

ESCALA
PARTNERS

NFP INVESTMENT SOLUTIONS





Drawing upon our collegiate approach and high standards of service, we provide objective, flexible and strategic investment services to not-for-profit organisations so they can deliver on their mission and vision.

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We support the delivery of tailored solutions that are focused on meeting defined organisational objectives.

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Our commitment to bespoke service and ongoing innovation is redefining the meaning of excellence in investment management for the NFP sector.

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Welcome to Escala Partners.



Providing Investment Solutions to Meet Defined Organisational Objectives

Our advisory service offers considerable experience assisting organisations in the NFP sector.

Having practical knowledge of the requirements, challenges and fiduciary obligations that need to be addressed by boards and sub-committees, we can help alleviate the pressures, particularly for those acting in a voluntary capacity.

Our dedicated NFP specialists work with you to develop a bespoke plan to meet liquidity and income requirements, optimise investment returns, and preserve capital over the long term.

They are supported by our Chief Investment Office (CIO) team, who provide guidance on strategic and tactical asset allocation and the selection of fund managers.

You could see our role, in effect, as your Outsourced Chief Investment Office, helping make the investment decision-making process as simple and efficient as possible.



A Team to Support and Facilitate



We mitigate risk, benchmark targets and outcomes, optimise returns and facilitate compliance and good governance.

This support allows your organisation to continue operating efficiently and focus on fulfilling your charter.

We work within your operational structure, collaborating with the investment sub-committee on planning and implementation and reporting to the Board as required to ensure their full understanding of investment strategies, risk management, and compliance with legal obligations.

Our collegiate approach gives you access to the wealth of knowledge across our firm, including asset class expertise and specialised investment and business insights.

Throughout the whole process, there is a focus on meeting your compliance requirements and maintaining good governance through accountability, transparency and integrity.

Understanding is at the Core of Our Approach



The first step we take is to gain a full understanding of your organisation's operational profile and mission.

A fundamental part of the process is to review the current stakeholders, so roles and responsibilities are clearly defined, and there is an agreed approach to managing the investment portfolio.

We are well aware that the boards and investment committees of NFP organisations are often voluntary roles.

Working with your investment committee and other nominated charter members, we review your existing plan and help prepare an Investment Policy Statement that appropriately reflects the organisation's needs and objectives.

With input from our CIO team, we then develop a strategic investment plan, ranging across agreed asset classes and geographical regions, and select the preferred investment and risk managers, with all decisions based on our best-in-class approach to ESG matters.

Our entire advisory process, including fees and remuneration, is highly transparent to ensure all investment decisions are in your organisation's best interests.

Overall, you can be sure you will receive service and advice that is second to none.

Creating your Investment Policy Statement



The Investment Policy Statement (IPS) is designed to address the objectives, constraints, unique circumstances and overall procedures that govern your organisation's investment-related activities.

It defines the responsibilities of all stakeholders in your investment program and articulates the investment objectives, risk tolerances, liquidity controls, and asset selection criteria.

Care is taken that the IPS can be easily understood and executed by all relevant parties; is specific enough to provide guidance but not be overly restrictive; and incorporates the ESG views of the organisation.

An additional benefit is that the drafting process can help identify any weaknesses and gaps between actual and best practices and between expectations and realities, which can then be addressed.

The IPS is reviewed annually to ensure that the content remains aligned with your organisation's long-term objectives and purpose.

A Proactive Outsourced Chief Investment Office



Our Chief Investment Office is the bedrock of our strategic investment planning and tactical asset allocation process, enabling our advisory team to develop and manage client portfolios with surety and confidence.

While advice across the entire range of asset classes can be provided, the focus can be on specific assets according to the agreed investment plan.

Another key aspect of the CIO advisory services is the assessment and selection of preferred fund managers, with ongoing oversight of their performance and suitability.

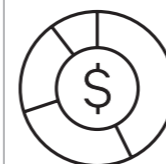
Procedures can also be put in place to identify potential investment risks and provide mitigation and response strategies.

We provide ample opportunity for organisations to apprise themselves of the data and detail flowing from our CIO team's research process, so their understanding is well informed.

Easily accessible information is available across different platforms providing fortnightly, monthly, quarterly and annual communications. Areas covered include financial markets, economics, asset classes and geopolitical news.

The CIO team's commentaries look to the past for context, report on the present, and include their forecasts for the future.

An Investment Approach Matched to Organisational Needs



An important aspect of a bespoke investment plan is to create a benchmark for required returns and volatility that reflects your organisation's objectives and risk profile.

Performance across asset classes tends to vary in extent and time of contribution, so the aim is to smooth the returns across the portfolio.

As the funds are either generally not replaced or carry a known liability stream, the focus is on long-term capital preservation.

To this end, our approach is to participate without bias in any particular source of return and mitigate the risk of macro trends such as interest rates, inflation or exchange.

