# WHAI RAWA UNIT TRUST

STATEMENT OF INVESTMENT POLICY
AND OBJECTIVES

## CONTENTS

# 1. INTRODUCTION

**Purpose**

The purpose of this Statement of Investment Policy and Objectives (“SIPO”) is to document the decisions of Whai Rawa Fund Limited (“the Manager”) in respect of the investment of funds within the Whai Rawa Unit Trust (“the Trust”).

The SIPO provides all parties involved in the investment management of the Trust with a working document that identifies the investment philosophy, objectives, strategy, implementation, performance measurement criteria, risk management and review procedures to be observed.

It also specifies that the investment management process is to be implemented in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Financial Markets Conduct Regulations 2014 (together the FMCA), Trusts Act 2019 and the Trust’s rules as set out in the Whai Rawa Trust Deed (as amended from time to time) (“Trust Deed”).

The SIPO identifies the responsibilities of the parties involved in the management of the Trust’s investments; namely the Manager in its capacity as manager of the Trust and any appointed investment manager or underlying fund manager.

This SIPO is effective from 18 August 2021 and replaces all previous SIPOs.

**The Trust**

The Trust was established by Te Rūnanga o Ngāi Tahu (“TRoNT”) in 2006 to build the wealth of Ngāi Tahu Whānui members by encouraging savings and facilitating receipt of distributions from TRoNT.

The Trust is a registered managed investment scheme under the FMCA and as at the date of this SIPO is governed by a Trust Deed dated 1 October 2019.

The Manager of the Trust is Whai Rawa Fund Limited.

The Supervisor of the Trust is Trustees Executors Limited.

On 17 February 2020, the Manager made three socially responsible investment options available to the Trust’s members and invested the funds of the Trust accordingly in the Mercer Investment Trusts New Zealand Socially Responsible Conservative Portfolio, the Mercer Investment Trusts New Zealand Socially Responsible Balanced Portfolio, and the Mercer Investment Trusts New Zealand Socially Responsible Growth Portfolio (together “Portfolios”), each managed by Mercer (N.Z.) Limited (“Mercer”) as the underlying fund manager for the Trust.

# 2. RESPONSIBILITIES OF THE PARTIES

**Manager**

The Manager shall:

1. determine the objectives for the investment of the Trust’s assets having regard to the nature of the liabilities, tax implications, and the appropriate level of risk; and

2. determine the appropriate number of external investment managers and / or underlying fund managers (together with applicable underlying funds) of the Trust, and select, review and make changes to such manager(s) and funds as appropriate. The selection of such investment manager(s) and underlying fund managers is based on criteria determined by the Manager and includes a review of:

    a) the investment processes carried out by the investment manager and / or underlying fund manager;

    b) the quality of the investment manager's and / or underlying fund manager's personnel and the range of skills offered by the investment manager and / or underlying fund manager(s);

    c) the ability of the investment manager and / or underlying fund manager to comply with the Manager's reporting requirements;

    d) the performance of the investment manager and / or underlying fund manager(s); and

    e) the investment manager's and / or underlying fund manager's ability to meet Portfolio Investment Entity Vehicle flow through requirements and the integrity of the investment manager's and / or underlying fund manager's systems.

    As at the date of this SIPO, the Manager has not appointed any external investment managers, although one or more external investment managers could be appointed in future. As at the date of this SIPO, the Manager has determined to invest the Trust's assets in the Portfolios (which are 'underlying funds'). The Portfolios are managed by Mercer (which is the 'underlying fund manager').

3. determine and periodically review the investment strategies and risk management constraints for the investment of the Trust's assets. This may include long term sector allocation mix, trading ranges and method of implementation. For example, the Manager may select a unit trust or pooled investment arrangement (whether offered by a selected investment manager or an alternative underlying fund manager) which, in part or as a whole, is appropriate for the Manager to invest in;

4. establish investment performance criteria for the selected investment manager(s) and/or underlying funds in which the Trust invests;

5. establish and maintain appropriate contractual arrangements with the investment manager and underlying fund manager(s) and any other parties involved in the investment of the Trust's assets;

6. monitor regularly the investment results to assess the progress being made towards the Trust's long-term objectives;

7. monitor appointed investment manager(s) and underlying funds to determine whether they have:

    a) performed satisfactorily relative to their objectives;

    b) adhered to the investment guidelines and constraints, and invested in a manner consistent with the stated philosophy and any pooled fund guidelines; and

c) maintained appropriate safe custody of assets and supporting processes, systems and controls.

