

**MELANESIAN
TRUSTEE SERVICES LIMITED**



PACIFIC BALANCED FUND

TREASURY AND INVESTMENT POLICY

Valid from: 1st July 2023

Approved by the Trustee Board:

John Sanday
Executive Chairman – MTSL

Date: 15th June 2023

Mark Sakai
Director

Date: 15th June 2023

Jerry Singirok
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Date: 15th June 2023

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Director

Date: 15th June 2023

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1. GOVERNANCE AND REGULATORY REQUIREMENTS

Melanesian Trustee Services Limited (“MTSL”) is the appointed trustee of Pacific Balanced Fund (“PBF”) (formerly the Investment Corporation Fund of Papua New Guinea) and is the Interim Manager of the Fund.

MTSL operates in a regulated industry governed by the following legislation:

- Securities Act 1997
- Securities Commission Act 2015
- Capital Markets Act 2015

MTSL operates under the Trust Deed of PBF.

This treasury and investment policy is prepared in line with the principal investment policy of the Fund and documents PBF’s strategic asset allocation, which sets out the target allocation to certain classes of investment assets. In determining the strategic asset allocation, PBF considered:

- **Risks:** The risk involved in making, holding and realizing, and the likely return from the investments having regard to its objectives and cash flow requirements.
- **Returns:** The likely future return on each asset class, including the distribution of returns on each asset class, knowing the investment returns (especially riskier investments such as equities and property) are not the same each year, and may indeed be negative in certain periods.
- **Diversification:** The distribution of returns on the portfolio, considering the entire diversification of PBF’s assets, to ensure adequate diversification and reduce the risk associated with inadequate diversification.
- **Regulated Solvency:** The solvency and liquidity requirement set by the legislation regarding the insurance activity.
- **Required liquidity:** How liquid each investment is and the liquidity of the portfolio.
- **Duration:** PBF’s expected and unexpected cash flow requirements, by forecasting liquidity needs regularly, to be sure that these cash flows can be met.

2. INVESTMENT OBJECTIVE AND RISK TOLERANCE

2.1. Investment objective and risk tolerance

The investment objective of PBF is to achieve a return after management expenses and taxation, but before reserves allocation (if any) exceeding the consumer price index of Papua New Guinea reported by the Bank of Papua New Guinea or the National Statistical Office of Papua New Guinea (“CPI”) over any five-year period.

2.2. Review of investment objective and risk tolerance

The investment objective will be reviewed by the Investment Committee regularly but at least annually. The following triggers which may have a material impact on PBF’s ability to meet the investment objective, would result in a more frequent or immediate review of investment objective:

1. *Force majeure* event in PNG, such as but not limited to inability of the State of PNG to meet interest and principal obligations on State securities.
2. A major equity market event in PNG which could impact the specific market holdings of PBF or the broader market generally, such as a 20% fall in the value of shares over a one-month period.
3. A major property event in PNG which would likely result in a prolonged period of vacancy in the market.
4. A major international market event such as a 20% fall in the value in global equity market values over a one-month period.

2.3. Investment principles

MTSL has developed an investment strategy based on the following beliefs. These belief statements will be reviewed periodically.

- a. PBF has a long-term investment horizon.
- b. A disciplined and rigorous investment process is critical to the success of PBF's investment and treasury objectives. The likelihood of meeting investment objectives is directly related to the time, expertise and organizational effectiveness applied to decisions by the Board and Management.
- c. Good governance also applies to stock selection, that by investing in companies with a good governance structure, we can improve risk adjusted returns to the shareholder.
- d. Risk and return are strongly related. Over the long term, holders of riskier assets should be paid a premium to hold those assets. Whilst prudent levels of risk are necessary to achieve investment objectives, risk-taking does not guarantee positive or higher investment returns.
- e. The most important investment decision is establishing return goals and risk tolerances, and then setting an appropriate strategic asset allocation that reflects those goals and tolerances.
- f. Diversification is important and prudent diversification helps achieve more consistent returns and minimizes total portfolio risk but cannot eliminate all investment risk. The benefits of diversification are limited, and therefore diversification should only be used when it improves the risk/return profile of the investment portfolio.
- g. Active investment management may add value. Active management refers to the choices made by MTSL to make active management decisions which enhance its ability to add value in respect to its investee companies.

