**Investment Management**

**policy of**

**Palli Karma-Sahayak Foundation**

With a view to alleviate poverty through employment generation, Government of the People’s Republic of Bangladesh has established Palli Karma-Sahayak Foundation (PKSF) under the Company Act 1913(amended in 1994) as “not for Profit” company in 1990.PKSF makes available financial services (Micro-credit, Agricultural credit, Micro-Enterprise credit, Micro-Insurance), Technical knowhow, Capacity Building, and comprehensive community development services through a network of Partner Organizations to increase *Income generating Activities* and employment generation that will ensure sustainable up gradation of standard of living of Poverty stricken marginalized people. Proper management of PKSF fund is an essential for attaining objectives of PKSF as well as attaining self-sufficiency. It is therefore essential to have appropriate policies of PKSF for proper utilization of its fund.To this end this **Investment Management Policy** is prepared which will act as guidelines to ascertain sound management of foundation’s investment fund.

1. **Authority & Responsibility**

The Board of PKSF is responsible for maintaining and extending the assets of the organization, to provide for its long-term financial viability. In its stewardship of PKSF’s financial assets, the Board shall ensure that any assets not required for the current operating budget will be invested in accordance with PKSF’s Investment Plan.

A committee comprised of Managing Director (Chair), Deputy Managing Director (Ops-1), Deputy Managing Director (Admin & Finance), Deputy Managing Director (Ops-2), General Manager (Finance& Accounts) will be responsible for day to day investment decision.

1. **Investment Objectives**

* **Safety:** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
* **Liquidity:** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated and unanticipated demands.
* **Yield:** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

1. **Areas of Investment**
   * 7 days call notice deposit
   * 3 months FDR
   * 6 months FDR
   * 12 months FDR
   * Over 12 months FDR
   * Treasury bills of various terms
   * Call money market
   * Government Bonds
   * Other type of instruments under the regulations of Bangladesh Bank.
2. **Investment Management Parameters**

* Investment decision shall reflect Business plan of the Foundation
* To ensure safety and liquidity of investment, fund should be invested in **CAMELS rated A, B** (incase of Private institution), **D** (incase of State Owned institution) grade financial institutions.
* Portfolio at Risk (PAR) of above mentioned financial institutions should not exceed 3% of total asset.
* Financial Institutions should have been in continuous operation for more than 5 years
* To reduce concentration risk and diversify investment portfolio, investment in any single institution should not exceed 2.5% of the total asset of the respective institution or 10% of the total investment of PKSF(whichever is lower)
* Investment should be limited to financial products mentioned in section 13.2 of this policy.
* The maturity of the investment should not be more than 1 (one) year; except special purpose fund in which case fund can be invested for more than 1(one) year.
* Investment fund shall be allocated after meeting all types of reserve fund requirements of the foundation.

1. **Fund Allocation strategy**

In deciding the ratio of fund utilization in different categories, care should be taken to select the category so that choosing the type of fund utilization can maximize earnings. The fund requirement may vary from period to period depending on the cash flow forecast. If proportion or ratio is to be suggested, care should be taken so that the ratio is continuously revised so that cash need is reflected into the investment/deposit pattern.

Keeping the above in mind, in general terms, the following percentages may be taken in allocating fund:

* 5% of surplus fund may be kept in Fixed Deposits with maturity of over 3 years or various Government Bonds.
* 10% of total surplus fund may be kept in Fixed Deposits for a period up to 3 years.
* 85% surplus fund may be invested in Banks and Specialized Financial Institutions as below:
* 20% may be held in Term Deposit of one year’s maturity.
* 20% may be held in 6 months maturity Term Deposit.
* 10% may be held for Treasury Bills.
* 20% may be held in 3 months maturity Term Deposit.
* 30% may be held for investment in call Money Market.

If capital market instruments (primary and secondary shares, commercial papers, debentures) are allowed, then 15% of fund may be invested for period maturing between three to six months

1. **Strategy for Determining Investable Fund**

* Month-wise disbursement plan for partner organizations (PO) has to be prepared at the beginning of each year. The plan has to be checked each month to find out the variation. The monthly variations of the actual to be the plan to be adjusted in the flexible manner.
* Month-wise repayment schedule of the POs has to be prepared at the beginning of the year. Any variation to the plan has to be adjusted at the beginning of the next month. In preparing the repayment schedule care to be taken to consider the deferred payments.
* Month-wise expenditure schedule to be prepared along with the revenue expenditure, the capital expenditure also has to be reckoned. Any special type of exceptional payments like flood loan, HRD implementation or any other contingent liability, which may occur to be forecasted.
* Month-wise receivable has to be prepared. FDR maturating on months along with other receivable has to be considered.
* Government grant or loan, IDA grant or loan or grant and loan of any other funder will influence the figure in any month. FDR maturity for the months can be obtained from the FDR database to be reflected in the schedule.
* Month wise cash flow statement is to be prepared. 2-3 months’ cash requirement shall have to be kept in liquid form. Those amounts can be deposited in STD accounts.
* The Cash flow statement, for at least 3 months, will show if any deposit in the first month will affect the liquidity in the subsequent two months. Cash flow over the next three months will determine the proportion of deposits in these types of instruments.
* If investment policy permits, investments can also be made in shares in primary market, which can be liquidated within six months from the date of investment.
* Provided investment policy permits, with due care and investment advice, investment can also be made in secondary market. This can be liquidated at any time. Transaction cost and other risks associated with the market should be judged before any investment in secondary market is made.

1. **Internal Controls**

The Audit Committee is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the foundation are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (a) the cost of a control should not exceed the benefits likely to be derived and (b) the evaluation of costs and benefits requires estimates and judgments by management.

The internal controls structure shall address the following points:

* Control of collusion,
* Separation of transaction authority from accounting and recordkeeping,
* Prompt reconciliation of accounts,
* Custodial safekeeping requirements,
* Avoidance of physical delivery securities,
* Clear delegation of authority to subordinate staff members,
* Proper training and supervision of subordinate staff members,
* Written confirmation of transactions for investments and wire transfers,
* Dual authorizations of wire transfers, and
* Development of a wire transfer agreement with the lead bank and third-party custodian.

Accordingly, the audit committee shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures.

1. **Review**

Any amendments in the investment policy shall be formally approved and adopted by resolution of the Governing Body of the foundation and reviewed annually