8. periodically review, at least annually, the fees charged to members in the Trust (including fees charged at the underlying fund level) ensuring that they receive value for money, including taking into account fees charged in relation to similar investment options.

9. advise the investment manager and / or underlying fund manager of any material changes to the operation of the Trust;

10. review this SIPO at least every year (in consultation with the Supervisor), or more frequently if appropriate due to material changes in investment conditions or circumstances including investment strategy, policies or the parties included in this SIPO; and

11. ensure compliance by the Trust with this SIPO and the requirements of the FMCA.

The Trust Deed permits the establishment of more than one investment portfolio (fund), with the objective of enabling the Manager to provide investment choice to Members.

As at the date of this SIPO, the Manager offers conservative, balanced and growth investment options named the Tōtara-Conservative Fund, Mataī-Balanced Fund, and Rātā-Growth Fund (together "Funds").

The Manager may appoint an independent investment advisor to provide advice from time to time on asset allocation and other investment matters.

**Investment and Underlying Fund Managers**

Each selected investment manager and / or underlying fund manager shall:

1. invest the assets of the Trust provided to it in accordance with this SIPO and the governing documents of any investment funds invested in pursuant to this SIPO;

2. advise the Manager in writing before or concurrently with any changes in the investment objectives, guidelines or constraints of any unit trust or pooled investment fund provided by the investment manager and / or underlying fund manager in which the Manager invests;

3. provide a written copy of its policy on its use of derivatives and advise the Manager in writing of any change to this policy before or concurrently with a change being implemented;

4. each month provide the Manager with a written report summarising the month and the year-to-date returns, and the asset allocation between investment sectors if appropriate;

5. on request by the Manager, provide the Manager with any other information that the Manager may reasonably require to meet reporting obligations and maintenance of disclosures under the FMCA (for example in respect of SIPO Limit Breaks, Related Party Transactions, Pricing Error or Non- Compliance Reports, the Product Disclosure Statement (PDS), Fund Updates, Annual Reports, and the information required to be disclosed on the Disclose Register);

6. within an agreed period following the conclusion of each quarter in respect of the Trust's investments for which the relevant manager is responsible, provide the Manager with a written report setting out:

   a) the time weighted returns for the Trust's investments, for the quarter, year to date and for rolling three-year periods, before tax and investment expenses;

   b) an attribution analysis of the returns achieved, including performance against benchmarks;

   c) the allocation of the Trust's assets between investment sectors at the end of the quarter;

   d) a summary of assets held, accounting and taxation information over the period including balance sheets, financial transactions showing cost, book and market values. Where pooled funds are held, a summary of the major holdings and any changes during the period;

   e) a description of the fees and expenses incurred during the reporting period;

   f) a statement of compliance with any constraints in the mandate or pooled product guidelines, and with its stated operational constraints, processes and policies; and

   g) any other information that the Manager may reasonably require, including information required by the Manager to meet reporting obligations and maintenance of disclosures under the FMCA (for example in respect of SIPO limit breaks, the PDS, any Fund Update documents and Disclose Register).

7. participate with the Manager in reviewing the SIPO from time to time.

# 3. INVESTMENT PHILOSOPHY AND OBJECTIVES

**Investment Philosophy ("Beliefs")**

Underpinning the Trust's general objectives and specific investment strategy are the following set of investment "beliefs".

Any investment should be consistent with the Responsible Investment Policy outlined below. The Manager has elected to offer "socially responsible" investment options to members, which is aligned with the Manager's Responsible Investment Policy. In determining its policy, the Manager has taken TRoNT's responsible investment policy into consideration.

