

Trust Management PIE Funds  
Statement of  
Investment Policy  
and Objectives

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# Contents

<b>1. Background .....</b>	<b>4</b>
<b>2. Description of the Funds .....</b>	<b>4</b>
<b>3. Investment Strategy and Objectives.....</b>	<b>5</b>
Property Fund.....	5
ESG Australasian Share Fund.....	5
ESG NZ Bond Fund .....	5
ESG International Share Fund.....	5
ESG International Bond Fund .....	6
ESG Balanced Fund .....	6
<b>4. Management Style / Investment Philosophy.....</b>	<b>7</b>
Ethical Investment Considerations .....	7
Active Management.....	7
Insourced and Outsourced Investment Management .....	7
Investment Horizons .....	8
<b>5. Investment Methodology and Authorised Investments.....</b>	<b>9</b>
Property Fund.....	9
ESG Australasian Share Fund.....	9
ESG NZ Bond Fund .....	9
ESG International Share Fund.....	10
ESG International Bond Fund .....	10
ESG Balanced Fund .....	11
Asset Allocation .....	12
ESG Balanced Fund Strategic Asset Allocation .....	12
ESG Balanced Fund Tactical Asset Allocation .....	12
<b>6. Ethical Investment Criteria.....</b>	<b>13</b>
Property Fund.....	13
ESG Australasian Share Fund.....	13
ESG NZ Bond Fund .....	13
ESG International Share Fund.....	14
ESG International Bond Fund .....	15
ESG Balanced Fund .....	16



<b>7.</b>	<b>Risk Management .....</b>	<b>16</b>
	Property Fund.....	16
	ESG Australasian Share Fund.....	17
	ESG NZ Bond Fund.....	17
	ESG International Share Fund.....	19
	ESG International Bond Fund .....	19
	ESG Balanced Fund .....	20
	Other Relevant Risk Management Policies.....	20
	Liquidity .....	20
<b>8.</b>	<b>Market Benchmark Indices .....</b>	<b>21</b>
<b>9.</b>	<b>Performance Monitoring.....</b>	<b>22</b>
	Returns.....	22
	Returns Versus Benchmark .....	22
	Performance Against Investment Objectives.....	22
	Volatility.....	22
<b>10.</b>	<b>Governance .....</b>	<b>23</b>
	Property Due Diligence Policy.....	23
	Trading Policy.....	23
	Investment Committee .....	23
	Board Approvals .....	23
	Supervisor .....	23
<b>11.</b>	<b>Policy Review.....</b>	<b>24</b>
<b>12.</b>	<b>Other Relevant Policies .....</b>	<b>24</b>
	Taxation Policy.....	24
	Pricing and Asset Valuation Policy.....	24
	Conflicts of Interest and Related Party Transactions Policies.....	24
	Investment Management Policy.....	24
<b>13.</b>	<b>Investment Strategy Review.....</b>	<b>25</b>
<b>14.</b>	<b>SIPO Monitoring and Review .....</b>	<b>25</b>



# 1. Background

This Statement of Investment Policy and Objectives (SIPO) sets out the investment objectives, philosophy, strategies, risk management, benchmarks, monitoring, compliance, and governance of the funds within Trust Management PIE Funds (together the **Funds**).

The Funds are managed by FundRock NZ Limited (**FundRock, we, or Manager**). Trust Investments Management Limited (**Trust Investments or Investment Manager**) has been appointed as investment manager of the Funds.

The supervisor of the Funds is The New Zealand Guardian Trust Company Limited (**Supervisor**).

# 2. Description of the Funds

The Funds are:

- + The Trust Management Property Fund (**Property Fund**) provides diversified exposure to directly held commercial properties located in New Zealand. The Property Fund applies certain ethical investment criteria on the acquisition and management of properties.
- + The Trust Management ESG Australasian Share Fund (**ESG Australasian Share Fund**) provides a diversified exposure to New Zealand and Australian equities that meet certain ethical investment criteria.
- + The Trust Management ESG NZ Bond Fund (**ESG NZ Bond Fund**) provides a diversified exposure to New Zealand fixed interest securities that meet certain ethical investment criteria.
- + The Trust Management ESG International Share Fund (**ESG International Share Fund**) provides a diversified exposure to international equities (excluding Australia) that meet certain ethical investment criteria.
- + The Trust Management ESG International Bond Fund (**ESG International Bond Fund**) provides a diversified exposure to international fixed interest securities that meet certain ethical investment criteria.
- + The Trust Management ESG Balanced Fund (**ESG Balanced Fund**) has a balanced, well-diversified asset allocation that is achieved by investing in the Property Fund, ESG Australasian Share Fund, ESG NZ Bond Fund, ESG International Share Fund, ESG International Bond Fund (together, the **Single Asset Class Funds**).

The ESG International Bond Fund, ESG International Share Fund, ESG NZ Bond Fund, ESG Australasian Share Fund are unit priced each business day. The ESG Balanced Fund and the Property Fund are unit priced monthly. All distributable income of the Funds is generally paid out to investors quarterly.

The Funds are offered under a registered Product Disclosure Statement (**PDS**) which is available from our website <https://www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting>.



## 3. Investment Strategy and Objectives

### Property Fund

#### Strategy

To provide a diversified exposure to directly held commercial properties located in New Zealand. The Fund invests directly in a broad range of commercial properties and locations to generate income and capital gains and to limit and diversify risk.

The Fund applies certain ethical investment criteria on the acquisition and management of properties (see section 6). The Fund is designed for investors who do not have the scale to access the underlying investments or the resources to efficiently do so themselves. The Fund is designed for investors who seek regular income.

#### Investment Objective

To provide income returns to investors and capital gains over the medium to long term, ahead of the rate of inflation.

### ESG Australasian Share Fund

#### Strategy

To provide a diversified exposure to New Zealand and Australian equities that meet certain ethical investment criteria (see section 6).

The Fund is designed for investors that do not have the scale to access the underlying investments or have the resources to efficiently do so themselves. Although the Fund does make income distributions, it is designed for investors who seek mainly capital growth.

The Fund targets a position of being close to 100% hedged to New Zealand dollars on its Australian dollar exposures.

#### Investment Objective

To generate a total return that exceeds the return of the S&P/NZX 50 Portfolio Gross Index over rolling three-year periods, before taking into account fees and expenses.

### ESG NZ Bond Fund

#### Strategy

To provide a diversified exposure to New Zealand fixed interest investments that meet certain ethical investment criteria (see section 6).

