. As the fees are 0.51% this is a target of 4.49% + CPI (Trimmed Mean). The volatility is managed within a tight range and the likelihood of a negative return is set at a lower level than that of TTF.

4. The AMP fund takes a slightly more growth-oriented approach than the Schroders' fund, which is reflected in their higher target return and a slightly higher volatility range limits. The two approaches complement each other so that the combined strategy is effectively a target of CPI + 4.75% over 3-5 years.

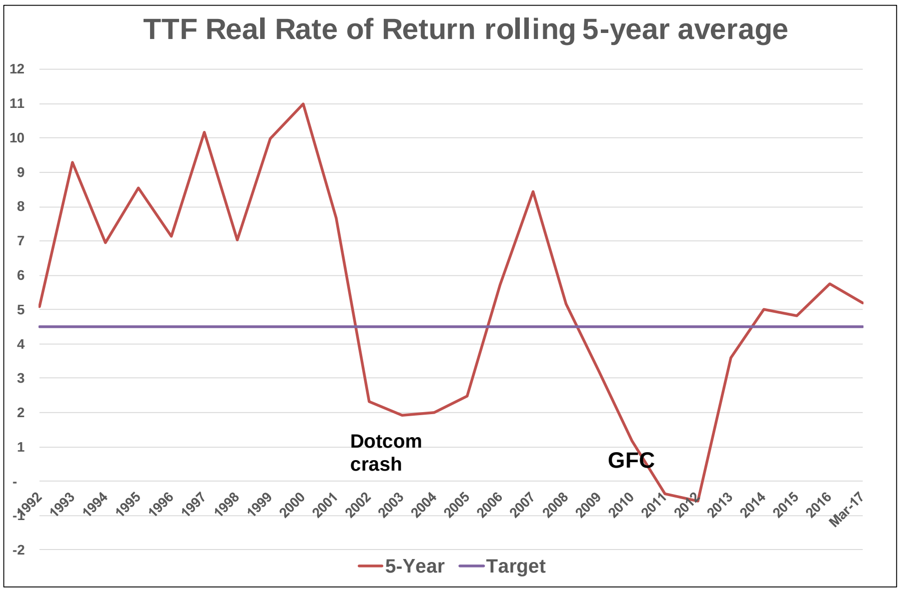
Contributions and Maintained Value

5. During the December 2016 quarter $5 million of the $6.7 million available for distribution was reinvested and became part of capital. Maintained Value was further increased by $1.58 million as the CPI increased by 1%, so Maintained Value at 31 March 2017 was $161.43 million:

TTF Maintained Value 2016-17	
Maintained value 30 September 2016	**154.85**
Reinvestment of distribution	5.00
Inflation adjustment (1% first half)	1.58
Maintained Value 31 March 2017	**161.43**

Investment Results

6. The target of CPI + 4.5% is best measured over a rolling 5-year period. For the 5 years to March 2017, the TTF achieved 7.3% pa compared with the target of 6.6%. This is a 5.2% pa real return. The full 5 years used OBAA. This is a good result. The following chart shows the history of rolling 5-year real rates of return:



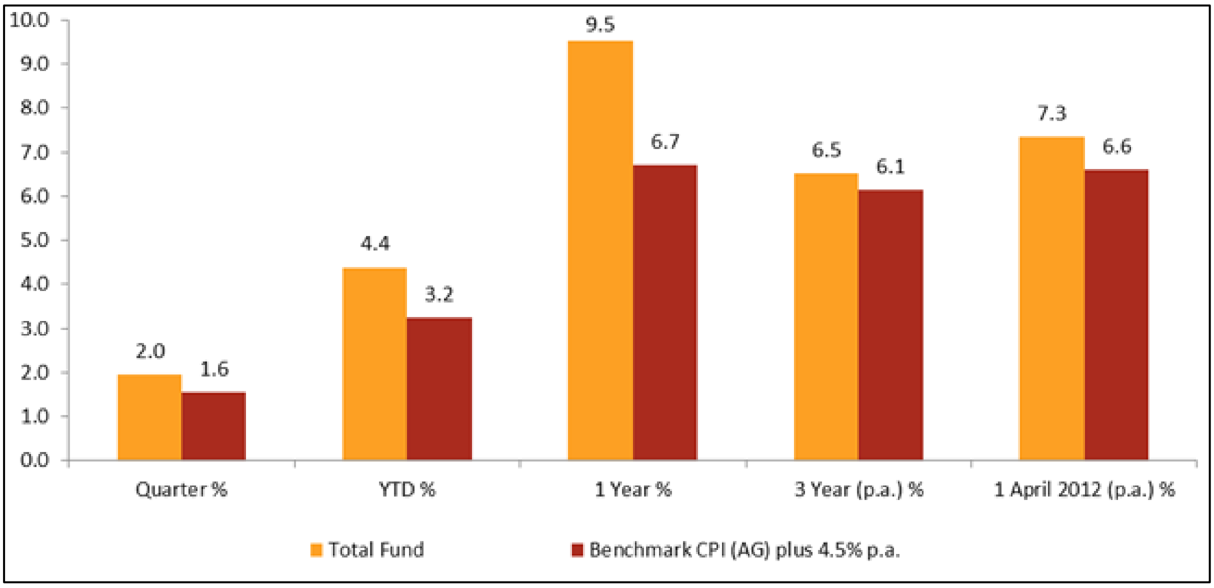
7. The chart shows the impact of the past major market downturns and the time taken to climb back to target after each downturn.

8. The first half of the current year has had positive quarters:

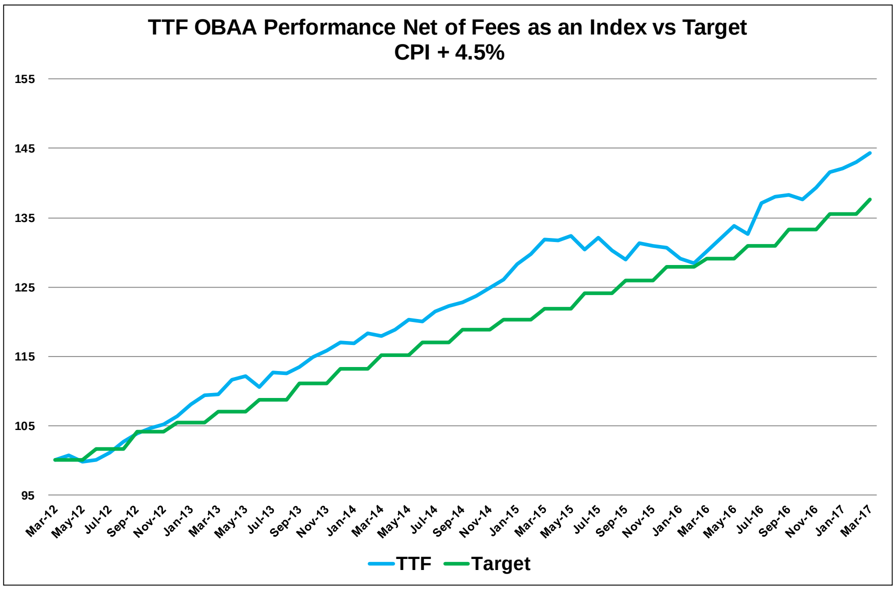
TTF Investment Performance versus Target			
	Quarterly		Year to date
	Dec-16	Mar-17	2016/17
TTF Investment return after fees	2.4%	2.0%	4.4%
Target CPI + 4.5%	1.7%	1.6%	3.2%
Difference	0.7%	0.4%	1.2%

9. Investment with AMP and Schroders has been since March 2012, a period of 5 years. The chart shows the returns for the TTF as a whole, relative to the target:

TTF Actual Return (after fees) compared with Target (CPI + 4.5%)