The key determinant of risk and return and, as a result, whether or not investment objectives are achieved, is asset allocation. Investment decisions on specific securities are expected to have a lesser impact.

Risk and return are generally related with investors usually being compensated for accepting risk, or increased volatility of returns, by higher returns over an appropriate time frame.

The Manager believes that investment risk can be reduced by appropriate diversification. Where appropriate, the assets of each Fund within the Trust should be diversified across investment products, asset classes, countries, industries, durations, and securities. Investments for each Fund will be managed to ensure there is sufficient liquidity to meet expected cash flow requirements with appropriate liquidity management tools available also to respond to unexpected circumstances.

Investment managers and underlying fund managers are expected to ensure that their portfolios are adequately diversified such that the failure of any one investment or combination of investments is unlikely to permanently impair or put at risk the viability of the funds being managed.

External investment specialists are currently able to offer greater skills, resources and flexibility in relation to investment solution design and implementation.

**Responsible Investment Policy**

The Manager of the Trust has adopted the following Responsible Investment Policy.

The three components of the policy are:

1. Sustainable Investment.
2. Ethical Exclusions.
3. Corporate Governance and Proxy Voting.

The Manager believes a sustainable investment approach is more likely to create and preserve long term investment capital.

As an investor in New Zealand and international markets, the Manager believes that Environmental, Social and Governance (ESG) factors can have a material impact on long term risk and return outcomes. Further, the Manager believes that principles of active ownership and investment stewardship are of value in the investment process. For that reason, the Manager has elected to invest in the Mercer Investment Trusts New Zealand Socially Responsible Conservative, Balanced and Growth Portfolios, where ESG factors are incorporated in decision making and ownership practices.

The Manager believes that the principles above can be applied across asset classes. In determining its policy, the Manager has taken TRoNT's Investment Charter into consideration.

The Portfolios chosen by the Manager may exclude investments in companies that the underlying fund manager (Mercer) views as doing substantial and irreparable harm to society or the environment, provided the risk/return implications of excluding such companies is not expected to lead to significant financial detriment for members and can be effectively managed.

As at the date of this SIPO, it has been determined that the following products should be excluded on this basis:

- Companies manufacturing whole weapons systems or delivery platforms, or components that were developed or are significantly modified for exclusive use in cluster munitions, anti-personnel landmines, chemical, biological or nuclear weapons, as well as companies involved in the production and retailing of automatic and semi-automatic civilian firearms.
- Companies manufacturing and/or production of tobacco products (regardless of revenue). This includes subsidiaries and joint ventures, as well as any other company that derives 50% or more of

revenue from other tobacco related business activities such as packaging, distribution and retail of tobacco products.

The Manager may consider additional products or services for exclusion in future.

In addition to the above, as at the date of this SIPO, the underlying funds of the Trans-Tasman, Overseas Shares and Global Credit asset classes within the Mercer Socially Responsible Conservative, Balanced and Growth Portfolios also exclude equity issued by companies that derive a share of their revenue from these industries:

- Tobacco: as defined above.
- Controversial weapons: as defined above.
- Gambling: Companies with > 10% revenue from gambling-related business activities.
- Alcohol: Companies with > 10% revenue from alcohol-related activities.
- Adult entertainment: Companies with > 10% revenue from adult entertainment related business activities.
- Fossil fuels: Companies that own proved or provable reserves in coal, oil or gas; and derive at least 15% of their revenue from exploration and extraction of coal, oil or gas, or are involved in Global Industry Classification Standards' sub-industry:
    - Oil & Gas Drilling
    - Oil & Gas Equipment and Services
    - Integrated Oil & Gas
    - Oil & Gas Exploration and Production
    - Coal & Consumable Fuels
    - Other industry sectors as determined by the underlying social responsible equity manager(s).
- Other industry sectors as determined by the underlying socially responsible equity manager(s).

Notwithstanding the exclusions above, the Socially Responsible Overseas Shares fund excludes equity securities using the following thresholds:

- Tobacco: Companies with > 10% revenue from tobacco-related activities.
- Fossil fuels: Companies with > 10% revenue from the extraction of thermal coal and/or tar sands oil.

