



INVESTMENT POLICY AND GUIDELINES

PREPARED BY
THE MINERALS INCOME INVESTMENT FUND

In fulfilment of the requirements of sections 15 & 39 of the Minerals Income Investment Fund Act, 2018 (Act 978) as amended by the Minerals Income Investment Fund (Amendment) Act, 2020, (Act 1024)

December 1, 2021

A. List of Abbreviations

AI	-	Alternative Investments
AUM	-	Assets Under Management
BIP	-	Bond Issuance Program
CEO	-	Chief Executive Officer
CIO	-	Chief Investment Officer
CSI	-	Corporate Social Investment
ESG	-	Environmental, Social and Governance
FDI	-	Foreign Direct Investment
GIPC	-	Ghana Investment Promotion Center
GoG	-	Government of Ghana
GRA	-	Ghana Revenue Authority
GSE	-	Ghana Stock Exchange
IAC	-	Investment Advisory Committee
IPG	-	Investment Policy and Guidelines
IPO	-	Initial Public Offering
JV	-	Joint Venture
LSE	-	London Stock Exchange
MDF	-	Minerals Development Fund
MIIF	-	Minerals Income Investment Fund
MRI	-	Mining Research Institute
MSC	-	Mining Services Centre
MSCI ACWI	-	Morgan Stanley Capital International All Country World Index
SEC	-	Securities and Exchange Commission
S&P	-	Standard and Poor's
SPV	-	Special Purpose Vehicle
USD	-	United States Dollars

B. List of Tables

Table 1: MIIF Investable Funds..... 10
Table 2:Assets Allocation 11

Table of Contents

- A. List of Abbreviations 2
- B. List of Tables 3
- C. Introduction..... 5
- D. Purpose and Objectives 5
- E. Definitions..... 6
- F. Prohibitions..... 7
- G. Focus Investment Areas 7
 - a.Mining Sector 8
 - b.Community Social Investments 8
 - i.Health..... 8
 - ii.Education and Research 8
 - c.Financial Sector and Products 9
 - i.Direct Equity Participation 9
 - ii.Listing of MIIF’s Royalty Company 9
 - iii.International Bonds..... 9
 - iv.MIIF Bond Program 9
- H. MIIF Investable funds 9
- I. Investment Guidelines 10
- J. Investment Decisions 10
- K. Benchmarking 11
- L. Liquidity 12
- M. Expected Rate of Return 12
- N. Risk Management 12
- O. Oversight of Investments..... 12
- Q. Engagement of External Fund Manager (s)..... 13
- R. Rebalancing 13
- S. Performance Review and Evaluation 13
- T. Environmental, Social and Governance (ESG) 14
- U. Policy Review 14
- V. Overview of the Investment Department 14

C. Introduction

1. The Investment Policy and Guidelines (IPG) is established in accordance with section 39 of the Minerals Income Investment Fund Act, 2018 (Act 978) as amended by the Minerals Income Investment Fund (Amendment) Act, 2020, (Act 1024), herein after referred to as the MIIF Act.
2. The IPG is developed on the back of the sustainable growth agenda of the Fund and its Strategic Plan.
3. The workings of the IPG shall take into consideration the advice of the Investment Advisory Committee (IAC) and approval of the Board of Directors of the Minerals Income Investment Fund (MIIF).
4. This document is to guide the investment decisions of the Fund in the short, medium and long-term, pursuant to the dictates of the MIIF Act.

D. Purpose and Objectives

5. The purpose of the IPG is to provide a framework and procedures for the investment operations of the Fund and also to assist the Board of Directors, Management, and External Fund Managers of the Fund in their quest to maximize the income from minerals royalties accruing to the Republic through the optimization of returns within an acceptable level of risk.
6. Objectives of the IPG:
 - i. Establish for parties involved a clear understanding of the investment goals and objectives of the assets of the Fund;
 - ii. Identify investment avenues and opportunities, especially within the mining sector and the appropriate financing and investment modules to deploy;
 - iii. Offer guidance and limitations to all Investment Managers regarding the investment of the Fund's assets;
 - iv. Set-up a framework for selection of investment projects and monitoring of investment results on quarterly basis; and
 - v. Identify permitted asset classes (MIIF Portfolio) for investment and acceptable ranges of funds allocation that are expected to optimize potential returns within a reasonable degree of risk.