The Fund is designed for investors who do not have the scale to access the underlying investments or have the resources to efficiently do so themselves. The Fund is designed for investors who seek regular income.

#### Investment Objective

To generate a total return that exceeds the return of the Bloomberg NZBond Composite 0+ Year Index over rolling three-year periods, before taking into account fees and expenses.

### ESG International Share Fund

#### Strategy

To provide a diversified exposure to international equities (excluding Australia) that meet certain ethical investment criteria (see section 6).



The Fund currently invests in the State Street Climate ESG International Equity Fund, an Australian Unit Trust managed by State Street Global Advisors.

The Fund targets a position of being close to 50% hedged to NZ dollars.

The Fund is designed for investors who do not have the scale to access the underlying investments of the Fund (including currency hedging) or the resources to efficiently do so themselves. Although the Fund does make income distributions, it is designed for investors who seek mainly capital growth.

#### **Investment Objective**

To generate a total return similar to the MSCI World ex Australia Index (50% hedged to NZ dollars), subject to meeting certain ethical investment criteria, before taking into account fees and expenses.

## ESG International Bond Fund

#### **Strategy**

To provide investors with diversified exposure to international fixed interest investments that meet defined ethical investment criteria (see section 6).

The Fund currently invests in the Nuveen Global Sustainable Bond Fund, an actively managed Irish-domiciled UCITS fund, managed by Nuveen Fund Advisors LLC. The underlying fund targets a position of being close to 100% hedged back to New Zealand dollars.

The Fund is designed for investors who do not have the scale to access the underlying investments of the Fund (including currency hedging) or the resources to efficiently do so themselves. The Fund is designed for investors who seek regular income.

#### **Investment Objective**

To generate a total return that exceeds the Bloomberg Global Aggregate Index (100% hedged to NZ dollars), subject to meeting certain ethical investment criteria and sustainable investment objectives, before taking into account fees and expenses.

## ESG Balanced Fund

#### **Strategy**

To provide a balanced and well-diversified investment portfolio with exposure to both growth and income producing assets.

The Fund invests entirely in other Funds, except to the extent that cash is held for liquidity purposes. The allocation of the Fund into the underlying Funds is determined by its strategic asset allocation. The Fund incorporates the ethical investment criteria of each of the underlying Funds.

The Fund is designed for investors who do not have the scale to access the underlying investments or the resources to efficiently do so themselves. The Fund is designed for investors who seek regular income and capital growth.

#### **Investment Objective**

To generate a return that exceeds the composite return of the benchmarks of the underlying Trust Management PIE Funds into which the Fund invests (for all funds except the Property Fund) and (in the case of the Property Fund) the return of the Bloomberg NZBond Bank Bill Index + 2.5%, weighted in proportion to the strategic asset allocation of the Fund, before taking into account fees and expenses.



## 4. Management Style / Investment Philosophy

### Ethical Investment Considerations

Responsible investment, including environmental, social and governance (ESG) considerations and ethical screening, is taken into consideration in the management of the Funds. Trust Investments' approach to responsible investment is informed by their Ethical Investment Policy. A copy of this policy is available on the Investment Manager's website at [www.trustinvestments.co.nz/investor-resources](http://www.trustinvestments.co.nz/investor-resources).

Further information on the Investment Manager's approach to ethical investment is also outlined in section 6.

### Active Management

The Investment Manager, Trust Investments, recognises the value of active investment management in the management of certain asset classes where active management can offer opportunities to enhance returns, manage risks more effectively, or where it may not be practicable to implement an index tracking approach. The Property Fund, ESG NZ Bond Fund, ESG International Bond Fund and ESG Australasian Share Fund currently adopt active management styles.

The ESG International Share Fund currently adopts an index-based management style by investing in an underlying fund that selects investments from constituents of its benchmark index. This is because Trust Investments considers international share markets to be generally efficient, well-researched, and offer cost-effective indexing options.

### Insourced and Outsourced Investment Management

The Property Fund is managed in-house by Trust Investments' experienced property team that manages not only the Property Fund but also other significant client assets in this asset class.

Investment management will be outsourced when Trust Investments does not have the resources or economies of scale to effectively manage an asset class in-house. The investment management of the following Funds is outsourced to specialist investment managers selected and monitored by Trust Investments:

- + The assets of the ESG Australasian Share Fund are currently managed by Harbour Asset Management Limited by way of a segregated mandate.
- + The assets of the ESG NZ Bond Fund are currently managed by Nikko Asset Management Limited by way of a segregated mandate.
- + The ESG International Share Fund currently invests in a fund that is managed by State Street Global Advisors.
- + The ESG International Bond Fund currently invests in a fund that is managed by Nuveen Fund Advisors, LLC, with sub-investment management by Teachers Advisors, LLC.

The Balanced Fund utilises a combination of in-house and outsourced investment management as per the above.

For Funds where the assets of those Funds or underlying funds are managed by external specialist investment managers, the selection and monitoring of those specialist investment managers is undertaken by Trust Investments.

Trust Investments assesses the pool of possible specialist investment managers against criteria, both in the selection of a specialist investment manager and as part of the ongoing review process. This assessment includes:

- + Risk-adjusted returns relative to benchmark and peers.
- + The professionals involved in managing the investments.
- + Material changes in the specialist investment manager's funds under management.
- + Management strategy and style.



- + Fee levels and expense ratios.
- + ESG integration and approach to ethical investment.

For Funds where the assets of those Funds are managed by external specialist investment managers by way of a segregated mandate, an investment management agreement (**IMA**) is entered into which details the permissible investments, and any investment limits as outlined in the Funds' investment policies. Fund application documentation along with side letter arrangements (as applicable) are entered into when the Funds invest in an external fund.

Underlying specialist investment managers are monitored regularly (more details on monitoring are in section 9).

Underlying specialist investment managers can be changed at any time without prior notification to investors.

## Investment Horizons

The minimum suggested timeframe for the Property Fund, ESG Australasian Share Fund and ESG International Share Fund is five years.

The minimum suggested timeframe for the ESG Balanced Fund is four years.

The minimum suggested timeframe for the ESG NZ Bond Fund and ESG International Bond Fund is three years.



## 5. Investment Methodology and Authorised Investments

### Property Fund

**Investment Methodology** – The Fund invests directly in a broad range of commercial properties located in New Zealand. The rationale for investing across a wide range of properties and locations is to manage concentration risk through diversification.

