APNIC EC Meeting Minutes

Face-to-Face Meeting, Westin Hotel, Xi'an

Monday, 26 August 2013

***Meeting Start**: 9:00am (UTC +8:00)*

Present

Akinori Maemura
Che-Hoo Cheng
Kenny Huang
James Spenceley
Gaurab Raj Upadhaya
Ma Yan
Wendy Zhao
Paul Wilson

Geoff Huston
Craig Ng
Richard Brown
Connie Chan
Sanjaya

Agenda

1. Appointment of Meeting Chair
2. Agenda Bashing
3. Matters arising from Last Meeting
4. Financial Reports
    a. July Financial Report
    b. APNIC Investment Policy
    c. High Level view of 2014 Budget
    d. APNIC Risk Registry
5. DG Report
    a. Report
    b. Organisational Structure Review
    c. IGF Bali Update
6. NRO NC Election Procedures
7. Five Year Strategic Plan
8. APNIC Pulse
9. APNIC 38 Proposals
10. Preparation for Joint Board Meeting
11. AOB

Minutes

The EC Chair called the meeting to order at 9:00, Monday 26 August 2013.

The meeting adjourned at 12:30, and resumed at 16:20, and adjourned at 18:05 on Monday 26 August 2013. The meeting resumed at 5:30pm, Thursday 29th August, and adjourned at 7:05pm, Thursday 29th August.

1. **Appointment of Meeting Chair**

   Kenny Huang was appointed as Chair of the Meeting.

2. **Agenda Bashing**

   There were no changes to the agenda.

3. **Matters arising from Last Meeting**

   The following votes were conducted electronically prior to this meeting, and are recorded in these minutes according to the EC's electronic voting procedures.

   On 12 June 2013, the EC unanimously resolved to adopt the APNIC Investment Policy (attached).

   Motion to approve the APNIC Investment Policy proposed by Paul Wilson.

   .

   On 14 June 2014, the EC unanimously resolved to approve the minutes of the EC Meetings of the 11th – 12th May (attached).

   Motion to approve the minutes proposed by James Spenceley.

4. **Financial Report**

   a. **July Financial Report**

   The EC reviewed the financial report for July 2013 (attached). Total assets are reported to be $27M, and current liabilities are $17M. The net asset position of $17M shows a rise of 7% since the start of the year. Expenditure to date is reported to be $8.3M and revenue is reported to be $10.4M. Current operating surplus is reported to be $2M. Depreciation expenses, ICANN contract fees, professional services and salary expenses are currently below pro-rata budgeted amounts. The defence interval ratio is current 14.1 months.

   At the end of July 2013, APNIC has a total of 3,840 members. There were 85 new members and 25 members who had closed their accounts during the month.

   For the year to date, as at the end of April 2013, membership from India included 106 account closures, of which 100 are due to transfers from APNIC membership to IRINN. Others were closed due to non-payment and discontinued APNIC membership.

   The EC noted the July financial report as representing the financial position of APNIC as of the end of the July 2013, and the EC was satisfied that the company is solvent and able to meet all current debts.

   b. **APNIC Investment Policy**

   The Treasurer reported on further discussions with investment portfolio managers, and proposed amendments to the APNIC Investment Policy (attached).

The EC unanimously resolved to approve the APNIC Investment Policy, as amended.

Motion to approve the APNIC Investment Policy, as amended, proposed by Paul Wilson, seconded by Ma Yan

c. High Level View of 2014 Budget

The EC reviewed a high level overview of the 2014 budget (attached). The EC provided some general guidance parameters in phrasing the salary budget relating to the application of the CPI rate against the 2013 budget figures for salary and personnel expenses; and suggested to use a rolling previous-12-month average new membership levels as the control point for the 2014 budget projections for new membership signups.

d. APNIC Risk Registry

The EC reviewed the APNIC Risk Registry. The EC noted the proposed actions, and will review the status of the Risk Registry and associated mitigation actions at its next regularly scheduled meeting at the end of 2013.

5. DG Report

a. Report

The Director General presented a written report to the EC on current matters (attached).

b. Organisational Structure Review

The EC was informed that a review of APNIC's organizational structure has been conducted, and the review report has identified a number of improvements in reporting structure and responsibilities with the Secretariat's organisational structure.

c. IGF Bali Update

The EC was briefed with an update on the preparatory efforts for this IGF meeting.

6. NRO NC Election Procedures

The EC unanimously resolved to appoint Professor Xing Li as the Election Chair, Mr George Kuo and Ms Connie Chan of the APNIC Secretariat as Election Officers, and Mr Champika Wijayatunga and Ms Irene Chan as Election Tellers.

Motion to appoint NRO NC Election roles proposed by James Spenceley, seconded by Ma Yan

7. Five Year Strategic Plan

The EC was briefed on APNIC's Five Year Strategic plan (attached).

8. APNIC Pulse

The EC will continue to work with John Earls in developing this proposal with specific actions, budget and proposed participants for further consideration at the December EC meeting.

9. APNIC 38 Proposals

Kenny Huang left the meeting for the EC consideration of this agenda item. Akinori Maemura assumed the role of meeting chair.

The APNIC EC considered proposals to host APNIC 38 in 2014.

The EC unanimously decided to select Noumea as the venue for APNIC 38.

Motion to select Noumea as the venue for APNIC 38 proposed by James Spenceley, seconded by Gaurab Raj Upadhaya.

10. Preparation for Joint Board Meeting

An agenda was circulated to EC members prior to the joint Boards meeting of APNIC, LACNIC and RIPE NCC Boards, held on the 28th August 2013.

11. AOB

There were no items of AOB.

Next EC Meeting

5 December 2013 in Brisbane, Australia.

Meeting Adjourned: 7:05pm Thursday 29th August 2013

Meeting Materials

- *APNIC Investment Policy*
- *EC Meeting Minutes, 11-12 May*
- *July Finance Report*
- *APNIC Investment Policy (amended)*
- *Financial Outlook for 2014*
- *DG Report*
- *APNIC Strategic Plan*

APNIC Investment Policy

June 2013

APNIC

Table of Contents

1 Introduction

1.1 Purpose of the Investment Policy

The purpose of this policy is to establish a governance framework that Asia Pacific Network Information Centre (APNIC) adopts in investing its capital. The objectives of this policy are:

- To articulate the organisation's philosophy on investments;
- To establish a governance framework that demonstrates financial prudence to stakeholders;
- To specify the reserves covered by this policy and the objectives for these reserves;
- To set parameters around certain types of investments and how they may be used in a portfolio;
- To set policies aimed at controlling exposure to market risk, credit risk and duration risk within the investment portfolio;
- To establish a process for monitoring, reviewing and rebalancing investments; and
- To confirm delegations and other relevant governance matters in relation to these investments.

2 Investment Philosophy

The Executive Council's investment objectives, philosophy and investment policy is founded on the following beliefs:

- Capital preservation is a primary goal. Capital is not allocated for investment unless the expected return is adequate to compensate for the assessed risk taken.
- To protect capital, quality assets and proven strategies are to play a key role in risk mitigation.
- Absolute positive returns, not market/asset class index relative returns, are the primary investment objective.
- Risk should be viewed as the potential to lose capital and the non-achievement of investment objectives.
- Asset Allocation is the key determinant of investment risk and return.
- Diversification of assets and investment strategies is essential in managing the investment.
- Over the long term skilled investment management will deliver superior risk adjusted returns.
- Timeframes are a critical consideration in determining risk and return expectations.
- Where practical the preference is to avoid investments in businesses that engage in the following areas: alcohol, gaming, tobacco and activities that are to the detriment of the environment.

3 Scope of the Investment Policy

3.1 In Scope

This investment policy applies to the following capital segments, otherwise known as reserves in accordance with the objectives listed below.

Reserve	Objectives
Long Term Investment Reserve	▪ This reserve is to be held to generate income and capital growth for APNIC to build a strategic reserve equivalent to 18 months of operating expenses ▪ The reserve is intended to deliver medium term growth and will accrue any surplus income. ▪ Funds in this reserve will be held in medium term investments while maintaining direct access and liquidity.

3.2 Out of Scope

All other activities of APNIC are outside the scope of this investment policy

4 Corporate Governance Policy for Investments

This section sets out the governance structure for investing and maintaining APNIC's investments. It includes the roles and responsibilities of the Executive Council, Treasurer, Director General, Business Director, Secretariat, Key Decision Makers, Key Decision Maker Delegates and Investment Advisers.

4.1 Treasurer

The Executive Council is responsible for approving this Investment Policy, and any subsequent changes to the policy. This power remains vested in the Executive Council, and is not delegated to any other person.

In all other respects, for the purpose of this Investment Policy, the Executive Council appoints the Treasurer (as appointed from time to time), to represent the Executive Council in all matters requiring the agreement or approval of the Executive Council under this Investment Policy. The Executive Council delegates such powers and responsibilities to the Treasurer.

The Treasurer must approve all investment allocations under this Investment Policy, in addition to all other approvals that may be required under this Investment Policy.

The Treasurer must report to the Executive Council, at each quarterly meeting of the Executive Council, the details of any agreement or approval made by the Treasurer on behalf of the Executive Council, under this Investment Policy.

4.2 The Executive Council and the Director General

Except as provided in 4.1 above, the Executive Council delegates overall responsibility for this Investment Policy and investments made under it to the Director General. The Director General is responsible for implementing and maintaining the investment policy and ensuring that it is adhered to at all times.

The Director General must act in the interests of APNIC and its stakeholders and, in making decisions, and ensure compliance with all applicable legislation.

The Director General must exercise the care, diligence and skill that a prudent person would exercise in investing funds, or making proposals for investing funds. This would include, where relevant, having regard for the need to:

- Adopt and maintain a robust Investment Policy;
- Develop and maintain an investment strategy that aligns with APNIC's objectives;
- Only deal with investments on APNIC's behalf if duly authorised and qualified to do so;
- Understand the legislative framework in which APNIC is to exercise its powers of investment;
- Identify areas where external expertise is required (and engaged) to adequately manage APNIC's investments;
- Ensure those involved in managing APNIC's investments are adequately trained to undertake their roles;
- Consider the use of appropriately licensed and supervised advisers to provide expert advice on portfolio design and construction, investment selection and the implementation of the investment strategy; and
- Manage conflicts of interest in a similar manner to which the Executive Council manages conflicts of interest (see 4.6).

4.3 Appointments and delegations by the Executive Council and the Director General

- The Executive Council delegates to the Director General as the Key Decision Maker the responsibilities set out in 4.4;
- The Director General will appoint the Business Director as the other Key Decision Maker and appoint 2 Key Decision Maker delegates from the Secretariat with responsibilities set out in 4.5; and
- Each Key Decision Maker delegate will act in the capacity of the Director General and the Business Director if they are absent from duty for a period greater than 5 business days.

4.4 Terms of Reference of the Director General and the Business Director as Key Decision Makers

4.4.1 Structure

For the purposes of this Investment Policy, the Treasurer represents the Executive Council and the Business Director reports to the Director General.

4.4.2 Roles and Responsibilities

The role of the Treasurer, the Director General and the Business Director is to inform the Executive Council in its consideration of capital and investment matters, in relation to:

- The performance of investments;
- The compliance or otherwise of investments with the Investment Policy;
- Changes to investments managed under the Investment Policy;
- The management of issues in relation to the Investment Policy including the identification and completion of remedial action;
- The continual development of the Investment Policy to ensure that it meets with APNIC's legal obligations and financial objectives; and
- The selection of appropriately skilled investment advisers.

The Treasurer, the Director General and the Business Director must also:

- Oversee the implementation of the initial portfolio and subsequent execution of investment decisions made in accordance with the Investment Policy;
- Review the portfolio quarterly in accordance with section 7.2 of the Investment Policy;
- Report to the Executive Council at least quarterly in accordance with section 7.2 of the Investment Policy;
- Review the Investment Policy twice yearly; and
- Make recommendations, where appropriate, for the variation of the Investment Policy, to the Executive Council.

Investment Advisers

The Treasurer, the Director General and the Business Director may seek specialist investment advice in relation to the Investment Policy and the ongoing decision-making processes under it (including advice on portfolio design and construction, investment selection and the implementation of the investment strategies) provided that the Treasurer and the Director General have first satisfied themselves that the investment adviser:

- Is a financial institution that operates in Australia under an Australian Financial Services licence;
- Is supported by dedicated internal compliance and research teams;
- Is suitably qualified, having regard for the investment adviser's education and professional experience;
- Is required under its engagement to exercise the care, diligence and skill that a prudent person would exercise in providing advice on the investment of funds; and
- Is required under its engagement to adhere to the Investment Policy when making recommendations to the Treasurer, the Director General and the Business Director

4.5 Key Decision Maker Delegates

Appointment

The Director General will appoint 2 Key Decision Makers delegates. The Key Decision Maker delegates must be members of the Secretariat. The Director General must inform the Treasurer of the appointments.

Revocation of appointment

The Director General may revoke the appointment of a Key Decision Maker delegate at any time, and inform the Treasurer of any revocation.

Role

Key Decision Maker delegates have the responsibility of making day-to-day investment decisions in accordance with the requirements of the Investment Policy and the relevant legislative obligations. The Treasurer in the role as the Executive Council representative must approve all Investment decisions.

Key Decision Maker delegates are subject to the overview of the Treasurer, the Secretariat, the Director General and the Business Director and must act in accordance with any directions issued by the Secretariat, or the Treasurer, the Director General and the Business Director

Key Decision Maker delegates must ensure that they report regularly on the exercise of their functions in the manner determined from time to time by the Secretariat, the Treasurer, the Director General and the Business Director

Responsibilities

In carrying out their role, Key Decision Maker delegates must have regard for the need to:

- Adopt and maintain a robust Investment Policy;
- Develop and maintain an investment strategy that aligns with APNIC's objectives;
- Only deal with investments on APNIC's behalf if duly authorised and qualified to do so;
- Understand the legislative framework around which APNIC is to exercise its powers of investment;
- Identify areas where external expertise is required (and engaged) to adequately manage APNIC's investments;
- Ensure those involved in managing APNIC's investments are adequately trained to undertake their roles;
- Consider the use of appropriately licensed and supervised advisers to provide expert advice on portfolio design and construction, investment selection and the implementation of the investment strategy; and
- Manage conflicts of interest in a similar manner to which the Executive Council manages conflicts of interest (see 4.6).

4.6 Conflicts of Interest Policy

This Policy sets out the Executive Council's policies and procedures for avoiding or managing conflicts of interest that arise in relation to the management of the Investment Policy.

Objectives

The main objectives of this Conflicts of Interest Policy are to:

- Identify potential or actual conflicts of interest that may arise in relation to the Investment Policy;
- Set down procedures to evaluate any potential conflicts of interest. This will permit the decision to be made as to whether a particular conflict of interest situation is manageable or whether it must be avoided;
- Have processes and procedures in place to adequately manage and monitor conflicts of interest; and
- Make adequate disclosure of conflicts of interest to affected persons where required. This is to ensure that these people are sufficiently informed to be able to evaluate whether a conflict may affect the independence or quality of decisions made.

Application

The Executive Council, Treasurer, Director General, Secretariat and each Key Decision Maker delegate must comply with this Conflicts of Interest Policy. Failure to comply could expose the Executive Council and/or its Representatives to risks or legal liabilities.

Duties under the Conflicts of Interest Policy

A Representative must avoid any situation where the duties owed by the Representative under the Investment Policy conflict with:

- The personal interests of the Representative; or
- The duties owed by the Representative to another entity.

Each Representative must notify the Director General, and in the case of the Director General or the Treasurer, the Executive Council, of all material personal interests he or she may have in a matter relating to the Investment Policy.

If a Representative believes that a conflict is such that he or she cannot bring an independent mind to the consideration of a matter, he or she must abstain from taking part in that matter and must notify the Director General and in the case of the Director General or the Treasurer, Executive Council.

Conflicts of interest at the Executive Council, Treasurer, Director General, Business Director, Secretariat and Key Decision Maker delegate level

Conflicts of interest at the Executive Council, Treasurer, Director General, Business Director, Secretariat and Key Decision Maker delegate level must be managed by:

- Having a standing agenda item for disclosure of conflicts of interest at each meeting; and
- Members disclosing personal conflicts of interest.

