



**MINERALS  
INCOME**  
INVESTMENT  
FUND

# INVESTMENT POLICY & GUIDELINES





## **INVESTMENT POLICY AND GUIDELINES**

PREPARED BY  
THE MINERALS INCOME INVESTMENT FUND

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

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## A. List of Abbreviations

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

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## 1. INTRODUCTION

The Investment Policy and Guidelines (**IPG**) is established in accordance with section 39 of the Minerals Income Investment Fund Act, 2018 (Act 978) as amended by the Minerals Income Investment Fund (Amendment) Act, 2020 (Act 1024) (the **MIIF Act**).

The IPG is developed on the back of the sustainable growth agenda of the Fund and its Strategic Plan.

The implementation of the IPG shall take into consideration the advice of the IAC and approval of the Board of Directors (the **Board**) of MIIF (or the **Fund**).

This document is to guide the investment decisions of the Fund in the short, medium, and long-term, pursuant to the dictates of the MIIF Act.

## 2. PURPOSE AND OBJECTIVES

### Purpose

The purpose of the IPG is to provide a framework and procedures for the investment operations of the Fund and to assist the Board, Management, and Asset Managers of the Fund in their quest to maximize the income from minerals royalties accruing to the Republic through the optimization of returns within an acceptable level of risk.

### Objectives

The objectives of IPG are:

- (a) establish for parties involved a clear understanding of the investment goals and objectives of the assets of the Fund;
- (b) identify investment avenues and opportunities, especially within the mining sector and the appropriate financing and investment modules to deploy;
- (c) offer guidance and limitations to all Investment Managers regarding the investment of the Fund's assets;
- (d) set-up a framework for selection of investment projects and monitoring of investment results on quarterly basis; and
- (e) identify permitted asset classes (MIIF Portfolio) for investment and acceptable ranges of funds allocation that are expected to optimize potential returns within a reasonable degree of risk.

### 3. DEFINITIONS

- (a) **Assets Under Management (AUM):** The market or fair value of investments belonging to the Fund, valued at prevailing market prices in accordance with globally accepted valuation principles at a given period.
- (b) **Alternative Investment (AI):** Investments in assets different from conventional equity, fixed income, or money market categories. For the purposes of this IPG, AI shall be investments in metals trading, tangible assets such as precious minerals, banking, and treasury products such as swaps and risk participations/syndications with top tier local and international banks subject to all prohibitions outlined in this Policy and the MIIF Act. AI will also cover investment in private equity, hedge funds, venture capital and projects which may not necessarily be minerals or mining related.
- (c) **Bond:** A marketable corporate or sovereign guarantee debt issued or bought by the Fund to advance its objectives.
- (d) **Capital Market:** A financial market where MIIF raises or invests long-term capital through debts or equities or both.
- (e) **Equity:** It is the ownership interest of the Fund in a company.
- (f) **Eurobond:** Debt securities denominated in a currency other than the issuing country's currency.
- (g) **Green Bond:** A fixed-income instrument designed by the Fund to support specific climate-related projects.
- (h) **Joint Venture (JV):** An agreement in which the Fund and other party or parties agree to pool their resources together to accomplish a specific task for the benefit of all parties.
- (i) **Mineral:** Means a substance in solid or liquid form that occurs naturally in or on the earth, or under the seabed, formed by or subject to geological process including industrial minerals, such as limestone, quartz, lithium, salt, sand, and granite, but does not include (i) petroleum as defined in the Petroleum (Exploration and Production) Act, 2016 (Act 919); (ii) water and (iii) bauxite.
- (j) **Mineral Royalties:** Means amounts payable under section 25 of the Minerals and Mining Act, 2006 (Act 703); and any other royalty payable by a mining company to the Republic whether linked to a percentage of the value of extracted mineral production pursuant to a relevant agreement.
- (k) **Special Purpose Vehicle (SPV):** A subsidiary created by the Fund for a specific purpose, such as to obtain finances, transfer risk or to perform specific

investment activities.