**Authorised Investments** – The list of authorised investments of the Fund is broad and includes:

- + Cash balances with any bank, broker, agent or custodian held for the administrative purposes of the Fund.
- + Futures, options, interest rate swaps or other treasury instruments that can be used solely to reduce risk in other Authorised Investments.
- + Land whether held by the Supervisor alone or in shares with or pursuant to any other arrangement in common with any person, and real estate of every description.
- + Shares in any company or units in any managed investment scheme listed on either the New Zealand or Australian Stock Exchanges (or any stock exchange which represents an amalgamation of them), or units in any unlisted managed investment scheme that we consider to be primarily a land holding company or managed investment scheme (as the case may be).

### ESG Australasian Share Fund

**Investment Methodology** – The Fund invests directly in a broad range of shares of companies listed on the New Zealand or Australian Stock Exchanges that meet certain ethical investment criteria. The Fund may also invest in short and long-term fixed interest securities, shares that are expected to be listed within 12 months, derivatives of shares, and forward foreign exchange contracts. The Australian shares exposure is limited to a maximum 20% of the portfolio by value.

**Authorised Investments** – The list of authorised investments of the Fund is broad and includes:

- + Shares or other quoted equity securities of issuers listed with NZX Limited or the Australian Stock Exchange.
- + Shares or other equity securities of issuers expected to be listed with NZX Limited or the Australian Stock Exchange within 12 months.
- + Short and long term fixed-interest securities.
- + Futures, options, warrants and other derivatives of shares or other equity securities of issuers listed with NZX Limited or the Australian Stock Exchange.
- + Cash.
- + Forward foreign exchange contracts.

**Foreign Currency Hedging** – The Fund's foreign exchange exposure of the Fund is limited to Australian dollars and may comprise securities and cash. This Fund targets a position of being close to 100% hedged to New Zealand dollars. Currency movements are therefore expected to have minimal impact on the returns of the Fund. The hedging of this asset class ensures that the returns of the Fund are predominantly driven by the local market returns of the New Zealand and Australian securities held in the Fund.

### ESG NZ Bond Fund

**Investment Methodology** – The Fund invests directly in a broad range of fixed interest securities, including New Zealand government bonds, local government bonds, corporate issues, Kauri Bonds, and term deposits that meet certain ethical investment criteria. The rationale for investing across a wide range of issuers and securities is to generate additional returns and income and to limit and diversify credit risk.



**Authorised Investments** - The list of authorised investments of the Fund is broad and includes:

- + Marketable debt securities denominated in New Zealand dollars.
- + Over-the-counter interest rate swaps.
- + "Repos" (repurchase agreements, which are a financial arrangement whereby the buying of a security is matched to a forward sale agreement).
- + Forward rate agreements and options.
- + Structured products such as, but not limited to, collateralised debt obligations, asset-backed securities, mortgage-backed securities and credit-linked notes, provided that such instruments are denominated in New Zealand dollars.
- + Cash or cash equivalents and short-term fixed-interest securities with a maturity of fewer than 365 days.
- + Units in a managed investment scheme or any other pooled investment that we consider invest primarily in any of the investments described above.
- + Any other securities or property of any kind.

## ESG International Share Fund

**Investment Methodology** - The Fund currently invests in an Australian unit trust whose underlying investments consist of listed international securities in the MSCI World ex Australia Index. The Fund has a bias towards companies with higher ESG ratings and away from those with high carbon emissions, relative to the MSCI World ex Australia Index. The underlying investment fund and ethical investment criteria may change from time to time. The Fund's investment methodology may change from time to time.

**Authorised Investments** - The list of authorised investments of the Fund is broad and includes:

- + Ordinary shares or securities that are convertible into ordinary shares that are listed on international stock exchanges.
- + Cash or cash equivalents and short-term fixed-interest securities with a maturity of fewer than 365 days.
- + Forward foreign exchange contracts.
- + Units in a managed investment scheme or any other pooled investment that we consider invest primarily in any of the investments described above.
- + Any other securities or property of any kind.

**Foreign Currency Hedging** - The Fund has a range of foreign exchange exposures. The main exposures are to US dollars, euro, yen and UK pounds but the Fund also has exposure to Canadian dollars, Swiss francs and the currencies of Denmark, Hong Kong, Israel, Norway, Singapore and Sweden. The Fund targets a position of being close to 50% hedged to New Zealand dollars. To limit transaction costs, currency proxies may be used for the smaller foreign exchange exposures in the benchmark.

## ESG International Bond Fund

**Investment Methodology** - The Fund currently invest in an Irish-domiciled UCITS fund, whose underlying investments consist of sovereign, quasi-sovereign and corporate (primarily) investment grade fixed-income securities, along with forward foreign exchange contracts that hedge the currency exposures back to New Zealand dollars. The UCITS fund directs capital towards (i) issuers that demonstrate environmental, social and governance leadership and are best positioned to address social and/or climate challenges, or (ii) securities that meet the underlying specialist investment manager's proprietary fixed income direct and measurable "impact framework" (**Impact Framework**).

**Authorised Investments** - The list of authorised investments of the Fund is broad and includes:

- + Government, quasi-government, corporate or any other fixed-income security.
- + Forward foreign exchange contracts.



- + Structured products such as, but not limited to, collateralised debt obligations.
- + Asset-backed securities, mortgage-backed securities and credit-linked notes.
- + Cash or cash equivalents and short-term fixed-interest securities with a maturity of fewer than 365 days.
- + Units in a managed investment scheme or any other pooled investment that we consider invest primarily in any of the investments described above.
- + Any other securities or property of any kind.

**Foreign Currency Hedging** - The Fund's underlying investments cover a wide range of countries and currencies. The UCITS fund into which the Fund currently invests, currently hedges the foreign currency exposures at the underlying managers' discretion. The Fund targets a position of being close to 100% hedged to New Zealand dollars. The main reason for the 100% hedge ratio is that international bonds are a defensive, low-risk asset class and full hedging is needed to maintain its income and risk characteristics.

## ESG Balanced Fund

**Investment Methodology** - The Fund is invested entirely in other Funds, except to the extent that cash is held for liquidity purposes. The Fund's allocation into other funds is determined by its Strategic Asset Allocation (SAA) and tolerance ranges (see Table 1).

**Authorised Investments** - The list of authorised investments of the Fund includes:

- + Units in any of the Single Asset Class Funds.
- + Any fund of which Trust Investments is the sponsor and/or investment manager that may be established in the future.
- + Cash or cash equivalents and short-term fixed interest securities with a maturity of fewer than 365 days.
- + Units in any managed investment scheme or other pooled investment.
- + Any other securities or property of any kind.