Where an Executive Council member, the Treasurer, the Director General, the Business Director, Secretariat or Key Decision Maker delegate member has a conflict of interest, he or she must disclose that conflict of interest in a timely fashion to the other Executive Council members, the Treasurer, the Director General, the Business Director, Secretariat and Key Decision Maker delegates. The conflicted member will abstain from the decision-making process.

4.7 Breach Reporting Policy

This Breach Reporting Policy is designed to assist the Executive Council, Treasurer, Director General, Business Director, Secretariat and Key Decision Maker delegates in the management of breaches and to ensure that there is an open and transparent process of reporting and monitoring incidents and breaches.

Objectives

The objectives of this Breach Reporting Policy are as follows:

- To ensure that an incident or a breach, once identified, is reported and resolved in a consistent and timely manner;
- To ensure that there is an open and transparent process of reporting and monitoring of incidents and breaches;
- To allocate responsibility for ensuring compliance with regulatory and other obligations and that risks of non-compliance are effectively managed;
- To assist the Executive Council, Treasurer, Director General, Business Director, Secretariat and Key Decision Maker delegates to implement improved internal controls and service standards; and
- To provide a framework that assists the Executive Council, Treasurer, Director General, Business Director, Secretariat and Key Decision Maker delegates to understand the obligations to monitor incidents and breaches.

Application

The Executive Council, Treasurer, Director General, Business Director, Secretariat and each Key Decision Maker delegate must comply with this Breach Reporting Policy. Failure to comply could expose the Executive Council and/or its Representatives to risks or legal liabilities.

Definition

A ‘breach’ is defined as a failure (or the likely failure) to comply with the measures outlined in the Investment Policy, legislation, regulations or industry standards, as well as any failure of business processes or systems. If there is any doubt as to whether a matter constitutes a breach, the matter must be referred to the appropriate manager for determination.

Registering details of breaches

Any breach identified by the Treasurer, Director General, Business Director, Secretariat or Key Decision Maker delegate must be logged in a centralised register. The following details are to be recorded:

(a) Date the breach was raised;

(b) Who identified the breach;

(c) Status (eg open, closed);

(d) What is the likely impact? (eg financial loss, reputational risk etc);

(e) What is the approach to remediation?

(f) Who is responsible for the remediation? and

(g) The timeframe within which remediation must be completed.

Breaches brought to the attention of the Secretariat or Key Decision Maker delegates must be notified to the Treasurer, Director General and the Business Director in writing within 5 business days of the breach being identified. The timely reporting of issues will ensure swift remediation if required.

5 Investment Allocation Policy

5.1 Investment Risk

APNIC's funds are to be carefully segmented into specific reserves that have been designed to meet the organisations short, medium and longer-term objectives.

5.2 Asset Allocation

The asset allocation is an outcome of the optimal capital allocation to meet the objectives for each reserve that can be aggregated to an asset allocation at a total portfolio level. Based on this rationale, the Asset Allocation should be adjusted where necessary to achieve the objectives.

Strategic Asset Allocation is the primary position or base case for the proportional allocation of capital to respective asset classes in a portfolio constructed to optimise returns for a given level of risk. The Strategic Asset Allocation is determined based on expected asset class returns that in turn are largely guided by historical asset class returns.

A strategic bias is a secondary consideration in portfolio construction. Such opportunities should exist for at least 12-18 month time horizon. The application of strategic biases is to add value (increase return/reduce risk) for a portfolio by varying from the Strategic Asset Allocation and taking under/overweight positions in an asset class or sub-asset class when a suitably attractive opportunity is identified.

Long Term Investment Reserve

The objective of the Long Term Investment Reserve is to generate income and capital growth for APNIC.

The following Strategic Asset Allocation aims to provide stable income streams with minimal levels of capital growth and low levels of capital value volatility. An appropriate investment time horizon is a minimum of 3 years.

The benchmark for this reserve will be a weighted average of the:

- UBS Bank Bill Index;
- UBS Australian Composite Bond Index (All Maturities);
- BarCap Global Aggregate Index (Hedged $A);
- MSCI World ex Aust Index ($A);
- UBS Global Real Estate Investors Index ($A); and
- S&P GI Infrastructure NR Hedged ($A).

Asset Class	Strategic Asset Allocation (%)		
	Minimum	**Maximum**	**Benchmark**
Cash	0%	100%	30%
Fixed Interest	0%	80%	50%
Australian Equities	0%	20%	9%
International Equities	0%	20%	3.5%
Property & Infrastructure	0%	20%	7.5%

5.3 Asset Class Performance Benchmarks

In assessing the performance of an investment portfolio it is important that performance benchmarks are established.

The following performance benchmarks will be used by the Executive Council, Director General and Secretariat when assessing the performance of APNIC's Investments across each asset class.

Asset Class	Strategic Asset Allocation (%)
Cash	UBS Bank Bill Index
Australian Fixed Interest	UBS Australian Composite Bond Index All Maturities
International Fixed Interest	BarCap Global Aggregate Index Hedged $A
Australian Equities	S&P/ASX 200 Accumulation Index
International Equities	MSCI World ex Aust Index $A
Australian Property	S&P/ASX 300 A-REIT Accumulation Index
International Property	UBS Global Real Estate Investors Index $A
Global Listed Infrastructure	S&P GI Infrastructure NR Hedged $A
Alternative Assets	HFRI Fund Weighted Composite Index

6 Investment Selection

6.1 Authorised Investments

APNIC may only invest capital in the following authorised investments:

- Securities accessed through Australian domiciled and Australian regulated markets in accordance with the rules outlined in this Investment Policy;
- Managed investment schemes;
- State or Commonwealth Government Bonds, Debentures or Securities;
- Debentures, bills of exchange, deposits, bonds, notes and/or other fixed interest securities issued or accepted by/with a company listed in the S&P ASX100 index or an APRA regulated bank;
- Cash Deposits with the following financial institutions:
  - Commonwealth Bank of Australia
  - National Australia Bank
  - Westpac Banking Corporation/St. George Bank
  - ANZ
  - Bendigo and Adelaide Bank
  - BankWest

6.2 Investment Ratings Standards

Unless the Director General agrees otherwise, investments must be made only into investment grade products. For these purposes, investment grade products means where both the product and/or the issuer have a Standard and Poor's credit rating of at least BBB- or the equivalent rating from recognised credit rating agencies Moody's or Fitch.

Investments into managed investments should only be made into funds with a Morningstar rating of at least Silver.

6.3 Diversification

One of the most effective ways to manage investment risks is through portfolio diversification. Appropriate diversification is achieved by having a sufficiently broad range of assets, investment management styles and managers to mitigate the potential downside risks resulting from overly concentrated exposures.

The portfolio will be constructed to achieve optimal diversification benefits for the portfolio in accordance with the APNIC's policies, risk parameters and return objectives as outlined in this document. The level of diversification and exposure limits implemented will be determined by a range of factors such as:

- Investment Strategy – by setting a strategic asset allocation in line with the stated objective for each nominated reserve.
- Manager – where appropriate using a combination of fund managers to minimise single manager risk and manager style bias.
- Asset class – where possible investing each nominated reserve in a combination of cash, fixed interest, equities and property.

- Sub asset class – where possible look at breaking down the asset allocation between International and domestic investments as well as specific sectors such as infrastructure.

The portfolio will only include assets that are available in Australian regulated markets. This is due to the size, liquidity, regulatory and transparency requirements necessary for an asset to be included on the Australian markets.

6.4 Liquidity

The funds and investments selected should offer daily liquidity with prices being 'mark to market' on a daily basis.

6.5 Active versus Passive Investment Management

The investment managers should be selected on the basis of their quality as well as the role their particular investment strategy plays in the portfolio construction process. For active managers they should be assessed based upon the prospect they have of achieving superior risk adjusted returns relative to peers and their stated benchmark. For passive managers they should be assessed against their ability to reliably track their chosen index benchmark in a cost effective manner.

6.6 Portfolio Investment Management Style

The diversification of investment styles and managers is instituted to mitigate the potential downside risk to any one investment style or manager and to produce an optimal risk adjusted return profile for a particular asset class over the long term.

6.7 Optimal Number of Fund Managers

The number of fund managers chosen for each asset class within the portfolios is a function of:

- appropriate core capabilities required to be represented in each asset class to achieve adequate style diversification,
- range, quality and strength of capability of the respective managers, and
- fund managers available with the required capabilities.

6.8 Market Segmentation

Market segmentation takes many forms, such as regional and emerging markets, sector specific exposure and large, mid and small cap allocations. These sub-groups within the broader asset classes can, at times, present compelling investment opportunities to improve portfolio returns through a strategic bias. Some of these potential opportunities are described in the points below.

6.8.1 Market Capitalisation

While care must be taken with the use of small cap managers due to liquidity, research coverage and market depth issues, the diversification achieved through having some exposure to stocks outside the S&P/ASX 100, can be beneficial for portfolios.

From a strategic bias, where compelling value is identified outside the Large Cap sector a specialist manager may be included in the portfolio to specifically increase the portfolios exposure to this sector.

6.8.2 Geographic Segmentation (Regional and Country Specific Managers)

Portfolio regional asset allocation is left to the discretion of international investment managers due to the sophisticated top down economic inputs required to assess the relative merits of the various countries/regions and also to manage currency exposures. Therefore, specific regional international managers will generally not be included in the portfolio unless the case for the relevant exposure is compelling and likely to persist for an extended period.

6.8.3 Sector Exposure

The portfolio will not generally use industry sector specific managers as the existing generalist manager's portfolios will carry industry sector biases periodically as a result of their portfolio tilts.

The exception to this is infrastructure funds. These will have equity-like characteristics but are often lowly correlated to broader equity funds. These may provide portfolio diversification and can be included where sufficiently attractive vehicles and opportunities can be identified.

6.9 Currency Management

A common objective for international investing is to diversify the portfolio away from an Australian dollar exposure. Where currency management is used it is usually implemented by applying a global asset allocation approach to management and/or by using some form of currency hedging which may involve the use of derivative instruments.

The decision to hedge currency is to be determined by the Executive Council. Where possible, global fixed interest is to be fully hedged.

6.10 Gearing

Gearing is the strategy of borrowing money to invest. Gearing is essentially undertaken to increase the growth rate of capital employed or to generate tax efficient income. Gearing as a strategy is only successful when the return generated is greater than the cost of capital on a post-tax basis. From an investment perspective gearing has the impact of increasing capital volatility (risk) for what hopefully is more than compensated by additional return.

The Executive Council seeks to avoid exposure to all types of gearing strategies and will only use its own capital when investing.

6.11 Investment Screens

The quality of the assets is critical to the sustainable performance of the investment portfolio and the preservation of capital. APNIC has adopted a screening process that aims to ensure that only high quality assets and issuers feature in the investment portfolio.

6.11.1 Managed Investment Schemes

Investment Advisers must only recommend managed investment schemes that are of investment grade and that are approved by their Licensee.

The Executive Council looks to avoid investments into managed investment schemes where:

- A predominant feature of the scheme is to provide taxation relief;
- The scheme does not offer at least weekly liquidity; and
- The scheme is overly complex and has inadequate transparency.

6.11.2 Direct Equities

The portfolio must adhere to the liquidity policy and will, in the main, only include assets that are available on public markets. This is due to the size, liquidity, regulatory and transparency requirements necessary for an asset to be included on public markets.

As such, Direct Equities must be based in Australia and may only include assets listed on the Standard & Poor's/Australian Stock Exchange 50 Index. The Index comprises the 50 largest stocks by market capitalisation in Australia.

When selecting investments in direct equities, the Executive Council and Director General should look to invest in equities using the following selection guidelines.

- Debt/Equity Ratio and Interest Rate coverage:
  - Stocks should have a debt/equity ratio of below 50%
  - For Stocks with a debt/equity ratio of between 50 - 60%, their interest cover should be between 5 -10 times;
  - For stocks with a debt/equity ratio of 60 - 70%, their interest cover should be between 10 - 15 times; and
  - All stocks should have a minimum interest cover of 2.5 times.
- Diversification within the different sectors should not be more than 3 times the Index Allocation and this is capped at 50%.
- Direct stocks that deliver fully franked income are favoured in the portfolio.
- Franked income would be favourable, but the merits of the underlying investment and research would be the key driver to the investment decision.
- The maximum direct investment into a single stock should be no more than 10% of the portfolio.

6.11.3 Interest Rate Securities

Interest Rate Securities have characteristics of both Fixed Interest and Equities investments. In keeping with the market standards, interest rate securities are aligned with Direct Equities and Australian Equities component of an investment policy.

Interest Rate Securities must form part of the Australian Equities allocation. Market risk and interest rate risk will be controlled by adopting a "hold to maturity" philosophy with respect to directly held interest rate securities.

In addition to the above, when selecting investments in Interest Rate Securities, the Executive Council and Director General should look to invest using the following selection guidelines.

- Within the asset allocation, any hybrid should not have exposure greater than 25% of total portfolio value.
- 70% - 80% of the portfolio should have a credit rating of BBB+ rating or higher.
- Hybrids with a credit rating greater than A- should have a maximum weight of 25% within the asset allocation.
- Hybrids with a BBB+ credit rating should have a maximum weight of 17.5% within the asset allocation.
- Hybrids with credit ratings between BBB- to BBB should have maximum of 10% in the entire portfolio within the asset allocation.
- Investment into Interest Rate Securities should only be made into investment grade instruments from investment grade issuers and should have a cash-out option at maturity.

Other Fundamentals assessed for portfolio inclusion will be:

- Balance Sheet information such as Debt/Equity Ratio and Interest Cover.
- Scaling process to gauge debt/equity (D/E) being:

- D/E < 50% - Must have interest cover greater than 2.5 times
- D/E 50-60% - Must have interest cover between 5 to 10 times
- D/E 60%-70% - Must have interest cover between 10 to 15 times

- Balance sheet
- Underlying strategies
- Assets are not reliant on Non–Current intangibles
- Short Term Current liabilities
- Management experience and track record
- We cannot enter the hybrid if market consensus is less than Neutral.
- Cannot enter a hybrid if the Research House has a Sell recommendation on the underlying stock. A reduce is fine (only where a reduce rating on the underlying stock has been given because the underlying stock is overvalued) because the definition is a deviation of only 2 to 5% decline of the 3 year internal rate of return. Where there is a reduce rating on the underlying stock due to concerns other than the stock being overvalued, then the hybrid cannot be entered into.
- Any hybrid must not have exposure greater than 25% of total portfolio value.
- 70% to 80% of the portfolio must be greater than BBB+ rating.
- Hybrid rating greater than A- will have a maximum weight of 25% within the asset allocation.
- Hybrids rating with greater than BBB+ will have a maximum weight of 17.5% within the asset allocation.
- Hybrids rated BBB will have maximum of 12.5% per securities and no greater than 25% in the entire portfolio and asset allocation.
- No security will have a credit rating less than BBB.

An investment with a less than minimum Standard & Poor's 'BBB' rating, issued by a top 50 Australian company by market capitalisation, may be considered by the committee. This is on the proviso that there are appropriate investment research reports to satisfy the Investment Policy criteria. Furthermore franking credits would be considered but the merits of the underlying investment and research would be the key driver for the investment decision.

6.11.4 Capital Guaranteed Investments

A capital guaranteed investment is an investment product which includes a guarantee by a financial institution that an investor will receive a pre-agreed amount of capital back if the product is held to maturity.

Whilst these products aim to limit the amount of capital loss, they can also limit the amount of return that investors can obtain if the investments appreciate. This compromise is how the offering institutions can afford to guarantee the principal investment.

A capital guaranteed investment must demonstrate the following characteristics:

- The capital guarantee can be from 80-100% of the principal invested
- Is provided by one of the top 4 major banking institutions in Australia
- The guarantee is structured inexpensively and is transparent in its structure
- The cost and risk trade-off to investing directly into the market is obvious to the Director General and the Business Director.

- The underlying investment and market the investment tracks adheres to this investment policy.

6.11.5 Portfolio Exclusions

APNIC places restrictions on the types of companies or industries that capital can be invested in on moral, environmental, ethical and/or commercial grounds, where practical. APNIC looks to avoid direct investment in businesses that engage in any of the following activities:

- alcohol, gaming, tobacco and any activities that have a detrimental effect to the environment.