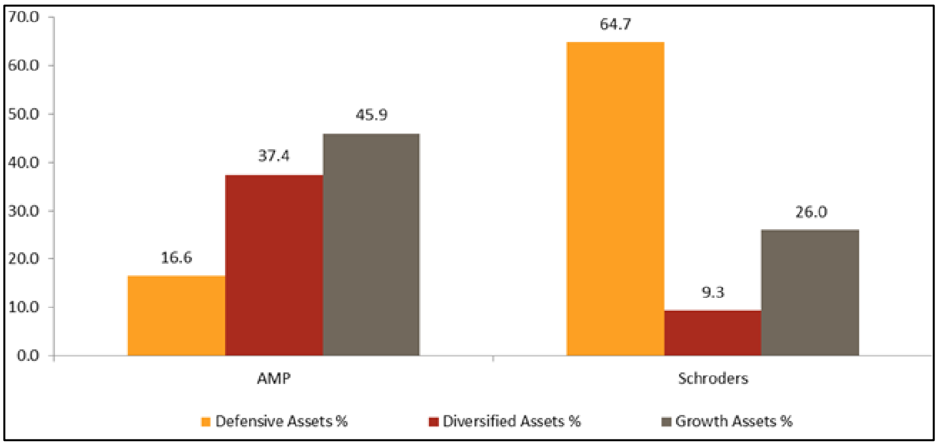
10. Cumulative results since OBAA investment commenced comparing actual after fees returns against the target shows that cumulative out-performance has been achieved since late 2012, though the markets were difficult from mid-2015 until mid-2016:



Comparing the two managers

11. The two fund managers, AMP and Schroders, continue to have different approaches to asset allocation.

Asset Allocation Comparison



12. AMP holds more equities and makes greater use of absolute return strategies. Schroders hold more defensive assets including more cash. At 31 March 2017 Schroders had 32.7% in cash while AMP had 14.3% in cash – a significant increase over the March quarter for AMP.

13. Both have performed adequately over the past 5 years with their different approaches but achieved different results.

Comparison between Investment Managers				
	Half-Year to March 2017		Since March 2012	
	AMP	Schroders	AMP	Schroders
TTF Investment return after fees	5.2%	3.5%	7.9%	6.8%
Target CPI + 4.5%	3.2%	3.2%	6.6%	6.6%
Difference	2.0%	0.3%	1.3%	0.2%

14. This table uses the TTF targets rather than the manager's own targets. But note that AMP has a higher self-imposed target than Schroders and takes a more growth-oriented approach, with their target being over 5 rather than 3 years, so should be expected to have higher returns over the longer term. AMP has held more equities than Schroders so has benefited more from the equity bull market.

15. Even with different asset allocations, both managers have responded to the markets in similar dynamic ways, exercising defensive options and buying assets when prices showed opportunity and moving to cash in anticipation of falling markets. These dynamic asset allocation actions demonstrate the benefit of OBAA and the ability of the fund managers to respond rapidly to market changes.

16. The Committee considers that the different approaches to investment complement each other and when the different asset allocations are combined, moderate the overall result. Both managers continue to state they are confident that their funds will perform better than traditional approaches during difficult markets and they will achieve their 3-5 year targets. The current level of high asset values and the conservative assessment of the fund managers have led to higher than preferred levels of Probabilities of Loss at 9.9% and 16.9% respectively. However, the Investment Consultant is of the view that the actual Probabilities of Loss are lower than the fund managers' estimates and in any event they are below TTF's risk tolerance of 20%.

17. OBAA funds are structured to reduce such volatility while targeting a stated acceptable level of return over inflation. As such, during major market downturns, the TTF funds should generally outperform the strategic asset allocation funds but during periods of equity market gains the traditional funds tend to do better.

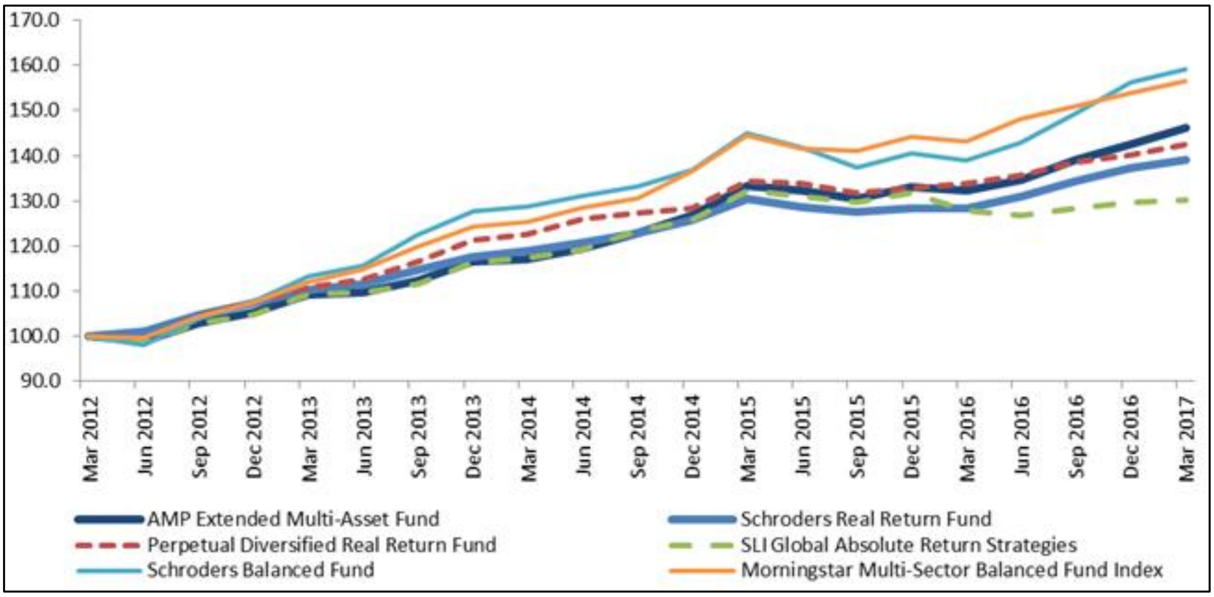
18. Eriksens report on funds which use a similar approach to OBAA as peers and uses both the Schroders Balanced Fund and the Morningstar Multi-sector Balanced index as well, since these represent the alternative strategic asset allocation (SAA) approach. This can be seen in the next chart (which uses net-of-fee) returns.

19. The Morningstar Balanced Index represents the former approach to investment, though funds in this index typically have a higher proportion of investments in growth assets (70%) than the 60% TTF used to have and is at the upper end the 0-75% range of the TTF fund managers allowable range for dynamic asset allocations.

20. Eriksens have implemented one of NZIPR recommendations by using the Schroders Balanced Fund as a reference portfolio that uses the SAA approach, but with discretion over asset allocation. The logic is that this fund is close to the SAA alternative to OBAA. At March 2017, the Schroders Balanced Fund had 56% in equities and 10% in objective-based investments. As shown in the chart below, in the past 5 years, as the financial markets have