**Foreign Currency Hedging** - The foreign exchange exposure of the Fund is represented by the allocations to international bonds and Australian shares that target positions of being close to 100% hedged to New Zealand dollars, as well as the allocation to international shares of which a target position of being close to 50% foreign currency exposure is hedged. The Fund's exposure to foreign currency gains and losses is therefore generally limited to the unhedged 50% of the international shares' exposure of the Fund.



## Asset Allocation

The asset allocation guidelines for the Funds, including Target Asset Allocation (Target) and Asset Allocation Range (Range) are shown below:

Table 1: Target Asset Allocation and Asset Allocation Range

	Unlisted Property		Australasian Equity		NZ Fixed Interest		International Equity		International Fixed Interest		Cash & Cash Equivalents	
	Target	Range	Target	Range	Target	Range	Target	Range	Target	Range	Target	Range
<b>Property Fund</b>	100%	0-100%	-	-	-	-	-	-	-	-	-	0-100%
<b>ESG Australasian Share Fund</b>	-	-	100%	0-100%	-	-	-	-	-	-	-	0-100%
<b>ESG NZ Bond Fund</b>	-	-	-	-	100%	0-100%	-	-	-	-	-	0-100%
<b>ESG International Share Fund</b>	-	-	-	-	-	-	100%	0-100%	-	-	-	0-100%
<b>ESG International Bond Fund</b>	-	-	-	-	-	-	-	-	100%	0-100%	-	0-100%
<b>ESG Balanced Fund</b>	32%	0-50%	17%	0-30%	20%	0-40%	21%	0-40%	10%	0-30%	0%	0-30%

The broad ranges between minimum and maximum asset allocations reflect that the Funds' large applications by new investors or large redemptions may result in variations to the Target Asset Allocation for short periods of time.

### ESG Balanced Fund Strategic Asset Allocation

The SAA of the Balanced Fund is set with the dual objectives of protecting and growing the real value of investors' capital over time and providing a regular level of income.

The asset class weightings of the Balanced Fund are reviewed monthly and, if necessary, transactions are undertaken to revise the weightings to, or towards, the SAA. The operating tolerance threshold for rebalancing is generally +/- 3% from the SAA. This is generally undertaken in the first instance by allocating cash flows (whether in or out of the Fund).

Although property is normally viewed as a growth asset, the property allocation in the Balanced Fund has been classified as an income asset on the basis of the investment characteristics of the property portfolio acquired on the Fund's inception and the intended management style and investment objectives of the Fund.

### ESG Balanced Fund Tactical Asset Allocation

The ESG Balanced Fund's asset allocation is not changed tactically with the objective of adjusting holdings to take advantage of market opportunities. Market movements and cash flows may cause the actual asset allocation to deviate from the SAA from time to time, but this deviation is generally limited by the operating tolerance ranges.

The asset class weightings may be modified if there is a significant change in the market environment sufficient to warrant revising the long-term financial market assumptions - expected return, income, volatility and correlation - that are used in setting the SAA for the ESG Balanced Fund.



## 6. Ethical Investment Criteria

This section contains further information on the ethical investment approach across the Funds, including exclusions, and sustainability-related objectives and targets. This information should be read in conjunction with Trust Investments' Ethical Investment Policy, a copy of which can be found by visiting [www.trustinvestments.co.nz/investor-resources](http://www.trustinvestments.co.nz/investor-resources).

### Property Fund

ESG considerations are assessed in the management and acquisition of properties. Engagement with tenants and service providers may also be undertaken with a view to improving the ESG characteristics of the overall Property Fund, in addition to offsetting the carbon emissions for landlord controlled components of properties.

The Fund will not acquire properties where the major tenant is a company that exceeds revenue thresholds of:

- + 0% from the manufacture of controversial weapons (antipersonnel mines, nuclear explosive devices, cluster munitions);
- + 0% from the manufacture of tobacco products;
- + 10% from the extraction or production of fossil fuels, including thermal coal, oil and gas;
- + 10% from gambling operations and/or specialised equipment;
- + 10% from adult entertainment production and/or distribution; or
- + 10% from the production of alcoholic beverages.

### ESG Australasian Share Fund

The investment decision-making process incorporates and favours companies with stronger ESG characteristics relative to comparable securities in the benchmark for the Fund.

The carbon intensity of the Fund seeks to be lower than that of the market benchmark index for the Fund (see section 8 for details of this index).

The Fund will not invest in companies that exceed revenue thresholds of:

- + 0% from the manufacture of controversial weapons (antipersonnel mines, nuclear explosive devices, cluster munitions);
- + 0% from the manufacture of tobacco products;
- + 10% from the extraction or production of fossil fuels, including thermal coal, oil and gas;
- + 10% from gambling operations and/or specialised equipment;
- + 10% from adult entertainment production and/or distribution; or
- + 10% from the production of alcoholic beverages.

### ESG NZ Bond Fund

The investment decision-making process incorporates and favours issuers with stronger ESG characteristics relative to comparable issuers in the market benchmark index for the Fund (see section 8 for details of this index).

The Fund has a preference for investment in ESG linked bonds (for example green and social bonds), subject to consideration of the relevant risk and return characteristics of the security.

The Fund will not invest in companies that exceed revenue thresholds of:

- + 0% from the manufacture of controversial weapons (antipersonnel mines, nuclear explosive devices, cluster munitions);
- + 0% from the manufacture of tobacco products;



- + 10% from the extraction or production of fossil fuels, including thermal coal, oil and gas;
- + 10% from gambling operations and/or specialised equipment;
- + 10% from adult entertainment production and/or distribution; or
- + 10% from the production of alcoholic beverages.

## ESG International Share Fund

The underlying fund in which the Fund invests favours companies well positioned for climate change, including targeting the following climate metrics relative to the market benchmark index for the underlying fund:

- + 70% less carbon emission intensity (direct and indirect greenhouse gas emissions);
- + 90% less exposure to fossil fuel reserves (greenhouse gas emissions resulting from fossil fuel reserves);
- + 90% less exposure to brown revenues (revenues related to extractive activities and direct use of fossil fuel sources, as well as supporting activities);
- + 200% more exposure to green revenues (revenues from low-carbon technology and “clean” energy production);
- + reduce the Implied Temperature Rise by 10%;
- + improve the Climate Value at Risk by 10%; and
- + improve the Carbon Risk Rating by 10%.

The underlying fund into which the Fund invests also favours companies with strong ESG characteristics relative to comparable securities in the benchmark index for the underlying fund.