Typically, this type of screening policy can be easily implemented in a direct equities portfolio. APNIC recognises that such policy may not be possible to implement with managed funds and some structured investments. In the interest of product and market diversification, these funds and structured investments will be considered on the proviso that they are in keeping with the broader Investment Policy.

6.12 Custodian Risk

APNIC may invest via a wrap platform / investor directed portfolio service (IDPS) to provide administrative services. The Operator or Custodian must be a specialist provider of services, technology and systems underpinning wrap and investor directed portfolio services. The Custodian must also have a complaints resolution scheme and be related to a major Australian based Operator.

6.13 Fees and Taxes

The portfolios are to be constructed using products and managers that have been assessed against their overall contribution to portfolio returns; this assessment includes an evaluation of fee competitiveness and level of tax efficiency.

7 Portfolio Administration Policy

7.1 Performance Measurement and Reviews

After the construction and implementation of the portfolio the monitoring and reporting regime will be initiated.

The portfolio must be reviewed at the end of each quarter by the Director General and the Business Director in consultation with any third party advisors. If changes are required then the following process is to be adopted:

A recommendation will be documented by the Investment Adviser and provided to the Director General and the Business Director and must include the following information:

- Positives/negatives and fees and bid/offer spread costs
- Proposed investment – positives/negatives and fees and bid/offer spread costs
- Basis for change
- Supporting material justifying the change

The recommendation must be signed by the Treasurer, Director General and the Business Director or appointed Key Decision Maker delegates where the delegated authority is in place. Only once the recommendation(s) is approved can the changes be implemented.

The Executive Council must be provided with an update by the Treasurer, Director General and any third party advisers at least quarterly on the performance of APNIC's investments. This update should include the following:

- Economic review and forecast;
- Investment review and forecast against the relevant benchmarks and client investment objectives;
- Review of changes to the investment portfolio since last update;
- Notification of any issues;
- Potential changes in light of the economic and investment forecast.

7.2 Market Event Reviews

As capital preservation is paramount, a way to identify the need to review the portfolio in between the end of each quarter is by using a Market Event Review. An impetus for a review will occur should events in the market cause volatility which significantly impacts the value of the portfolio. Volatility is generally to the downside, and where it is of a sufficient magnitude it will trigger this out of cycle review.

Where an issue is identified, it will be assessed and appropriate advice is to be provided given the prevailing portfolio and market conditions.

7.2.1 Downside Market Event Review

Defensive assets are defined as Australian fixed interest, International fixed interest and Cash. Growth assets are defined as Australian Equities, International Equities, Australian Listed Property, International Listed Property and Alternative Assets and Strategies.

For Defensive assets, a Market Event Review 1 occurs where the asset class declines by 5% from its last high point since the previous quarter*. A Market Event Review 2 occurs if an asset class further declines 5% from the Market Event Review 1.

For Growth assets, a Market Event Review 1 occurs if an asset class declines by 10% from its last high point since the previous quarter*. A Market Event Review 2 occurs if an asset class further declines 10% from Market Event Review 1.

Once a Market Event Review is triggered on any one particular asset class then a complete review of the investment portfolio will assess the cause of the volatility and if considered material (exogenous or investment specific) re-evaluate the validity of the investment thesis supporting the investment mix. An out of cycle review may result in assets being liquidated and capital re-deployed, conversely and more commonly, result in no action being taken at all, other than the report and assessment process.

* This will be based upon each asset class' corresponding Index and on daily closing price data. The Index used for each asset class is displayed in the table below.

Summary of Downside Market Event Review events are shown in the following table:

Asset Class	Benchmark / Index	Downside Market Event 1	Downside Market Event 2
Cash	n/a	n/a	n/a
Australian Fixed Interest	UBS Australian Composite Bond Index All Maturities	Fall of 5% from last high point since the previous quarter	Further fall of 5% from Market Event 1
International Fixed Interest	BarCap Global Aggregate Index Hedged $A	Fall of 5% from last high point since the previous quarter	Further fall of 5% from Market Event 1
Australian Equities	S&P/ASX 200 Accumulation Index	Fall of 10% from last high point since the previous quarter	Further fall of 10% from Market Event 1
International Equities	MSCI World ex Aust Index $A	Fall of 10% from last high point since the previous quarter	Further fall of 10% from Market Event 1
Alternative Assets	HFRI Fund Weighted Composite Index $US	Fall of 10% from last high point since the previous quarter	Further fall of 10% from Market Event 1
Australian Property	S&P/ASX 300 A-REIT Accumulation Index	Fall of 10% from last high point since the previous quarter	Further fall of 10% from Market Event 1
International Property	UBS Global Real Estate Investors Index $A	Fall of 10% from last high point since the previous quarter	Further fall of 10% from Market Event 1
Infrastructure	S&P GI Infrastructure NR Hedged $A	Fall of 10% from last high point since the previous quarter	Further fall of 10% from Market Event 1

7.2.2 Capital preservation – Upside Review Events (Portfolio rebalancing)

Upside review events occur when the value of the investments have risen to the point where the portfolio can be moved to a more conservative asset allocation and still have a very high probability of achieving the organisation’s objectives.

The portfolio is to be reviewed and where necessary rebalanced quarterly, on a quarter’s-end basis.

APNIC EC Meeting Minutes

Face-to-Face Meeting, Burlington Hotel, Dublin

Saturday, 11 May 2013 and Sunday, 12 May, 2013

***Meeting Start**: 9:05am (UTC +8:00), Saturday, 11 May 2013*

Present

Akinori Maemura
Che-Hoo Cheng
Kenny Huang
James Spenceley
Gaurab Raj Upadhaya
Ma Yan
Wendy Zhao
Paul Wilson

Geoff Huston (by telephone)
Craig Ng
Richard Brown
Connie Chan (minutes)

Agenda

1. Appointment of Meeting Chair
2. Agenda Bashing
3. Matters arising from Last Meeting
4. Financial Report
5. DG Report
6. Xi'an and APNIC's 20th Anniversary
7. APNIC Meeting Fees
8. APNIC Member Survey
9. Travel Insurance and Support
10. Risk Registry
11. Board Member Roles and Responsibilities Briefing
12. 2014 Budget Preparation
13. Investment Policy
14. Preparation for Joint Board Meeting
15. AOB

Minutes

The EC Chair called the meeting to order at 10:00, Saturday 11 May 2013. The meeting adjourned at 16:00, resumed at 9:05, Sunday 12 May 2013 and closed at 12:40.

1. Appointment of Meeting Chair

The EC Chair informed the meeting that the APNIC EC had appointed James Spenceley as Chair of the Meeting, in accordance with the EC decision of the previous EC meeting. James Spenceley assumed the role of Meeting Chair.

2. Agenda Bashing

There were no changes to the agenda.

3. Matters arising from Last Meeting

The following vote was conducted electronically prior to this meeting, and is recorded in these minutes according to the EC's electronic voting procedures.

On 20 March 2013, the EC passed a motion to accept the minutes of the EC meetings held on 25 February and 1 March 2013.

> Motion proposed by Akinori Maemura and Kenny Huang
> Paul Wilson abstained from voting.

The EC unanimously resolved to adopt the letter from APNIC to JPNIC to declare formally JPNIC's recognition as an NIR (attached).

> Motion to adopt the letter proposed by Kenny Huang, seconded by Paul Wilson.
> Akinori Maemura abstained from voting on this issue.

4. Financial Report

The EC reviewed the financial report for April 2013 (attached). Expenditure to date is reported to be $4.6M and revenue is reported to be $5.9M. Current year-to-date revenue is reported to be $1.3M over expenses. This is attributed to a timing issue, where actual expenses in the year to date are less than the pro rata distribution of annual expense projections used in the financial reporting system. IP Resource Application fees are tracking above budget projections. It is expected that by the end of the year the membership fees will be closer to budget forecast.

At the end of April 2013, APNIC has a total of 3,682 members. There were 59 new members and 43 members who had closed their accounts during the month.

The rate of new member growth has slowed during 2013. It is unclear at this stage if this is a seasonal or longer-term change in membership sign-up.

For the year to date, as at the end of April 2013, membership from India included 53 account closures, of which 48 are due to transfers from APNIC membership to IRINN. Others were closed due to non-payment and discontinued APNIC membership.

The EC noted the April financial report as representing the financial position of APNIC as of the end of the April 2013, and the EC was satisfied that the company is solvent and able to meet all current debts.

5. DG Report

The Director General presented a written report to the EC on current matters (attached).

6. Xi'an and APNIC's 20th anniversary

The EC was briefed on the preparation for APNIC 36 and the APNIC 20th anniversary plan in Xi'an.

7. APNIC Meeting Fees

The DG presented a proposal to waive meeting registration fees for APNIC standalone meetings, for APNIC members only and with a limit of 4 registrations per member. The EC discussed the proposal and expressed no objections.

8. APNIC Member and Stakeholder Survey

The EC considered the APNIC Member and Stakeholder survey timeline, activities and process. EC members expressed their interest to be involved in the survey process.

The EC determined to hold a workshop on the Membership and Stakeholder Survey as party of the next EC meeting in Xi'an.

9. Travel Insurance and Support

The EC was briefed on the travel insurance and international emergency assistance that are available to them when travelling on APNIC business (attached).

10. Risk Registry

The EC was briefed on the best practices in risk management (attached). The Secretariat will draft a Risk Register for the EC to consider at it's next meeting.

11. Board Member Roles and Responsibilities Briefing

The EC was briefed on the directors' duties and responsibilities on aspects of Australian Company Law as they relate to the governance of not-for-profit membership associations (attached).

12. 2014 Budget Preparation

The EC considered the growth outlook, revenue and expenses forecasts for 2014.

The 2014 budget preparation process will commence shortly after the EC guidance on budget papers. The first budget draft will be made available for the EC meeting in Xi'an.

13. Investment Policy

The EC was briefed on the Investment Policy proposal (attached). The EC requested the Secretariat to revise the document in the light of EC comments, and anticipated that, following a review of a revised proposal, EC adoption of the proposal would be through the electronic voting procedure.

14. Preparation for Joint Board Meeting with the Board of the RIPE NCC

The EC considered a draft agenda for this meeting (attached).

15. AOB

There we no items of AOB.

Next EC Meeting

26 August 2013 in Xi’an, China

Meeting adjourned: 12:40 pm on Sunday, 12 May.

Monthly Financial Report

(in AUD)

July 2013

APNIC

Table of Contents

Table of Figures

1 Statement of Financial Position

	31/07/2013	% of Total	Year-End 2012	% Change from 31/12/2012
CURRENT ASSETS				
Cash/ Term deposits	16,351,097	60%	14,496,774	13%
Receivables	817,117	3%	933,777	-12%
Others	666,100	2%	536,274	24%
TOTAL CURRENT ASSETS	**17,834,314**	**66%**	**15,966,824**	**12%**
NON-CURRENT ASSETS				
Other financial assets	1,315,212	5%	1,150,123	14%
Property, plant and equipment	7,839,336	29%	8,012,422	-2%
Deferred tax assets/ liabilities	78,492	0%	78,492	0%
TOTAL NON-CURRENT ASSETS	**9,233,040**	**34%**	**9,241,036**	**0%**
TOTAL ASSETS	**27,067,354**	**100%**	**25,207,861**	**7%**
CURRENT LIABILITIES				
Payables	1,229,008	5%	1,685,736	-27%
Provisions	1,340,004	5%	1,145,960	17%
Unearned revenue	7,479,876	28%	7,567,408	-1%
TOTAL LIABILITIES	**10,048,887**	**37%**	**10,399,104**	**-3%**
NET ASSETS	**17,018,467**	**63%**	**14,808,757**	**15%**
EQUITY				
Share capital	1.00	0%	1.00	0%
Reserves other financial assets investment	265,812	1%	107,535	147%
Retained earnings	16,752,654	62%	14,701,221	14%
TOTAL EQUITY	**17,018,467**	**63%**	**14,808,757**	**15%**

1.1 Notes to Financial Position

The Statement of Financial Position shows that APNIC's net position has increased by 15% compared to the end of last year. Other variations worth noting are:

- The value of APNIC's managed funds included in the Other financial assets category has increased by 14% since the beginning of the year.
- Unearned revenue has reduced by around 1% continuing to reflect the effect of the annual membership billing cycle and the impact that large invoices have on APNIC's cash flow and financial position during the year.

2 Statement of Income

2.1 Expenses

This report incorporates the approved 2013 budget and the July year to date expenses are compared to the figures for the same period last year. The Forecast figures have been derived from a detailed review of the expected revenues and committed and planned expenditure for remainder of 2013. It is anticipated that expenses will be less than originally budgeted by around AUD 895k, but overall revenue will be in line with budget.

EXPENSES (AUD)	YTD Jul-13	YTD Jul-12	Variance %	*Forecast*	*Forecast Variation to Budget*	*Forecast Variation*	Budget 2013
Bank charges	**77,507**	70,222	10%	***132,870***	*(3,130)*	*-2%*	**136,000**
Communication expenses	**278,555**	257,093	8%	***524,926***	*(6,490)*	*-1%*	**531,416**
Computer expenses	**319,649**	285,062	12%	***611,022***	*(26,138)*	*-4%*	**637,160**
Depreciation expense	**436,852**	493,482	-11%	***743,699***	*(150,910)*	*-17%*	**894,609**
Doubtful debt expenses	**0**	1,258	-100%	***26,000***	*0*	*0%*	**26,000**
ICANN contract fee	**136,732**	182,776	-25%	***136,732***	*(173,268)*	*-56%*	**310,000**
Income tax expense	**(68,165)**	0	0%	***(68,165)***	*(128,165)*	*-214%*	**60,000**
Insurance expense	**74,439**	73,750	1%	***127,610***	*(4,240)*	*-3%*	**131,850**
Meeting and training expenses	**184,223**	158,169	16%	***352,550***	*0*	*0%*	**352,550**
Membership fees	**23,237**	39,807	-42%	***54,641***	*0*	*0%*	**54,641**
Office operating expenses	**168,589**	144,456	17%	***288,342***	*(1,078)*	*0%*	**289,420**
Postage & delivery	**18,492**	14,905	24%	***36,701***	*3,654*	*11%*	**33,047**
Printing & photocopy	**17,462**	17,935	-3%	***45,605***	*0*	*0%*	**45,605**
Professional fees	**665,036**	338,032	97%	***1,277,277***	*122,502*	*11%*	**1,154,775**
Recruitment expense	**34,866**	51,517	-32%	***100,000***	*0*	*0%*	**100,000**
Salaries and personnel expenses	**4,670,064**	4,648,353	0%	***8,229,535***	*(442,265)*	*-5%*	**8,671,800**
Sponsorship and publicity expenses	**77,556**	112,084	-31%	***308,192***	*(27,308)*	*-8%*	**335,500**
Staff training/conference expenses	**89,584**	98,438	-9%	***164,000***	*0*	*0%*	**164,000**
Translation expenses	**1,362**	11,928	-89%	***30,000***	*0*	*0%*	**30,000**
Travel expenses	**1,114,402**	1,149,717	-3%	***2,030,182***	*0*	*0%*	**2,030,182**
TOTAL EXPENSES	**8,320,443**	**8,148,985**	**2%**	***15,151,719***	***(836,836)***	***-5%***	**15,988,555**

Notes to Expenses:

It is forecast that expenses will be less than the original budget approved for 2013, the major variances are explained below:

- **Depreciation expenses** are tracking below forecast due to timing of capital expenditure during the year. Based on the Capital expenditure to date and planned for the rest of the year, this expense will be below budget by $150k by the end of the year.
- **ICANN contract fees** are below budget due to the APNIC portion of the NRO contribution being much lower than the previous year. The budget was based on APNIC's share of this fee being consistent with previous years. This represents a saving of $173k against budget.
- **Income tax expenses** are in a credit position due to APNIC receiving a tax refund from previous years in relation to foreign exchange losses. Under the assumption that APNIC's taxation status does not change, APNIC's is not expecting to pay income tax for 2013.
- **Professional fees** at this stage are tracking below budget and will be greater than the budget by around $122k by the end of the year. A significant driver of this is the use of consultants to undertake work that is offset by savings in Salary & Wages below.
- **Salary and personnel expenses** are tracking below the budget; this is a result of the delay in recruitment for budgeted roles and where exiting staff are yet to be replaced. The full year budget included 2 new roles, only one of which has been recruited to date. The budget also includes expenses that are incurred only at the end of the year.