3. INVESTMENT GOVERNANCE

3.1. Investment portfolio

The investment portfolio of PBF as at the date of this policy ("Investment Portfolio") is detailed in Appendix A.

MTSL determines the Target Strategic Asset Allocation ("TSAA") as presented in Appendix B. A detailed description of each asset category is provided under section 5.2.

At any time, TSAA should be in line with the requirements and it is in compliance with the prevailing legislation. It is noted that the current legislative environment may not accurately reflect prevailing market conditions.

MTSL may deviate from the TSAA for a temporary (maximum 2 years) period if the market conditions require and if it is approved by the Investment Committee and it is in compliance with the prevailing legislation.

3.2. Investment constraints and limitations

MTSL determines PBF's investment strategy and strategic asset allocation based on market standards. These provisions include:

- a. Maximum exposure in single entity limit.
 - i. Maximum investment risk exposure limit cannot exceed 35% of the total assets of PBF, directly or indirectly to any one single entity, individually or in aggregate, at any time.
 - ii. The above limit to be decreased to 25% by 2025 as part of the long-term portfolio restructuring.
- b. Industry limit.
 - i. Maximum investment risk exposure limit cannot exceed 40% of the total assets of PBF, directly or indirectly to any one single entity, individually or in aggregate, at any time.

- ii. The above limit to be decreased to 35% by 2025 as part of the long-term portfolio restructuring.
- iii. PBF will not invest in industries listed in Appendix G.
- c. Minimum liquidity
 - i. Liquid investments (e.g. term deposits, bonds) have to be in the range of 5-10% of the total asset value in order to ensure a strong liquidity position.
- d. Maximum investment in single entity:
 - i. PBF should invest in minority shareholding (maximum 49% of the shares without control) to any operational entities.
 - ii. PBF may purchase controlling interest for strategic reasons for temporary (maximum 2 years) period.
 - iii. Property holding entities are exempt and can be owned up to 100%.
- e. Offshore investments
 - i. PBF is permitted to invest in assets outside PNG, however, investment is subject to FX availability.
 - ii. PBF's off-shore investments are limited to listed shares and listed bonds and government bonds with minimum credit rating of B- (S&P) in the jurisdictions listed in Appendix H.
 - iii. PBF's off-shore property investments are permitted in the jurisdictions listed in appendix H.

3.3. Exceptions under the current limitations are given on the following investments:

PBF owns Toyota shares, which represent c. 43.8% of the total investments as at 31 December 2022 and exceeds the maximum exposure limits. PBF needs to consider the diversification of its portfolio over a medium to long-term time frame to comply with the investment policy, however, this should be achieved only through value added investments and should not result in a forced divestment from Toyota shares.

3.4. Taxation

During the investment decision, PBF must consider the following taxation rules and position:

- a. PBF is liable for corporate income tax at a rate of 30% on regular income, such as interest and rent.
- b. Dividends received by PBF incur 15% dividend withholding tax but are exempt from corporate income tax.
- c. There is no capital gains tax in PNG (pending new legislation).

4. OPERATIONAL STRUCTURE AND RESPONSIBILITIES

The operational structure of MTSL is determined in line with the Trust Deed.

4.1. The Trustee Board

MTSL is the Trustee of PBF.

The Board of MTSL in Trust of PBF consists of 3 to 5 members appointed by the shareholder of MTSL ("Trustee Board").

The Trustee Board acts as a Trustee of PBF and has final responsibility according to the Capital Markets Act 2015.

4.2. Investment Committee

4.2.1 Composition of the committee

The Trustee Board appoints an investment committee with 4 to 10 members (“Investment Committee”) with authorities determined by the Trust Deed for the Manager of the Fund under section 12 of the Trust Deed.

The Investment Committee shall be independent from the Trustee Board.