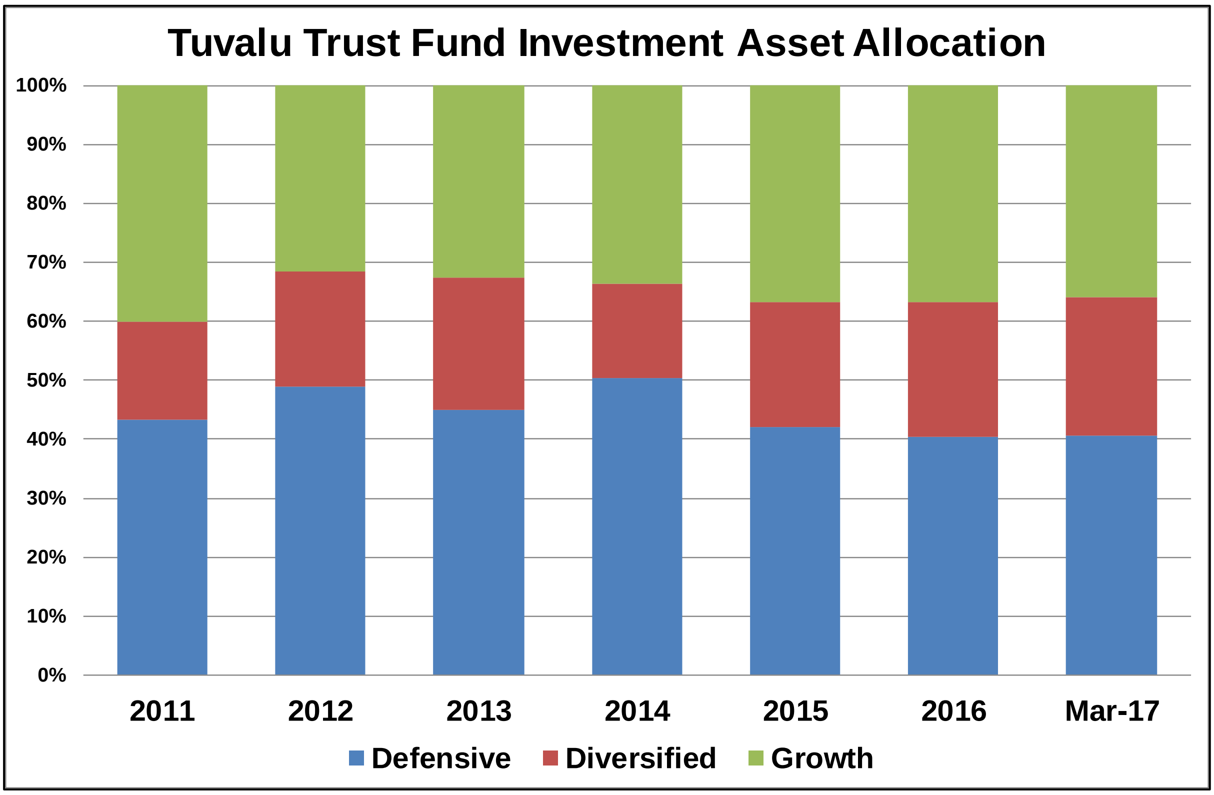
gone through a sustained bull market, the SAA approach has outperformed the less volatile OBAA approach.

Net Investment Returns



Overall Asset Allocation

21. The chart below shows the overall allocation of investments for the past 6 years. The 2011 data was under the strategic asset allocation approach and 2012 shows the change when the Fund switched to OBAA. The switch resulted in a lower risk approach with a lower weighting in equities – though, while managers can have up to 75% in growth assets they have chosen to be more cautious.



22. Since 2012 the allocation has been relatively stable though the managers have made changes within each category to adapt to the financial markets. Since 2014, the managers have slightly decreased the proportion of defensive assets and increased diversified. This masks the varied approaches being taken by the two fund managers.

Investment Consultant report

23. Accompanying our report is the Investment Consultant's quarterly review. The executive summary covers the essential points that the Board should note. The report provides a detailed assessment of the fund manager's performance. The scorecards cover the managers' investment performances both from a return and a risk aspect in a simple and clear visual way. The performance data is provided by the fund managers but confirmed independently by the Investment Consultant and the risk data provided by the fund managers is reviewed for reasonableness. A green light shows that a target has been exceeded or there is no business change, amber shows on target performance or minor business change and a red light below target performance or major business change.

24. AMP has only green lights. Schroder has a red for expected loss and amber for investment returns over the past 3 years – though they exceeded the target for the 5 years of investment with them. Eriksens comment: "*The underperformance reflects the manager's cautious outlook on financial markets and the economic environment. The significant risks prevalent in many assets are not rewarded with a high enough expected return. The manager is very aware of the downside risks*."

25. In terms of Schroders "red" for probability of loss, as stated in the QIPS, the Investment Consultant's view is that the reported number overstates the probability of loss: "*This is due to the low expected returns Schroders have applied in their forecast for each major asset class return. The result is a small margin above zero for the overall expected return of the fund and therefore a higher probability of loss. An extra point to note is that the probability of loss figure does not take into account overlay positions which aim to mitigate downside risks (e.g. FX exposure, S&P 500 put options, short duration overlays, curve flatteners); thus the true portfolio probability of loss is lower*." Schroders options effectively add perhaps 5% exposure to equities and this reduces the probability of loss. Schroders exercised options during both recent sharemarket downturns (making gains) then repurchased options after the markets recovered.

26. From our discussions with the managers, both are reacting positively to opportunities caused by market volatility as well as using risk reduction actions such as options. Our conclusion is that OBAA is a lower risk approach to the current volatile markets than SAA and the Investment Committee would not have been able to react as nimbly as the two fund managers to reduce losses.

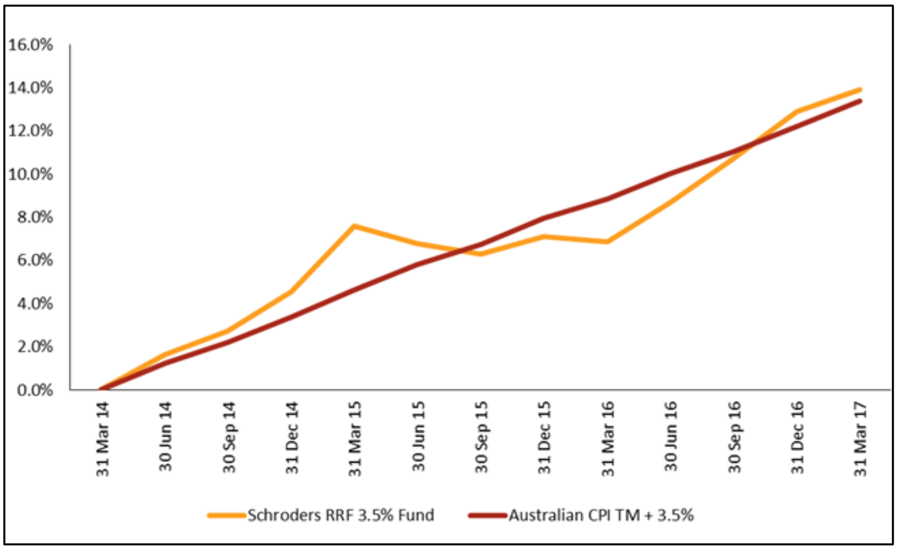
The CIF

27. The CIF stood at $35.3 million as at 30 September 2016 and $27.6 million at 31 March 2017. The CIF uses a more conservative Schroder's fund that has a target of CPI + 3.5% (before fees) and allows withdrawals at short notice. This is similar to the Schroders fund used by the TTF, but lower in risk.

28. As requested by Cabinet, the Committee monitors the returns achieved by the CIF. The Investment Committee and Secretariat drafted a SIOP for the CIF and this has now been approved by Cabinet.

29. A separate quarterly report from the Investment Advisor is prepared on the performance of the CIF investment. The CIF has now been invested for 3 years and achieved a return of 4.4% pa (net of fees) compared with the target of 4.3% (also net of fees). The returns for the half-year to March 2017 were positive 2.9% compared with a target of 2.1%. Previously the CIF earned 2% pa and interest rates are now lower.