2.2 Revenue

REVENUE (AUD)	YTD Jul-13	YTD Jul-12	Variance %	*Forecast*	*Forecast Variation to Budget*	*Forecast Variation*	Budget 2013
IP Resource application fees	**913,750**	1,269,750	-28%	***1,510,500***	*52,750*	*4%*	**1,457,750**
Interest income	**370,606**	320,622	16%	***517,896***	*(77,104)*	*-13%*	**595,000**
Membership fees	**8,721,369**	8,255,560	6%	***15,013,791***	*(32,037)*	*0%*	**15,045,828**
Non-members fees	**139,375**	133,345	5%	***240,598***	*10,598*	*5%*	**230,000**
Reactivation fees	**15,450**	16,200	-5%	***22,200***	*(12,900)*	*-37%*	**35,100**
Transfer fees	**37,732**	0	0%	***61,959***	*(13,041)*	*-17%*	**75,000**
Sundry income	**143,198**	98,385	46%	***382,613***	*126,113*	*49%*	**256,500**
Foreign exchange gain/(loss)	**30,396**	**(3,840)**	-892%	***30,396***	*30,396*	*0%*	**0**
TOTAL REVENUE	**10,371,876**	**10,090,022**	**3%**	***17,779,953***	***84,775***	***0%***	**17,695,178**

Notes to Revenue:

- **IP Resource application fees** – Resource application fees are tracking above budget, this reflects the adoption of the reduction in this fee from March 1, it is forecast that by the end of the year, the actuals will be close to budget.
- **Interest Income –** The new Investment policy is currently in the implementation stage, we are currently working with our investment advisers to develop an accurate forecast model, at this stage income from interest and investments is estimated to be below budget by around $66k, primarily due to the continued fall in cash deposit rates during 2013.
- **Membership fees –** It is anticipated that membership fees will be very close to budget by the end of the year, but due to movement of accounts we anticipate a variance of over $32k.
- **Sundry Income –** As part of the new Investment policy, the current Managed Funds will be liquidated and the proceeds invested with the new investment manager, this transaction will result in a gain of around $265k to be recognized in 2013. On the other hand revenue from Cost recovery training and consultancy is well below budget.

2.3 Operating Surplus/ Deficit

REVENUE and EXPENSES (AUD)	YTD Jul-13	YTD Jul-12	Variance %	*Forecast*	*Forecast Variation to Budget*	*Forecast Variation*	Budget 2013
Total Revenue	**10,371,876**	10,090,022	3%	***17,779,953***	84,775	*0%*	**17,695,178**
Total Expenses	**8,320,443**	8,148,985	2%	***15,151,719***	(836,836)	*-5%*	**15,988,555**
OPERATING SURPLUS	**2,051,433**	**1,941,037**	**6%**	***2,628,234***	**921,611**	***54%***	**1,706,623**

3 APNIC Reserve

3.1 Cash Flow Statement

This report shows the draft cash flow status for the year as at the end of July.

Accounts	Amount
Operating Activities	
Net Income	2,051,433
Adjustments to Profit/(Loss)	
Accounts Receivable	116,660
Other Current Asset	(129,832)
Accounts Payable	53,899
Sales Tax Payable	6,294
Other Current Liabilities	(468,663)
Total Adjustments to Profit/(Loss)	**(421,642)**
Total Operating Activities	**1,629,792**
Investing Activities	
Fixed Asset	173,086
Other Asset	(165,089)
Total Investing Activities	**7,997**
Financing Activities	
Long Term Liabilities	58,253
Other Equity	158,277
Total Financing Activities	**216,529**
Net Change in Cash for Period	**1,854,317**
Cash at Beginning of Period	**14,496,780**
Cash at End of Period	**16,351,097**

3.2 APNIC Capital Reserve

The APNIC Reserve is diversified between Cash Investments, Managed Funds, and Property (APNIC Office). At the end of July, APNIC maintained $16.4m in cash reserves, $1.3m in managed fund investments, and $7m invested in the APNIC Property. Figure 3.1 below tracks the value and the allocation of these reserves over time and also tracks the operating expenses for each year for comparison:

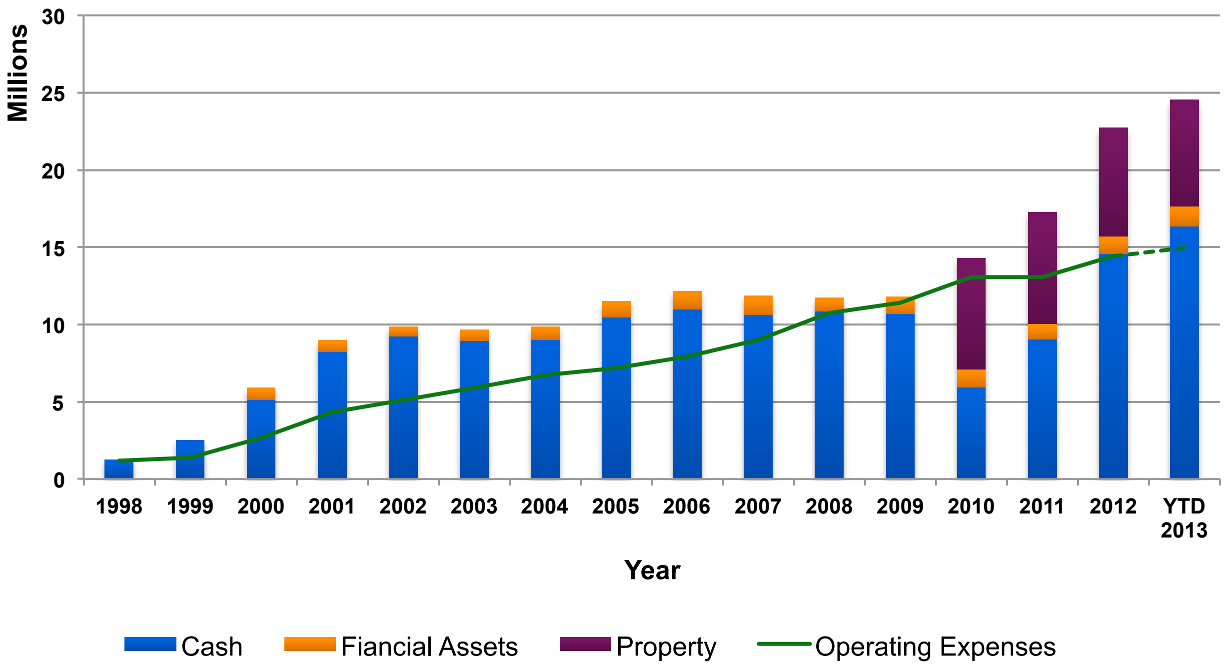


Figure 3.1 Reserve

3.3 Basic Defence Interval Ratio

The Defence Interval Ratio is a high level indicator used to measure of the number of days that APNIC could operate without requiring access to Non-Current Assets.

Total Current Assets	$17,834,314
Forecast Daily Operating Expenses	$41,512
Basic Defence Interval Ratio	14.12 Months

4 Membership

4.1 Membership Statistics

As at the end of July 2013, APNIC had a total of 3,840 Members serving 53 economies.

4.2 Membership by Category

The table below shows the monthly changes in membership. The majority of APNIC Members remain in the Small and Very Small membership tiers.

Membership	Total Jun-13	New Jul-13	Reactivate Jul-13	(Closed) Jul-13	Size Change Jul-13	Total YTD Jul-13	% Total
Extra Large	**20**	0	0	0	0	**20**	1%
Very Large	**44**	0	0	0	0	**44**	1%
Large	**143**	0	0	(2)	3	**144**	4%
Medium	**393**	0	0	(4)	1	**390**	10%
Small	**1164**	0	1	(6)	9	**1168**	30%
Very Small	**1121**	0	0	(11)	53	**1163**	30%
Associate	**894**	85	0	(2)	(66)	**911**	24%
TOTAL	**3779**	**85**	**1**	**(25)**	**0**	**3840**	**100%**

4.3 Membership Growth

Figure 4.1 illustrates APNIC membership monthly movements. Membership growth budgeted for 2013 has been incorporated in this graph to track monthly growth against monthly budget growth.

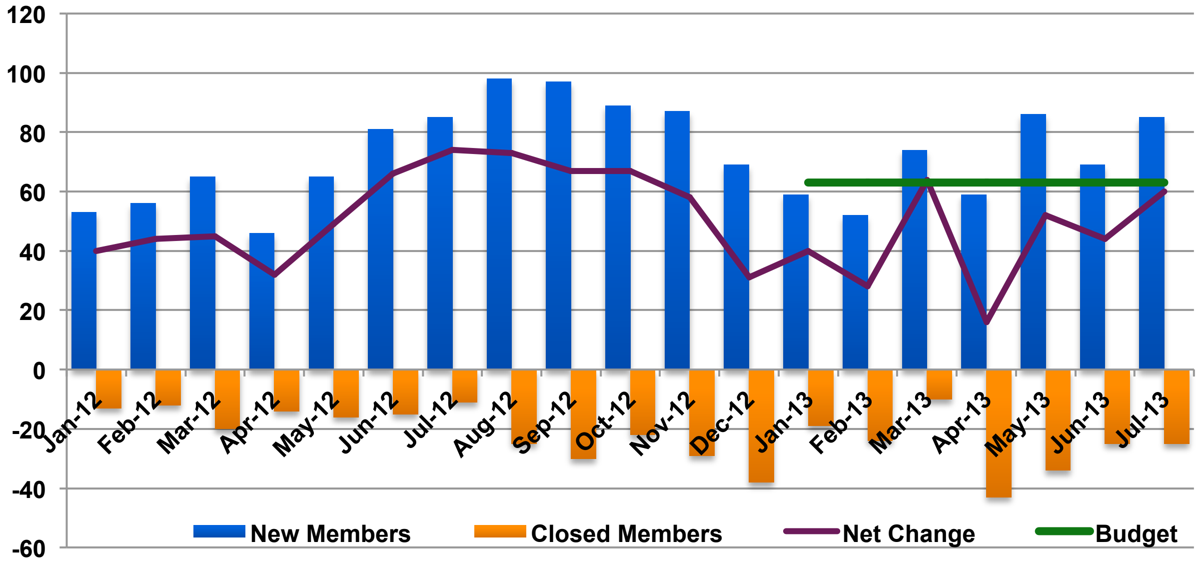


Figure 4.1 Monthly Growth Analysis

Figure 4.2 below illustrates APNIC membership growth by membership tier:

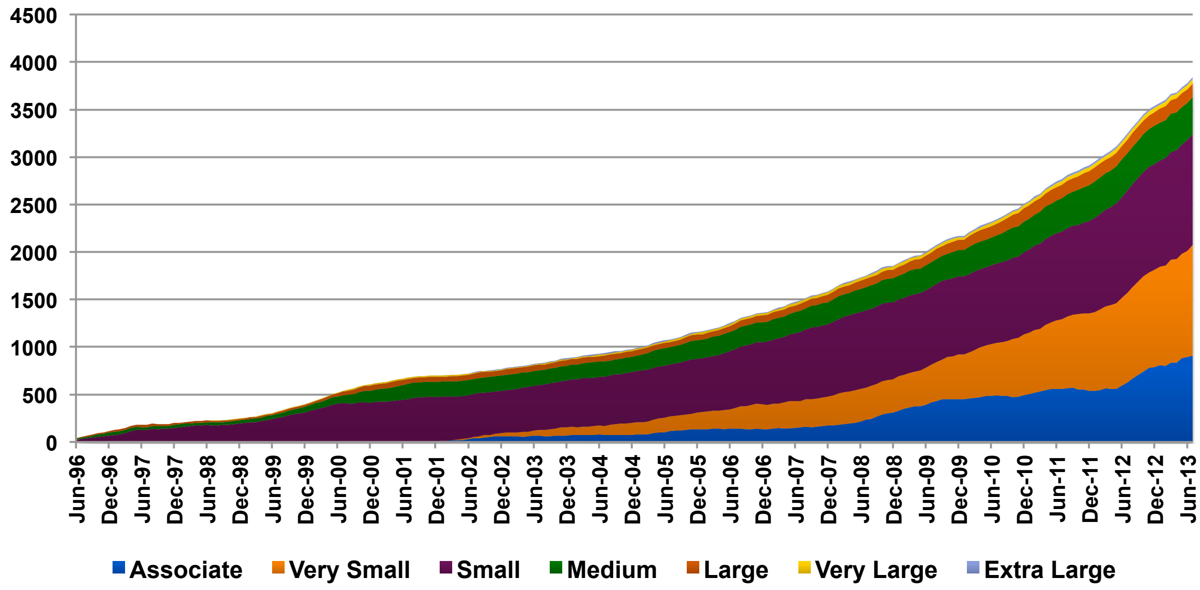


Figure 4.2 Total membership

4.4 Year-to-Date Membership Movement by Economy

Figure 4.3 below shows new and closed membership movement by economy as at end of July 2013.

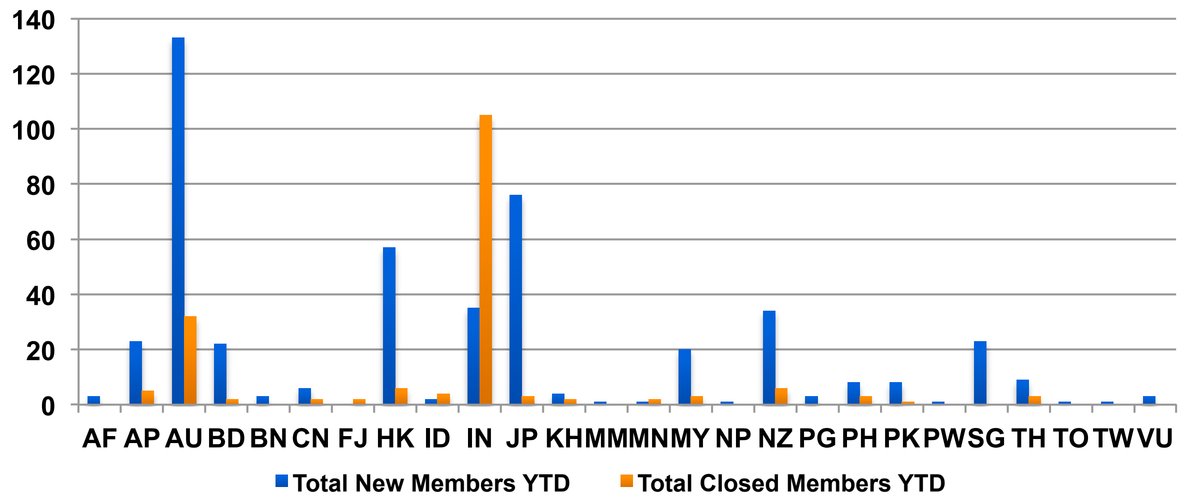


Figure 4.3 New and Closed Members Analysis

Figure 4.4 below provides an analysis of the Membership closures as at the end of July. 58% of the closures (106 out of 182 total) are due to account transfers to NIRs, and 26% of the accounts closures relate to accounts closed due to the failure to establish contact or the business is no longer operating and resource holdings are returned to APNIC.