E. Definitions

7. **Assets Under Management (AUM):** The market value of investments belonging to the Fund, valued at prevailing market prices in accordance with globally accepted valuation principles at a given period of time.
8. **Alternative Investment (AI):** Investments in assets different from conventional equity, fixed income or money market categories. For the purpose of this Policy Statement & Guidelines, AI shall be investments in metals trading, tangible assets such as precious minerals, banking and treasury products such as swaps and risk participations/syndications with top tier local and international banks subject to all prohibitions outlined in this Policy and the MIIF Act. AI will also cover investment in private equity, hedge funds, venture capital and projects which may not necessarily be minerals or mining related.
9. **Bond:** A marketable corporate or sovereign guarantee debt issued or bought by the Fund to advance its objectives.
10. **Capital Market:** A financial market where MIIF raises or invests long-term capital through debts or equities or both.
11. **Equity:** It is the ownership interest of the Fund in a company.
12. **Eurobond:** Debt securities denominated in a currency other than the issuing country's currency.
13. **Green Bond:** A fixed-income instrument designed by the Fund to support specific climate-related projects.
14. **Joint Venture (JV):** An agreement in which the Fund and other party or parties agree to pool their resources together to accomplish a specific task for the benefit of all parties.
15. **Loan syndication:** A loan arrangement in which the Fund participates as one of the lenders in funding a borrower (s) on commercial terms within an acceptable risk exposure both locally and externally.
16. **Mineral:** Means a substance in solid or liquid form that occurs naturally in or on the earth, or under the seabed, formed by or subject to geological process including industrial minerals, such as limestone, quartz, lithium, salt, sand, and granite, but does not include (i) petroleum as defined in the Petroleum (Exploration and Production) Act, 2016 (Act 919); (ii) water and (iii) bauxite.
17. **Mineral Royalties:** Means amounts payable under section 25 of the Minerals and Mining Act, 2006 (Act 703); and any other royalty payable by a mining company to the Republic whether or not linked to a percentage of the value of extracted mineral production pursuant to a Relevant Agreement.

18. **Special Purpose Vehicle (SPV):** A subsidiary created by the Fund for a specific purpose, such as to obtain finances, transfer risk or to perform specific investment activities.

19. **The Fund:** Minerals Income Investment Fund

20. **The Project:** Means a specific set of activities for which the Fund makes funds available for execution on commercial terms or at a discretion that the Fund deems appropriate.

F. Prohibitions

21. Pursuant to the MIIF Act, the Fund or its Special Purpose Vehicle (s) shall not:

- i. Provide credit to the Government of Ghana, Ghanaian Public Enterprises, Ghanaian State-Owned Enterprises (I.e., Corporations under the State Interests and Governance Authority) and private companies.
- ii. Make any investment without the approval of the Board of Directors, except by delegation.
- iii. Make any investment in sanctioned countries or entities operating in sanctioned countries. Sanctioned countries are as per the United Nations Sanctions List, sanctions imposed by the African Union (AU), the Economic Community of West African States (Ecowas) and or any agreements to which Ghana is a signatory.
- iv. Make any investment directly or indirectly in the following sectors – residential real estate, ammunitions, gambling, coal, tobacco, fishing, oil and gas.

G. Focus Investment Areas

22. The Minerals Income Investment Fund seeks to ensure effective and efficient management of the mineral's revenue accruing to the Republic through strategic and profitable investments which among others, include the provision of alternative budgetary support to the GoG from the returns.