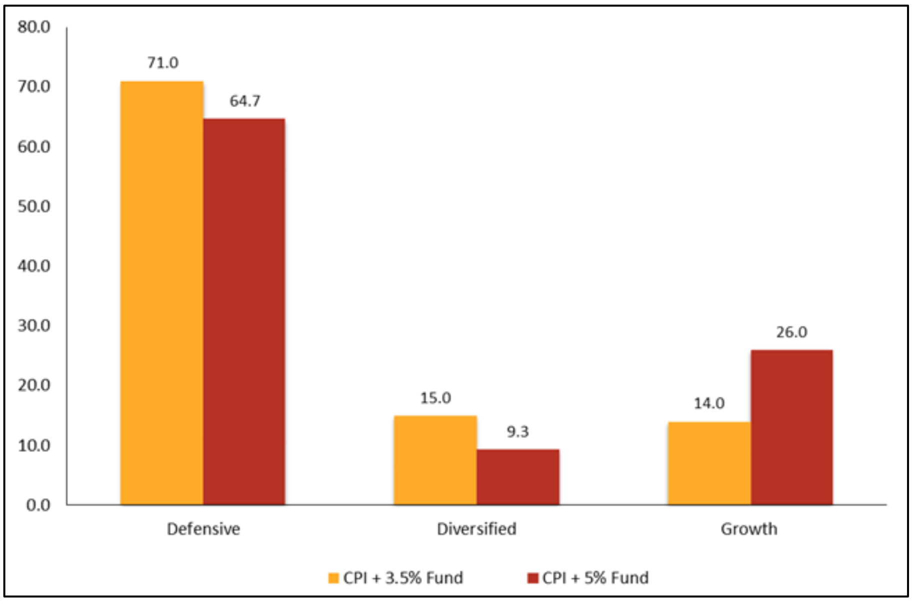
CIF Cumulative Performance (net of fees)



30. As this investment is a more conservative version of the Schroders fund used by the TTF, the quality and risk monitoring is already covered in the QIPS. The probability of loss is targeted at 1 year in 20, but is currently reported as 15% (one year in 7) – though as noted earlier, Schroders' options strategy may partly improve upon this. With the difficult markets, a loss over 12 months occurred during 2015, but returns subsequently recovered to exceed target. Unlike the SIOP for TTF, the current SIOP for CIF does not specify a desired level for risk tolerance but has a qualification "has a very low risk tolerance risk". Setting a specific risk tolerance limit would enhance the ability to monitor the investment strategy for CIF.

31. A comparison of the asset allocation between the two Schroder funds shows the difference in approach:

Schroder Fund Asset Allocations March 2017



32. Gaining improved returns for the CIF is important as it holds a significant sum.

Westpac Account

33. At 31 March 2017, the Westpac account balance was $1.548 million. The Secretariat has advised that $1.3 million of this related to the Tuvalu Survival Fund with the remainder needed to fund Secretariat operating expenses.

34. The Committee view is that the TSF's $1.3 million should be invested as soon as possible to earn some income.

Investment Committee comments on the NZ Institute for Pacific Research Review Recommendations

35. The Investment Committee has provided responses to each of the recommendations in the NZIPR report. These are in Attachment 3. The Board is requested to consider the responses and to provide guidance on next steps. From the Investment Committee's view, the key recommendations that could affect TTF's Investment Strategy and hence require early clarification from the Board are:

- Maintenance of real value of the TTF (Rec 1)
- Purpose of the TTF (Rec 2)

In addition to the above, the following recommendations would affect the work of the Investment Committee:

- Tuvalu Survival Fund (Rec 10) – note there is a separate paper on this topic
- Roles of Investment Committee and Secretariat (Rec 12)
- Updating SIOP (Rec 17)

36. The two most important recommendations in terms of investment strategy are 1 and 2 relating to the policy for maintained value and whether there has or should be a change in

the weighting of the objectives of the TTF towards inter-generational equity rather than emphasising budget support. A change in emphasis towards longer term growth might mean a change in investment strategy with a different combination of returns, volatility and risk.

Growing the TTF Maintained Value to $200 million by 2020

37. Attachment 1 has updated scenarios for growing the TTF to $200 million by 2020. The scenarios use the position as at March 2017 as the start point and project the growth of Maintained Value under varying rates of inflation and investment returns, also assuming Government reinvests the annual distribution – but with no allowance for any additions to capital from donors.

38. The scenarios have been revised to take account of changes in markets and inflation expectations over the past 6 months. Inflation is likely to rise and investment returns may be reduced in the short term, as recent gains may have over-shot anticipated growth, especially if some of Trump's proposed policy changes in tax are not implemented.

39. The scenarios suggest that even with modest returns, with reinvestment, the $200 million target for Maintained Value could be probably be met by reinvestment. Obviously, this would not be the case if there was a prolonged downturn in investment markets.

40. AMP and Schroder have both expressed confidence that they will meet their rolling targets for 3 – 5 years. Neither would expect to have significant losses even if there were major market events – as evidenced by the March and June 2016 quarterly results. A significant fall in equity markets would probably be seen as a buying opportunity by the fund managers, likely to result in improved returns in following years. Any additional capital contributions by GoT or donors would of course increase the probability that the $200 million target would be reached and even exceeded by 2020.

Conclusion and Future challenges

41. Since 30 September 2016, markets have risen in anticipation of growth. There is uncertainty over whether Trump will be able to implement his promises, Brexit and European elections in France and Germany. The US Federal Reserve raised interest rates by 0.25% in December 2016 and is likely to raise rates again over the next two years.

42. OBAA has worked well over the 5 years since implementation and the TTF target has been exceeded while volatility has been reduced. There has been a distribution each of the 5 years since 2012. The Investment Committee remains of the view that the OBAA approach remains sound during this time of uncertainty and is highly likely to result in achievement of the Board's approved targets.

David Hutton
Chair, Investment Committee
2 May 2017

Attachments

1. Revised Scenarios for growing the Tuvalu Trust Fund Maintained Value to $200 million by 2020

2. Minutes of the IC meetings held in Sydney on 3 March 2017 and by Skype on 1 May 2017
3. Investment Committee comments on the NZ Institute for Pacific Research review recommendations for the TTF
4. Quarterly Manager Performance Statements for TTF and CIF (March 2017) – separate documents

Attachment 1

Revised Scenarios for growing the Tuvalu Trust Fund Maintained Value to $200 million by 2020

Introduction

1. The Government of Tuvalu (GoT) has approved a target of growing the Maintained Value of the Tuvalu Trust Fund (TTF) to $200 million by 2020. This paper provides revised scenarios to test whether or not this target could be achieved through reinvestment of funds available for distribution, using actual results to March 2017 and revised assumptions, based upon changes in anticipated inflation and investment returns.

Trust Fund Rules for distribution and reinvestment

2. The TTF Deed requires capital to be maintained in real terms, as measured by the Australian Consumer Price Index (CPI). Any excess of Market Value over Maintained Value may be distributed to GoT. There is provision for GoT to reinvest a sum available for distribution, and if it does so, this becomes part of the capital of the fund. This occurred for the first time in November 2015 and again in November 2016.

Starting Maintained Value

3. Maintained Value is known for March 2017 and can be predicted for September 2017 by adjusting for likely inflation. This gives the following:

TTF Maintained Value 2016-17	
Maintained value 30 September 2016	**154.85**
Reinvestment of distribution	5.00
Inflation adjustment (1% first half)	1.58
Maintained Value 31 March 2017	**161.43**
Inflation adjustment (1.1% second half)	1.78
Maintained Value 30 September 2017	**163.21**

Sources of growth in Maintained Value

4. Maintained value increases may be from three sources:
    - The CPI increase to maintain value
    - Reinvestment of any excess of Market Value over Maintained Value
    - Additional contributions by either GoT or external donors.

5. Of these, the adjustment for the CPI is automatic. The other two sources require decisions by GoT or donors.

Scenarios for growing Maintained Value

6. There are now 3½ years from March 2017 to meet the 2020 target. While additional donations to capital cannot be predicted, scenarios can be developed for inflation and potential reinvestment of distributions to test the feasibility of meeting the target through reinvestment.

