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## 1. AYY INVESTMENT ASSETS

### 1.1. The structure of the investment assets

The Student Union possesses investment assets, both directly and through the property companies that it owns.

The investment assets consist of share and interest investments, direct fund investments and investment properties. The investment properties of the Student Union are outside the policies of this investment policy.

### 1.2. The basis of the investment policy

The long-term earnings target guiding the investment allocation and the risk profile that corresponds to it have been set as the basis of the investment policy for investment assets. The investment policy also sets the restrictions for investment activity, such as liquidity requirements, allocation restrictions and other possible restrictions. Asset classes have also been defined for the assets, for allocation and as a basis for reporting.

## 2. THE INVESTMENT POLICY RELATING TO THE INVESTMENTS OF THE STUDENT UNION

### 2.1. The structure of the investment assets

Under the direct ownership of the Student Union, there are assets that have been accrued historically, the real revenue of which the Student Union uses to cover the remaining expense of ideological operations after membership fees.

The assets of tied-up funds are also included in the assets that are under the direct ownership of the Student Union. The Student Union hands out grants to its members from tied-up funds. The same investment policy is followed with the assets of tied-up funds as with other comparable assets.

### 2.2. Earnings targets

The earnings target of investment assets is defined as a long-term earnings target and earnings can vary over a shorter period, depending on the risk profile of the investment portfolio. Here, long-term is considered to be an investment horizon of 5-10 years. The average annual long-term real earnings target of the investment assets of AYY is 3.0 %. In this case, the annual inflation rate realised is subtracted from the nominal net earnings of the investment assets. The long-term inflation target of the European Central Bank is about 2 %.

### 2.3. Management of investment risks

The starting point of the investment activity of the Student Union is, with a defined investment horizon, obtaining a reasonable and safeguarding return on the assets of the Student Union to support ideological operations.

Investment risks are dispersed by allocating investment assets to different investment targets, asset classes and areas, taking the restrictions relating to the allocation of investments into account. The long-term earnings expectations of different asset classes, as well as the uncertainty associated with them, are taken into account in the allocation of the investment portfolio. **The aforementioned real earnings target of 3.0 percent requires** that about half of the liquid investment assets should be allocated in the long term to share investments, or to investment forms that have earnings expectations similar to shares. The rest of the investment assets shall be allocated to asset classes that disperse share risk, such as e.g. interest investments.

The risks associated with investment activity are limited by defining the investment instruments used in the investment activity and their allocation limits. Risks associated with investment activity are market risks, credit risk, liquidity risk and counterparty risk.

Market risks are share market risk, interest market risk, currency risk and commodity market risk.

- Share market risk is limited with allocation limits. The allocation of share investments is dispersed globally so that the share of individual market areas and developing markets does not become too large in the investment portfolio.
- Interest market risk is not limited separately, but its significance in proportion to share market risk is small in the basic allocation. Interest market risk typically disperses share market risk.
- Currency risk arises indirectly when investing in securities outside the eurozone. The operational risk associated with the management of currencies is sought to be avoided by investing most of the investments in euro-based investment products. The currency risk arising from indirect fund investment is not hedged against as a rule if the currency risk is a part of the investment product.
- Commodity market risk can arise in the investment portfolio through alternative investment strategies. Investing in commodities is limited with the allocation limits of alternative investments.

- Credit risk arises primarily through interest investments. The majority of interest investments must be in Investment Grade interest investments with a good credit rating or in money market investments. A maximum limit is set for interest investments with a weaker credit rating and these will only be invested in in a dispersed way, through funds.

Hedging against liquidity risk is done at the level of the whole investment portfolio by keeping a sufficient portion of the funds, from the point of view of the activity of the Student Union, in short-interest instruments or funds. In addition, most of the investment portfolio should be invested in liquid asset classes, such as stock exchange-listed shares and interest investments or indirectly in the funds that invest in them. Asset classes which are not liquid can be properties and possibly investment products associated with alternative investment strategies.

The counterparty risks associated with derivatives may be included in indirect fund investments if the funds use derivatives in their operations. Direct derivative investments are not made for the investment portfolio.

#### 2.4. Investment instruments

The Student Union can invest in the following investment instruments, either directly or through funds:

- Money market investments: targets for investment can be short-term, euro-based bonds with a good credit rating or classified as such, with a term to maturity of less than a year, such as commercial papers, certificates of deposit or fixed-term deposits. Investments can be direct or fund investments.
- Group bonds: targets for investment can be euro-based Investment Grade group bonds issued by governments and other public sector institutions or private companies, or funds that invest in the aforementioned or funds that use investment products that are comparable to those.
- High-yield/Emerging market debt: targets for investment can be company loans that have a weaker credit rating than the Investment Grade class, or group bond loans issued by the governments of developing countries and other public sector institutions. These loans will only be invested in in a dispersed way through funds.

#### Share investments

- National stock exchange-listed shares can be invested in directly or through funds.
- European stock exchange-listed shares can be invested in directly or through funds. Currency-based investments are primarily done through funds.
- American shares are primarily invested in through funds.
- The shares of other regions are primarily invested in through funds.

#### Alternative investment strategies

- Alternative investment strategies can include hedge fund investments, commodity investments, infrastructure investments or other investments with a lower level of liquidity. Alternative investment strategies will only be invested in in a dispersed way through funds.

### 2.5. Restrictions on investment activity

Investment activity is subject to limitations from liquidity restrictions, a fixed time horizon, allocation limitations and other possible restrictions.