23. The Fund shall also support community social investments primarily in mining communities which would uplift the lives of Ghanaians in these communities under a corporate social investment initiative.

24. The Fund will seek to diversify its sources of funding as well as its investment portfolio, including the use of capital market transactions to raise funds, explore risk participations and syndications in high yielding short term transactions with other top grade financial institutions within Ghana or globally across various sectors apart from those prohibited under section "G" of this Policy.

25. The Fund may maximise value from its portfolio by monetising a portion of its assets via a Special Purpose Vehicle (s) to raise significant funds from domestic and

international capital markets to support capital investments both within and outside the mining sector. The Fund will concentrate its investments on:

a. Mining Sector

26. MIIF will embark on significant joint venture investments in the mining sector, especially with other funding partners, banks, local operators and small-scale miners. The objective is to add value and deepen local content in the sector. This will include, but not to be limited to direct equity participation in mining related projects and mining entities across the value chain. The Fund may enter into de-risking mechanisms such as co-investments with financial institutions and other Funds in viable mining projects.
27. The Fund shall explore equity participation in mining infrastructure such as refineries based on detailed analysis as required for such projects. The Fund intends to support the establishment of a Mining Services Centre (MSC) to enhance the growth and development of the industry in partnership with the private sector and other stakeholders; and investments in various mineral-types across the entire value chain of each mineral in the sector. The Fund will actively work with the Ghana Investment Promotion Centre (GIPC) and the Ghana Chamber of Mines to attract Foreign Direct Investment (FDI) into the sector.

b. Community Social Investments

i. Health

28. Ensuring that Ghanaians benefit from the minerals income accruing to the State from the mining sector through the establishment of Specialized Health Facilities and Services, especially in the mining communities where significant environmental degradations occur, is highly prioritised by the Fund. Investment in health for all to reduce health inequalities is critical for sustainable development. MIIF will undertake construction of state-of-the art community clinics based on needs assessment and provide support for other health infrastructure through collaborations with the Mineral Development Fund (MDF) across the country.

ii. Education and Research

29. The Fund views education as a right and as a base for prosperity and opportunity for Ghanaians. MIIF will partner with research institutions, Government, corporations, foundations to provide educational and other social infrastructure in well-deserved communities to improve livelihoods, which will drive social stability and provide long-term economic growth. The Fund will also prioritise Small-Scale Miners and partner with the University of Mines and Technology (UMAT) to provide responsible basic mining education to the Small-Scale Miners, support capacity development of UMAT as well as explore the possibility of establishing a Mining Research Institute (MRI), well positioned to provide mining services to the West African Sub-region.

c. Financial Sector and Products

30. MIIF will invest a significant proportion of its funds in equities to provide long-term capital to potentially viable companies to support long term growth. MIIF also intends to deepen the domestic capital market by encouraging and supporting companies it invests in to go public:

i. Direct Equity Participation

31. MIIF will undertake direct equity participation (locally and internationally) to provide developmental support and long-term growth capital to companies which demonstrate growth potentials with a reasonable level of risk.

ii. Listing of MIIF's Royalty Company

32. MIIF intends to raise capital to support its operations and Government's developmental projects by listing up to 49% of its wholly Special Purpose Vehicle (i.e., Agyapa Royalties Limited) on the Ghana and London Stock Exchanges.

iii. International Bonds

33. The Fund will also invest in high-yielding local and international sovereign and corporate bonds which meets the Fund's laid down risk acceptance criteria.

iv. MIIF Bond Program

34. MIIF intends to establish a Bond Issuance Programme (BIP) on the back of a portion of its income from minerals royalties which may be denominated in foreign or domestic currency, subject to regulatory approvals in Ghana and abroad. This programme will target both international and domestic investors.

H. MIIF Investable funds

35. Section 31 (1) of the MIIF Act, enjoins the Fund to transfer 20% of all royalties received by the Fund to the Minerals Development Fund (MDF) for the discharge of their functions.