**Investment Objectives**

This table shows a brief description and the investment objective for each of the Funds available within the Trust:

| Fund Name | Description of the Fund and its Investment Objectives [1] |
|---|---|
| Tōtara-Conservative Fund | This Fund invests mostly in cash and fixed interest assets, with only some investment in shares and real assets. It seeks to provide growth of your investment through consistent returns using a diversified portfolio that has a bias towards defensive assets. |
| Mataī-Balanced Fund | This Fund invests in a wide range of assets and seeks to provide long-term capital growth for your investment by using a diversified portfolio with a slight bias towards growth assets. |
| Rātā-Growth Fund | This Fund invests mainly in shares and property related assets. It seeks to provide higher long-term capital growth for your investment from its stronger exposure to growth assets and lower investment in defensive assets. |

*Performance objectives*

The Manager notes that the investment objectives should recognise the risks of inflation eroding the value of future returns. The return objectives have been set (as shown in the table below) with reference to the achievement of a certain level of real return (both before and after tax of 28%, being the highest Prescribed Investor Rate) over a given rolling period. The objectives shall be reviewed from time to time to ensure reasonableness.

The table below outlines the performance objectives that have been set for each Fund. Outperformance will also be sought relative to the return of benchmark portfolios (the structure of which are outlined in Section 6) over given investment timeframes.

[1] Each Fund currently invests in one of the socially responsible fund portfolios within Mercer Investment Trusts New Zealand in order to gain exposure to the desired the mix of investments.

| | Tōtara-Conservative Fund investment objectives | Mataī-Balanced Fund investment objectives | Rātā-Growth Fund investment objectives |
|---|---|---|---|
| Rate of return above CPI (after fees and after tax) | 0.50% | 2.00% | 2.50% |
| Rate of return above CPI (after fees and before tax) | 1.00% | 3.00% | 4.00% |
| Investment Timeframes | 3 years | 8 years | 10 years |
| Rate of return above benchmark (before fees and tax) over 3 years | 0.5% | 1.0% | 1.0% |

The benchmark returns of the diversified Mercer Investments Trusts New Zealand Socially Responsible Portfolios are calculated by adding the return of each asset class (given by the relevant indices shown in Section 6) weighted according to the specific asset class weights shown in Section 4. To do this, each publicly available index return is sought for the relevant period, then multiplied by the benchmark weight of that asset class to give the overall benchmark return.

# 4. INVESTMENT STRATEGY AND IMPLEMENTATION

The Manager determines the investment strategy for the Trust and each Fund. The investment strategy for the Trust is to invest so as to gain exposure to an appropriate mix of defensive and growth assets with a benchmark split between defensive and growth assets for each of the Funds as set out below.

The actual allocation may vary from a strategic asset allocation for a Fund from time to time but must stay within the benchmark ranges specified as a percentage of the total assets of each Fund within the Trust (see below). Currently the Manager implements the strategy by investing the Trust's assets in the Mercer Investment Trusts New Zealand Socially Responsible Conservative, Balanced and Growth Portfolios.

The strategic asset allocations for each Fund are specified in the table below.

| Asset Class/ Sector (%) | Tōtara-Conservative Fund | Mataī-Balanced Fund | Rātā-Growth Fund |
|---|---|---|---|
| **Trans-Tasman Shares** | **5.0** | **12.5** | **15.5** |
| Overseas Shares | 11.5 | 35.5 | 50.5 |
| **Total Global Shares** | **11.5** | **35.5** | **50.5** |
| **Total Shares (excluding Real Assets)** | **16.5** | **48.0** | **66.0** |
| Listed Property Shares | 0.9 | 3.0 | 3.5 |
| Unlisted Property | 0.9 | 3.0 | 3.5 |
| Listed Infrastructure Shares | 0.9 | 3.0 | 3.5 |
| Unlisted Infrastructure | 0.9 | 3.0 | 3.5 |
| **Total Real Assets investments** | **3.5** | **12.0** | **14.0** |
| NZ Sovereign Bonds | 15.0 | 10.0 | 5.0 |
| Overseas Sovereign Bonds | 18.5 | 11.0 | 5.0 |
| Global Credit | 13.5 | 8.0 | 4.0 |
| Other Fixed Interest | 3.0 | 7.0 | 5.0 |
| **Total Fixed Interest** | **50.0** | **36.0** | **19.0** |
| **Total Cash** | **30.0** | **4.0** | **1.0** |
| **Total** | **100.0** | **100.0** | **100.0** |