7. Inflation averaged 2.3% over the 5 years to September 2014 but only 1.6% more recently. It was 2.1% for the year to March 2017. Below are a set of scenarios, with varying assumptions.

Scenario 1: Returns at target 2017 - 2020				
	2017	**2018**	**2019**	**2020**
Inflation rate	2.10%	2.30%	2.30%	2.30%
Real return by Fund Managers	4.75%	4.75%	4.75%	4.75%
Starting maintained value	**159.9**	**170.8**	**182.8**	**195.7**
Inflation	3.4	3.9	4.2	4.5
Reinvestment	7.6	8.1	8.7	9.3
Closing maintained value	**170.8**	**182.8**	**195.7**	**209.5**
Investment return - real gain	7.6	8.1	8.7	9.3

8. Scenario 1 uses 2.1% inflation for 2017 followed by historical average inflation and target real returns of 4.75% in the 2017 – 2020 years. This shows that the $200 million target is readily achieved through reinvestment.

Scenario 2 - Lower returns, higher inflation				
	2017	**2018**	**2019**	**2020**
Inflation rate	2.10%	3.00%	3.50%	3.00%
Real return by Fund Managers	3.40%	3.00%	3.00%	3.00%
Starting maintained value	**159.9**	**168.6**	**178.8**	**190.4**
Inflation	3.4	5.1	6.3	5.7
Reinvestment	5.4	5.1	5.4	5.7
Closing maintained value	**168.6**	**178.8**	**190.4**	**201.8**
Investment return - real gain	5.4	5.1	5.4	5.7

9. Scenario 2 assumes lower investment returns but higher inflation. In this scenario, the target $200 million is also met.

Scenario 3 - Negative return in second half of 2017 and low return in 2018				
	2017	**2018**	**2019**	**2020**
Inflation rate	2.10%	2.00%	2.30%	2.30%
Real return by Fund Managers	0.00%	2.00%	4.00%	5.00%
Starting maintained value	**159.9**	**163.2**	**169.7**	**180.4**
Inflation	3.4	3.3	3.9	4.1
Reinvestment		3.3	6.8	9.0
Closing maintained value	**163.2**	**169.7**	**180.4**	**193.6**
Investment return - real gain	0.0	3.3	6.8	9.0

10. Scenario 3 assumes investment returns merely match inflation in 2017 and grow slowly after that. As the real return for the first half of 2017 has been 3.4%, this assumes a fall of this in the second half of the year. Inflation is also assumed to be low. In this case, the $200 million target is not met. The shortfall is $7.4 million (3.8%).

Conclusions

11. The scenarios suggest that even with modest returns, with reinvestment, the $200 million target for Maintained Value could be probably be met by reinvestment. Obviously, this would not be the case if there was a prolonged downturn in investment markets. Scenarios 2 and 3 assume average real rates of return of 3.1% and 2.75% respectively,

which are below the target 4.75%.

12. AMP and Schroder have both expressed confidence that they will meet their rolling targets for 3 – 5 years. Neither would expect to have significant losses even if there were major market events – as evidenced by the March and June 2016 quarterly results. A significant fall in equity markets would be seen as a buying opportunity by the fund managers, likely to result in improved returns in following years.

13. Any additional capital contributions by GoT or donors would of course increase the probability that the $200 million target would be reached.

Attachment 2

TUVALU TRUST FUND
INVESTMENT COMMITTEE MEETING
(AMP Offices Sydney)
2nd March, 2017

1.0 Present

Advisor to the Australian Director – Mr David Hutton (Chairperson)

Advisor to the New Zealand Director – Ms Nalayini Brito

In Attendance:

Investment Consultant /Fund Monitor – Mr Jonathan Eriksen (Eriksens & Associates Ltd) TTF Secretary – Mr Lee Moresi (via skype)

2.0 Apologies

2.1 All were present

3.0 Minutes of the previous meeting

3.1 Matters arising: Since the minutes of the previous meeting have been confirmed and presented to the Board at the November Board meeting, it was taken that those minutes have been agreed and approved.

3.2 Actions Points: Status of Action Points from the previous meeting.

No	Activity	Action by	Status
1.	Fund Monitor to have a revised QIPS soon after this IC meeting	Eriksens	Done
	Revised IC report and PowerPoint with some slight wording changes and changes to some of the graphs	IC Chair	Done
3	If possible, circulate NZIPR Draft Report before the Board Meeting	Secretary	
4	Circulate the generic SWF paper by NZIPR	Secretary	Done
5	Circulate the Draft TTFAC Report	Secretary	Done

4.0 Investments 4.1 QIPS:

Overall the Investment Committee was happy with the latest Investment report, however a few issues were discussed including:

a). The overall risk or probability of a loss in the next 12 months as being below 20%, with an Ex-Post Volatility of 3%. This very low historic volatility is mainly due to the fact that markets, have on the main, been fairly subdued. Going forward, Eriksen's view is that volatility is expected to rise despite the VIX being low.

b). The IC Chair noted that on page 11 of the QIPS, it gives historical data on contributions by donors but he wanted it presented in a table format with contributions from individual donors more clearly identified. An additional column could also list the distributions. The NZ Advisor agreed but added that since we are tracking 5 years rolling performance that perhaps we could also have this table presented with rolling 5 year figures. The Tuvalu member queried the added value of such a table given that this data is already produced to some extend in the TTFAC reports. The others opinioned that this goes more towards understanding the make-up of the maintained value more than anything, and an acknowledgement to donors for their contributions. *(Action Point 1)*

The next Board meeting is scheduled for the 10th of May so the QIPS for this quarter will need to be out fairly quickly in time for the IC to go over it before presenting it to the Board. The Fund Monitor will try and get it done by the 28th of April with the meeting by skype on May 1st.

4.2 CIF

The CIF has performed well since the first quarter of last year. The balance of the CIF currently stands at $27million with the Tuvalu Government effecting two draw downs in November and December 2016 totaling $8.5million. The good performance of the CIF is attributed to positive equities and growth assets within the Fund.

One key aspect for the CIF is quantifying its risk tolerance. IC members indicated that they have not seen the CIF SIOP that was submitted to Cabinet for approval. The Secretary then circulated this to IC members. *(Action point 2)*

5.0 Fund Managers' Updates

5.1 Schroders – Simon Stevenson & Renee Tetteroo

Schroders outlook on global markets is positive. Recent economic data from Australia points to increasing GDP and this is also supported by increased economic activity as indicated by secondary measures like rail and road freight volumes.

The likely dampener on recovery will be inflation, fueled by increasing oil prices and the "Trump" effect. While equity markets have rallied post Trump's election, his policies appear to be contradictory to his base support. His core supporters are those mostly affected by the growth in inequality and globalization but his policies of tax cuts for corporates, etc. will not reduce the gap in wealth distribution and not help his base supporters much. So to keep his supporters happy he is likely to implement protectionism and import tariffs policies, things that are more likely to have negative effects on trade and the global economy. Interestingly, there is also a contradiction in views with Policy Uncertainty High while at the same time there is Low Investor uncertainty. Schroders will put out a paper in the near future explaining why this is the case and what it all means.

Schroders return outlook is for more constrained returns as reflected in the expected returns vs. probability of loss charts. One year on from January 2016, expected returns have now compressed with lower returns expected from most asset classes. Also underlying this expected low returns is headline inflation expected to go a lot higher than current levels. While they are positive on the economic environment, they are cautious around high inflation causing rising bond yields which in turn may lower equity markets.

The portfolio hasn't changed much from the last quarter with very small adjustments made in equities and some high yield credits. The cash holding is still around 32% with the managers holding the view that this will be used when opportunities present themselves in the markets. If anything the portfolio has gone more conservative with most of the portfolio's risk weightings coming from only 53% of the allocations.