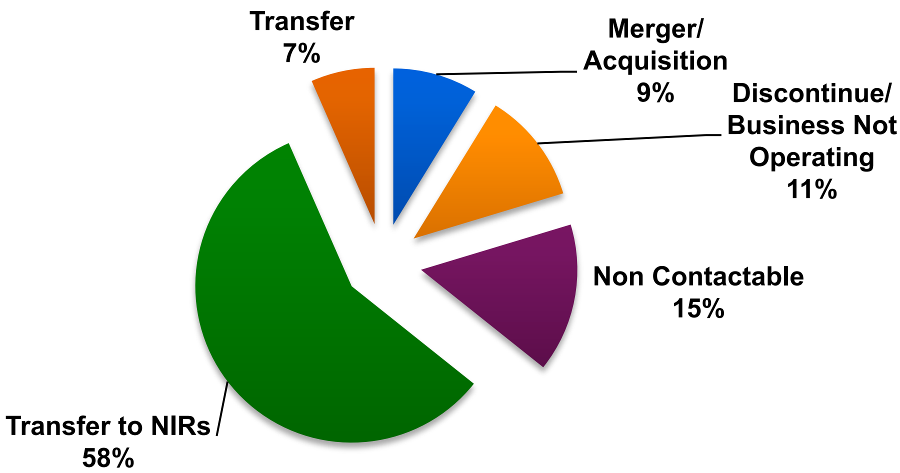


Figure 4.4 Closure Analysis

By the end of July 2013, the APNIC membership had 106 account closures from the Indian economy, 100 of these are due to transfers to IRINN. Others were closed due to non-payment and discontinued APNIC membership. There were 511 Indian members as at the end of last year, and the 2013 budget assumes that around 25% of these members will transfer to IRINN during 2013.

Table below provides analysis of India Memberships transferred to the NIR, and the forecast revenue impact in 2013.

India Membership	YTD Jul-13	YTD Budget 2013	YTD Variance	Budget 2013	Forecast 2013	2013 Forecast Revenue Impact (AUD)
Extra Large	0	1	-1	***1***	*0*	*$0*
Very Large	2	2	0	***3***	*3*	*$53,609*
Large	7	4	3	***6***	*12*	*$97,602*
Medium	12	6	6	***11***	*21*	*$77,742*
Small	28	18	10	***30***	*48*	*$80,880*
Very Small	34	30	4	***51***	*58*	*$44,486*
Associate	17	16	1	***27***	*29*	*$9,788*
TOTAL	**100**	**77**	**23**	***129***	***171***	***$364,106***
					Budget 2013	***$225,000***
					Variance	***$139,106***

APNIC Investment Policy

August 2013

APNIC

Table of Contents

1 Introduction

1.1 Purpose of the Investment Policy

The purpose of this policy is to establish a governance framework that Asia Pacific Network Information Centre (APNIC) adopts in investing its capital. The objectives of this policy are:

- To articulate the organisation's philosophy on investments;
- To establish a governance framework that demonstrates financial prudence to stakeholders;
- To specify the reserves covered by this policy and the objectives for these reserves;
- To set parameters around certain types of investments and how they may be used in a portfolio;
- To set policies aimed at controlling exposure to market risk, credit risk and duration risk within the investment portfolio;
- To establish a process for monitoring, reviewing and rebalancing investments; and
- To confirm delegations and other relevant governance matters in relation to these investments.

2 Investment Philosophy

The Executive Council's investment objectives, philosophy and investment policy is founded on the following beliefs:

- Thoughtful and careful governance informs the design of Investment policies and creates long term superior risk adjusted returns.
- A disciplined and structured process to plan, implement, and review all aspects of the investment policy will minimise sub-optimal outcomes.
- Capital preservation is a primary goal. Capital is not allocated for investment unless the expected return is adequate to compensate for the assessed risk taken.To protect capital, quality assets and proven strategies are to play a key role in risk mitigation.
- Absolute positive returns, not market/asset class index relative returns, are the primary investment objective.Risk should be viewed as the potential to lose capital and the non-achievement of investment objectives.Asset Allocation is the key determinant of investment risk and returniversification of assets and investment strategies is essential in managing the investment.
- Over the long term skilled investment management will deliver superior risk adjusted returns.
- Timeframes are a critical consideration in determining risk and return expectations.
- Where practical the preference is to avoid investments in businesses that engage in the following areas: alcohol, gaming, tobacco and activities that are to the detriment of the environment.

3 Scope of the Investment Policy

3.1 In Scope

This investment policy applies to the following capital segments, otherwise known as reserves in accordance with the objectives listed below.

Reserve	Objectives
Long Term Investment Reserve (the "Reserve")	▪ This reserve is to be held to generate income and capital growth for APNIC to build a strategic reserve equivalent to 18 months of operating expenses ▪ The reserve is intended to deliver medium term growth and will accrue any surplus income. ▪ Funds in this reserve will be held in medium term investments while maintaining direct access and liquidity.

3.2 Out of Scope

All other activities of APNIC are outside the scope of this investment policy

4 Corporate Governance Policy for Investments

This section sets out the governance structure for investing and maintaining APNIC's investments. It includes the roles and responsibilities of the Executive Council, Treasurer, Director General, Business Director, Secretariat, Key Decision Makers, Key Decision Maker Delegates and Investment Advisers.

4.1 Treasurer

The Executive Council is responsible for approving this Investment Policy, and any subsequent changes to the policy. This power remains vested in the Executive Council, and is not delegated to any other person.

In all other respects, for the purpose of this Investment Policy, the Executive Council appoints the Treasurer (as appointed from time to time), to represent the Executive Council in all matters requiring the agreement or approval of the Executive Council under this Investment Policy. The Executive Council delegates such powers and responsibilities to the Treasurer.

The Treasurer must approve all investment allocations under this Investment Policy, in addition to all other approvals that may be required under this Investment Policy.

The Treasurer must report to the Executive Council, at each quarterly meeting of the Executive Council, the details of any agreement or approval made by the Treasurer on behalf of the Executive Council, under this Investment Policy.

4.2 The Executive Council and the Director General

Except as provided in 4.1 above, the Executive Council delegates overall responsibility for this Investment Policy and investments made under it to the Director General. The Director General is responsible for implementing and maintaining the investment policy and ensuring that it is adhered to at all times.

The Director General must act in the interests of APNIC and its stakeholders and, in making decisions, and ensure compliance with all applicable legislation.

The Director General must exercise the care, diligence and skill that a prudent person would exercise in investing funds, or making proposals for investing funds. This would include, where relevant, having regard for the need to:

- Adopt and maintain a robust Investment Policy;
- Develop and maintain an investment strategy that aligns with APNIC's objectives;
- Only deal with investments on APNIC's behalf if duly authorised and qualified to do so;
- Understand the legislative framework in which APNIC is to exercise its powers of investment;
- Identify areas where external expertise is required (and engaged) to adequately manage APNIC's investments;
- Ensure those involved in managing APNIC's investments are adequately trained to undertake their roles;
- Consider the use of appropriately licensed and supervised advisers to provide expert advice on portfolio design and construction, investment selection and the implementation of the investment strategy; and
- Manage conflicts of interest in a similar manner to which the Executive Council manages conflicts of interest (see 4.6).

4.3 Appointments and delegations by the Executive Council and the Director General

- The Executive Council delegates to the Director General as the Key Decision Maker the responsibilities set out in 4.4;
- The Director General will appoint the Business Director as the other Key Decision Maker and appoint 2 Key Decision Maker delegates from the Secretariat with responsibilities set out in 4.5; and
- Each Key Decision Maker delegate will act in the capacity of the Director General and the Business Director if they are absent from duty for a period greater than 5 business days.

4.4 Terms of Reference of the Director General and the Business Director as Key Decision Makers

4.4.1 Structure

For the purposes of this Investment Policy, the Treasurer represents the Executive Council and the Business Director reports to the Director General.

4.4.2 Roles and Responsibilities

The role of the Treasurer, the Director General and the Business Director is to inform the Executive Council in its consideration of capital and investment matters, in relation to:

- The performance of investments;
- The compliance or otherwise of investments with the Investment Policy;
- Changes to investments managed under the Investment Policy;
- The management of issues in relation to the Investment Policy including the identification and completion of remedial action;
- The continual development of the Investment Policy to ensure that it meets with APNIC's legal obligations and financial objectives; and
- The selection of appropriately skilled investment advisers.

The Treasurer, the Director General and the Business Director must also:

- Oversee the implementation of the initial portfolio and subsequent execution of investment decisions made in accordance with the Investment Policy;
- Review the portfolio quarterly in accordance with section 7.2 of the Investment Policy;
- Report to the Executive Council at least quarterly in accordance with section 7.2 of the Investment Policy;
- Review the Investment Policy twice yearly; and
- Make recommendations, where appropriate, for the variation of the Investment Policy, to the Executive Council.

Investment Advisers

The Treasurer, the Director General and the Business Director may seek specialist investment advice in relation to the Investment Policy and the ongoing decision-making processes under it (including advice on portfolio design and construction, investment selection and the implementation of the investment strategies) provided that the Treasurer and the Director General have first satisfied themselves that the investment adviser:

- Is a financial institution that operates in Australia under an Australian Financial Services licence;
- Is supported by dedicated internal compliance and research teams;
- Is suitably qualified, having regard for the investment adviser's education and professional experience;
- Is required under its engagement to exercise the care, diligence and skill that a prudent person would exercise in providing advice on the investment of funds; and

4.5 Is required under its engagement to adhere to the Investment Policy when making recommendations to the Treasurer, the Director General and the Business Director. Key Decision Maker Delegates

Appointment

The Director General will appoint 2 Key Decision Makers delegates. The Key Decision Maker delegates must be members of the Secretariat. The Director General must inform the Treasurer of the appointments.

Revocation of appointment

The Director General may revoke the appointment of a Key Decision Maker delegate at any time, and inform the Treasurer of any revocation.

Role

Key Decision Maker delegates have the responsibility of making day-to-day investment decisions in accordance with the requirements of the Investment Policy and the relevant legislative obligations. The Treasurer in the role as the Executive Council representative must approve all Investment decisions.

Key Decision Maker delegates are subject to the overview of the Treasurer, the Secretariat, the Director General and the Business Director and must act in accordance with any directions issued by the Secretariat, or the Treasurer, the Director General and the Business Director

Key Decision Maker delegates must ensure that they report regularly on the exercise of their functions in the manner determined from time to time by the Secretariat, the Treasurer, the Director General and the Business Director

Responsibilities

In carrying out their role, Key Decision Maker delegates must have regard for the need to:

- Adopt and maintain a robust Investment Policy;
- Develop and maintain an investment strategy that aligns with APNIC's objectives;
- Only deal with investments on APNIC's behalf if duly authorised and qualified to do so;
- Understand the legislative framework around which APNIC is to exercise its powers of investment;
- Identify areas where external expertise is required (and engaged) to adequately manage APNIC's investments;
- Ensure those involved in managing APNIC's investments are adequately trained to undertake their roles;
- Consider the use of appropriately licensed and supervised advisers to provide expert advice on portfolio design and construction, investment selection and the implementation of the investment strategy; and

- Manage conflicts of interest in a similar manner to which the Executive Council manages conflicts of interest (see 4.6).

4.6 Conflicts of Interest Policy

This Policy sets out the Executive Council's policies and procedures for avoiding or managing conflicts of interest that arise in relation to the management of the Investment Policy.

Objectives

The main objectives of this Conflicts of Interest Policy are to:

- Identify potential or actual conflicts of interest that may arise in relation to the Investment Policy;
- Set down procedures to evaluate any potential conflicts of interest. This will permit the decision to be made as to whether a particular conflict of interest situation is manageable or whether it must be avoided;
- Have processes and procedures in place to adequately manage and monitor conflicts of interest; and
- Make adequate disclosure of conflicts of interest to affected persons where required. This is to ensure that these people are sufficiently informed to be able to evaluate whether a conflict may affect the independence or quality of decisions made.

Application

The Executive Council, Treasurer, Director General, Secretariat and each Key Decision Maker delegate must comply with this Conflicts of Interest Policy. Failure to comply could expose the Executive Council and/or its Representatives to risks or legal liabilities.

Duties under the Conflicts of Interest Policy

A Representative must avoid any situation where the duties owed by the Representative under the Investment Policy conflict with:

- The personal interests of the Representative; or
- The duties owed by the Representative to another entity.

Each Representative must notify the Director General, and in the case of the Director General or the Treasurer, the Executive Council, of all material personal interests he or she may have in a matter relating to the Investment Policy.

If a Representative believes that a conflict is such that he or she cannot bring an independent mind to the consideration of a matter, he or she must abstain from taking part in that matter and must notify the Director General and in the case of the Director General or the Treasurer, Executive Council.

Conflicts of interest at the Executive Council, Treasurer, Director General, Business Director, Secretariat and Key Decision Maker delegate level

Conflicts of interest at the Executive Council, Treasurer, Director General, Business Director, Secretariat and Key Decision Maker delegate level must be managed by:

- Having a standing agenda item for disclosure of conflicts of interest at each meeting; and
- Members disclosing personal conflicts of interest.

Where an Executive Council member, the Treasurer, the Director General, the Business Director, Secretariat or Key Decision Maker delegate member has a conflict of interest, he or she must disclose that conflict of interest in a timely fashion to the other Executive Council members, the Treasurer, the Director General, the Business Director, Secretariat and Key Decision Maker delegates. The conflicted member will abstain from the decision-making process.

4.7 Breach Reporting Policy

This Breach Reporting Policy is designed to assist the Executive Council, Treasurer, Director General, Business Director, Secretariat and Key Decision Maker delegates in the management of breaches and to ensure that there is an open and transparent process of reporting and monitoring incidents and breaches.

Objectives

The objectives of this Breach Reporting Policy are as follows:

- To ensure that an incident or a breach, once identified, is reported and resolved in a consistent and timely manner;
- To ensure that there is an open and transparent process of reporting and monitoring of incidents and breaches;
- To allocate responsibility for ensuring compliance with regulatory and other obligations and that risks of non-compliance are effectively managed;
- To assist the Executive Council, Treasurer, Director General, Business Director, Secretariat and Key Decision Maker delegates to implement improved internal controls and service standards; and
- To provide a framework that assists the Executive Council, Treasurer, Director General, Business Director, Secretariat and Key Decision Maker delegates to understand the obligations to monitor incidents and breaches.

Application

The Executive Council, Treasurer, Director General, Business Director, Secretariat and each Key Decision Maker delegate must comply with this Breach Reporting Policy. Failure to comply could expose the Executive Council and/or its Representatives to risks or legal liabilities.

Definition

A ‘breach’ is defined as a failure (or the likely failure) to comply with the measures outlined in the Investment Policy, legislation, regulations or industry standards, as well as any failure of business processes or systems. If there is any doubt as to whether a matter constitutes a breach, the matter must be referred to the appropriate manager for determination.

Registering details of breaches

Any breach identified by the Treasurer, Director General, Business Director, Secretariat or Key Decision Maker delegate must be logged in a centralised register. The following details are to be recorded:

(a) Date the breach was raised;

(b) Who identified the breach;

(c) Status (eg open, closed);

(d) What is the likely impact? (eg financial loss, reputational risk etc);

(e) What is the approach to remediation?

(f) Who is responsible for the remediation? and

(g) The timeframe within which remediation must be completed.

Breaches brought to the attention of the Secretariat or Key Decision Maker delegates must be notified to the Treasurer, Director General and the Business Director in writing within 5 business days of the breach being identified. The timely reporting of issues will ensure swift remediation if required.

5 Investment Allocation Policy

5.1 Investment Risk

5.2 APNIC's funds are to be carefully segmented into specific reserves that have been designed to meet the organisations short, medium and longer-term objectives. Asset Allocation

The asset allocation is an outcome of the optimal capital allocation to meet the objectives for each reserve that can be aggregated to an asset allocation at a total portfolio level. Based on this rationale, the Asset Allocation should be adjusted where necessary to achieve the objectives.

Strategic Asset Allocation is the primary position or base case for the proportional allocation of capital to respective asset classes in a portfolio constructed to optimise returns for a given level of risk. The Strategic Asset Allocation is determined based on expected asset class returns that in turn are largely guided by historical asset class returns.

A strategic bias or Tactical Asset Allocation is a secondary consideration in portfolio construction. Such opportunities should exist for at least 6 -18 month time horizon. The application of strategic biases is to add value (increase return/reduce risk) for a portfolio by varying from the Strategic Asset Allocation and taking under/overweight positions in an asset class or sub-asset class when a suitably attractive opportunity is identified.

Long Term Investment Reserve

The objective of the Long Term Investment Reserve is to generate income and capital growth for APNIC.

The following Strategic Asset Allocation aims to provide stable income streams with minimal levels of capital growth and low levels of capital value volatility. An appropriate investment time horizon is a minimum of 3 years. The Strategic Asset Allocation should be reviewed every three years to ensure alignment with APNIC's investment objectives.

