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# Investment Management Set-Up CNF/PONT

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## 1. Governing Principles and Documents

CNF and PONT invest in parallel through separate but jointly negotiated contractual arrangements with their advisors. Their investment portfolios are not pooled (each foundation maintains separate bank and custodial accounts) but are almost 100% identical (exceptions include mainly in-kind share donations from one of the Foundation's donors). Performance is reported separately but simultaneously and monitored jointly.

CNF/PONT's investment management set-up is governed by a joint Investment Policy which outlines the basic principles governing the set-up and the foundations' investments. The Policy includes as annexes: Investment Guidelines that govern among other things strategic and tactical asset allocation and permitted investments; and a Policy on Socially Responsible Investing. The Investment Policy and its annexes can be found on the respective websites of CNF and PONT.

The chart at the end of this document outlines the set-up. The players and their roles are described in more detail in Section 2. Section 3 summarizes the fees paid to the different advisors.

## 2. The Players and their Roles.

The Investment Policy contemplates the following actors whose roles are outlined below: (i) the Investment Committee (ICom); (ii) an Investment Consultant (ICons); (iii) Discretionary Managers (DMs); (iv) Investment Funds (IFs); and (v) a Custodian bank.

**2.1 *Investment Committee (ICom)*.** The ICom consists of at least one Supervisory Board (SB) member with relevant investment/financial experience and one advisor. The members serve on a voluntary basis. The Executive Directors (EDs) of the two foundations participate in ICom meetings as observers and implement various ICom decisions. The ICom:

- Develops the Investment Policy for approval by the SB and reviews the policy periodically for needed updates which it recommends to MB/SB. The Investment Guidelines, which form part of the Investment Policy, define the strategic and tactical asset allocations (SAA and TAA) of the investment portfolio. These are set to assure portfolio diversification but also reflect the risk appetite and investment horizon of CNF/PONT. ICom regularly reviews the SAA and TAA.
- Recommends the Investment Consultant (ICons) to the SB; re-tenders the ICons role every five years; negotiates the ICons fees and approves the ICons contract for signature by the EDs.
- Typically, in cooperation with the ICons or upon ICons's recommendation:
  - takes various decisions under the Policy, including appointment of DMs and approval of investments in IFs as well as appointment of a Custodian; and in relation thereto monitors fee levels and contracts recommended by ICons for approval and signature by the EDs.
  - makes tactical adjustments in the SAA within its competence or recommends to the EDs or SB changes within their competence as set forth in the Investment Guidelines.
  - Reviews regular reports of the ICons on investment performance and compliance with investment guidelines, including sustainability guidelines.

- In principle, does not pick individual securities, but may invest in individual cases in single stocks and projects, especially where the emphasis is on SRI aspects. Furthermore, the ICom may directly place time deposits and other money market instruments.
- Reviews performance and necessary with the EDs and reports at least annually to the SB

2.2 Investment Consultant (ICons). The ICons acts as an independent service provider to the foundations and works especially closely with the ICom.

- Overall view of market developments and advice to the ICom on adjustments to the SAA (which occur infrequently) and TAA (which might occur more frequently, e.g. once or twice a year).
- Makes recommendations on appointment or change of DMs and Custodian and investments in Investment Funds. Negotiates fees and contracts with these other players for review by the IC and approval and signature by the MB.
- Monthly reporting to the IC on investment performance, asset allocation and risk measures.
- Tri-annual reporting to IC on compliance with Investment Guidelines and SRI Policy.
- Regular monitoring of DMs and IFs.
- Controlling of the accuracy of the trades made by the DMs through the access to the Custodian's information system.
- Annual reporting on investment performance, asset allocation and risk measures to SB.
- Annual review and extended reporting to ICom on each IF and DM.
- Management of a so-called "Virtual Special Fund" that tracks portfolio performance by donor.
- Assisting in the development and periodic review of the Investment Policy, Investment Guidelines and SRI Policy.

2.3 Discretionary Managers (DMs). The DMs make buy and sell decisions within the guidelines and bandwidths as defined in the discretionary mandate.