| | | | |
|---|---|---|---|
| **Growth Investments** | **20** | **60** | **80** |
| **Defensive Investments** | **80** | **40** | **20** |

The benchmark ranges for each Fund are outlined in the table below.

| Asset Class / Sector (%) | Tōtara-Conservative Fund | Mataī-Balanced Fund | Rātā-Growth Fund |
|---|---|---|---|
| Trans-Tasman Shares | 0 – 10 | 0 – 22.5 | 5.5 – 25.5 |
| Global Shares | 6.5 – 16.5 | 25.5 – 45.5 | 40.5 – 60.5 |
| Real Assets investments | 0 – 10 | 3.5 – 23.5 | 6 – 26 |
| Alternative investments | - | 0 – 10 | 0 – 10 |
| Fixed Interest | 35 – 65 | 18 - 48 | 7 - 27 |
| Cash | 20 – 50 | 0 – 20 | 0 – 15 |
| | | | |
| Growth Investments | 5 – 35 | 40 – 70 | 60 – 90 |
| Defensive Investments | 65 – 95 | 30 – 60 | 10 – 40 |

The Manager recognises that it has no direct role in the management of the assets, including the division of investments in the general investment categories of fixed interest, shares and real assets across international and local investments or other more specific "sub class" investment categories.

**Investment Process and Review for the underlying funds (the Portfolios)**

Mercer, as the underlying fund manager, seeks to achieve the expected return target on a risk-adjusted basis by investing across a wide range of assets, diversified across asset classes, regions, sectors and markets.

It expects to undertake strategic asset allocation reviews of its Portfolios at least every three years, with interim health-checks in-between the reviews. The process takes into account a number of risks, including the probability of achieving the investment objective, expected volatility, expected frequency of negative returns, expected outcomes from different scenarios, liquidity risk and risk-factor analysis.

Mercer adopts a multi-manager approach, in many cases selecting multiple managers for each asset class. Underlying managers are selected based on comprehensive research, are monitored regularly and typically reviewed annually.

**Dynamic Asset Allocation**

Mercer, as the underlying fund manager, undertakes a dynamic asset allocation process whereby it tilts exposure to asset classes with the primary goals of reducing risk, preserving capital and enhancing returns of the overall Portfolios. The process is designed to reduce exposure to those assets considered over-valued and increase exposure to those assets deemed to be under-valued taking a medium-term view (1-3 years).

**Rebalancing**

Mercer, as the underlying fund manager will review the breakdown of the Portfolios' assets at least monthly and undertake any required rebalancing, particularly in the event that the exposure to growth assets has drifted outside of the permitted applicable bands for the Portfolios (which mirror the permitted applicable bands for the Funds, as specified above). The underlying fund manager is expected to undertake any rebalancing within 5 working days of recognition.

WhaiRawa NGĀI TAHU

**Currency Hedging**

The Manager considers currency hedging an essential part of any long-term investment strategy.

Mercer, as the underlying fund manager of the Trust, also believes that an active approach to currency hedging is appropriate, and therefore, manages the level of currency exposure in the Portfolios as part of its Dynamic Asset Allocation process. This implies that the Portfolios will not maintain the same level of currency hedging at all times.

Currency hedging is essentially protection against changes in currency exchange rates. Overseas assets that are not hedged will have exposure to currency exchange rate movements resulting in a benefit when the New Zealand dollar goes down, and decrease in value when the New Zealand dollar goes up.

Mercer sets a benchmark level of currency hedging for each overseas asset class, as detailed in the table below. The Dynamic Asset Allocation process establishes the target level of currency exposure. This is then monitored using Mercer's daily cash flow model.

