

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES



INVESTMENT POLICY

Version	Author	Date Approved by Board
2008-1	Robyn Clubb	
2009-2	Robyn Clubb	25 March 2009
2009-3	Robyn Clubb	21 September 2009
2013-1	Tony Roddy	21 August 2013
2013-2	Tony Roddy	23 October 2013
2016-1	Carol Chiswell	13 April 2016
2017-1	Carol Chiswell	12 May 2017

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INVESTMENT POLICY UPDATE

Background

The Financial Provisions of the Rice Marketing Act 1983 No 176 dictate how money held by the Rice Marketing Board (the Board) may be invested:

Part 6 Financial Provisions, Division 1, Section 111 Investment of money of authority:

1. "Money held by an authority may be invested:
 - a. in any manner for the time being allowed by an Act for the investment of trust money,
 - b. on deposit with the Treasurer,
 - c. (Repealed)
 - d. With the approval of the Minister and with the concurrence of the Treasurer, in any other manner.
2. An approval or concurrence referred to in subsection (1) may be given for a particular case or for any class of cases."

Investment Strategy

The Investment Policy adopted by the Board is constructed to ensure financial risk is minimised whilst maximising investment returns within the constraints of capital preservation.

The types of financial risk relevant to investments suitable for the Board are Market Risk, Credit Risk, Liquidity Risk, and Operational Risk.

Market Risk is a product of the level and shape of the yield curve, levels of interest rate volatility and the implied future direction of these rates.

Credit Risk is rated by Standard & Poor's on a short and long term basis and relates to the capacity of an institution to meet its financial commitments.

Liquidity Risk relates to the potential an organisation cannot fund its operations or convert assets into cash to meet commitments.

Operational Risk is the risk associated with employing inadequate internal controls, adopting inaccurate valuation methods or guaranteeing the legal enforceability of contracts.

Market risk has been limited as generally short term funds, invested in bills of exchange, are placed for terms no longer than 180 days. This ensures the Fund follows the market trend in interest rates.

Credit risk has been limited by:

Cash and short-term capital secure investments

- Selecting institutions rated no lower than A1+ using Standard & Poor's short term rating for cash and short term fixed interest investments. These are the strongest of the short term institutional ratings.
- Selecting products supplied by the above institutions which are 100% capital guaranteed and provide a guaranteed investment return.

or

- Investments that have Government Guarantee backing

Diversification

- Ensuring sufficient diversification of investments amongst institutions.

Liquidity Risk has been limited by ensuring all investments can be 'cashed up' within 3 – 5 working days or as allowed by the financial institution holding the investment.

Operational Risk has been limited by ensuring adequate internal controls are in place with regular reporting, monitoring and auditing of investments.

Investment Guidelines

- Cash Account: An 'at call' account to maintain a balance necessary to cover funding requirements for short term anticipated expenses of the Board.
- Surplus funds (greater than the requirements above) to be invested in bank secured bills of exchange or term deposits on the following basis:
 - For major banks. i.e., CBA, WBC, NAB, ANZ and Rabobank, investments can be up to 100 percent of surplus funds in the one institution.

Operational Controls over Investments

To ensure adherence to the investment guidelines, the following controls will apply:

- The Secretary will prepare monthly reports covering:
 - the categorisation of investments, their term and investment returns;
 - the average return of the portfolio;
 - the current interest rate yield curve; and

- the moving average interest rate received.
- Maturing Investments will be reported to the Board on a Monthly basis. Reinvestment Strategy of Maturing Investments will be approved by the Board prior to lodgement.
- An annual audit of the Fund will be undertaken including confirmation of the portfolio of investments.

Further information

For further information concerning the Board's investment policy, please contact:

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