The underlying fund into which the Fund invests will not invest in companies that have:

- + any involvement in the manufacture of controversial weapons (cluster munitions, antipersonnel mines and land mines, biological and chemical weapons, nuclear weapons, depleted uranium and incendiary weapons and white phosphorus);
- + been involved in severe ESG controversies, or deemed in violation of United Nations Global Compact principles (relating to human rights, labour rights, the environment and business ethics) are also screened from the Fund.

The underlying fund into which the Fund invests will not invest in companies that exceed revenue thresholds of:

- + 10% from the manufacture of tobacco products;
- + 10% from the extraction of, production, or power generation from, thermal coal;
- + 10% from the extraction or production (which includes exploration, production, refining, transportation and storage) of oil, and gas;
- + 10% from ownership or operation of gambling services;
- + 10% from adult entertainment production;
- + 10% from the production of alcoholic beverages; or
- + 10% from the manufacture or sale of small arms (assault weapons), or key components of small arms (assault weapons) intended for civilian customers.

The above ethical investment targets, investment selection processes and screening policies reflect the underlying fund's investment policy as at the date of this SIPO. These targets, processes and policies may change from time to time.

If these changes are material, we will amend this SIPO in accordance with the process detailed in section 14 (i.e., in consultation with the Supervisor and with notice to you). If we determine that the underlying fund's responsible investment policies no longer aligns with the Investment Manager's Ethical Investment Policy, the



underlying fund will be reviewed and an alternative investment strategy may be selected (also in consultation with the Supervisor and with notice to you).

For more detail on the underlying fund's investment policies, please see [www.ssga.com/au/en\\_gb/institutional/mf/state-street-climate-esg-international-equity-fund-sst0057au](http://www.ssga.com/au/en_gb/institutional/mf/state-street-climate-esg-international-equity-fund-sst0057au).

## ESG International Bond Fund

As the Fund invests substantially all of its assets into the Nuveen Global Sustainable Bond Fund, the approach to ethical investment for this Fund reflects the investment strategy of the Nuveen Global Sustainable Bond Fund. The underlying fund's investment objective is to direct capital to two categories of securities:

- + **Impact Fixed Income securities:** Securities that meet the underlying managers' proprietary fixed income direct and measurable Impact Framework. These are publicly traded fixed-income securities that finance initiatives in areas that Nuveen, through its proprietary analysis, believes have social or environmental benefits including (i) renewable energy and climate change; (ii) natural resources; (iii) community and economic development; (iv) affordable housing.
- + **ESG Leaders:** issuers that demonstrate leading behaviour on material environmental, social and governance factors relative to their peers.

Impact Fixed Income securities are not additionally subject to the ESG Leaders criteria. Similarly, ESG Leaders securities are not additionally subject to the Impact Framework

The underlying fund (into which the Fund invests) does not invest in:

- + companies involved in any activities related to controversial weapons;
- + companies involved in the cultivation and production of tobacco;
- + companies found to be in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
- + companies that derive 1% or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- + companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- + companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels;
- + companies that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO<sub>2</sub> e/kWh.

When investing under the ESG Leaders category the UCITS fund (into which the Fund invests) is also restricted from investing in companies involved in certain business activities, based on available data on the level of revenues generated by the operations such activities. As of the date of this SIPO, these restrictions are:

- + conventional weapon components & systems (above 5%);
- + civilian firearms production (any revenue ineligible);
- + nuclear fuel enrichment, nuclear reactor design or uranium mining (any revenue ineligible);
- + thermal coal production and power generation (above 5% revenue or 10% generation);
- + nuclear power (above 50% revenue);
- + gambling operations & support (above 5%);
- + alcohol production (above 5%).

The underlying investment manager (Nuveen) applies a proprietary Impact Framework and ESG Leaders assessment. Investments are monitored for alignment with sustainability objectives, and issuers may be engaged or divested if they no longer meet the criteria.



The above ethical investment targets, investment selection processes and screening policies reflect the underlying fund's investment policy as at the date of this SIPO. These targets, processes and policies may change from time to time.

If these changes are material, we will amend this SIPO in accordance with the process detailed in section 14 (i.e., in consultation with the Supervisor and with notice to you). If we determine that the underlying fund's investment policies no longer aligns with the Investment Manager's Ethical Investment Policy, the underlying fund will be reviewed and an alternative investment strategy may be selected (also in consultation with the Supervisor and with notice to you).

For more information on the underlying fund's investment policies, see [www.nuveen.com/global/investment-capabilities/ucits/global-sustainable-bond?type=global](http://www.nuveen.com/global/investment-capabilities/ucits/global-sustainable-bond?type=global).

## ESG Balanced Fund

The Fund incorporates the ethical investment criteria of each of the underlying Funds as outlined above.

# 7. Risk Management

## Property Fund

**Risks** - Investors in the Fund are exposed to the usual risks of investing in the New Zealand commercial property market. The main risks to investors arise from tenant risk, landlord costs risk, vacancy risk, natural disaster and insurance risk, property market risk, liquidity risk, and property specific risks (such as weather tightness).

**Risk level** - The risk level of the Fund is medium, given that it has a broad spread of property and invests in properties with long lease terms. Nonetheless, any material event that adversely impacts the performance of the New Zealand economy could result in periods of negative returns for investors.

**Risk parameters** - The investment mandate of the Fund specifies a range of limits that mitigate the risks to investors. The key risk parameters are summarised below:

- + The Fund has a target maximum exposure to a single property of 25% of the Fund value. However, the maximum exposure may exceed 25% from time to time, as a result of timing of acquisitions and disposals, expected investor flows or fund cashflows.
- + Individual properties must have clear title on acquisition.
- + Cash must be invested in short-term securities/term deposits of less than 365 days maturity.
- + Cash investments must be with New Zealand registered banks, debt issues of the New Zealand Government, or New Zealand companies or local authorities whose short-term unsecured debt is short-term rated A2 or better by Standard and Poor's.
- + The Fund currently undertakes no borrowing for leverage or short selling (but may undertake debt for liquidity purposes from time to time).

**Selection criteria** - The Manager shall have regarded the following investment criteria when purchasing eligible investments:

- + Strategic fit: the property should fit within the overall portfolio strategies with regard to sector (e.g., industrial, office or retail), and size.
- + Location: including exposure, ease of access, potential for rental growth, and fit with strategic geographic targets.
- + Lease term: longer leases are preferred. Rent review periods of a maximum of three years are also preferred.
- + Tenant: the tenant should be of sufficient financial standing with a proven track record in a specific sector or industry. Preferably, the tenant will have a national or international profile.