Currency hedging may be carried out either by Mercer at the asset class level using a currency manager or by the Portfolios' underlying fund managers. The table below details the current New Zealand dollar strategic hedging levels for each Fund.

| Asset Class/ Sector | Benchmark | Active Management Range (Target) |
|---|---|---|
| Global Shares[1] | 50 | 0 – 100 |
| Real Assets investments[2] | 100 | - |
| Global Fixed Interest[2] | 100 | - |

[1]hedged to NZ$ such that total global shares are 50% hedged on a net of tax basis for a 28% PIR taxpayer. The level of currency hedging for global shares is managed between 0% and 100% (on a net of tax basis) and may change over time depending on Mercer's view of the relative strength (or weakness) of the New Zealand dollar.

[2]100% hedged to NZ$ on a net of tax basis for a 28% PIR taxpayer.

# 5. RISK MANAGEMENT

The principal risk management policies and constraints which will apply in respect of the investment strategy are:

1. Legal: The investment of the Trust's assets held by each Fund will comply with all legal requirements having regard to the terms of the Trust's Trust Deed.

2. Diversification: An appropriate level of diversification across asset classes, sectors, securities and countries must be maintained. Each Fund should not hold more than 10% of its assets in any one security. Government guaranteed securities are not subject to these maximums.

3. Asset Rebalancing: investment managers and underlying fund managers are to maintain appropriate periodic investment rebalancing processes to ensure asset exposure ranges and

security guidelines and limits as specified in mandates or pooled product guidelines are maintained.

**4.** Borrowing: No constraints are placed on the Manager's, any investment manager's or any underlying fund manager's ability to raise cash for the management of short-term cash flow transactions but normally the Trust should not borrow and any borrowing on the security of Trust assets must be disclosed.

**5.** Liquidity: The Trust primarily requires liquidity to meet payment obligations to members as they arise. Given the general "locked in" nature of member funds and the limited range of benefit types available to members there is not a requirement for a high level of immediate liquidity to be maintained in the investment structure. However, material exposure to listed investment markets provides a sound core of liquidity to the Trust.

**6.** Taxation: As the Trust is a Portfolio Investment Entity (PIE), investment returns will be attributed to members at the PIR they provide, or the default tax rate of 28% as applicable.

**7.** Asset lending: The assets of the Trust are not to be used for the purposes of lending nor for backing the credit position of other parties.

**8.** Derivatives: The use of futures, options and other synthetic investments (derivatives) by an investment manager or underlying fund manager or their delegates is permitted only as a hedge to manage exposure to foreign currency or other investment risks or to reduce transaction costs and / or improve liquidity by taking a position which would otherwise have been taken by buying or selling the actual stock. In particular, derivatives will not be used in a speculative manner that would gear the Funds.

**9.** Currency Hedging: Overseas assets with foreign currency exposure should generally be fully hedged back to NZ dollars with the exception of overseas shares, which are to be 50% hedged on a net of tax basis. The level of currency hedging within overseas shares is managed and may change over time depending on an investment manager's or underlying fund manager's view of the relative strength (or weakness) of the New Zealand dollar.

**10.** Where the Manager determines that an appropriate investment vehicle is a unit trust or pooled investment arrangement it is recognised by the Manager that the strict enforcement of the investment guidelines, constraints and requirements may not be possible in the overall best interests of the Trust. Where such an investment is made, the Manager may continually reassess the overall suitability of such an investment vehicle in light of these guidelines.