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

#### **4. PROHIBITIONS**

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

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

#### **5. FOCUS INVESTMENT AREAS**

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

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

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

The Fund may maximise value from its portfolio by monetising a portion of its assets via a SPVs to raise significant funds from domestic and international capital markets to support capital investments both within and outside the mining sector. The Fund will concentrate its investments on:



## **(a) Mining Sector**

MIIF will embark on significant joint venture investments in the mining sector, especially with other funding partners, banks, local operators, and small-scale miners. The objective is to add value and deepen local content in the sector. This will include, but not to be limited to direct equity participation in mining related projects and mining entities across the value chain. The Fund may enter de-risking mechanisms such as co-investments with financial institutions and other funds in viable mining projects.

The Fund shall explore equity participation in mining infrastructure such as refineries based on detailed analysis as required for such projects. The Fund intends to support the establishment of a Mining Services Centre to enhance the growth and development of the industry in partnership with the private sector and other stakeholders; and investments in various mineral-types across the entire value chain of each mineral in the sector. The Fund will actively work with the GIPC and the Ghana Chamber of Mines to attract FDI into the sector.

## **(b) Community Social Investments**

The Fund shall invest in community social investments primarily focused on the below:

### **(i) Health**

Ensuring that Ghanaians benefit from the minerals income accruing to the State from the mining sector through the establishment of Specialized Health Facilities and Services. Specifically, in the mining communities where significant environmental degradations occur, is highly prioritised by the Fund.

Investment in health for all to reduce health inequalities is critical for sustainable development. MIIF will undertake construction of state-of-the-art community clinics based on needs assessment and provide support for other health infrastructure through collaborations with MDF across the country.

### **(ii) Education and Research**

The Fund views education as a right and as a base for prosperity and opportunity for Ghanaians. MIIF will partner with research institutions, Government, corporations, foundations to provide educational and other social infrastructure in well-deserved communities to improve livelihoods, which will drive social stability and provide long-term

economic growth.

The Fund will also prioritise Small-Scale Miners and partner with the University of Mines and Technology (UMaT) to provide responsible basic mining education to the Small-Scale Miners, support capacity development of UMaT as well as explore the possibility of establishing a Mining Research Institute (MRI), well positioned to provide mining services to the West African Sub-region.

### **(c) Financial Sector and Products**

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

#### **(i) Direct Equity Participation**

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

#### **(ii) Listing of MIIF's Royalty Company**

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

#### **(iii) International Bonds**

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

#### **(iv) MIIF Bond Program**

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

### **(d) MIIF Investable Funds**

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

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

MIIF shall have an allocation of 2% of minerals royalty receipts and an additional allocation of 5% of MIIF investment returns for the day-to-day operations of the Fund.

Furthermore, MIIF shall allocate 10% of annual returns on investment (including returns on cash placements) for investments in community social investments as indicated in clause 5 (b) above. Despite the allocation, the Board shall have the power to approve such social investments exceeding the approved budget for social investments in accordance with the MIIF Corporate Social Responsibility Policy.

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

**Table 1: MIIF Investable Funds**

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

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

Dividends received by MIIF on behalf of the State, in relation to GoG's 10% free carried interest in the rights and obligations of the mineral operations shall form part of the Fund's assets.

## **6. INVESTMENT GUIDELINES**

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

## **7. INVESTMENT DECISIONS**

The responsibility for execution of all investment decisions in accordance with the IPG lies with the CEO and is subject to approval of the Board.

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

**Table 2: Assets Allocation**

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

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

## **8. BENCHMARKING**

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

- (a) the Fund shall not commit more than 20% of the value of its entire portfolio in any single Joint Venture at the time of commitment;
- (b) investments in SPVs shall be strictly supervised by the Fund's Investment Department led by the CEO. If an SPV is created to facilitate an investment option, that SPV shall be designed to execute a specific programme. Annual commitments from the Fund's income to the SPV shall not exceed 50% of MIIF's investable funds, primarily from minerals royalties and dividend, except as approved by the Minister for Finance;
- (c) Bank securities and other money market investments shall not exceed 5% of AUM;
- (d) the allocated funds to Alternative Investment shall range between 4.0% to 6.0% bands of AUM;
- (e) at each rebalancing, cash flows from interest and principal payments will be reinvested into other asset classes for the following month so that index results over one or more months reflect monthly compounding; and
- (f) international bonds investments are restricted to Baa1 rated bonds or above by Moody's or equivalent by S&P or Fitch with a maximum maturity not exceeding 15 years. If the bond is subsequently downgraded below the

required rating threshold after purchase, the security shall be disposed-off at the earliest opportunity.