36. The Ghana Revenue Authority (GRA) is also mandated by section 28 (1) of the MIIF Act to assess and collect mineral royalties on behalf of the Fund. The Fund shall pay a service fee of 2.4% to the GRA on all collected minerals royalties in line with the Minerals Revenue Management Agreement between the Fund and GRA.

37. MIIF shall have allocated to it, 2% of minerals royalty receipts and a maximum allocation of 5% of MIIF investment returns for the day-to-day operations of the Fund.

38. The remaining funds shall constitute MIIF's investable funds as shown in Table 1.

Table 1: MIIF Investable Funds

Assets under the Agyapa Transaction	
Gold (Large Scale)	
Total Receipts	100.00%
Disbursement	
Minerals Development Fund (MDF)	20.00%
Ghana Revenue Authority (GRA)	2.40%
Agyapa Royalties Limited (Investment)	75.60%
Minerals Income Investment Fund (Operations)	2.00%
Assets Outside the Agyapa Transaction	
Mid-Tier Gold & Other Mineral-types	
Total Receipts	100.00%
Disbursement	
Minerals Development Fund (MDF)	20.00%
Ghana Revenue Authority (GRA)	2.40%
Agyapa Royalties Limited (Investment)	0.00%
Minerals Income Investment Fund (Operations)	2.00%
Cash Available for Other Investments	75.60%
Dividend	100%

39. Royalties from other mineral-types such as manganese, silver, quarries, limestone salt, etc. as well gold royalties from assets outside the Agyapa Royalty Transaction constitute other investable funds for the Fund.

40. Dividends received by MIIF on behalf of the State, in relation to Government's ten percent (10%) free carried interest in the rights and obligations of the mineral operations shall form part of the Fund's Assets.

I. Investment Guidelines

41. MIIF Investment Policy and Guidelines provides well-defined procedures which the Fund's Investment and Finance Departments shall use to achieve the investment objectives of the Fund at any given period.

J. Investment Decisions

42. Responsibility for execution of this investment policy in accordance with these guidelines and restrictions lies with the Chief Executive Officer (CEO) and his Investment Team, subject to approvals by the Board of Directors.

43. The Fund's asset classes will be diversified and managed with a high level of financial prudence to avoid unpredictable impact on the performance of the Fund by a single asset class. The permitted asset classes of MIIF are categorized into lower & upper limits with specific target allocations as represented in Table 2:

Table 2: Assets Allocation

Asset Class	Target	Lower Limit	Upper Limit	Benchmark
Equities	75.6%	25.0%	80.0%	MSCI ACWI
International Bonds	15.0%	7.0%	20.0%	Bloomberg Barclays U.S. Aggregate Bond Index
Bank Securities & Other Money Markets	3.4%	2.0%	5.0%	91-day Tbills+1%
Cash	1.5%	1.5%	3.0%	Nil
Alternative Investments	4.5%	4.0%	6.0%	MSCI ACWI+1%
Total	100.0%			

44. The asset allocations take into consideration risk, returns, correlation of asset classes, and potential transaction costs of rebalancing. The Investment Team will ensure the rebalancing policies of the Portfolio. The portfolio mix is aimed at reducing overall portfolio volatility and generating more consistent returns over the long-term.