IC members queried Schroders on their fees, especially if there were any hidden fees or sub-managers fees. Schroders were emphatic that they only charge the one upfront fee which is 52 basis points for the TTF and that there are no other fees or hidden costs. They were also asked about asset allocations of their Balanced Fund which TTF is using as a reference portfolio. In response Schroder stated that the Balanced Fund has a 62% Equities to 38% Fixed Income benchmark and within the 38% they have 6% High Yield Credit, 8% Cash and bonds.

5.2 AMP – Matt Hopkins

On the business side AMP's EMAF has received a 'Highly Recommended' rating from one of the rating agencies, a 'hold' from Zenith and a 'neutral' rating from Morningstar. Currently they are looking at a couple of new strategies which are really just extensions on their AQR strategies. AMP is also doing due diligence on some new products, mainly around US Mortgage Securities but may need AMP IC permission to add these to the portfolio especially as it may increase their illiquid holdings. At present their illiquids are around 4% of the fund but if they decide to go with these new products it may move up to around 6%. Funds under management have now gone past $1 billion with continuing support from the wider AMP Group for funds to flow into their multi-assets products like EMAF.

In the markets, equity markets reacted positively to the Trump election, however bonds have made negative returns in the last quarter. High yield credits have performed the best out of all the asset classes over the last year with equities outperforming in the last quarter. The ECB has continued with their QE program but AMP expects this to change around mid-year and this may have flow-on effects for European asset prices but can also present opportunities. In Australia GDP figures were weak in the last quarter but growth has now bounced back. Mining capex has been subdued but there are signs it is picking up again. The same can be said for wage growth and savings rates. They have been at near record lows but all appear to be picking up. A positive for the Australian economy is the improving terms of trade and the current account figures all benefiting from a China stimulus.

Going forward there is an expectation that the US Federal Reserve will hike interest rates at least twice this year. If that were to happen then Bond yields will follow. The concern longer term is the effect of increasing interest rates on Inflation with expectation for higher inflation, deflation then becomes a tail end risk. In terms of global economies, AMP are positive on growth as reflected in Global PMI data and the upward trend in Economic data "surprise" effect.

AMP also touched on the current disconnect between high political uncertainty and the low investor uncertainty as measured by the VIX index. AMP is less concerned about this disparity saying that all low investor uncertainty is underpinned by growth. As long as growth is tracking up, investors will tend to ignore political uncertainty.

The EMAF team is looking at moving some positions in the fund with long term volatility offering opportunity in that they believe they can pick up some volatility linked assets quite cheaply and if volatility goes up, they expect to profit from it. Other positioning include put options of Australian spreads as a downside protection for Europe and some more direct protective positioning like Chinese "H" shares with low longer term volatility. Europe remains an attractive proposition for the Fund with asset prices relatively cheap and good short and long term earnings.

Right now there is very low return expectation and fairly high volatility expectations so the Fund needs to generate returns from their DAA process like asset allocation and looking to add alpha. Holdings at the moment are very low on bonds, credits and alternatives, holding on to some of their equity positions and quite high on Absolute return strategies. Cash holdings are also fairly high and approaching 20%.

In terms of Performance, the fund is doing what it intended to do with returns better than the 5.75% +CPI target. It is comparable with other growth oriented funds but with a much lower volatility. For the 1 year to January 2017 the fund returned 9.9% after fees which is really quite good. There is also a wide distribution of contributing assets to returns with equities doing very well and it is also good to see that their hedging strategies are making good contributions to returns. Looking ahead the expectation is for 6 to 8% returns for the year.

AMP were asked about their fees and Matt explained that basically there are base fees and performance fees. All underlying managers' fees are covered in the fee that they charge the Trust Fund except for Prisma which is about 5% of the portfolio. Performance fees are taken out of returns but noted that what performance fees do is reduce the base fees. As an example if a manager has excess returns of 130bps the performance fee on that would be about 20bps.

In terms of an internal reference portfolio for the EMAF, Matt explained that they have a mutual index portfolio with 6% volatility that they use as a comparator for various asset classes with the portfolio. AMP will email this to IC members.

6.0 NZIPR Report.

The IC went through the 23 questions posed by the NZIPR Review and tried to set actions required in order to fulfill the requirements or at least offer a response to some of the issues raised.

Q1. *That the Board confirms with the GoT the 'informal convention" of only distributing excess of market value over maintained value.*

- An issue for Cabinet and the IC will draft a paper to Government to reaffirm the policy.

Q2. *Government and the Board to consider the "inter-generational" purpose of the Fund given the increase in other sources of revenue especially Fishing revenues*.

- Another issue for Government.

Q3. *The Board to define what is meant by a balanced portfolio.*

- Eriksens view is that the best way to view this is to use a reference portfolio which is a portfolio designed to reflect the liabilities of a Fund. The best available fund at present to be used as a reference or a Balanced portfolio is the Schroders Balanced Fund which reflects a more traditional SAA type portfolio but they also slightly tweak it as necessary. It will also give us information on the opportunity cost to us of having an OBAA strategy when the markets go up or conversely give us the defensive value when markets go down. Q4. *Follows on from 3 above.*

Q5. *Investment Beliefs as reflected in the SIOP.*

- IC to review the SIOP as per normal process.

Q6. *Responsible Investing.*

- May be use something similar to those reflected in the SIOP for the TSF which is really similar to the UN's guidelines on responsible investing.

Q7. *Managers' fees.*

- Already got the information from Fund Managers and this will be included in the IC report.

Q8. *GoT to "earmark" development expenditure paid for from TTF distributions.*

- Not considered good PFM practice.

Q9. *Framework for earmarking development expenditure and current expenditure.*

- Similar to 8

Q10. *Clearly defining the TSF liabilities.*

- Done through the TSF SIOP.

Q11. *Recommendation for the TNPF Board.*

- Should be for the TNPF Board as TNPF is a financial mutual as the funds belong to the members and it would be inappropriate for GoT and the TTF IC to be involved.

Q12. *Document detailing the roles of the different bodies within the TTF*

- IC view is that this should be a separate document rather than be included in the TTF SIOP.

Q13. *Fiduciary roles and responsibilities to be clearly defined.*

- Needs to be clarified what exactly is meant by this.

Q14. *SIOP to be added to document on the website*

- Agreed.

Q15. *Outsourcing procedures*

- Competitive tendering procedures and processes are the policy. This should be in the TTF Manual.

Q16. *Risk policy and Board Risk Dash Board.*

- The Fund Monitor to expand the current traffic lights dash board

Q17. *Secretariat to update SIOP and develop new policies*

- IC should make recommendations to the Board then the Secretariat can update the SIOP as approved by the Board.

Q18. *Online Fiduciary file*

- Should include all key documents to be available online.

Q19. *Building specific governance capacity for Board Directors.*

- An issue for the Board. The NZ Advisor also mentioned the need for Alternate Directors. In the case of Tuvalu, the Secretary for Finance is automatically the Alternate Director but NZ and Australia will need to consider having one as this helps greatly with continuity.

Q20. *Secretariat to undergo governance training.*

- Already on going.

Q21. *Secretariat's budget to be increased to help with capacity development*

- Already done at the last Board meeting

Q22. *Secretariat to be added as an Investment Committee member.*
Done.

Q23. *Secretariat to use the provided framework as a basis for ongoing monitoring.*

- Ongoing.

7.0 Tuvalu Survival Fund.
The Investment Committee is comfortable with the proposal and the individual Directors will need to be briefed before the next Board meeting as it is really an issue for the Board.