▪

Asset Class	Strategic Asset Allocation (%)		
	Minimum	**Maximum**	**Benchmark**
Liquidity	0%	55%	5%
Fixed Income	25%	80%	55%
Equities	10%	27,5%	20%
Alternative Investments – Property	0%	10%	5%
Alternative Investments – Hedge Funds	5%	15%	10%
Alternative Investments – Commodities	0%	5%	2.5%
Alternative Investments - Gold	0%	5%	2.5%

5.3 Sub-Asset Class Performance Benchmarks

In assessing the performance of an investment portfolio it is important that discrete performance benchmarks are established.

The following performance benchmarks will be used by the Executive Council, Director General and Secretariat when assessing the performance of APNIC's Investments across each asset class.

Asset Class	Benchmark
Liquidity	UBS 90 Day Australian Bank Bills Index
Fixed Income	UBS Australian Composite Bond Index All Maturities
International Equities - Europe	MSCI Europe in AUD, unhedged
International Equities - USA	MSCI USA in AUD, unhedged
International Equities - Japan	MSCI Japan in AUD, unhedged
International Equities – Emerging Markets	MSCI Emerging Markets in AUD, unhedged
Equities - Australia	ASX200 Accumulation Index
Property	ASX200 Listed Property Accumulation Index
Hedge Funds*	HFR Global Hedge Index
Commodities	DJ UBS Commodity Total Return Index
Gold	Gold PM Fixing

** Note: The Executive Council considered the appropriateness of an allocation to Hedge Funds within the general "Alternatives" asset class. It was determined that a disciplined selection and de-selection process provided by Investment Advisors was crucial and that on balance the benefits, being superior risk adjusted returns and improved portfolio risk/reward through diversification, outweighed the potential for reputational risk. It was also noted that the Investment Advisor had a preference for hedge funds with at least monthly liquidity.*

6 Investment Selection

6.1 Authorised Investments

APNIC may only invest capital in the following authorised investments:

- Securities accessed through Australian domiciled and Australian regulated markets in accordance with the rules outlined in this Investment Policy;
- Managed investment schemes, including unlisted Managed Funds and listed Exchange Traded Funds (ETFs);
- State or Commonwealth Government Bonds, Debentures or Securities;
- Debentures, bills of exchange, deposits, bonds, notes and/or other fixed interest securities issued or accepted by/with a company listed in the S&P ASX100 index or an APRA regulated bank;
- Cash Deposits with the following financial institutions:
  - Commonwealth Bank of Australia
  - National Australia Bank
  - Westpac Banking Corporation/St. George Bank
  - ANZ
  - Bendigo and Adelaide Bank
  - BankWest
  - Credit Suisse

6.2 Investment Ratings Standards

Unless the Director General agrees otherwise, investments must be made only into investment grade products. For these purposes, investment grade products means where both the product and/or the issuer have a Standard and Poor's credit rating of at least BBB- or the equivalent rating from recognised credit rating agencies Moody's or Fitch.

Investments into managed investments should only be made into funds with a Morningstar rating of at least Silver or as recommended by the Investment Advisers on the condition that the managed investment is on their relevant approved list.

6.3 Diversification

One of the most effective ways to manage investment risks is through portfolio diversification. Appropriate diversification is achieved by having a sufficiently broad range of assets, investment management styles and managers to mitigate the potential downside risks resulting from overly concentrated exposures.

The portfolio will be constructed to achieve optimal diversification benefits for the portfolio in accordance with the APNIC's policies, risk parameters and return objectives as outlined in this document. The level of diversification and exposure limits implemented will be determined by a range of factors such as:

- Investment Strategy – by setting a strategic asset allocation in line with the stated objective for each nominated reserve.
- Manager – where appropriate using a combination of fund managers to minimise single manager risk and manager style bias.

- Asset class – where possible investing each nominated reserve in a combination of cash, fixed income, equities and alternative investments such as property, hedge funds and commodities.
- Sub asset class – where possible look at breaking down the asset allocation between international and domestic investments

6.4 Liquidity

The funds and investments selected should offer daily liquidity with prices being 'mark to market' on a daily basis. In the case of daily liquidity not being available, not more than 10% of the Reserve's assets should be allocated to funds and investments with monthly liquidity.

6.5 Active versus Passive Investment Management

The investment managers should be selected on the basis of their quality as well as the role their particular investment strategy plays in the portfolio construction process. For active managers they should be assessed based upon the prospect they have of achieving superior risk adjusted returns relative to peers and their stated benchmark. For passive managers they should be assessed against their ability to reliably track their chosen index benchmark in a cost effective manner. It is expected that Investment Advisers only recommend managed investments where the appropriate due diligence has been conducted and a disciplined process of regular monitoring and oversight is in place.

6.6 Portfolio Investment Management Style

The diversification of investment styles and managers is instituted to mitigate the potential downside risk to any one investment style or manager and to produce an optimal risk adjusted return profile for a particular asset class over the long term.

6.7 Optimal Number of Fund Managers

The number of fund managers chosen for each asset class within the portfolios is a function of:

- appropriate core capabilities required to be represented in each asset class to achieve adequate style diversification,
- range, quality and strength of capability of the respective managers, and
- fund managers available with the required capabilities.

6.8 Market Segmentation

Market segmentation takes many forms, such as regional and emerging markets, sector specific exposure and large, mid and small cap allocations. These sub-groups within the broader asset classes can, at times, present compelling investment opportunities to improve portfolio returns through a strategic bias. Some of these potential opportunities are described in the points below.

6.8.1 Market Capitalisation

While care must be taken with the use of small cap managers due to liquidity, research coverage and market depth issues, the diversification achieved through having some exposure to stocks outside the S&P/ASX 100, can be beneficial for portfolios.

From a strategic bias, where compelling value is identified outside the Large Cap sector a specialist manager may be included in the portfolio to specifically increase the portfolios exposure to this sector.

6.8.2 Geographic Segmentation (Regional and Country Specific Managers)

Portfolio regional asset allocation is left to the discretion of Investment Advisers due to the sophisticated top down economic inputs required to assess the relative merits of the various countries/regions and also to manage currency exposures..

6.8.3 Sector Exposure

The portfolio may use industry sector specific managers and investment vehicles (as governed by this policy) at the discretion of Investment Advisers where suitable attractive investment opportunity exists.

6.9 Currency Management

A common objective for international investing is to diversify the portfolio away from an Australian dollar exposure. Where currency management is used it is usually implemented by applying a global asset allocation approach to management and/or by using some form of currency hedging which may involve the use of derivative instruments.

The decision to hedge currency is to be determined by the Executive Council or the Investment Advisers with respect to any arrangement that has been agreed between APNIC and the Investment Advisers. Where possible, global fixed interest is to be fully hedged.

6.10 Gearing

Gearing is the strategy of borrowing money to invest. Gearing is essentially undertaken to increase the growth rate of capital employed or to generate tax efficient income. Gearing as a strategy is only successful when the return generated is greater than the cost of capital on a post-tax basis. From an investment perspective gearing has the impact of increasing capital volatility (risk) for what hopefully is more than compensated by additional return.

The Executive Council seeks to avoid exposure to all types of gearing strategies and will only use its own capital when investing.

6.11 Investment Screens

The quality of the assets is critical to the sustainable performance of the investment portfolio and the preservation of capital. APNIC has adopted a screening process that aims to ensure that only high quality assets and issuers feature in the investment portfolio.

6.11.1 Managed Investment Schemes

Investment Advisers must only recommend managed investment schemes that are of investment grade and that are approved by their Licensee.

The Executive Council looks to avoid investments into managed investment schemes where:

- A predominant feature of the scheme is to provide taxation relief;
- The scheme does not offer at least monthly liquidity; and
- The scheme is overly complex and has inadequate transparency.

6.11.2 Direct Equities

The portfolio must adhere to the liquidity policy and will, in the main, only include assets that are available on public markets. This is due to the size, liquidity, regulatory and transparency requirements necessary for an asset to be included on public markets.

As such, Direct Equities must be based in Australia and may only include assets listed on the Standard & Poor's/Australian Stock Exchange 300 Index. The Index comprises the 300 largest stocks by market capitalisation in Australia.

When selecting investments in direct equities, the Executive Council, Director General and Investment Advisers should look to invest in equities using a screening process focusing on quality that includes an analysis and risk assessment of a company's valuation, gearing levels, growth prospects, cash flow generation and operational momentum. The output from this process should be an investable universe of stocks that have sustainable business models, defensive cash flows and a consistent divided profile. Franked income would be favourable, but the merits of the underlying investment and research would be the key driver to the investment decision.

6.11.3 Hybrid Securities

Hybrid Securities have characteristics of both Fixed Interest and Equities investments. In keeping with the market standards, interest rate securities are aligned with Direct Equities and Australian Equities component of an investment policy. It is not envisaged that Hybrid Securities will form part of the allocation.

In the unlikely event of inclusion, Hybrid Securities must form part of the Australian Equities allocation. Market risk and interest rate risk will be controlled by adopting a "hold to maturity" philosophy with respect to directly held interest rate securities.

In addition to the above, when selecting investments in Hybrid Securities, the Executive Council and Director General should look to invest using the following selection guidelines.

- Within the asset allocation, any hybrid should not have exposure greater than 25% of total portfolio value.
- 70% - 80% of the portfolio should have a credit rating of BBB+ rating or higher.
- Hybrids with a credit rating greater than A- should have a maximum weight of 25% within the asset allocation.
- Hybrids with a BBB+ credit rating should have a maximum weight of 17.5% within the asset allocation.
- Hybrids with credit ratings between BBB- to BBB should have maximum of 10% in the entire portfolio within the asset allocation.
- Investment into Interest Rate Securities should only be made into investment grade instruments from investment grade issuers and should have a cash-out option at maturity.

Other Fundamentals assessed for portfolio inclusion will be:

- Balance Sheet information such as Debt/Equity Ratio and Interest Cover.
- Scaling process to gauge debt/equity (D/E) being:
  - D/E < 50% - Must have interest cover greater than 2.5 times
  - D/E 50-60% - Must have interest cover between 5 to 10 times
  - D/E 60%-70% - Must have interest cover between 10 to 15 times
- Balance sheet
- Underlying strategies
- Assets are not reliant on Non–Current intangibles
- Short Term Current liabilities
- Management experience and track record

- We cannot enter the hybrid if market consensus is less than Neutral.
- Cannot enter a hybrid if the Research House has a Sell recommendation on the underlying stock. A reduce is fine (only where a reduce rating on the underlying stock has been given because the underlying stock is overvalued) because the definition is a deviation of only 2 to 5% decline of the 3 year internal rate of return. Where there is a reduce rating on the underlying stock due to concerns other than the stock being overvalued, then the hybrid cannot be entered into.
- Any hybrid must not have exposure greater than 25% of total portfolio value.
- 70% to 80% of the portfolio must be greater than BBB+ rating.
- Hybrid rating greater than A- will have a maximum weight of 25% within the asset allocation.
- Hybrids rating with greater than BBB+ will have a maximum weight of 17.5% within the asset allocation.
- Hybrids rated BBB will have maximum of 12.5% per securities and no greater than 25% in the entire portfolio and asset allocation.
- No security will have a credit rating less than BBB.

An investment with a less than minimum Standard & Poor's 'BBB' rating, issued by a top 50 Australian company by market capitalisation, may be considered by the committee. This is on the proviso that there are appropriate investment research reports to satisfy the Investment Policy criteria. Furthermore franking credits would be considered but the merits of the underlying investment and research would be the key driver for the investment decision.

6.11.4 Capital Guaranteed Investments

A capital guaranteed investment is an investment product which includes a guarantee by a financial institution that an investor will receive a pre-agreed amount of capital back if the product is held to maturity. It is not envisaged that Capital Guaranteed Investments will form part of the allocation.

Whilst these products aim to limit the amount of capital loss, they can also limit the amount of return that investors can obtain if the investments appreciate. This compromise is how the offering institutions can afford to guarantee the principal investment.

A capital guaranteed investment must demonstrate the following characteristics:

- The capital guarantee can be from 80-100% of the principal invested
- Is provided by one of the top 4 major banking institutions in Australia
- The guarantee is structured inexpensively and is transparent in its structure
- The cost and risk trade-off to investing directly into the market is obvious to the Director General and the Business Director.
- The underlying investment and market the investment tracks adheres to this investment policy.

6.11.5 Portfolio Exclusions – Socially Reponsible Investment (SRI): Stock Restriction Screen

APNIC places restrictions on the types of companies or industries that capital can be invested in on moral, environmental, ethical and/or commercial grounds. Where practical, APNIC looks to avoid direct investment in businesses that engage in any of the following activities:

- alcohol, gaming, tobacco and any activities that have a detrimental effect to the environment.

Specifically, to meet the SRI requirements of the portfolio strategy, all direct equity holdings should be screened based on MSCI ESG Research criteria, which will result in the exclusion of companies not meeting certain Ethical, Sustainability and Governance standards and those involved in Controversial Businesses as defined by MSCI ESG Research. This exclusion will only apply to direct securities, and not collective investment vehicles such as managed funds and ETFs. This screening process will be conducted by Investment Advisers and the list of excluded stocks will be reviewed every 6 months. As at August 2013, the following stocks will be excluded from the portfolio:

Universe of stocks: MSCI Australia 200

Screen:	**Alcohol – Maximum 20% of Total Company Revenue**
Restricted stocks:	Treasury Wine Estates Limited (TWE)
Screen:	**Tobacco – Maximum 20% of Total Company Revenue**
Restricted stocks:	none
Screen:	**Gambling – Maximum 20% of Total Company Revenue**
Restricted stocks:	Ainsworth Game Technology Limited (AGI) Aristocrat Leisure Ltd (ALL) Crown Limited (CWN) Echo Entertainment Group Limited (EGP) Tabcorp Holdings Limited (TAH) Tatts Group Limited (TTS)
Screen:	**Adult Entertainment – Maximum 20% of Total Company Revenue**
Restricted stocks :	none
Screen:	**Weapons – Any tie (incl. Civilian Firearms, Cluster Bombs, Landmines)**
Restricted stocks:	none

6.12 Custodian Risk

APNIC may invest via a wrap platform / investor directed portfolio service (IDPS) or custodial model to provide administrative services. The Operator or Custodian must be a specialist provider of services, technology and systems underpinning wrap, investor directed portfolio services and custodial models. The Custodian must also have a complaints resolution scheme and be related to a major InternationalOperator.

6.13 Fees and Taxes

The portfolios are to be constructed using products and managers that have been assessed against their overall contribution to portfolio returns; this assessment includes an evaluation of fee competitiveness and level of tax efficiency.

7 Portfolio Administration Policy

7.1 Performance Measurement and Reviews

After the construction and implementation of the portfolio the monitoring and reporting regime will be initiated.

The portfolio must be reviewed at the end of each quarter by the Director General and the Business Director in consultation with the Investment Advisers. If changes are required then the following process is to be adopted:

A recommendation will be documented by the Investment Adviser and provided to the Director General and the Business Director and must include the following information:

- Positives/negatives and fees and bid/offer spread costs
- Proposed investment – positives/negatives and fees and bid/offer spread costs
- Basis for change
- Supporting material justifying the change

The recommendation must be signed by the Treasurer, Director General and the Business Director or appointed Key Decision Maker delegates where the delegated authority is in place. Only once the recommendation(s) is approved can the changes be implemented.

The Executive Council must be provided with an update by the Treasurer, Director General and any third party advisers at least quarterly on the performance of APNIC's investments. This update should include the following:

- Economic review and forecast;
- Investment review and forecast against the relevant benchmarks and client investment objectives;
- Review of changes to the investment portfolio since last update;
- Notification of any issues;
- Potential changes in light of the economic and investment forecast.

7.2 Market Event Reviews

As capital preservation is paramount, a way to identify the need to review the portfolio in between the end of each quarter is by using a Market Event Review for those investments not managed by Investment Advisers. An impetus for a review will occur should events in the market cause volatility which significantly impacts the value of the portfolio. Volatility is generally to the downside, and where it is of a sufficient magnitude it will trigger this out of cycle review.

