

## Risk Appetite Statement

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GAB's risk appetite for the Long Term Pooling Fund ("LTPF") and the Diocesan Endowment ("DE") is as follows -

- Our risk appetite is shaped by the purpose of the LTPF and DE which is to invest in an ethical manner whilst preserving real value and enabling consistent perpetual income distributions to fund ministry initiatives for diocesan investors.
- In order to ensure smooth predictable distributions are provided, we accept a degree of volatility. The GAB will accept the following:
  - a. An expected loss threshold of -20% (average of the worst case scenario which is expected once every 20 years).
  - b. A negative return in no more than 5 years in 20.
  - c. A targeted minimum level of confidence for achieving the investment objective, as measured by the probability of real value preservation, of 70% over rolling 10 years (LTPF)/20 years (DE).
- Diversification is a powerful tool to manage risk. There is a practical limit to the benefit of diversification.
- We have a low appetite for non-compliance with the Ethical Investment Policy of the Anglican Diocese of Sydney.
- We will ensure that our recommended spending levels consider the impact of future inflation to mitigate against the risk of losing capital.
- We prefer to invest in asset classes which are positively correlated with inflation, and set our spending policy to increase with inflation.
- Our credit risk appetite for cash is limited to banks that have a short term credit rating of A-1/A-2 (Standard and Poor's), P-1/P-2 (Moody's) or F-1/F-2 (Fitch) from the major credit rating agencies.
- We only invest in fixed interest assets that are investment grade, as defined by Standard and Poor's or Moody's.
- We manage currency exposure through the asset allocation process.
- We will not borrow in our own right for investment purposes. We do not invest in products that use complex derivative strategies.
- We have a low appetite for implementation risk and minimise it by using reputable outsourced service providers who have scale and systems that are industry standard.