K. Benchmarking

45. The overall return of MIIF’s portfolio will be compared to the performance of similar funds globally:

- i. The Fund shall not commit more than 20% of its portfolio market value in a single Joint Venture (JV) at the time of commitment.
- ii. Investments in Special Purpose Vehicles shall be strictly supervised by the Fund’s Investment Team led by the Chief Executive Officer. If an SPV is created to facilitate an investment option, that SPV (s) shall be designed to execute a specific programme. Annual commitments from the Fund’s income to the SPVs shall not exceed 60% of MIIF investable funds, primarily from minerals royalties and dividend, except by approval by the Minister for Finance.
- iii. Bank securities and other money market investments shall not exceed 5% of Assets under Management (AUM).
- iv. The allocated funds to Alternative Investment shall range between 4.0% to 6.0% bands of AUM.
- v. At each rebalancing, cash flows from interest and principal payments will be reinvested into other asset classes for the following month so that index results over one or more months reflect monthly compounding.
- vi. International bonds investments are restricted to Baa1 rated bonds by Moody’s or equivalent by Standard and Poor’s (S & P) or Fitch with a maximum maturity not exceeding 15 years. If the bond is subsequently downgraded below the required rating threshold after purchase, the security shall be disposed-off at the earliest opportunity.

L. Liquidity

46. In order to reduce forced disposal of short-term securities before maturity dates and its corresponding capital loss which may be aimed at meeting immediate cash requirements, the Finance Team will annually provide cash flow forecast to the Investment Team to make the necessary adjustments aimed at building sufficient cash buffers. This policy prescribes that a minimum of 2% of the Fund assets shall be maintained in cash or cash equivalents.

M. Expected Rate of Return

47. The Fund envisage to achieve an annual return of +1% MSCI World Index, net of management fees for its United States Dollar denominated investments and +2% 1-Year Government of Ghana Note or GSE All Share Index, as deemed fit, net of management fees for its Ghana Cedi denominated investments. This is however subject to market and economic conditions at any given period.

N. Risk Management

48. The Fund's risk management policy is geared toward capital preservation and optimal risk-adjusted return generation. The investment risk shall be measured on the basis of asset classes from both markets and macroeconomic perspectives at the time of taking any investment decision.

O. Oversight of Investments

49. The Board and the Investment Advisory Committee (IAC) of the Fund shall play the fiduciary role in the Fund's investments and ensure effective implementation of the Investment Policy and Guidelines by the Investment Team of the Fund in accordance with the MIIF establishing Act and other directives issued by the Board. This Investment Policy and Guidelines will be supported by other operational manuals approved by the Board such as:

- i. Investment Liquidity and Risk Management Policy;
- ii. Compliance Policy;
- iii. ESG Guidelines;
- iv. Corporate Social Investment Policy;
- v. Projects Appraisal Guidelines; and
- vi. Investment Monitoring and Evaluation Guidelines.

P. Disclosure of All Interests

50. In an event that a member of the Board, IAC and Management has a relationship with a service provider (Fund Manager/Consultant), who has been shortlisted for procurement purposes, the said member must disclose such relationship or conflict to the Board and IAC, and abstain or recuse him or herself from meetings and voting on related items. This is in line with section 11 of the MIIF Act.

51. In the event that a member of the Board, IAC and Management has a relationship with a target investee, one must disclose such relationship or conflict to the Board, IAC and abstain from meetings and voting on related items.

Q. Engagement of External Fund Manager (s)

52. The Fund Manager shall perform its duties with the standard of skill, care and judgement that will be expected of a professional investment manager.

53. In carrying out its duties, the Fund Manager shall be subject in each case to any overriding directions of the Board and Management of MIIF that are given in writing and addressed to the Fund Manager at its registered office.

54. The External Fund Manager shall be selected by the MIIF Board based on prudent due diligence procedures. A qualified Investment Fund Manager must be a registered member in good standing with the Securities and Exchange Commission, Ghana (SEC), Ghana Stock Exchange (GSE), and any other related regulatory bodies.

55. The following criteria shall be followed by the MIIF IAC in recommending the selection of an External Fund Manager:

- i. The Fund Manager must be a registered member with the requisite regulatory bodies and must be in good standing;
- ii. The Fund Manager must demonstrate experience and expertise in investing in asset classes that demonstrate little or no correlation to one another.
- iii. The Fund Manager's track record should have a span of more than 5 years; and
- iv. Other requirements as recommended by the IAC, Board and Management of the Fund and / or as elaborated in the Term Sheet.