In our view, asset allocation is the most important portfolio management decision an investor makes.

This is supported by academic research* that shows more than 90 percent of the variability of a portfolio's returns can be explained by the strategic asset allocation. Tactical management of the asset allocation and manager selection make up the remaining 10 percent.

Discipline and rigour are critical to ensuring all relevant data is captured and adopted consistently across the firm, enabling our long-term investment performance to be optimal and repeatable.

* Source: P. Brinson, L. Randolph Hood, & Gilbert L. Beebower. (1986). Determinants of Portfolio Performance. Financial Analysts Journal, 42(4), p.39-44

Approach to ESG



As guardians of capital, we take a holistic approach to creating a sustainable future for our clients.

Sustainability is about thinking intergenerationally and considering how we can contribute to a better world on behalf of our clients.

We assist in the education of environmental, social and governance issues through tailored research and communication sessions, while using that knowledge to help make informed investment decisions.

Proper oversight of environmental, social and governance issues is an integral factor in driving portfolio returns. Fund managers who take into account ESG issues are better able to identify the longer-term risks and opportunities in their markets. A robust ESG process will highlight risks that could lead to capital erosion in the future.

We are constantly vigilant about any ESG issues within portfolios or with the fund managers themselves.

Monitoring for ESG issues is part of our ongoing fund manager due diligence process. The process we apply involves both a qualitative assessment and a quantitative analysis. In selecting fund managers, we have curated a list of practices that we consider to be a best-in-class approach to ESG.

Managers are appraised according to whether they adhere to each component of this checklist. Our ESG Annual Report provides a snapshot of how each fund is adhering to ESG principles.

An aerial view of a city skyline at dusk. The sky is a mix of orange and blue, with the sun setting behind the buildings. The city is filled with tall skyscrapers and smaller buildings. In the foreground, a street with a church spire is visible. The text is overlaid in the center of the image.

**WE COMBINE ALL OF OUR KNOWLEDGE,
EXPERIENCE AND JUDGEMENT,
AND APPLY THESE ATTRIBUTES TO DELIVER
SUPERIOR OUTCOMES FOR OUR
NFP CLIENTS.**

Managing Investment Risk for Optimal Long-Term Outcomes



Portfolios are subject to continuous monitoring and oversight to ensure risk is managed efficiently and effectively.

To achieve this, three critical components must be present: a clear process, individual accountability, and good governance.

At all stages of the asset allocation process, we have a specified process, defined accountabilities, and an oversight function.

Responsibility for setting and reviewing our clients' strategic asset allocation sits with our Chief Investment Officer, supported by our Investment Committee.

Portfolios are stress-tested against extreme events to uncover hidden biases, and an asset allocation review is conducted annually.

Responsibility for fund manager selection sits with the asset class specialist within the CIO team, supported by our Approved Product List Committee.

Risk at the manager selection level is managed by rigorous oversight. All our externally managed funds are also monitored quarterly for performance, with deeper due diligence conducted annually.

Reporting to Suit your Needs



We have a proprietary reporting system that offers both standard and bespoke quarterly reviews, ensuring transparency and compliance with governance obligations. Reports can be tailored to address the metrics required by your organisation.

Our standard quarterly review is available online to nominated personnel via a secure view-only platform.

The review encompasses:

- portfolio valuation by asset class
- asset class allocation
- portfolio performance
- investment movements
- income and tax credits
- tax summaries, including income and expenses
- realised and unrealised CGT
- cash transactions
- transaction history
- estimated income.

In our bespoke quarterly review, we identify potential risks and provide mitigation and response strategies in relation to asset allocation, underlying fund performance, and portfolio balancing. We also review portfolio performance against agreed benchmarks.

Security in Safe Custody



All assets managed on behalf of our clients are held on trust by a custodian and are not attached to our assets and liabilities, nor to those of the custodian.

Your managed assets may be held on trust with our preferred custodian, Clearstream Australia Limited. Owned by Deutsche Borse AG, Clearstream is one of the world's largest settlement and custody firms for domestic and international securities and maintains strong long-term ratings from major international rating agencies (as at June 2021).

The security of your assets is paramount. There is no higher priority for us than leading the industry with our practices in this respect.

Transparent Fees and Remuneration



Recognising the impact of fees on NFP cash flows, we offer fee options to ensure our advice and services are cost-effective.

Our single-tier fee system is based on an agreed percentage fee levied on the value of financial assets under management, excluding cash and term deposits. This fee is inclusive of all advisory, platform and transactional costs and is billed monthly in arrears.

If a portion of the portfolio is allocated to Australian and international equities via a Separately Managed Account, an additional fee is charged by the fund manager.

Our remuneration system comprises only salaries and bonuses. Any bonus is based on qualitative and quantitative goals that measure overall contribution to the business, and does not influence advice given.

The firm's revenue comes from payments by our clients for the services we provide, together with the normal placement fees received on new equity and debt issues.

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Be second to none