#### 2.5.1. Liquidity restriction

The asset management strategy will be implemented in such a way that the cashflow required for the operations of AYY is secured. The allocation of the assets into different asset classes and investment instruments is done in a way that ensures the liquidity requirement.

The liquidity restriction is defined so that at least 20 % of the assets to be invested are invested in high-quality liquid money market instruments and high-quality public loan investments.

#### 2.5.2. Allocation restrictions

In order to ensure sufficient dispersal of risks, maximum allocation limits are set for individual liquid asset items. The percentage share of an individual investment target of the market value of the whole investment portfolio may not exceed the following levels:

#### Interest investments

- Bank deposit 50 %
- A private issuer of a bond that matures within a year 20 %
- An issuer of a public-sector group bond 20 %

- A private issuer of an investment grade group bond 5 %
- An individual interest or money market fund 20 %

#### Shares

- Direct ownership of shares of an individual company 5 %
- An individual share fund 20 %

#### Alternative investment strategies

- An individual fund investment 10 %

The total portion of share investments and High Yield/EMD loans in the investment portfolio must be in the range 20 % - 70 %.

### 2.6. The target allocation of investments

The Financial Committee prepares the target allocation of liquid investment assets and monitors the realisation of the allocation in reporting. The target allocation range is defined through minimum and maximum shares.

The target allocation range can be consciously diverged from through a decision by the Financial Committee, depending on the market situation. The Council and Board shall be informed immediately about any divergences of the target allocation.

The target allocation for liquid investment assets is as follows:

<b>Asset group</b>	<b>Target weight</b>	<b>Range</b>
<b>Money market investments</b>	<b>10 %</b>	<b>5 % - 80 %</b>
<b>Bond investments</b>	<b>20 %</b>	<b>0 % - 75 %</b>
<b>Debentures, Investment Grade</b>	<b>20 %</b>	<b>0 % - 50 %</b>
<b>Global High Yield/EMD loans</b>	<b>10 %</b>	<b>0 % - 30 %</b>
<b>Finnish share investments</b>	<b>5 %</b>	<b>0 % - 15 %</b>
<b>European share investments</b>	<b>10 %</b>	<b>0 % - 20 %</b>
<b>North American share investments</b>	<b>10 %</b>	<b>0 % - 20 %</b>
<b>Share investments in other regions</b>	<b>15 %</b>	<b>0 % - 25 %</b>
<b>Alternative investments</b>	<b>0 %</b>	<b>0 % - 20 %</b>

## 2.7. The benchmark index of investments

In the monitoring of investments, a benchmark index basket is used, which the Financial Committee has specified on the basis of the target allocation. The asset managers use the same benchmark index. The benchmark index used by the Aalto University Student Union is as follows:

Benchmark index	Index weight
<b>3-month Euribor index</b>	<b>10 %</b>
<b>Merrill Lynch All Euro Government</b>	<b>20 %</b>
<b>Merrill Lynch EMU corporate bond</b>	<b>20 %</b>
Merrill Lynch BB-B Global High Yield	5 %
<b>Constrained</b>	
<b>Merrill Lynch Emerging Markets External Sovereign</b>	<b>5 %</b>
OMX Helsinki Cap GI index	5 %
MSCI Europe TR Net	10 %
MSCI North America TR Net	10 %
MSCI AC Asia Pacific TR Net	7.5 %
MSCI Emerging Markets TR Net	7.5 %

### 3. THE INVESTMENT POLICY RELATING TO THE INVESTMENTS OF PROPERTY COMPANIES

#### 3.1. The structure of investment assets

In property companies which are under the majority ownership of the Student Union, there are liquid assets whose principal purpose is to fund the investments that are directed at the property in the future.

Investments are made in property companies at intervals when rental earnings exceed running costs. Expropriations are also made from investments, for example to pay off loans.

#### 3.2. Earnings targets

The investment objective of funds in property companies is to preserve capital and to attain earnings that match the interest rates of money market instruments in all market conditions.

Even though the investment horizon may be a few years at most, the preservation of capital, and the possibility to realise the investment within a short time as well, must still be ensured due to the nature of property companies.

#### 3.3. Investment instruments

The objective is to use the instruments of the money market fund definition of CESR (the Committee of European Securities Regulators), which are in accordance with the objectives, and instruments like them in terms of their risk profile, as investment instruments.

#### 3.4. Management of investment risks

Money market instruments must have a sufficient short-term credit rating given by a credit rating agency, at least A-2 (S&P), P-2 (Moody's). In the absence of a credit rating, the instrument is required to have a comparable level assessed by the asset manager.

### 4. THE MONITORING OF ASSETS

The responsibility for the monitoring and reporting of assets rests with the Financial Director, who reports regularly to the Financial Committee. The Financial Director reports on the development of the assets, on the basis of information received monthly from the asset managers.

#### 4.1. The structure of reporting

The structure of the assets and the changes that have occurred in them are reported so that property assets and investment assets are reported on separately.

The reporting of investment assets consists of the following:

- the market value of the assets by asset class
- the change in market value during the inspection period
- the allocation of the whole portfolio vs. the target allocation
- asset class-specific reporting of earnings in relation to the benchmark indices defined for them
- the risk reporting of the investment portfolio

#### 4.2. Asset managers

The Student Union may use external asset managers in asset management. The decisions about the asset managers are made by the Financial Committee of the Student Union.

In selecting asset managers, the following shall be taken into account:

- the asset managers must be known and solvent
- the positions of the asset managers will be put out to tender regularly
- in order to disperse risk, the portfolio to be invested shall be divided between at least two asset managers