## **9. LIQUIDITY**

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

## **10. EXPECTED RATE OF RETURN**

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

## **11. RISK MANAGEMENT**

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

## **12. OVERSIGHT OF INVESTMENTS**

The Board shall play the fiduciary role in the Fund's investments and ensure effective implementation of the IPG by the Fund's Investment Department in accordance with the MIIF Act. This IPG will be supported by other operational manuals approved by the Board such as:

- (a) Investment Liquidity and Risk Management Policy;
- (b) Compliance Policy;
- (c) ESG Guidelines;
- (d) Corporate Social Investment Policy;
- (e) Projects Appraisal Guidelines; and
- (f) Investment Monitoring and Evaluation Guidelines.

## **13. DISCLOSURE OF ALL INTERESTS**

If a member of the Board, IAC and Management has a relationship with a service provider (Asset Manager/Consultant), who has been shortlisted for procurement purposes, the said member must disclose such relationship or conflict to the Board and abstain or recuse him or herself from meetings and voting on related items. This

is in line with section 11 of the MIIF Act.

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

#### **14. ENGAGEMENT OF ASSET MANAGERS**

MIIF may appoint Asset Managers in accordance with section 25 of the MIIF Act. The Asset Managers shall perform their duties with the standard of skill, care and judgement that will be expected of a professional asset manager.

In carrying out its duties, an Asset Manager shall be subject in each case to any overriding directions by the Board and Management given in writing and addressed to the Asset Manager at its registered office.

The Asset Manager shall be selected by the Board based on prudent due diligence procedures. A qualified Asset Manager must be a registered member in good standing with the Securities and Exchange Commission of Ghana, Ghana Stock Exchange, and any other related regulatory bodies.

The following criteria shall be followed by the IAC in recommending the selection of an Asset Manager:

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

The service fee of the Asset Manager may be a negotiated percentage (%) of the AUM per annum.

#### **15. REBALANCING**

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

If an asset allocation breaches the lower or the upper limits, Management should notify the Board to assess the possible reasons for the breach and agree on a plan to restore

to acceptable range.

## **16. PERFORMANCE REVIEW AND EVALUATION**

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

The report shall be detailed and must ensure that the investment results are consistent with the investment objectives and guidelines as set forth in this document and as approved by the Board. The investment performance of the total portfolio and asset class components shall be measured against the relevant benchmarks approved by the Board.

Asset Managers shall be evaluated based on the terms and conditions of their engagements as agreed by the Board. The services of the Asset Managers may be terminated if:

- (a) their investment performance is significantly less than the agreed benchmark returns and risk, coupled with unacceptable justification of poor performance; and
- (b) lack of general adherence to the terms and conditions of their engagement.

## **17. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)**

MIIF is mindful of the global issues facing humanity and its obligation to take steps whenever possible to support initiatives that seek to address these. MIIF believes that high standards of corporate responsibility will generally make good business sense and have the potential to protect and enhance investment returns.

The Fund is committed to ensuring that ESG and sustainability are integrated in all aspects of its operations. The incorporation of ESG and Sustainability in the Fund's investment activities will create a platform for impact investment. The Fund shall ensure that ESG considerations are an integral part of all investment reviews and decisions.

## **18. POLICY REVIEW**

The IPG shall be reviewed at least bi-annually to reflect prevailing market conditions and general macroeconomic developments.

## **19. OVERVIEW OF THE INVESTMENT DEPARTMENT**

The Investment Department has the mandate of the Fund to assist in maximizing the minerals income and attracting investment into the mining sector of Ghana. The CEO, the CIO, the Executive Management and schedule officers will be responsible



for maintaining investor-sensitive engagements and providing value laden services to investors. The CIO shall ensure technical and administrative oversight of Managers and Officers in the Investment Department.

**(a) Investment Advisory Committee**

The IAC shall make recommendations on investment memos referred to it by the Fund. It shall operate under sections 13, 14, 15, 16,17, 18 and 19 of the MIIF and will operate under a charter.

**(b) External Consultants**

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