- + Design and build quality: the quality of building construction and design shall be evaluated to ensure it is of an acceptable standard of design and structure. It should be flexible to allow for re-leasing should the tenant fail or vacate the property on lease expiry. Potential for expansion to cater for tenants' future needs and to add or protect value is desirable.
- + ESG considerations: including tenant business activities, as determined from time to time with reference to and consistent with the Investment Manager's Ethical Investment Policy.

## ESG Australasian Share Fund

**Risks** - Investors in the Fund are exposed to the usual risks of investing in the New Zealand and Australian share markets. The main risks to investors arise from those relating to market conditions, the specifics of the investment, the investment manager, interest rates, liquidity, currency, PIE status risk, and regulatory risk, along with operational risk, concentration risk, counterparty risk and market benchmark risk.

**Risk level** - The risk level of the Fund is high, given the nature of share investments. Any material event influencing the risk factors above could result in periods of negative returns for investors.

**Risk parameters** - The investment mandate of the Fund specifies a range of limits that mitigate the risks to investors. Risks are limited by prescribing limits on key risk parameters within the Fund's investment mandate and strategy. The key risk parameters are summarised below:

- + An expected ex-ante tracking error of 3-4% relative to the market benchmark index for the Fund.
- + Currently no borrowing, leverage or short selling.
- + At least 90% invested in New Zealand and Australian shares.
- + A maximum of 20% of the Fund invested in Australian shares.
- + Individual company weightings limits, per "Exposure limits" below.
- + 90-110% of non-NZ dollar exposure hedged back to New Zealand dollars.
- + Foreign exchange and cash transactions limited to registered banks and with minimum A2 S&P rating.

Apart from regular compliance checks of these parameters, the risk of the Fund is also monitored by analysing its monthly returns versus the market benchmark index.

**Exposure limits** - The Manager shall ensure that the Fund's exposure to individual companies is limited. The limit specific to each company is dependent on its market value and size and whether it is a constituent of the market benchmark index. For companies in the market benchmark index with a market capitalisation greater than \$500m, the maximum exposure is the market benchmark index weight plus 7% (as a share of the total Fund). For other companies in the market benchmark index, a maximum exposure of weight of 6% of the Fund is applied; and for companies not in the market benchmark index, a maximum weight of 3% of the Fund is applied.

**Derivatives** - The Fund may hold foreign currency hedging contracts from time to time, in respect of the Australian dollar exposure. There is also scope for the Fund to hold futures, options, warrants and other derivatives of shares or other equity securities of issuers listed on the New Zealand or Australian stock exchanges.

## ESG NZ Bond Fund

**Risks** - Investors in the Fund are exposed to the usual risks of investing in the New Zealand fixed interest market. The main risks to investors arise from market conditions, investment-specific risks, investment manager risk, duration (interest rate) risk, liquidity risk, PIE status risk, regulatory risk, operational risk, concentration risk, market benchmark risk and credit risk.

**Risk level** - The risk level of the Fund is medium, given that it has a broad spread of securities and generally invests in issues with a minimum investment grade credit rating from a recognised ratings agency.

**Risk parameters** - The investment mandate of the Fund specifies a range of limits that mitigate the risks to investors. The key risk parameters are summarised below:

- + Duration of the portfolio is kept within 1.5 years of the market benchmark index.



- + Generally, all securities must have a minimum investment grade credit rating, equivalent to a Standard & Poor's (or equivalent recognised ratings agency) rating of BBB-. If a security does not have its own credit rating, then the credit rating of the issuer or deposit taker may apply.
- + If an issuer or deposit taker does not have a credit rating from a recognised ratings agency, then the issue is an authorised investment providing that, in the underlying specialist investment manager's opinion, the issue, the issuer or deposit taker would have a satisfactory credit risk profile. Investment in such issues are subject to the issuer limits set out below.
- + The portfolio is well diversified, by both types of security and maturity.
- + Liquidity risk is low, with most of the securities in the Fund traded on public markets.
- + The Fund currently undertakes no borrowing, leverage or short selling.

### Exposure limits

- + Up to 100% of the market value of the Fund may be invested in securities issued by the New Zealand Government, Reserve Bank or Crown entities funded by the New Zealand Government.
- + In all other cases, the following exposure limits apply:
  - (a) the Fund may invest not more than 20% of its net asset value in securities issued by each of the Local Government Funding Authority, Housing New Zealand Limited, or any Supranational entity with a Standard and Poor's (or equivalent recognised ratings agency) credit rating of "AAA"; and
  - (b) subject to (a) above, the Fund shall invest not more than 10% of its net asset value in the securities issued by any one issuer.
- + Total exposure (referring to the entire portfolio) to issuers other than the New Zealand Government or Reserve Bank must not exceed the following total limits by rating. Ratings from other credible rating agencies (Moody's or Fitch) can substitute for Standard & Poor's when no Standard & Poor's rating is available. Where the security or the issuer or deposit taker does not have a credit rating, then the underlying specialist investment manager's assessment of the credit risk will apply as set out below. Credit guidelines set out below also apply to counterparties for swaps and options.

Table 2: Credit Guidelines NZ Bond Fund

Standard & Poor's Long Term credit rating	Standard & Poor's Short-Term rating	Portfolio Exposure Limit
AAA	A1+	20-100%
AA+, AA, AA-	A1	0-80%
A+, A, A-	A2	0-60%
BBB+, BBB, BBB-		0-20%
Unrated bonds where the underlying specialist investment manager is satisfied that the issue would attract a rating of A or higher if it were rated.		0-10%
Unrated social or environmental impact bond issues with a satisfactory credit profile, subject to a 2% issuer limit, and 10% of total deal size (at the time of purchase).		0-10%
Below BBB-	A3 or lower	Not permitted



- + The effective exposure to structured products, such as collateralised debt obligations, asset-backed securities, mortgage-backed securities and credit-linked notes, shall not exceed 15% of the net asset value of the Fund. Credit guidelines set out above also apply to structured products. Structured products may not be used to create any form of leverage within the portfolio.

**Derivatives** - The Fund may hold futures and options from time to time, as per the authorised investments listed above.

## ESG International Share Fund

**Risks** - Investors in the Fund are exposed to the usual risks of investing in international share markets. The main risks are market risk, investment-specific risks, investment manager risk, interest rate risk, liquidity risk, currency risk, PIE status risk, regulatory risk, operational risk, concentration risk, counterparty risk, and market benchmark risk. The usual risks of investing in international share markets mean that the Fund may experience large changes in value due to changes in the price of the underlying securities and currencies. Many other risks are mitigated by the strategy of the underlying fund. The returns of the Fund will deviate slightly from the market benchmark index due to several factors including:

- + The adoption of ESG and climate risk objectives
- + The transaction costs associated with currency hedging.