56. The service fee of the Fund Manager shall be a percentage (%) of the AUM per annum.

R. Rebalancing

57. The Board and Management shall always ensure that asset allocations are within the acceptable ranges as indicated in Table 2 above. The current allocations must be within lower and upper limits. The upper and the lower bands may be reviewed quarterly subject to approval by the Board.

58. In the event an asset allocation breaches the lower or the upper limits, Management should notify the Board to assess the possible reasons for the breach and agree on a plan to restore to acceptable range.

S. Performance Review and Evaluation

59. Management will report to the Board on quarterly basis on the performance of MIIF's portfolio. The report shall include recommendations on its investment plan for the subsequent quarter.

60. The report shall be detailed and must ensure that the investment results are consistent with the investment objectives and guidelines as set forth in this document and as approved by the Board. The investment performance of the total portfolio, asset class components shall be measured against the relevant benchmarks approved by the Board.
61. External Fund Managers shall be evaluated based on terms and conditions of their engagements as agreed by the Board. The services of the External Fund Managers may be terminated if:
- i. Their investment performance is significantly less than the agreed benchmark returns and risk, coupled with unacceptable justification of poor performance; and
 - ii. Lack of general adherence to the terms and conditions of their engagement.

T. Environmental, Social and Governance (ESG)

62. MIIF is mindful of the global issues facing humanity and its obligation to take steps whenever possible to support initiatives that seek to address these. MIIF believes that high standards of corporate responsibility will generally make good business sense and have the potential to protect and enhance investment returns.
63. The Fund is committed to ensuring that ESG and sustainability are integrated in all aspect of its operations. The incorporation of ESG and Sustainability in the Fund's investment activities will create a platform for impact investment. The Fund shall ensure that ESG considerations are an integral part of all investment reviews and decisions.

U. Policy Review

64. The Investment Policy and Guidelines (IPG) shall be reviewed at least bi-annually to reflect prevailing market conditions and general macroeconomic developments.

V. Overview of the Investment Department

65. The Investment Department is structured to ensure that Officers own the processes of reporting and become accountable for any responsibilities assigned them.
66. The Investment Department is responsible for the analysis and efficient execution of all portfolio transactions consistent with the MIIF Investment Policy and Guidelines. The functions of the Department include, but not to be limited to maximizing the minerals income of the Republic through investments and monetization of all or a portion of MIIF's minerals income through special purpose vehicles, borrowing from domestic and external capital markets, developing investment modules for domestic mining companies, among others.
67. Given the mandate of the Department to assist in maximizing the minerals income and attracting investment into the mining sector, the Chief Executive Officer (CEO),

the Chief Investment Officer (CIO), the Executive Management and schedule officers will be responsible for maintaining investor-sensitive engagements and providing top notch services to investors. The CIO shall ensure technical and administrative oversight of Managers and Officers in this Department.

a) Investment Advisory Committee

68. The Committee operates under sections 13, 14, 15,16, 17, 18 and 19 of the Minerals Income Investment Act, 2018 (Act 978) as amended and will operate under a charter.

b) Central Office Investment Staff (Two Investment Managers) led by the Chief Investment Officer (CIO)

69. The CIO and team are responsible for day-to-day management and oversight of all investments in accordance with this Policy.

70. The investment staff will facilitate and assist the IAC and the CIO in carrying out duties of the Investment Department and will:

- i. Monitor Policy for compliance;
- ii. Review the work performed by the Fund Managers and monitor cash on a daily basis, minimizing idle funds and maximizing investable funds;
- iii. Maintain appropriate internal controls over investments; and
- iv. Maintain appropriate accounting and financial reporting for investments and communicate information on the investments as appropriate.

c) External Consultants

71. Depending on the structure of an investment option, the Fund may procure the services of an investment consultant, or any other external consultants who will act as an objective, non-discretionary advisor to the Committee.