The Investment Committee should include:

- Representative of the Trustee Board (one member but maximum 25% of the members)
- Executive management of MTSL (minimum one member, but maximum 25% of the members) (together “MTSL Delegates”)
- Delegate(s) of major unitholders of the Pacific Balanced Fund (controlling minimum 15% of the total units) (“Unitholder Delegates”)
- Independent expert(s) with relevant experience in the field of financial investments or mergers and acquisitions (minimum one member)
- A delegate of the churches as owners of significantly large unit portfolios and as representatives the general PBF membership.
- The Investment Committee should be chaired by an independent expert.

Any member of the Investment Committee shall meet the minimum qualification requirements listed in appendix I.

The approved composition of the Investment Committee is presented in Appendix D.

The Chairman of the Investment Committee is elected by the Investment Committee for one year with simple majority.

4.2.2 Appointment of members of the Investment Committee (and revocation of membership)

In line with the above section, major unitholders and churches may delegate Committee members at their own discretion, however, delegates are subject to the minimum qualification requirements.

The appointment of any delegate must be accepted by the Investment Committee with a simple majority.

The Investment Committee may elect a new member, who does not fulfil the minimum criteria only with a special majority (minimum of 80%) of the committee members supporting the new member’s election.

The appointment of any delegated member of the Investment Committee may be rejected by the Trustee Board or the Investment Committee itself if the person does not pass a fit and proper person test (e.g. Section 41 of the Capital Market Act 2015) and/or the following specific reasons apply:

- a. Does not comply with the minimum requirements;
- b. Has a conflict of interest and/or;
- c. Has a criminal record and/or;
- d. Faces pending criminal court action.

At its discretion, the Trustee Board may reject a nominee who has been historically connected to previous actions against PBF and MTSL.

The delegating unitholder may revoke its delegate at any time based on its own discretion.

Either the Trustee Board and/or the Investment Committee may suspend a member of the Investment Committee if it is identified that the member:

- a. does not pass a fit and proper person test (e.g. Section 41 of the Capital Market Act 2015),
- b. has a conflict of interest was identified which was not reported by the member,
- c. has a court action ordered against the member, or
- d. is under judicial procedures, and court actions are reasonably expected.

4.2.3 Limitation of voting rights

To maintain independence and the adequate representation of the minority unitholders, special limitations apply on the composition of the Investment Committee:

- The aggregated voting power of the MTSL Delegates should not exceed 50%. If the Board composition would result in a higher voting power, a limitation should apply, and the Trustee Board should reduce or expand the number of Committee Members on the Investment Committee across the specified categories.
- The aggregated voting power of the Unitholder Delegates should not exceed 50%. If the Board composition would result in a higher voting power, a limitation should apply, and the Trustee Board should reduce or expand the number of Committee Members on the Investment Committee across the specified categories.
- In the case where the voting results of the Committee are split 50% against 50%, the Chairman's vote shall decide the outcome.

Due to the potential overlap in operation between PBF and major unitholders, all Unitholder Delegates shall declare before every meeting, if the delegating unitholder is interested in any competitive transaction process to be discussed by the Investment Committee. If the delegating unitholder is involved in a competitive process, the representative of that unitholder shall be excluded from voting and shall leave the meeting during the discussion of the specific agenda point.

4.2.4 Remuneration of the Investment Committee

The independent members of the Investment Committee are entitled to remuneration based on regular (every 3 years) market benchmark assessments, to be paid by the Fund Manager.

MTSL Delegates and Unitholder delegates are subject to the remuneration policy of their delegating agency and are not entitled to separate remuneration from the Fund Manager.

4.2.5 Tasks and responsibilities

Tasks and responsibilities of the Investment Committee are determined by the Trust Deed under the Manager of the Fund.

Subject to the other provisions of clause 10 of the Trust Deed and the covenants by the Trustee contained in clauses 21.1(b) and 21.1(j) of the Trust Deed and the duties of the Trustee arising at law, the Investment Committee has absolute discretion as to the investment of any cash forming part of the Trust Fund and as to the purchase, sale, lease, transfer, exchange, alteration, refurbishment, redevelopment or other dealing with or in respect of any Asset or Liability of the Trust Fund from time to time.

The Investment Committee should meet quarterly, except when a different timeline is accepted by the Investment Committee.