Where an issue is identified, it will be assessed and appropriate advice is to be provided given the prevailing portfolio and market conditions.

7.2.1 Downside Market Event Review

Defensive assets are defined as Liquidity and Fixed Interest. Growth assets are defined as Australian Equities, International Equities (Europe, USA, Japan, Emerging Markets), Alternative Investments – Properties, Alternative Investments – Hedge Funds, Alternative Investments – Commodities and Alternative Investments – Gold..

For Defensive assets, a Market Event Review 1 occurs where the asset class declines by 5% from the previous quarter's closing point *. A Market Event Review 2 occurs if an asset class further declines 5% from the Market Event Review 1.

For Growth assets, a Market Event Review 1 occurs if an asset class declines by 10% from the previous quarter's closing price*. A Market Event Review 2 occurs if an asset class further declines 10% from Market Event Review 1.

Once a Market Event Review is triggered on any one particular asset class then a complete review of the investment portfolio will assess the cause of the volatility and if considered material (exogenous or investment specific) re-evaluate the validity of the investment thesis supporting the investment mix. An out of cycle review may result in assets being liquidated and capital re-deployed, conversely and more commonly, result in no action being taken at all, other than the report and assessment process.

* This will be based upon each asset class' corresponding Index and on daily closing price data. The Index used for each asset class is displayed in the table below.

Summary of Downside Market Event Review events are shown in the following table:

Asset Class	Benchmark / Index	Downside Market Event 1	Downside Market Event 2
Cash	n/a	n/a	n/a
Fixed Interest	UBS Australian Composite Bond Index All Maturities	Fall of 5% from last quarter's closing point er	Further fall of 5% from Market Event 1
Australian Equities	S&P/ASX 200 Accumulation Index	Fall of 10% from last quarter's closing point	Further fall of 10% from Market Event 1
International Equities	MSCI World ex Aust Index $A	Fall of 10% from last quarter's closing point	Further fall of 10% from Market Event 1
Alternative Assets – Hedge Funds	HFRI Global Hedge Fund Index	Fall of 10% from last quarter's closing point	Further fall of 10% from Market Event 1
Alternative Assets - Property	S&P/ASX 200 Listed Property Accumulation Index	Fall of 10% from last quarter's closing point	Further fall of 10% from Market Event 1
Alternative Assets – Commodities and Gold	50% DJ UBS Commodity Total Return Index and 50% Gold PM Fixing	Fall of 10% from last quarter's closing point	Further fall of 10% from Market Event 1

7.2.2 Capital preservation – Upside Review Events (Portfolio rebalancing)

Upside review events occur when the value of the investments have risen to the point where the portfolio can be moved to a more conservative asset allocation and still have a very high probability of achieving the organisation's objectives.

For those investments not managed by Investment Advisers, the portfolio is to be reviewed and where necessary rebalanced quarterly, on a quarter's-end basis.

APNIC 36 CONFERENCE

XI'AN, CHINA
20 - 30 August 2013

1993 20 2013

Financial Outlook – 2014

Revenue Outlook 2014

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Forecast	2014 Budget	2014 v. 2013 Change
Revenue							
IP Resource Application Fee	$1,194,713	$1,373,986	$1,530,500	$2,232,250	$1,510,500	$1,260,000	-16.58%
Interest Income	$566,854	$397,689	$395,591	$583,052	$517,896	$662,500	27.92%
Membership Fees Income	$7,863,971	$10,199,249	$12,968,291	$14,361,213	$15,013,791	$15,610,000	3.97%
Non-Member Fees Income	$125,598	$149,382	$198,425	$227,966	$240,598	$245,000	1.83%
Other Income	$0	$252	$0	$0	$0	$0	0.00%
Per Allocation Fees	$1,542,369	$994,277	$0	$0	$0	$0	0.00%
Reactivation Fees	$8,876	$23,550	$25,200	$43,200	$22,200	$20,000	-9.91%
Sundry Income	$161,853	$205,508	$298,657	$199,063	$382,613	$200,000	-47.73%
Foreign Exchange Gain/Loss	($38,262)	($18,471)	$57	$245	$30,396	$0	0.00%
Realized Gain/Loss	$0	$0	$0	($5,175)	$0	$0	0.00%
Transfer Fees	$0	$0	$0	$11,616	$61,959	$75,000	21.05%
Total - Revenue	**$11,425,972**	**$13,325,422**	**$15,416,721**	**$17,653,431**	**$17,779,953**	**$18,072,500**	**1.65%**
Change %	**7.65%**	**16.62%**	**15.69%**	**14.51%**	**0.72%**	**1.65%**	

Revenue Outlook 2014 - Assumptions

Initial IP Allocation Fees

- 2013 included Jan-Feb under old fee schedule
- Based on 750 New Members in 2014

Interest Income (Will change classification to include Interest and Investment Income)

- This is an estimate, we are working with our advisors on calculating the likely income vs capital growth from our investments

Membership Fees

- This is based on a detailed analysis of our members with continued growth of 750 members in 2014, this accounts for all but the large India accounts going to the NIR on their next anniversary - base don advice from Sunny – detail in next slide

Non-Member Fees

- Based on member forecast

Sundry Income

- Income from investments will move up to Investment Income above and we change to Interest and Investment Income

Transfer Fees

- Based on our initial business case

Transfers to IRINN – 2013 impact

	Actual							Forecast					
Member Tier	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TTL
associate	1	4		4	3	3	2	2	1	3	4	2	29
very small	4	5		5	7	5	8	0	2	7	7	8	58
small	4	3		9	4	4	4	2	4	5	5	4	48
medium	2			4	1	2	3	2	2	2	2	1	21
large				2	3	1	1	0	0	0	2	3	12
very large				1		1				1			3
Grand Total	11	12	0	25	18	16	18	6	9	18	20	18	171

Average Fee	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TTL
associate								$2,491	$1,245	$3,736	$4,982	$2,491	$14,946
very small								$-	$3,016	$10,554	$10,554	$12,062	$36,187
small								$5,500	$10,999	$13,749	$13,749	$10,999	$54,997
medium								$12,573	$12,573	$12,573	$12,573	$6,286	$56,578
large								$-	$-	$-	$23,061	$34,592	$57,653
very large								$-	$-	$25,457	$-	$-	$25,457
Grand Total								$20,564	$27,833	$66,070	$64,920	$66,431	$245,818

YTD Average Fee	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TTL
associate	$3,760	$7,152	$-	$2,489	$5,105	$3,973	$5,569	$1,663	$-	$1,125		$-	$30,836
very small	$10,687	$6,891	$7,085	$9,395	$9,547	$5,805	$8,234	$5,805	$-	$-		$-	$63,449
small	$12,753	$8,046	$7,092	$16,627	$6,879	$6,879	$13,925	$8,943	$-	$10,941		$11,956	$104,041
medium	$19,632	$-	$12,396	$22,521	$8,995	$11,910	$22,469	$11,392	$16,266	$-		$-	$125,581
large	$-	$-	$26,508	$31,995	$19,364	$19,364	$27,296	$26,236	$-	$-		$-	$150,763
very large	$-	$-	$53,910	$-	$47,918	$-	$-	$-	$-	$-		$-	$101,828
Grand Total	$46,833	$22,088	$106,990	$83,027	$97,809	$47,931	$77,493	$54,039	$16,266	$12,066	$-	$11,956	$576,498

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TTL
2013 Impact	$42,930	$18,407	$80,243	$55,351	$57,055	$23,966	$32,289	$24,868	$11,025	$13,023	$5,410	$-	$364,565

Transfers to IRINN – 2014 Impact

Members by Tier	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TTL
associate	6	6	6	6	6	6	6	6	6	6	7	7	74
very small	14	14	14	14	14	14	14	14	14	14	14	14	168
small	7	7	7	7	7	7	7	7	7	7	7	7	84
medium	1	1	0	1	0	0	0	1	0	1	0	0	5
large													
very large													
Grand Total	28	28	27	28	27	27	27	28	27	28	28	28	331

Annual Fees by Tier	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TTL
associate	$7,473	$7,473	$7,473	$7,473	$7,473	$7,473	$7,473	$7,473	$7,473	$7,473	$8,718	$8,718	$92,164
very small	$21,109	$21,109	$21,109	$21,109	$21,109	$21,109	$21,109	$21,109	$21,109	$21,109	$21,109	$21,109	$253,307
small	$19,249	$19,249	$19,249	$19,249	$19,249	$19,249	$19,249	$19,249	$19,249	$19,249	$19,249	$19,249	$230,989
medium	$6,286	$6,286	$-	$6,286	$-	$-	$-	$6,286	$-	$6,286	$-	$-	$31,432
large	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
very large	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Grand Total	$54,117	$54,117	$47,831	$54,117	$47,831	$47,831	$47,831	$54,117	$47,831	$54,117	$49,076	$49,076	$607,893

Full Year Effect $	$66,431	$49,607	$45,098	$35,873	$36,078	$27,901	$23,915	$19,929	$18,039	$11,958	$9,020	$-	$343,850
Effect on 2014 Budget Calculation	$66,431	$49,607	$45,098	$35,873	$36,078	$27,901	$23,915	$47,348	$52,831	$89,040	$79,349	$66,431	$619,902

Expenses Outlook 2014

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Forecast	2014 Budget	2014 v. 2013 Change
Expenses							
Bank Service Fees	$65,148	$81,607	$102,974	$132,080	$132,870	$139,514	5.00%
Communication Expenses	$156,901	$339,964	$385,819	$440,762	$524,926	$540,674	3.00%
Computer Expenses	$381,519	$328,583	$397,535	$551,362	$611,022	$626,298	2.50%
Depreciation Expenses	$718,927	$703,869	$875,273	$816,998	$743,699	$750,000	0.8%
Doubtful Debt Expenses	$4,928	$2,106	$12,808	$27,099	$26,000	$26,000	0.00%
ICANN Contract Fees	$358,696	$321,172	$284,889	$321,655	$136,732	$340,000	148.66%
Income Tax Expenses	$48,830	($64,301)	($97,250)	$0	($68,165)	$0	-100.00%
Insurance Expenses	$133,822	$116,824	$120,236	$126,673	$127,610	$130,800	2.5%
Meeting and Training Expenses	$138,458	$249,401	$398,014	$191,561	$352,550	$361,364	2.50%
Membership Fees	$69,496	$53,663	$54,261	$68,392	$54,641	$56,007	2.50%
Miscellaneous Expense	$5,234	$1,032	$1,221	$3	$0	$0	0.00%
Office Operating Expenses	$132,009	$404,527	$275,653	$249,930	$288,342	$298,434	3.5%
Postage & Delivery	$27,170	$27,394	$32,842	$28,493	$36,701	$37,619	2.50%
Printing & Photocopy	$24,309	$21,618	$37,515	$38,115	$45,605	$46,745	2.50%
Professional Fees	$591,140	$554,295	$605,124	$939,882	$1,277,277	$1,341,141	5.00%
Recruitment Expense	$73,836	$140,220	$123,485	$99,574	$100,000	$100,000	0.0%
Relocation Expense	$0	$49,500	$474	$0	$0	$0	0.00%
Rent and Outgoings	$611,805	$1,418,314	$28,133	($12,562)	$0	$0	0.00%
Salaries and Personnel Expenses	$6,033,254	$6,507,584	$7,203,720	$8,145,433	$8,229,535	$8,682,870	5.51%
Sponsorship and Publicity Expense	$177,469	$252,182	$293,035	$270,696	$308,192	$400,000	29.8%
Staff Training Expense	$107,973	$146,287	$107,752	$151,386	$164,000	$168,100	2.50%
Translation Expense	$15,637	$14,498	$10,297	$11,928	$30,000	$30,000	0.00%
Travel Expenses	$1,404,359	$1,404,527	$1,576,246	$1,822,239	$2,030,182	$2,233,200	10.00%
Total - Expenses	**$11,280,919**	**$13,074,865**	**$12,830,055**	**$14,421,699**	**$15,151,719**	**$16,308,765**	**7.64%**
Change %	**4.78%**	**15.90%**	**-1.87%**	**12.41%**	**5.06%**	**7.64%**	

Expense Outlook 2014 - Assumptions

Bank Service Fees

- Increasing due to increased transactional activity

ICANN Contract Fees

Based on returning to Revenue based formula for share of this ICANN fee and decrease in AUD against USD - will have more clarity after CFO meeting

Income Tax Expenses

- Based on current tax position

Meeting and Training Expenses

CPI increase, will not know until proposals have been finalised and detailed budgets completed

Professional Fees

- This is an estimate with proposed changes from staff to contract etc. Not sure until we really do a bottom up detailed view

Salaries and Personnel Expenses

- Based on bottom up analysis of current staff and positions currently being filled

Sponsorship and Publicity Expense

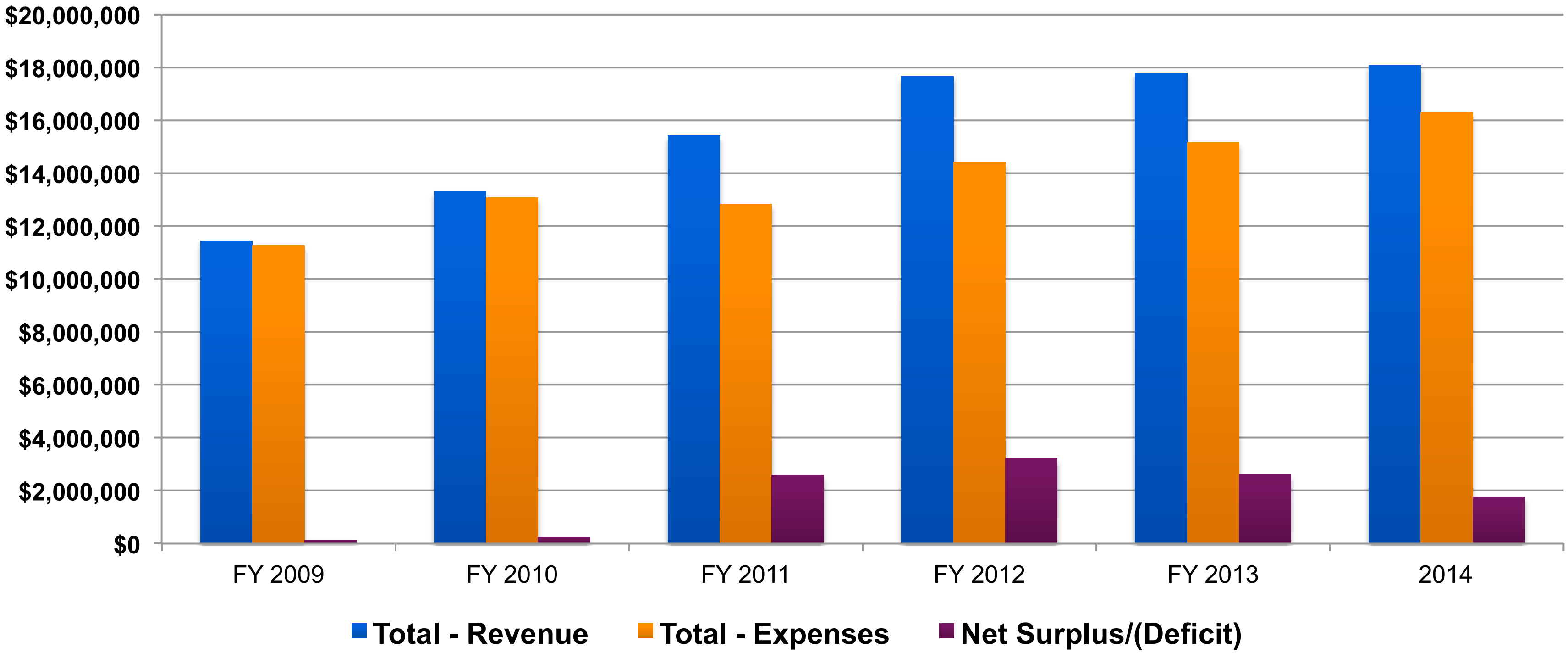
- Changes to formula for share of NRO costs - Full year of Germans Cost to be charged to NRO in 2014

Travel Expenses

- Estimate - Increases in travel and expected increase of 10% due to AUD value falling

Surplus/Deficit Outlook - 2014

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Forecast	2014 Budget	2014 v. 2013 Change
Total - Revenue	**$11,425,972**	**$13,325,422**	**$15,416,721**	**$17,653,431**	**$17,779,953**	**$18,072,500**	**1.65%**
Total - Expenses	**$11,280,919**	**$13,074,865**	**$12,830,055**	**$14,421,699**	**$15,151,719**	**$16,308,765**	**7.64%**
Net Surplus/(Deficit)	**$145,054**	**$250,556**	**$2,586,666**	**$3,231,732**	**$2,628,234**	**$1,763,735**	



Director General's report to APNIC Executive Council
August 2013

This report is provided to the EC for the quarterly meeting on Monday 26 August 2013, in Xi'an, China.