## 6. INVESTMENT PERFORMANCE MONITORING

**Objectives**

The principal objectives of performance monitoring are to:

1. Assess the extent to which each Fund's long-term objectives are being achieved;

2. Compare the performance of the selected investment vehicles against the performance of other relevant assets, market indices and comparable products or peer group;

3. Assess the performance of appointed investment manager(s) and underlying fund manager(s) where active decisions have been taken around the strategic asset allocation or active management is undertaken within asset classes (as opposed to passive);

4. Confirm that all investment constraints have been complied with; and

5. Ascertain the existence of any particular weakness in the product(s) utilised.

**Satisfactory Performance**

The Manager will review the Trust's performance against its objectives at least quarterly. Among other things, the investment performance may be considered unsatisfactory:

1. If it fails to match the investment performance set out in Section 3 for each Fund;

2. If, for each Fund, overall investment performance is below the return that would have been earned by investing the relevant benchmark asset mix on a passive basis; or

3. If, for each Fund, peer group or appropriate product comparisons show returns to have been below average.

**Benchmark Indices**

The Manager will adopt the various investment sector benchmark indices used from time to time by the Portfolios for investment performance measurement and reporting and for its own performance review purposes.

| Asset Class | Benchmark Indices |
| --- | --- |
| Cash | S&P/NZX Bank Bills 90-Day Index |
| NZ Fixed Interest | S&P/NZX NZ Government Bond Index |
| International Fixed Interest | Sovereign Bonds: JP Morgan Global Government Bond Index (100% hedged to NZD on an after-tax basis) |
| Global Credit: | Bloomberg Barclays Global Aggregate Corporate Index (100% hedged to NZD on an after-tax basis) |
| Other Fixed Interest: | S&P/NZX Bank Bills 90-Day Index |
| Australasian Equities | S&P/ NZX 50 Index with Imputation Credits |
| International Equities | Unhedged:<br>MSCI World Index with net dividends reinvested in NZD;<br><br>Hedged:<br>MSCI World Index with net dividends reinvested (100% hedged to NZD on an after-tax basis); |
| Listed Property | FTSE EPRA/NAREIT Developed Index (with net dividends reinvested) (100% hedged to NZD on an after-tax basis) |
| Unlisted Property | Composite: 70% MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index (100% hedged to NZD on an after-tax basis), & 30% MSCI/Property Council of New Zealand Annual Property Index published Quarterly[2] |
| Other | Listed Infrastructure: FTSE Global Core Infrastructure 50/50 Index with net dividends reinvested (100% hedged to NZD on an after-tax basis)<br><br>Unlisted Infrastructure: MSCI Australia Quarterly Private Infrastructure Fund Index (100% hedged to NZD on an after-tax basis) [2]<br><br>Alternative Assets: HFRI FOF – Market Defensive Index (100% hedged to NZD on an after-tax basis) |

[2] *Unlisted Property and Unlisted Infrastructure benchmarks are peer group indices, all other benchmarks are market indices.*

## 7. LIMIT BREAKS

The Financial Markets Conduct Act 2013 requires reporting of material breaches of the SIPO (limit breaks) to the Financial Markets Authority.

**Materiality**

Whether or not a breach of this SIPO is material is determined at the discretion of the Manager. In considering whether or not a breach is material, the Manager will give consideration to:

1. The nature of the breach;
2. The cause of the breach, including whether or not the breach is the result of sharp short-term market movements; and
3. The size of the breach.

A breach of a range resulting from market movements, which is corrected within 5 business days, will not ordinarily be deemed material for limit break reporting purposes.

**Monitoring Process**

The Manager will monitor the investments of each Fund for compliance on a monthly basis, including reporting from any investment manager and underlying fund managers certifying compliance with the investment agreement (or, in the case of an underlying fund manager, the governing and offer documents of the relevant investment product).

**Resolution and Reporting**

Where the Manager becomes aware of a limit breach, the investment or underlying fund manager will be instructed to remedy the breach immediately.

Where the Manager determines that a material limit breach has occurred, and that breach is not resolved within 5 business days, the Manager will immediately report the limit break to the Supervisor; otherwise the Manager will report limit breaks to the Supervisor each quarter.

## 8. SIPO REVIEWS

This revised SIPO was put in place in August 2021.

The date of the next standard SIPO review is October 2022 or sooner if conditions or changes to the Trust warrant.

SIPO reviews are approved by the Board of the Manager. The Manager may use professional investment advice if considered appropriate. The underlying fund manager's views will be sought on any SIPO review.

The most recent version of the SIPO is available on the Disclose Register at: https://disclose-register.companiesoffice.govt.nz/