The Management of MTSL may call the Investment Committee on 5 (five) days' notice for special purposes. Such purpose must be communicated to the Investment Committee in advance.

Other than determined by the Trust Deed, the Investment Committee is responsible particularly for:

- Reviewing and amending the Treasury and Investment Policy,
- Reviewing and amending the investment process and guidelines to ensure the robustness of the internal procedures and to be aligned with any new legislation as it arises,
- Reviewing and approving the TSAA and ensuring compliance with the TSAA,
- Approving any investment or divestment proposal within the constraints listed under section 3.2 of this policy,
- Pre-approving any investment or divestment proposal before the submission to the Trustee Board,
- Regularly reviewing and assessing risks of the investment portfolio,
- Conducting regular reviews and risk assessments of the approved financial institutions and deposit limits,
- Monitoring compliance with PBF's investment policy and investment objectives,
- Ensuring that appropriate controls are in place to identify and address the risks that arise and/or could arise from PBF's investments and investment proposals.

4.3. Treasury department and Investment Officer

4.3.1 Organisational structure

MTSL establishes a Treasury department with the departmental structure shown in appendix C.

The Treasury department is led by the Investment Officer.

MTSL appoints an Investment Officer who directly reports to the CEO and for investment purposes directed by the Investment Committee. Should the role be vacant for any time, the role of the investment officer is held by the CEO (currently the Co-CEO, investment finance, mergers and acquisitions).

The further operational structure of the department is to be determined on a demand basis to be able to fulfil all departmental responsibilities.

It is recommended that analysis and transaction support functions are separated from the monitoring functions.

4.3.2 Tasks and responsibilities

The responsibility of the Treasury department is split to monitoring and transaction support:

Transaction support includes:

- Active searches for new investment opportunities,
- Preparing and presenting investment or divestment proposals for the Investment Committee,
- Executing investment Committee decisions,
- Recommending changes in the TSAA,
- Recommending temporary or permanent tactical switching of the asset composition within the TSAA based on market analysis and forecast interest rate movements.

Monitoring includes:

- Active (e.g. monthly) monitoring of the investment portfolio,
- Preparing regular performance reporting and benchmarking from the investment portfolio,
- Relationship management and providing a key contact point for the investee companies,
- Relationship management with financial institutions and managing regular quotes,
- Regular review and assessment of the approved financial institutions and deposit limits,
- Maintaining and operating internal controls to identify and address the risks relating to the investment activity to comply with PBF's investment policy,

Other general tasks:

- Prepare internal valuation of existing investments or potential investments,
- Manage external valuers and investment advisors,
- Investment in short-term deposits within the allocated investment limits,
- Reporting to the Investment Committee on a regular and ad-hoc basis,
- Monthly reporting to the accounting department.

5. ASSETS AND INVESTMENT PROCEDURE

5.1. New investments and divestments

Management or the Treasury department may propose new investment opportunities to the investment committee.

Investment proposal needs to be presented to the Investment Committee and supported by an investment analysis as required by the Investment Committee. The investment analysis may include but is not limited to:

- Risk analysis of the asset to be acquired;
- Benchmark of historical and future return of the asset (appendix G);
- Legal background of the seller / bank;
- Comparative risk and return analysis.

Investment decisions must be pre-approved by the Investment Committee.

5.2. Investment

5.2.1 Investment in bank deposits

PBF may place deposits only with pre-approved licensed banks (and BPNG licenced financial institutions):

- Short-term deposits – within 180 days to maturity
- Medium- or long-term deposits – over 180 days to maturity

Banks and additional financial institutions can be approved by the Investment Committee. PBF should maintain a risk assessment on the financial institute and consider the allocation of funds and deposits among the approved banks within the limits determined.

Deposit limits to any of the financial institutions are reviewed and approved on an annual basis by the Investment Committee and presented in the Appendix F. Unless, the Investment Committee determines stricter rules, the below general limitation, shall apply for any financial institutions.

The Treasury department is entitled to invest in short-term deposits with the following limitations and requirements:

- Regular (e.g. biannual) fee and interest quotes from all the approved financial institutions are to be requested;
- Best value for money investment to be selected;
- Approved short- and long-term deposit limits and
- Risk of repayment default.