**Risk level** - The risk level of the Fund is high, given the nature of share investments.

**Risk parameters** - The investment mandate of the underlying Fund mitigates many risk factors for investors. The key risk parameters are summarised below:

- + Stock-specific risk is very low since the portfolio is highly diversified.
- + Active management risk is low as the Fund follows an index tracking investment style.
- + Liquidity risk is low, with all of the underlying securities traded on public markets.
- + The Fund currently undertakes no borrowing, leverage or short selling.
- + The foreign exchange hedging and cash transactions are limited to registered banks with a minimum short-term A2 S&P rating.

**Derivatives** - The Fund may hold foreign currency forward contracts from time to time, in order to hedge 50% of the foreign currency exposure to New Zealand dollars. Futures and options are not precluded.

## ESG International Bond Fund

**Risks** - Investors in the Fund are exposed to the usual risks of investing in international bond markets. The main risks of the Fund are market conditions risk, investment-specific risks, investment manager risk, interest rate risk, liquidity risk, currency risk, PIE status risk, regulatory risk, operational risk, concentration risk, counterparty risk, and market benchmark risk.

**Risk level** - The risk level of the Fund is medium as the underlying investments are predominantly international fixed-interest sovereign debt securities and non-sovereign debt securities. Foreign currency hedging contracts held in the Fund reduces the foreign currency risk of the underlying securities.

**Risk parameters** - The ESG International Bond Fund's risk levels are mitigated by the following:

- + Issuer-specific risk is very low since the portfolio is highly diversified.
- + Liquidity risk is low given that all of the underlying securities are traded on public markets.
- + The fund currently has no borrowing, leverage or short selling.
- + There is effectively no currency risk, with close to 100% of the foreign exchange exposure hedged to New Zealand dollars.
- + Cash transactions are limited to registered banks with a minimum short-term A-2 S&P rating.

**Derivatives** - The Fund may hold foreign currency forward contracts from time to time, in order to hedge the foreign currency exposure (if any). Futures and options are not precluded.



## ESG Balanced Fund

**Risks** - Investors in the Fund are exposed to the usual risks of investing in a diversified fund which invests in a combination of mainly fixed interest, shares and property. The primary risks are market risk, investment-specific risk, investment manager risk, interest rate risk, liquidity risk, currency risk, PIE status risk, regulatory risk, operational risk, concentration risk, property market risk, tenant risk, landlord costs risk, vacancy risk, natural disaster and insurance risk, counterparty risk, and market benchmark risk.

**Risk level** - The risk level of the Fund is medium to high. Its underlying investments consist of several underlying funds, giving a combination of growth assets and income assets. Each underlying fund has a broad spread of securities. The diversified asset allocation of the Fund and the broad spread of securities included within each component fund means the risk level of the Fund is low in relation to its expected return. Nonetheless, any material event that adversely impacts the global economy, New Zealand economy or financial markets as a whole could result in disappointing returns for investors.

**Risk parameters** - The Balanced Fund has a range of limits in place to mitigate some of the risks to investors. These include:

- + Tolerance ranges around the SAA (refer to Table 1 in section 5) to ensure that the Fund remains well diversified across asset classes.
- + The Single Asset Class Funds for which the Fund invests in each has a well-defined mandate and strategy, with prescribed limits on key risk parameters. The risk parameters of each of the Single Asset Class Funds are set out in this section.
- + The Fund currently undertakes no borrowing, leveraging or short selling.

**Derivatives** - The Fund does not hold derivative positions directly, but the underlying Single Asset Class Funds into which the Fund invests may hold foreign currency hedging contracts from time to time.

## Other Relevant Risk Management Policies

**Risk level** - The risk indicators for the Funds are disclosed in the PDS and included in the latest Fund Updates, which are available on our website, [www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting](http://www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting).

**Leverage** - It is not intended that the Funds will be leveraged at any time. No borrowings are made against the assets of the Funds other than for short-term settlement and only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, settle securities trades or pay expenses). The Property Fund may also undertake debt for liquidity purposes. Such debt should be limited in duration and quantum (shall not exceed 30% of the Property Fund value). Borrowing (including debt undertaken for liquidity purposes) is subject to Supervisor's approval.

## Liquidity

Applications and redemptions for the ESG Australasian Share Fund, ESG NZ Bond Fund, ESG International Share Fund and ESG International Bond Fund are processed on each business day. Applications and redemptions for the Property Fund and ESG Balanced Fund investors are processed at the end of each month. All redemptions out of the Funds are subject to relevant notice periods (if any) set out in the PDS. The Funds maintain an appropriate level of liquid assets, including cash, in order to meet redemption flows from investors during normal market conditions.

For the Property Fund, because the investment assets of the Fund are not readily liquid, investors' redemptions out of the Fund are subject to a twelve-month notice period provided no suspension or deferral of redemptions is in place.

Early redemption requests can be approved subject to availability of cash within the portfolio. In the event a redemption request exceeds the cash holdings of the Fund, the Manager will determine a strategy to meet the redemption request within the twelve-month timeframe. Such strategies may include asset realisation (property sale) or obtaining additional investment into the Fund by existing or new unitholders.

For the ESG Balanced Fund, due to its exposure to the Property Fund, investor redemptions may also be subject to the twelve-month notice period if a redemption request compels it to redeem units in the Property Fund.



## 8. Market Benchmark Indices

The table below shows the market benchmark indices for each Fund. The market benchmark indices can be changed at any time.

Table 3: Fund Market Benchmark Indices

Fund	Market Benchmark Indices
<b>ESG Australasian Share Fund</b>	S&P/NZX50 Portfolio Gross Index
<b>ESG NZ Bond Fund</b>	Bloomberg NZBond Composite 0+ Year Index
<b>ESG International Share Fund</b>	MSCI World ex Australia Index (50% hedged to NZD)
<b>ESG International Bond Fund</b>	Bloomberg Global Aggregate Index (100% hedged to NZD)

For the purposes of the disclosure requirements of the Financial Markets Conduct Act 2013, we have determined that there is no appropriate market index or suitable peer group index for the Property Fund that reflects the assets of the Fund that would be helpful to investors for assessing movements in the market in relation to the returns of the Fund. This is because, in our view, there is no broad-based securities index or peer group index that is appropriate in terms of assessment movements in the market for the direct commercial property assets into which the Fund primarily invests.