8.0 Date of next meeting 01st May 2017 by skype.

Action Points Summary

No	Activity	Action by	Status
1	Next QIPS to include a table detailing the contributions from donors and also listing the distributions	Eriksens and Secretariat	
2.	Circulate CIF SIOP to IC members	Secretariat	
3.	Circulate report by Willis Towers Watson into OBAA (MAF) strategies	Secretariat	
4.	IC to make formal responses to the NZIPR recommendations	IC	
5.	IC to advise Directors on the Tuvalu Survival Fund's proposal for the IC to also act as their IC.	IC	

1.0 Present

Mr David Hutton (Chairperson) - Advisor to the Australian Director
Ms Nalayini Brito - Advisor to the New Zealand Director
Mr. Lee Moresi - Secretary and Tuvalu IC member

In Attendance

Mr Jonathan Eriksen (Eriksens & Associates Ltd) - Investment Consultant /Fund Monitor

2.0 Apologies

2.1 There were no apologies

3.0 Minutes of the previous meeting

The minutes were formally agreed to with all members having had the chance to agree to the minutes via email circulation.

3.1 Matters arising: There were no matters arising from the previous meeting's minutes.

3.2 Actions Points: Status of Action Points from the previous meeting.

No	Activity	Action by	Status
1	Next QIPS to include a table detailing the contributions from donors and also listing the distributions	Eriksens and Secretariat	done
2.	Circulate CIF SIOP to IC members	Secretariat	done
3.	Circulate report by Willis Towers Watson into OBAA (MAF) strategies	Secretariat	done
4.	IC to make formal responses to the NZIPR recommendations	IC	Covered in the current report to the Board
5.	IC to advise Directors on the Tuvalu Survival Fund's proposal for the IC to also act as their IC.	IC	TSF proposal has been agreed to by the IC but requires authorization from the Board

4. INVESTMENTS

4.1 QIPS:

Overall the IC was happy with the latest version and layout of the QIPS. There were however some minor issues that needed clarifications, including:

a. Chart 2 and 4 and the figures in table 7 needed to be consistent with each other.

b. The probability of loss metrics, (historical versus forward looking), needed expanding on and perhaps some extra sentences spelling out the differences should help understanding of the probabilities and how the different managers arrive at these figures.

c. An explanation of the high correlation between Schroders Balanced Fund and AMP's EMAF and Schroder's RRF.

Eriksens explained that we would normally expect the correlation between AMP and Schroders Real Return Fund to be low due to the very different ways in which they manage the Funds, however their performance objectives are very similar. Their efforts to arrive at similar performance outcomes brings the correlation much closer to each other. The Balance Fund on the other hand is highly correlated to the Real Return Fund due to the fact that they hold investments in very similar pools of assets except that the ranges of allocations for the Balanced Fund are much more constrained.

d. The IC requested that the Fund Monitor include a market commentary in the introduction, even though it is covered later on in the report. A few lines up the front of the report would be good.

4.2 <u>CIF</u>

a. An inclusion of the CIF inception date; referring to the date that CIF investments transitioned to the Schroder's CPI +3.5% Fund rather than when the CIF was originally set up.

b. There was a sum of $35,349 deducted from the CIF in February which is in fact the Investment management fee for the quarter ending December 2016. Schroders charges 0.40% or 40 basis points per annum, charged quarterly on the CIF investments.

c. CIF SIOP has been officially approved by Cabinet.

5. IC Report to the Board.

The draft report is almost complete and should be finalised by Wednesday 3rd of May. Included in the report will be the IC's responses to some of the issues raised in the NZIPR report and an elaboration on the $200 million by 2020 target scenarios.

6. AOB's

6.1 <u>Westpac Account:</u> Current balance as of end of April 2017 is $1,548,924.75. $1.3 million of this is the portion earmarked for the TSF with the balance being for funding the TTF Secretariat and Administration costs. The TSF is awaiting clarity in its operational and investment mandate before moving on any investments. Currently they have requested the TTF Board for assistance from the TTF's IC.

6.2 Audited Financial Accounts:

KPMG the Fund's auditors have carried out their audit of the TTF 2016 accounts but are awaiting final confirmation of investment and bank balances from the Investment Managers and the National Bank of Tuvalu. The Secretariat is hopeful of circulating draft accounts to IC members for review prior to distributing them to Board Directors.

6.3 Inter-Generational Purpose for the TTF:

Another issue raised in the NZIPR report is the need for the Government of Tuvalu to revisit the purpose for which the TTF was established. With Fishing Revenues and Donors budget support revenues now covering most of GoT's budgetary needs, it may be appropriate for the GoT to review the purpose of the TTF with a view to perhaps using it more as an inter-generational fund but that is an issue for the Government of Tuvalu which will then need to come to the Board. The decision will have implications for how the IC approaches the investment strategies going forward.

The Secretary updated the IC that this is touched on by the TTFAC in their current report.

6.4 Fund Manager's ESG Policies

A remaining issue from previous meeting was clarification from Fund Managers of the Ethical and Sustainability Investment policies. Again this is covered in the responses to the NZIPR report with Eriksens to obtain from the Fund Managers any specific policies they have.

Action Points Summary

No	Activity	Action by	Status
1	Eriksens to update the QIPS to include: (a)Probability of Loss explanation note; (b) Correct charts 2 and 4 including the data table (table 7); (c) an explanation on the funds correlation; (d) A few lines of market commentary in the executive summary; (e) ESG policies for both Fund Managers; (f) include CIF inception date in the CIF QIPS.	Eriksens	
2.	Audited Financial Accounts to IC members before circulating to Board Directors.	Secretary	
3.	IC Chairman to finalise the IC report to the Board and to include reference to Schroders Balanced Fund as the reference portfolio.	IC Chair	

Attachment 3

NZIPR Recommendations and Investment Committee Responses

NZIPR Recommendation	Investment Committee Response
Maintenance of real value of TTF as policy 1. We recommend that the Board of the TTF confirms with the GoT this preference, records it in the Board minutes and records the resulting policy in the SIOP. We recommend as part of this confirmation that the Board provides a clear illustration of the risk-return consequences of this preference for the TTF over short and longer term horizons.	The Board has responsibility for this policy and it is critical that an early decision is made on this.
Purpose of the TTF 2. We recommend that the Board and GoT considers whether the establishment of other Funds means more weight can be put on the TTFs inter-generational purpose. The Investment Committee should provide input to this and utilise the Monitor Services to do so.	The Board has responsibility for this policy and it is critical that an early decision is made on this. The TKIII target of growing the TTF Maintained Value to $200 million by 2020 may be consistent with a view that TTF has an inter-generational purpose but there could also be other reasons for this policy. The Investment Committee would need to reconsider the implications for investment, should the clarification of the purpose of TTF result in re-defining the objectives of the TTF.
Balanced portfolio 3. We recommend that the Board defines what is meant by a balanced portfolio using clearly defined and standard listed asset class benchmarks. The Investment Committee should provide input to this and utilise the Fund Monitor services to do so. This should be detailed in the SIOP to avoid confusion between the process of setting a strategy and the preference for OBAA as an implementation approach.	Eriksens view is that the best way to view this is to use a reference portfolio which is a portfolio designed to reflect the liabilities of a Fund. The best available fund at present to be used as a reference or a Balanced portfolio is the Schroders Balanced Fund which reflects a more traditional Strategic Asset Allocation (SAA) type portfolio but one that also adjusts asset weightings tactically. It will also provide information on the opportunity cost of

NZIPR Recommendation	Investment Committee Response
	an OBAA strategy when the markets go up or conversely give us the defensive value of OBAA when markets go down.
4. We recommend that the 'notional' balanced portfolio constructed is used as an ongoing governance benchmark by the Board to assess the performance and active risk taken by the OBAA strategy. Consideration should be given to whether a formal active risk budget should be adopted by the Board and included in the SIOP (as commonly seen in SWFs and the broader funds management industry).	The recommended notional balanced portfolio that has been adopted is the Schroders Balance Fund.
Investment beliefs 5. We recommend that the Board considers whether its current set of investment beliefs are comprehensive enough with respect to the OBAA strategy	The Investment Committee will review the statements of investment beliefs in the SIOP as part of its normal annual review.
Responsible investing 6. We recommend that the Board develops a formal belief (and policy) for Responsible Investment.	The Investment Committee will consider whether the SIOP needs additional policy statements on responsible investing, perhaps drawing upon the UN statements on responsible investing. The Committee notes that the two current fund managers already follow such principles. Both Schroders and AMP Capital have been signatories of UNPRI since 2007 and have statements on their websites to that effect, see links below: http://www.schroders.com/en/about-us/corporate-responsibility/esg-at-schroders/uk-stewardship-code/un-pri/ http://www.ampcapital.co.nz/about-us/corporate-responsibility/unpri