Any long-term deposit with a financial institution is subject to approval by the Investment Committee and must be supported by an appropriate investment analysis.

Exposure to any one domestic financial institute should not exceed the lower of:

- 10% of the total asset portfolio; or
- the lower of K50,000,000 or 50% of the total liquid cash position (including governmental bonds) of the fund.

(These are considered as the general limits as noted in appendix E.)

PBF must maintain adequate liquid investments to enable allocation of assets to the investment activity within a reasonable time upon necessity.

5.2.2 Investment (divestment) in government securities

PBF may invest in government securities issued by the State of Papua New Guinea in the form of bonds, treasury bills and inscribed stocks (together the “Government Securities”).

Any investment or divestment in Government Securities is subject to approval by the Investment Committee and must be supported by appropriate investment analysis.

5.2.3 Investment (divestment) in listed shares

PBF may invest in companies listed on the PNG’ Stock Exchange (“PNGX”) (“Listed Shares”).

Any investment or divestment in Listed Shares is subject to approval by the Investment Committee and must be supported by appropriate investment analysis.

Investment Committee shall consider the exposure of major unit holders to any listed investments and consult with the delegated Committee member of the respective unit holder.

5.2.4 Investment in unlisted shares

PBF may invest in ordinary shares and/or preference shares in private companies registered in Papua New Guinea (“Unlisted Shares”) and whose primary operations are in PNG.

Investment in Unlisted Shares are subject to the investment criteria set out in Appendix E.

Any investment in Unlisted Shares is subject to approval by the Investment Committee and must be supported by appropriate investment analysis and an independent valuation prepared for investment purposes.

5.2.5 Active investment management

Under the governance of active investment management, the Investment Committee requires regular reporting on the performance of the Investment Portfolio.

The reporting includes, but is not limited to:

- Continuous liquidity updates and reports on funds available for investment purposes (e.g. funds required for redemption and minimum liquidity).
- Regular (e.g. quarterly) reporting on financial performance of the portfolio elements by classes, including but not limited to:
 - Interest received from the investment,
 - Dividends declared or paid by the investee companies,
 - Latest available valuation of the investment (value and date),
 - Latest available financial statements or management accounts of the investee companies,
 - Calculated return on investment for the period.

The reporting format should be prepared by the Treasury department and reviewed / accepted by the Investment Committee.

The Investment Committee may from time to time require ad-hoc reporting regarding the investment portfolio or any specific investment.

The performance of the Investment Portfolio must be measured and benchmarked to the market as presented in Appendix G.

6. VALUATION OF INVESTMENTS

The valuation of the investments is required for reporting purposes. PBF's accounting policy is determined in line with the International Financial Reporting Standards (IFRS) and states that investments are shown at fair value in the financial statements.

To fulfil this obligation, PBF will always act according to clause 15 of the Trust Deed and the actual accounting policy. If the accounting policy does not determine any obligation in this respect, the following framework shall apply:

- Any investment exceeding the lower of (i) 10% of the investment portfolio or (ii) PGK 5 million, must be valued annually by an independent expert, with a review/update prepared by the treasury department at least once in every six months;
- Any investment below the above limit but exceeding the lower of (i) 2% of the investment portfolio or (ii) PGK 1 million, must be valued bi-annually. The valuations shall be reviewed and, if necessary, updated with a Management estimate prepared by the treasury department at least once in every six months;
- Any investment below the above limits must be valued in every three years. The valuations shall be reviewed and, if necessary, updated with a Management estimate on an annual basis, prepared by the treasury department;
- The valuation of any investment should be updated within reasonable time (e.g less than 30 days) of any triggering event. Triggering event may include (i) significant change in market conditions, (ii) significant change in profitability of the investment (iii) significant change in risk profile of the investment, (iv) any material market transaction (including potential purchase of shares in investee companies) indicating a change in the investment value.
- Bank deposits with approved financial institutions are valued on a nominal basis unless it perceives there to be a risk of default;
- Government securities including treasury notes are recognised at amortised cost and assessed for impairment annually. Amortised cost approximates fair value of these instruments.