Business Area

Since the last meeting, APNIC monthly financial reports have been issued for May, June and July. The June report includes a half-yearly budget analysis and updated budget forecast.

The latest report indicates the following:

1. Revenues are very predictable at present due to slow member growth, and accurate predictions of new member numbers. Revenue variation in new member fees are due to timing issues, not due to extra new members (and likely to be close to budget on current trends).

2. Expenses are lower than budget primarily due to: reduced NRO expenses share (explained below), hiring delays (dependence on senior hires) and outsourcing of some staff functions (primarily design and communications consultancy), income tax rebate, and lower depreciation (due to capital purchase delays).

3. The overall result shows a substantial surplus by end of July 2013, but this will be reduced by EOY due to timing issues.

4. Currently, capital reserves are in excess of 14 months' expenses.

5. New memberships have increased since the last EC meeting, and now match budget projections, with the result that "resource application fees" are sustained. If seasonal patterns continue, new member rates should increase through the rest of 2013, and may exceed budget expectations. The majority of member cancellation has occurred due to movement to NIRs (58% as of July report), mostly to NIXI. With figures covering 1 full year of NIXI operations, we should be able to forecast attrition rates more accurately for 2014.

APNIC Investment policy: After a review with the APNIC Treasurer, the investment proposal from Commonwealth Bank was abandoned in favour of a superior proposal from Credit Suisse. This also resulted in changes to the Investment Policy which will require EC approval; when this is obtained, the new policy and investments can be put into effect (with a stages transition process from old to new investment instruments).

The ISO9001 QA project is complete, and APNIC received formal certification during August 2013. The auditor provides very positive feedback about APNIC's systems, and staff knowledge of and dedication to quality practices. It is understood by all staff that this certification represents just one step in ongoing continuous improvement activities at APNIC.

Work has progressed on APNIC's Risk Registry, to be reported to the EC this month. A workshop will be held during the December EC meeting, in Brisbane, if the EC wishes to go ahead.

The budget process for 2014 is beginning, with a high-level financial outlook to be presented to the EC during August. With EC guidance, this will form the basis of a budget to be developed in the coming months, and formal approval in December.

Services and Technical Areas

Final /8 allocations continue at a rate of 120+ per month. Services staff are monitoring allocations for subsequent transfers and aggregation of multiple requests, and will report during APNIC 36.

Transfers of IPv4 space continue at 8-10 per month, with a small number of inter-regional transfers. These figures will also be reported in more detail in APNIC 36.

The revised NIR membership agreement has been adopted, and all NIRs are expected to sign. In case of JPNIC a side-letter has been provided to confirm certain specific implications of the new agreement and the NIR recognition criteria.
Technical

The new VOIP system has been implemented and will provide better call control and tracking.

The new and reimplemented RIPE database has been deployed by APNIC, and provides new features including geolocation and language attributes, RDAP (pilot/beta service), and historical ("whowas") functionality. NRTM support, which was initially missing, has now been restored, with assistance from APNIC. APNIC's historical data will be made available in the near future.

RPKI user interface developments have been completed (under cooperation agreement with RIPE NCC). Testbed system has been established and used in interoperability testing with other RIRs (during NRO ECG activity in Berlin) and with JPNIC. RPKI technical workshop will be happening in APNIC 36.

APNIC has been instrumental in establishing the uniform joint RIR statistics, which required work on format standards and data consistency; and this is now published on the APNIC and NRO websites.

We have begun the deployment of a new "business intelligence" software platform which will allow aggregation of data from multiple sources, for better reporting. A public interface to this system will eventually replace the current APSTATS service.

John Earls has reported on interviews with EC and senior staff members on the AP Pulse proposal, and further discussion will take place in Xi'an, along with other discussions on the Survey process.

Learning and Development

A new events registration system has been deployed for training and conference events, to replace APNIC's in-house systems. This will save technical resources previously allocated to the in-house system.

The preparations for APNIC 36 have been more intensive than usual, due to the 20th anniversary activities. As discussed at the last EC meeting, registration fees are now waived for APNIC members, from this meeting forth.

Srinath Beldona is now working for APNIC in training and engineering assistance, based in India. He is being paid by APNIC via an intermediary company in India and a suitable contractual arrangement.

External Relations and Public Affairs

There have not been any major ITU events in the past period, but preparations are underway for the WTDC (World Telecommunications Development Conference) and ITU Plenipotentiary conferences in 2014, and WSIS+10 in 2015. APNIC has attended forums held by ITU ASP, APT and DBCDE (Australian government) on these topics. Issues of concern to us include ITU's roles in Internet Governance and in IPv6 development, and the scope of ITU's mandate, likely to be reviewed in PP-14.

APNIC has joined APT (Asia Pacific Telecommunity) as an Associate Member, after encouragement from APT and several member countries. The formal request was submitted by Australia (as required by APT rules).

A training course on IPv6 Security was provided with ITU-D support in Bangkok, and was considered a great success. Planning is underway for IPv6 Transition workshops, with $100,000 additional funding contributed by ITU-D (Australian Government funding).

I have been active as interim Chair position of the Asia Pacific regional IGF (APrIGF), which will be held in Seoul, 4-6 September.

I joined a mission with Fadi Chehade of ICANN to Jakarta to ensure that the IGF will continue in Indonesia, with appropriate funding. I have continued to be involved in fund-raising activities, promoting the need for funding to companies and organisations in the AP region. The funding target is 80% met, in terms of commitments which have been made so far.

NRO and ICANN

APNIC's share of responsibility for NRO expenses was greatly reduced in 2013 due to the reduction in our IPv4 allocations, resulting in a budget saving of $170,000. I have previously supported the revision of the funding formula to maintain our previous contribution levels, and this is likely to be agreed for future years.

German Valdez started work as the NRO's Executive Secretary in April 2013, and has worked productively in support of the NRO EC and coordination groups.

Yu-Chuang Kuek has been recently appointed as ICANN's VP for Asia, from 1 August 2013. There have been several meetings, and he will visit the APNIC offices in September. Save Vocea continues as ICANN VP for Oceania (Pacific, Australia and NZ).

Both are involved with ICANN Regional Strategy processes for their regions and have asked for APNIC's involvement. We will engage in these discussions, and explore way to work more closely with ICANN in our region, and for ICANN to be more closely involved in supporting common activities.

An exchange of letters between the NRO and ICANN was recently published to clarify our agreed positions on the new RIRs (in particular the proposed Arab RIR) and the bottom up process. There have been no further issues related to this matter.

The NRO recently confirmed with ICANN that we wish to begin technical testing of RPKI services with IANA, but without committed timelines for deployment.

RIPE Cooperation Agreement

The following projects fall under the cooperation agreement signed with RIPE NCC:

Weirds Development Collaboration: This is closed with the successful deployment of the new RIPE server. Ongoing development work will fall under "business as usual".

RPKI UI development: Uniform implementation of APNIC and RIPE NCC interfaces to RPKI services has been deployed, providing consistent look and feel to both services, completed. The project is closed.

BCP Collaboration: Work progressed during Dublin RIPE meeting to coordinate cross-audits of NCC and APNIC BCPs, to be completed during 2013.

Survey Cooperation: A joint RIPE NCC and APNIC meeting will happen in Xi'an to discuss survey coordination.

IPv6 Training: Collaboration on jointly maintained training materials for IPv6. This is ongoing, without notable progress recently, however will continue in future.

LEA coordination: Discussions are pending about a formal collaboration project on engagement with Law Enforcement Agencies. It will advance with the appointment of the Security Specialist.

APNIC 5 year strategic plan

Xi'an, 26 August 2013

APNIC

APNIC Vision

"A global, open, stable, and secure Internet that serves the entire Asia Pacific community."

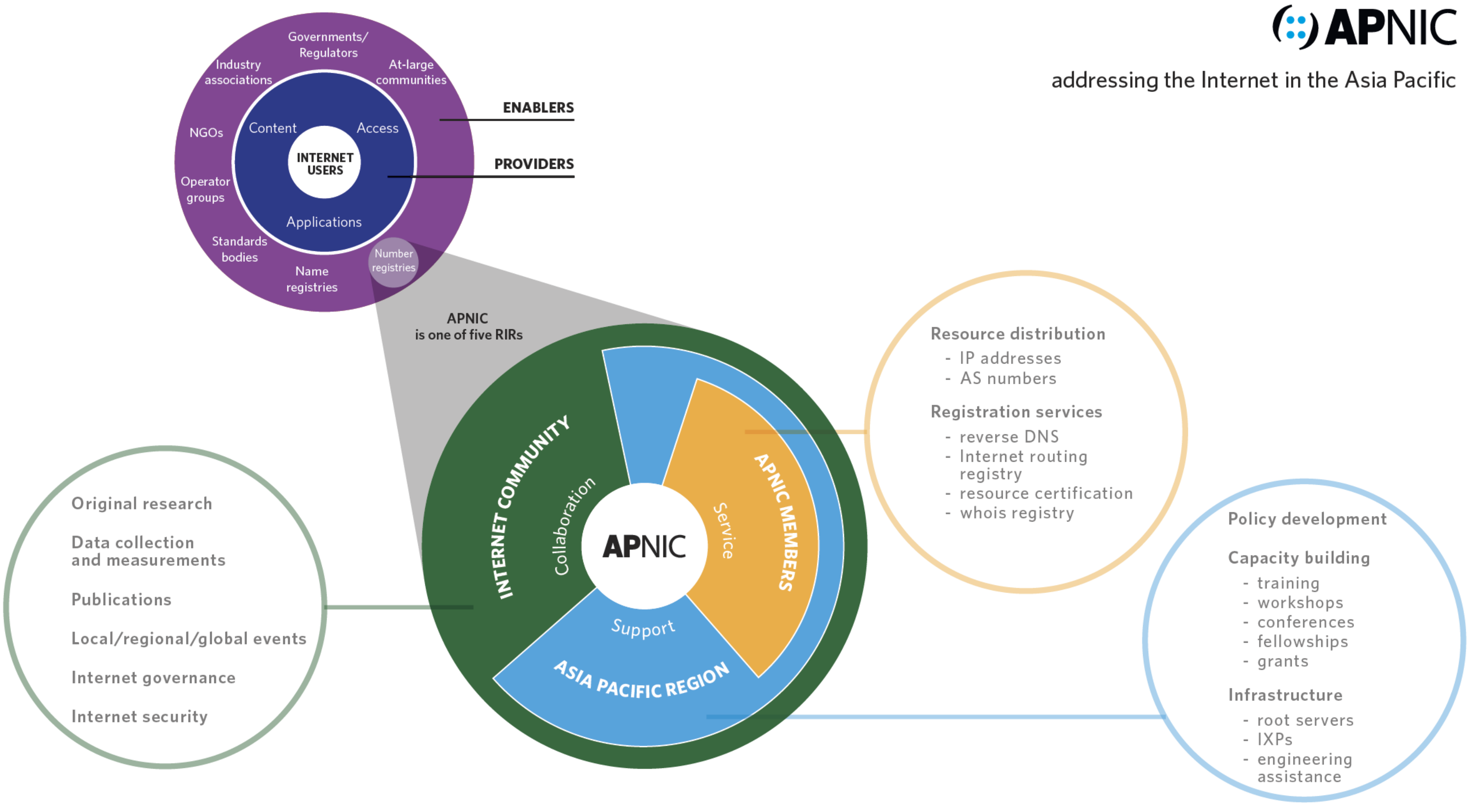
APNIC Mission

- Function as the Regional Internet Registry for the Asia Pacific, in the service of the community of Members and others
- Provide Internet registry services to the highest possible standards of trust, neutrality, and accuracy
- Provide information, training, and supporting services to assist the community in building and managing the Internet
- Support critical Internet infrastructure to assist in creating and maintaining a robust Internet environment
- Provide leadership and advocacy in support of its vision and the community
- Facilitate regional Internet development as needed throughout the APNIC community

APNIC Values

- APNIC believes in:
  - An ideal model of the Internet as a single coherent global infrastructure that is open and accessible, stable and secure, neutral and non-discriminatory
  - Transparency and openness to stakeholders in all activities and processes
  - An open and competitive market environment, as the best one for healthy Internet development
  - The multi-stakeholder model for Internet development, management and governance
  - Bottom-up decision and policy making, in which members of stakeholder communities are directly engaged in decisions that affect them
  - Full accountability to members and stakeholders, in the efficient and responsible management of member resources
  - The development of human resources and capacity, both within and outside of the organisation
  - The proven power of the Internet for social and economic development worldwide

APNIC activities



Key strategies

Serving members

1. Effective outreach to those who need APNIC services
   - Listen to the community needs
   - Add value to APNIC membership
   - Cultivate APNIC champions throughout the region
2. Improve core registry services
   - Adopt the best current practices, technologies and standards
   - Continuous improvement of services that is responsive to community feedback and anticipation of future needs

Supporting the AP region

3. Develop cost effective ways to support the AP Internet infrastructure and industry development
   - Technical: strengthen the region's technical infrastructure robustness and develop technical skills and knowledge
   - Policy environment: contribute uniquely to the development of policy environment and emphasis the Internet's value in the region's economic growth

Collaborating with the Internet community

4. Promote and strengthen the open, multi-stakeholder, bottom-up and transparent Internet policy development
   - Position APNIC as a source of technical expertise
   - Engage with a wide stakeholder base e.g. governments, law enforcement agencies, civil societies, Internet organizations, businesses, academic/research institutions etc.

Secretariat support

5. Create a resilient organization to meet APNIC's obligations
   - Achieve an accumulation of cash and cash equivalent reserves for 18 months of operating expenses by the end of 2017
   - Maintain a year after year operating surplus
   - Revenue growth through membership growth and additional services
   - Manage cost by increasing staff productivity and diligent use of technology
   - Recruit and maintain the right level of expertise

Key goals and programs

Serving Members

Key strategies	Key goals	Key programs	Year
1. Outreach to those who need Internet resource services	Achieve 15,000 account holders of APNIC and NIRs combined (RIPE-NCC as the primary benchmark)	• Membership Development • External relations • NIR liaison	2017
2. Improve core registry services	Deploy a new, highly reliable and adaptable registry system built on technologies that anticipate the future	• Agile development • Software re-architecture • Virtualisation • Monitoring • System redundancy • RIR technical collaboration • APNIC Survey	2015

Supporting the AP region

Key strategy	Key goal	Key programs	Year
3. Develop cost effective ways to support the AP Internet infrastructure and industry development	Develop a sustainable business model for consultancy, training, and community supported Infrastructure development and maintenance	• Training • Engineering Assistance • Infrastructure deployment (root-servers, IX) • APRICOT/APNIC conferences • Regional events • ISIF and grant programs • Labs	2014

Collaborating with the Internet community

Key strategy	Key goals	Key programs	Year
4. Promote and strengthen the open, multi-stakeholder, bottom-up and transparent Internet policy development	High level of community engagement High level of support across different stakeholders for all APNIC policy development activities	• External relations • Government engagement • LEA engagement • GAC engagement • AP Pulse • APNIC Survey • APRICOT/APNIC conferences • Regional events • Labs	2017

Secretariat support

Key strategy	Key goals	Key programs	Year
5. Create a resilient organization to meet APNIC's obligations	Achieve 18 month defence interval ratio	• Membership Development • Automation and systems integration • Business intelligence • Risk management • Investment management	2017
	Maintain and attract the right human resources to meet organisational needs	• Succession planning and corporate knowledge retention • Requisite organisational structure	2014