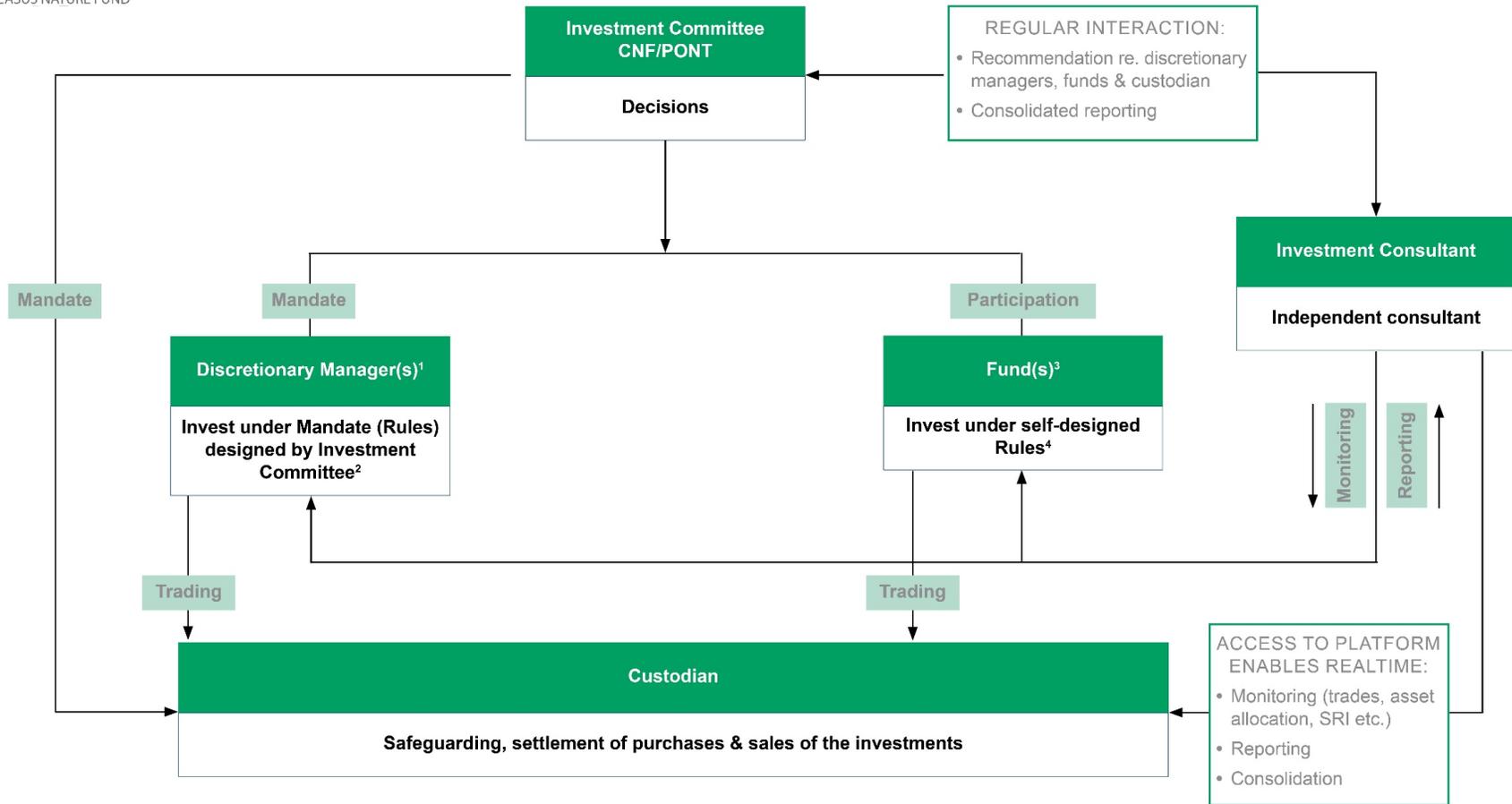
- Invest allocated funds in accordance with a specific mandate agreement designed by ICons/ICom allowing discretion to invest (currently principally in stocks and bonds of companies and governments within pre-defined bandwidths).
- Report to ICons regularly about performance, asset allocation and risk measures; discuss performance annually with ICom.

2.4 Investment Funds (IFs). Invest allocated funds in accordance with the specific fund strategy developed by the IF for all of its investors and accepted by the ICom as appropriate for CNF/PONT, including impact or positive screen SRI type strategies.

2.5 Custodian. Holds the bankable assets, such as DM investments and in some cases IFs on foundations' behalf; executes buy and sell orders on behalf of DMs and the IC. Provides access to ICons enabling real time monitoring and reporting. The Custodian does not hold the assets of the private investment partnership type funds, which are typically held by the custodian for the private investment entity.



# CNF/PONT Investment Management Set-up



<sup>1</sup>Typically a bank. Important to choose the bank(s) with the right people.

<sup>2</sup>Typically permits investments within limits (bandwidths) in bonds, equities and liquidity (CNF/PONT mandate is like this). Could also permit other types of investments including real estate, funds, etc. Important to design the right rules.

<sup>3</sup>Typically an investment vehicle such as a Luxembourg SICAV, limited partnership or similar. Important to choose the vehicles with the right people.

<sup>4</sup>The Fund's investment rules are typically published in a prospectus and infrequently changed. Important to choose the desired rules.