6.1. Interim revision of the portfolio value

PBF shall adopt the portfolio value based on the independent valuation report.

If any interim management review (prepared by the Treasury department) indicates a change in more than 5% of the investment value (from the last valuation) of the individual asset or PGK 2 million (the lower of the two), then any dividend declaration / payment made by the investee company, should be immediately adjusted for the investment value of the company (e.g. deducted from the investment value according to the net debt/cash position consideration in the latest valuation report).

If a third-party share sale or purchase transaction indicates materially different value of an existing investee company (e.g. 10% of the investment value or 2% of the investment portfolio), an independent valuation is required to support such value.

7. INVESTMENT RISK MANAGEMENT

7.1. General risk

There is no way to eliminate all forms of investment related risks. PBF is responsible for ensuring exposure to certain levels of risk remains aligned with PBF's risk appetite and overall risk management framework.

Risk mitigation strategy: approved investment policy and processes.

7.2. Market risk

Market risk generally includes equity market risk, and to a lesser extent, bond market risk. To minimize market risk, emphasis is placed on utilizing higher quality assets with lower credit risk and investment in companies with strong operational management.

Risk mitigation strategy: portfolio diversification and TSAA.

7.3. Credit risk

Credit risk is defined as the risk that the issuer of a fixed income obligation would default on that obligation. While bonds with higher levels of credit risk offer the opportunity for enhanced returns, they also present the potential for significant loss of part or all of principal. To reduce credit risk, PBF generally focuses on higher quality fixed income instruments than the low-quality assets.

Risk mitigation strategy: issuer pre-investment due diligence and regular monitoring.

7.4. Interest rate risk

Increases in interest rates can affect PBF in two ways:

- Sustained increases in interest rates can eventually increase the long-term Government bond rates and PBF's assumed interest rate and term deposit rates.
- Increases in interest may cause bond prices to drop, thus impacting the principal value of the bond portfolio.

To reduce interest rate risk, PBF may focus on fixed income instruments with lower maturities and/or lower durations where possible.

Risk mitigation strategy: regular market analysis and forecasting.

7.5. Risk management by asset class

The asset allocation of an investment option is the primary determinant of the risk characteristics and, therefore, PBF focuses most of its risk management resources on managing the asset allocation decisions.

Risk mitigation strategy: ensuring adequate diversification across and within various asset classes (comply with TSAA).

8. APPROVAL

This policy is effective from 1st July 2023 following the approval by the Trustee Board on 15th June 2023.

9. GLOSSARY

	Description
BPNG	Bank of Papua New Guinea
CEO	Chief Executive Officer of Melanesian Trustee Services Limited
CPI	consumer price index of Papua New Guinea reported by the Bank of Papua New Guinea or the National Statistical Office of Papua New Guinea
Government Securities	Government securities issued by the State of Papua New Guinea in the form of bonds treasury bills and inscribed stocks
IFRS	International Financial Reporting Standards
Investment Committee	An independent committee established by the Treasury and Investment Policy
Investment Portfolio	The investment portfolio of PBF as at the date of the Treasury and Investment Policy
MTSL	Melanesian Trustee Services Limited
MTSL Delegates	Representative of the Trustee Board and Executive management of MTSL together
PBF	MTSL in Trust for Pacific Balanced Fund
PGK	Papua New Guinean Kina, the official currency of Papua New Guinea
PNG	Papua New Guinea
PNGX	PNG' Stock Exchange
Trustee Board	The board of directors of Melanesian Trustee Services Limited
Trust Deed	The trust deed of PBF signed on 22 nd October 2001
TSAA	Target Strategic Asset Allocation
Unitholder Delegate	Delegate(s) of major unitholders of the Pacific Balanced Fund

10. APPENDICES

A. Investment portfolio

The current investment portfolio is presented in the table below:

(PGK'000)	Shareholding		Dec-21	Dec-22	Jun-23
	# of shares	Share- holding			
Bank South Pacific	To be added	0.00%	789.13	799.44	
Listed securities			789.13	799.44	
Amalpack Ltd	210,001	30.00%	8,046.50	8,400.00	
BOC Gases (PNG) Ltd	271,700	26.00%	40,946.50	50,000.00	
Kumul Hotels Ltd	4,472,220	26.92%	25,382.00	27,000.00	
Markham Culverts Ltd	To be added	25.00%	10,503.00	11,500.00	
Cash on bank ("in" or "at" bank)	To be added	13.60%	13,458.50	16,700.00	
Niu Marsh Ltd	To be added	30.80%	-	1,600.00	
Origin Energy (PNG) Ltd	To be added	33.00%	12,629.50	7,500.00	
SP Brewery Ltd	To be added	0.10%	1,006.50	1,100.00	
Trukai Industries Ltd	To be added	24.10%	54,457.50	41,500.00	
Toyota Tutsho Ltd	To be added	33.80%	241,052.00	280,000.00	
Unlisted securities - minority shareholding			407,482.00	445,300.00	
Metals Refining Operations Ltd	To be added	100.00%	11,385.00	13,700.00	
PBF Properties Ltd	To be added	100.00%	105,396.50	113,700.00	
PBF Agro-Business Ltd	To be added	100.00%	48,690.50	48,300.00	
Unlisted securities - controlled shareholding			165,472.00	175,700.00	

B. Target strategic asset allocation (“TSAA”)

PBF’s targeted asset allocation is presented in the table below:

	Dec22 allocation	Target allocation	Exception noted
Government securities	0.0%	up to 10%	
Unlisted shares	68.5%	50-70%	Unlisted share portfolio to be mitigated in mid-term
Listed shares	0.1%	0-15%	
Properties	27.0%	15-35%	
Term deposits	1.7%	up to 35%	
Short-term deposits	1.7%	up to 35%	
Long-term deposits	0.0%	up to 25%	
Cash on bank ("in" or "at" bank)	1.2%	up to 3%	

C. Investment committee and department structure

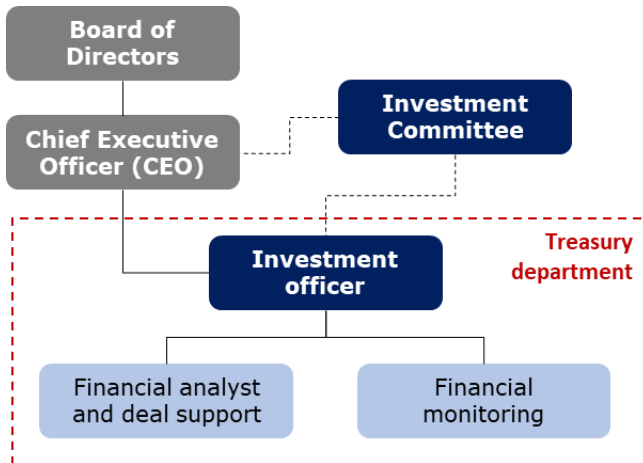
a. Composition of the Investment Committee

The current composition of the Investment Committee is presented in the table below:

#	Type of member	Date of appointment
1. Mr. John Sanday	Representative of the Trustee Board (Executive Chair of MTSL)	1 July 2023
2. Norbert Kneifel	MTSL delegate (Co-CEO of MTSL, Investment, Finance, Mergers and Acquisitions)	1 July 2023
3. Ian Allan Tarutia	Independent member	1 July 2023
4. To be nominated	Unitholder delegate	pending
5. To be nominated	Unitholder delegate	pending

b. Departmental structure

To be updated based on implementation plan



D. Investment Criteria for unlisted investments

The following are the criteria to be met for the acquisition of unlisted equity investments:

- The investment fits within TSAA;
- An equity stake of between 10% and 49%, subject to the management of investment risk;
- The targeted investee company must have strong operational management;
- MTSL board representation in each investee company that will allow MTSL to exert decision making powers in line with its ownership level;
- Conclusion of a formal shareholders' agreement with certain reserved matters to be included in the shareholders' agreement to protect the investment risk and allow MTSL to manage and mitigate its investment risk to a higher level. Reserved matters will include:
 - Dividend declarations;
 - Disposal and acquisition of material assets;
 - Approval of Authority Framework, annual budgets and business plans;
 - Appointment and remuneration of Managing Director / Chief Executive Officer;
 - Pre-emptive rights and rights to subscribe for shares pertaining to those classes of shares that effect control over the company;
 - External borrowings and material contracts;
 - Change in nature of business; and
 - The ability to force a liquidity event.
- Achieve a hurdle Internal Rate of Return (IRR) of minimum 8% over a 3 to 5 years period, including amortization in perpetuity of cash flows thereafter;
- The investee company will ideally be subject to external audits and have audited accounts available for review. Where the investee company is not audited, additional due diligence procedures will be performed to achieve similar comfort than that which audited financial statements could provide under the circumstances; and
- The targeted investee companies will ideally have at least three years' positive operating profit history, of which at least one of the last two years must have achieved a minimum of K1 million profit before taxation and a minimum or acceptable market EBITDA margin of the respective industry/sector.
- The targeted investee companies will ideally have at least three years' positive free cash flow (aggregate of the operating and investment cash flow) and cash generation ability in line with the respective industry/sector.
- PBF will seek to protect its rights and mitigate risk through the requirement for appropriate warranties and undertakings from sellers when making acquisitions or investments.

The investment criteria will be reviewed by the Investment Committee and updated from time to time, as required by experience and market conditions. Detailed guidelines and procedures may be issued by the Investment Committee. The performance of the investments will be monitored on an ongoing basis by MTSL management. The Investment Committee will evaluate the performance of the investments generally each quarter. A detailed annual performance review on the investments is undertaken by the Investment Committee.

E. List of approved financial institutions and deposit limits

The current investments are presented in the table below:

(PGK'000)	Date of approval	Maximum short-term (below 1 year) deposit	Maximum long-term (above 1 year) deposit
Licensed Commercial Banks			
Bank of South Pacific Limited	1 July 2023	General limit applies	General limit applies
Kina Bank Limited	1 July 2023	General limit applies	General limit applies
ANZ (PNG) Limited	1 July 2023	General limit applies	General limit applies
Westpac PNG Limited	1 July 2023	General limit applies	General limit applies
Other Licensed Financial Institutions			
Heduru Moni Limited (trading as Moni Plus)	1 July 2023	General limit applies	To be approved
Credit Corporation Limited	1 July 2023	General limit applies	To be approved

F. Benchmark of asset categories

Investment categories and recommended benchmark rates are presented in the table below:

(PGK'000)	Benchmark
Short-term deposits (incl. cash on bank)	Average 90 days central bank bill rate
Long-term deposits	GIS average rate for 6-year bonds. Where no 6-year bond rate, interpolate between shorter and longer GIS rates.
Government securities	Benchmark for any period will be the weighted arithmetic average of the GIS auction over the period. Or if it is not available, the Australian GIS average plus the actual country risk premium of PNG.
Listed shares	Performance for the period including share price and the dividend. Kina Securities Home Index (KSHI) for PNG listed equities.
Unlisted shares	GIS average for 6-year bonds as published at GIS (or as above) auction plus 4%.
Properties	GIS average rate for 6-year bonds rate plus 3% (or as above).

G. Industry restriction

PBF must not invest in the below listed industries:

- i. Military asset and gun production.
- ii. Gambling where the gambling revenue exceeds 20% of the total revenue, or the profit from gambling exceeds 20% of the total profit.
- iii. Pornography.

PBF must consider carefully the social and environmental impact of industries in which it is invested or considers investing and document details of its considerations along with records of its decisions.

H. Foreign jurisdictions approved for investment

PBF may invest in foreign jurisdictions as listed below and approved by the Investment Committee:

	Listed share Credit rating	Government bond Credit rating	Properties
Approved jurisdictions	Australia Fiji New Zealand Vanuatu	Australia New Zealand	Australia Fiji Vanuatu

I. Minimum requirements for the members of the Investment Committee

- Bachelor or master's degree preferably in economics or management,
- CPA PNG or any equivalent qualification, or
- One of the followings:
 - Minimum ten (10) years relevant experience in the field of investments or mergers and acquisitions, or
 - Minimum ten (10) years relevant experience in property management or property investments,
- No criminal records,