NZIPR Recommendation	Investment Committee Response
Sub-fund manager fees 7. We recommend that the Investment Committee and Monitoring Consultant investigate and seek clarification on sub-fund costs, overlay fees and any performance fee arrangements. This could include sighting of sub-fund investment management agreements. These should be periodically reported on to the Board.	 The Investment Committee specifically requested this information from the two fund managers. • AMP's fee covers the base fees charged by sub-managers. The only exception is that Prisma absolute return fund (which makes up around 5% of the portfolio) that has a performance fee if return targets are exceeded and this fee reduces returns. AMP comment that the underlying fee is reduced where a performance fee exists. • Schroders use in-house sub-managers who do not charge fees, so their fee is all inclusive. The Investment Committee has asked for any performance fees to be included in QIPS, but notes that performance fees are a very minor aspect of the fees paid by TTF. Also, the TTF fees for these two managers are discounted from the standard, something negotiated at the time the initial switch was made to OBAA.
Earmarking development project expenditure as funded by TTF 8. We recommend that the GoT 'earmarks' development expenditures that have in part or whole been financed by distributions from the Fund.	 This issue is more appropriate for the TTF Advisory Committee to address.
9. If feasible, we also recommend that the economic advisors to the Board develop a framework that can be used to address (i) conditions under which distributions from the Fund should be used for development spending ahead of other funding sources and (ii) the extent to which distributions should be used to support current generations.	This issue is more appropriate for the TTF Advisory Committee to address.
Tuvalu Survival Fund 10. We recommend that the Government of Tuvalu works with the Consultant being engaged to establish the Survival Trust Fund to clearly define the liability the Fund will be designed to offset (in whole or part), and how this differs from other Funds and insurance options (e.g. the	 The Investment Committee understands that the detailed definition of the purposes of the Tuvalu Survival Fund (TSF) are still under development. Consideration of the potential use of insurance or FTF funds for climate change projects is beyond the

NZIPR Recommendation	Investment Committee Response
extent to which Falekaupule could be used to improve resilience to storms, and the extent to which the recently established supra-national Pacific Island disaster recovery insurance facility could be used for disaster recovery).	scope of the Investment committee's role. These are issues for GoT. In terms of the proposed involvement of the Committee in providing advice on the TSF, we note that this requires approval of the GoT, Board and the donors who fund the advisers who are members of the Investment Committee.
TNPF Asset-Liability study 11. We recommend that the Board of the TNPF commission a formal asset-liability study to address the appropriate level of risk and liquidity in the TNPF.	This is something for the TNPF Board to consider as TNPF is a financial mutual since the funds belong to the members.
Roles of Investment Committee and Secretariat 12. We recommend that a document that provides clarity as to the IC and Secretariat roles, functions and delegations is created. It is recommended that this is incorporated into the SIOP for the TTF rather than the enabling legislation. Consideration of the IC and Secretariat roles in relation to the other funds also needs to be addressed.	The role of the Secretariat and Investment Committee in relation to the TTF are set out in the TTF Manual as well as the TTF SIOP. The Committee already provides advice on the CIF's investment and there is a request for it to become the Investment Committee for the Tuvalu Survival Fund. NZIPR has suggested this should be extended to the FTF and TNPF. Eriksens, as investment adviser has separate contracts to provide advice in relation to TTF, FTF and TNPF. It should be noted that TNPF as a mutual, is not owned by GoT, so any decision to involve the Investment Committee as an adviser to them would need to be made by their Board. Extending the Committee's role to CIF, FTF and TSF is a matter for GoT and the TTF Board, especially as members of the Committee are funded by donors. The Investment Committee view is that setting out any extended role of the Committee should be in a separate document rather than be included in the TTF SIOP, though the Investment

NZIPR Recommendation	Investment Committee Response
	Committee role should also be part of the SIOP for any funds that are to be supported by the Committee.
Fiduciary responsibilities 13. We recommend that the SIOP also sets out specific fiduciary responsibilities for the Board, IC and Fund Monitor.	The Committee is unsure of exactly what is intended by this recommendation so will need to ask NZIPR for clarification. All those involved with the TTF have a fiduciary obligation in relation to the fund.
SIOP and website 14. We recommend that the SIOP is also added to the TTF's website when it becomes operational given it is a key governance document.	Agreed.
Outsourcing policy 15. We recommend that an outsourcing policy is developed by the Fund that clearly outlines (i) conditions when outsourcing is appropriate; (ii) appointment procedures; and (iii) monitoring and review procedures.	Competitive tendering procedures and processes are already the policy. The Committee considered the appropriate place to document this should be the TTF Manual.
Risk policy 16. We recommend that a Risk Policy and Board Risk Dashboard is developed by the Secretariat, Board and IC. This should include policies on the management of operational, supplier, financial, and market risks. The Dashboard should provide clear reporting on how the Fund is managing these risks (e.g. via a traffic light system).	The Investment Adviser has started expanding the dashboard risk section in the QIPS and further enhancements are planned.
Updating SIOP 17. We recommend that the Fund Secretariat has the primary responsibility to update the SIOP, or develop and new policies.	The Investment Committee considers that the appropriate process in relation to the SIOP is for the Committee to make recommendations to the Board, then the Secretariat can update the SIOP as approved by the Board. Obviously, the Secretariat

NZIPR Recommendation	Investment Committee Response
	would be involved in drafting any changes to the SIOP, especially as the Secretary is now a member of the Committee. Development of policy or updating/changes to policy (other than the SIOP) is already the responsibility of the Secretariat, though the Investment Committee often comments upon proposed changes in its report to the Board.
Key documents 18. We recommend that the Fund Secretariat develops an on-line "fiduciary file" of key documents. This would ensure any new stakeholders have access to appropriate files to come up to speed, have quick access to latest policy and core documents, and where necessary, review previous decision-making process	All key documents should be available online.
Capability building 19. We recommend consideration should be given to building specific investment governance capability for any inexperienced directors to enable them to provide effective oversight of the external adviser roles, including the IC. This is important due to the apparent lack of continuity of directors and the short term contracts for IC advisors.	The recommendation relating to governance training for Board members is an issue for the Board to consider. The Investment Committee suggests there is a need for Alternate Directors. In the case of Tuvalu, the Secretary for Finance is automatically the Alternate Director but NZ and Australia will need to consider having one as this helps greatly with continuity and where decisions are required by circulation.
20. We recommend that the Secretariat also undertakes any investment governance training	This is already ongoing.
21. We recommend that the budget out of the TTF for the Secretariat is increased to also facilitate shared ownership of the investment monitoring and reporting function (e.g. by funding acquisition of fund performance and monitoring tools).	The Investment Committee notes that at the November 2016 Board meeting, the Secretariat's budget was increased to enable funds for professional development.

NZIPR Recommendation	Investment Committee Response
Secretary as Investment Committee member 22. Subject to training, we recommend that the Secretariat is added as an Investment Committee member	This has been approved by GoT.
Ongoing investment governance review 23. We recommend that this assessment model forms a basis for the Secretariat to prioritise workflow on an ongoing basis. The capacity building recommended for the Secretariat could include developing the capability to use this assessment model as a template.	Agreed.