For the ESG Balanced Fund, the Manager has determined that, even though the ESG Balanced Fund invests in Funds (other than the Property Fund) with assets that have an appropriate market index, due to the size of the ESG Balanced Fund's target allocation to and holding in the Property Fund (for which there is no appropriate market index or suitable peer group index), there is no appropriate market index or suitable peer group index for the ESG Balanced Fund that would be helpful to investors for assessing movements in the market in relation to the returns of the Fund.



## 9. Performance Monitoring

We monitor the performance versus the market benchmark index (where applicable) and against the investment objectives for each of the Funds, as well as the volatility, liquidity, and compliance with mandates as outlined below.

### Returns

Net performance (after fees and before tax) for each of the Funds is calculated monthly and published on our website ([www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting](http://www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting)). Returns are calculated for monthly, three-monthly, year-to-date, one-year, three-year and five-year periods and from inception.

### Returns Versus Benchmark

The Funds' gross returns versus each Fund's market benchmark index (where applicable) are reviewed monthly and reported to investors quarterly.

Performance is reported to the Board of Directors of FundRock quarterly, for three-month, one-year, three-year and five-year periods.

### Performance Against Investment Objectives

The Funds' performance against investment objectives is reviewed annually by the Investment Manager and reported to the Manager.

### Volatility

The volatility of each Fund and its market benchmark index (where applicable) is measured monthly.



# 10. Governance

## Property Due Diligence Policy

Pre-purchase property due diligence is conducted in line with the Investment Manager's Property Due Diligence Policy.

The Property Due Diligence Policy outlines the reports and analysis required for consideration of a property for purchase.

## Trading Policy

Trading is performed in line with the Investment Manager's Trading Policy that sets the expectations of management with respect to the following trading issues:

- + Soft dollar commissions
- + Front running
- + Late trading
- + Gifts
- + Documentation
- + Use of confidential information
- + Conflict of interest
- + Breach of Policy.

## Investment Committee

The Investment Manager has established an Investment Committee that meets regularly and provides reporting and recommendations to the Investment Manager's Board of Directors in relation to investment policies and performance of the Funds and Ethical Investment Policy principles and practices employed in the management of the Funds.

Minutes of the Investment Committee are presented to the Board of Directors of the Investment Manager.

## Board Approvals

The Board of Directors of FundRock is responsible for ensuring Funds' offer documents are reviewed for consistency and completeness. The Board of Directors of Trust Investments must approve all major transactions for the Property Fund, such as market rent reviews, property valuations and property acquisitions and disposals. The Board of Directors of FundRock must approve all Property Fund acquisitions and disposals.

## Supervisor

The Manager reports to the Supervisor on a monthly basis consistent with the terms of the Trust Deed. The Supervisor is supplied with financial statements and reconciliations, unit prices and unit registers.

The Supervisor must approve all property acquisitions and disposals for the Property Fund.



## 11. Policy Review

The policies referred to in this SIPO are reviewed regularly by management and/or Directors and may change from time to time without notice.

Any of the policies are available, free of charge, on request from the Investment Manager.

## 12. Other Relevant Policies

Summaries of the key relevant policies are set out below.

### Taxation Policy

The Fund has elected to be a Portfolio Investment Entity (**PIE**) and therefore is taxed under the PIE regime.

The taxation implications of an investment method, such as holding assets directly or investing in a managed investment scheme, are taken into account when determining the most appropriate approach for the Fund. Note that taxation is not the sole consideration when choosing an investment method; other factors taken into account include cost and implementation feasibility.

### Pricing and Asset Valuation Policy

The purpose of this policy is to set out how FundRock manages its unit pricing and asset valuation obligations, and the way in which FundRock exercises its discretions authorised by the Trust Deed and the Fund's establishment documentation.

This policy also links to FundRock's Outsourcing Policy reflecting that it outsources functions including registry, fund administration and unit pricing to third parties. In particular, the policy governs how FundRock selects, monitors and undertakes ongoing due diligence on third party providers.

Within the bounds of what is reasonable and practical FundRock's goals are to:

- + Have unit prices that reflect fair, realisable value of underlying assets and liabilities.
- + Ensure equitable treatment of investors entering, exiting or remaining in a Fund.
- + Have a consistent and objective process for determining unit prices.
- + Comply with FundRock's governing documents, offer documents and the law.

### Conflicts of Interest and Related Party Transactions Policies

FundRock's Conflicts of Interest and Related Party Transactions Policies set out the principles and procedures relating to the management of conflicts of interest within FundRock. The policies apply to all of FundRock's directors, relevant officers, senior management and employees. The policy provides guidance on:

- + what is meant by a conflict of interest;
- + what constitutes a related party transaction; and
- + how these are managed.

### Investment Management Policy

This document sets out FundRock's policies and procedures in relation to appointing and monitoring investment managers. In particular the policy covers:

- + Investment management governance.
- + Investment manager selection and appointment.
- + Investment manager monitoring and compliance.



## 13. Investment Strategy Review

The FundRock Board has responsibility for oversight of the Investment Manager's performance and aims to meet at least quarterly.

The Investment Manager conducts an annual investment strategy review for the Funds which is reviewed by its Investment Committee and reported to The Board of Directors of Trust Investments for their approval.

FundRock does not intend to amend the Funds' investment strategies (including the Funds' benchmark asset allocations or ranges), although amendments may be made following recommendations by the Investment Manager (including those made as part of the Investment Manager's annual investment strategy review).

## 14. SIPO Monitoring and Review

The FundRock Board is responsible for governance oversight of the SIPO. The Manager's compliance processes include periodic policy reviews. The SIPO is reviewed annually by FundRock management with the outcomes of the review reported to the FundRock Board. In addition, FundRock management may initiate an ad hoc review, with examples of events that could lead to this being:

- + The Investment Manager recommending changes to the SIPO.
- + A change in roles and responsibilities
- + A permanent change in risk and return characteristics of the relevant market.

SIPO reviews take into account the views of FundRock and the Investment Manager and if required the views of external experts. The Manager can make changes to the SIPO in accordance with the Trust Deed and the Financial Markets Conduct Act 2013. Before making changes to the SIPO, the Manager will consider if the changes are in the best interests of investors and consult with the Supervisor. Any changes to the SIPO require FundRock Board approval. The Manager will give notice to fund investors before implementing any material SIPO changes.

The Manager is responsible for monitoring adherence to the SIPO and breaches are reported to FundRock's Board and the Supervisor.

The current version of this SIPO is available on the schemes register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose). This SIPO was approved by the FundRock Board on 1 July 2025 and takes effect on 1 July 2025.



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