

LIGHTHOUSE INVESTMENT FUNDS



Statement Of Investment Policy And Objectives

Issued By FundRock NZ Limited

Effective Date 13 April 2023

Investment Management By Lighthouse Funds LP

A. Description Of The Managed Investment Scheme

The Lighthouse Investment Funds (“Scheme”) is a managed investment scheme. The Scheme has on offer one single sector investment fund (“Fund”) which provides investors with exposure to international equities.

The Fund is actively managed. The Fund may invest in direct securities (including shares) or through other investment vehicles that hold permitted investments.

B. Roles And Responsibilities

FundRock NZ Limited (“FundRock”, “we”, “our”, “us”) is the licensed manager (“Manager”) of the Scheme. The Manager’s key roles and responsibilities are:

- Preparation of disclosure material.
- Establishing, reviewing and maintaining this Statement of Investment Policy and Objectives (“SIPO”).
- The ongoing management and oversight of the Fund. This includes appointing, managing and monitoring specialist providers for:
 - Administration management; and
 - Investment management.
- Monitoring investment performance and outcomes.

Lighthouse Funds LP (“Lighthouse”) has been appointed by us as the Scheme’s investment manager and is responsible for deciding what the Fund invests in. The Fund is invested in accordance with this SIPO and Lighthouse’s investment philosophy.

Lighthouse also participates in reviewing this SIPO.

Key administration functions, being registry, fund accounting and unit pricing, are currently performed by Adminis NZ Limited.

Public Trust is the Scheme’s Supervisor. The Supervisor is responsible for supervision of the Manager and the Scheme, including:

- Acting on behalf of the Scheme’s investors in relation to the Manager and any contravention of the Manager’s issuer obligations;
- Supervising the performance by the Manager of its functions and the financial position of the Manager and the Scheme; and
- Holding the Scheme property or ensuring that the assets are held in accordance with applicable legislative requirements. Adminis NZ Limited has been appointed by the Supervisor as Custodian for the Fund.

C. Investment Philosophy

Lighthouse’s investment philosophy is based on the following key principles:

- Restricting investments to only highly-liquid large-capitalisation stocks.

- Having a growth focus, but still valuing dividend income.
- Being a patient investor.

Lighthouse uses a quantitative process to identify suitable investments. The investment manager exercises its discretion to pass over stocks including those that do not meet responsible investment criteria. Factors and data used in the Lighthouse algorithm are proprietary. However, in essence the Lighthouse algorithm looks for factors they believe predict earnings and share price growth over a three to five year horizon.

D. Fund Investment Objectives And Strategies

The investment objectives and strategies for the Fund are:

Lighthouse Global Equity Fund

Objectives

The Fund's primary objective is to deliver investors long-run compound returns that are at least 2% p.a. above the return of the MSCI All Country World Net Index ("ACWI"), measured in New Zealand dollars, after fees and expenses, but before investor taxes.

The Fund's secondary objective is to minimise the number of "losing years" – that is financial years where investors receive a negative return, or loss, rather than a positive return. We do have to realistically expect the Fund will have some losing years but our objective is that those will be no more than one year in six.

Investment Strategy

Benchmark index

MSCI All Country World Index ("ACWI"), Net, in New Zealand dollars, unhedged

Benchmark Asset Allocation

Cash and cash equivalents	2%
International equities	98%

Asset Allocation Ranges

Cash and cash equivalents	-30% to 70%
International equities	30% to 130%

The Fund can use moderate leverage, i.e. debt. Any leverage is limited to a maximum of 30% of Fund net asset value. Hence, the Fund may be 100%-130% invested in International equities, while Cash and cash equivalents may be between 0% and -30%.

Note the Fund does not routinely operate at these asset allocation range limits.

There will be times every year where the Fund is refreshing its portfolio and may briefly be up to 70% invested in Cash and cash equivalents, with the remaining 30% invested in International equities.

Appointed Investment Manager

Lighthouse Funds LP

Permitted Investments

- Cash and cash equivalents
- Equities listed on recognised international securities exchanges, including ordinary shares, preference shares, American depository receipts (“ADRs”) and exchange-traded funds (“ETFs”).

The Fund may invest in these investments directly, or indirectly by investing into underlying investment vehicles that hold these permitted investments.

Rebalancing Policy

The Fund’s asset allocation is monitored daily, recognising market movements and fund inflows and outflows.

If the asset allocation has moved outside the target asset allocation ranges then Lighthouse will rebalance the Fund back to within the permitted limits within two business days unless written approval is obtained from the Supervisor.

Currency Policy

The Fund is unhedged to New Zealand dollars.

Socially, Environmentally And Ethically Responsible Investing

Lighthouse, the Fund’s investment manager, is a signatory to the UN Principles of Responsible Investing (“PRI”) and considers environmental, social, governance and other factors in the Fund’s investment decisions.

The Fund will not invest in companies that develop, manufacture or sell munitions, firearms, alcohol, tobacco, cannabis, palm oil or fossil fuels, or that are involved in whaling, gambling, pornography or animal testing for non-medicinal products.

The Fund may invest in ETFs that track an index. Lighthouse will make best efforts to select ETFs that respect their responsible investing standards provided that those ETFs do not compromise their liquidity requirements. The Fund may invest in commodity-based ETFs which have synthetic exposure to fossil fuels.

Other

The Fund may use leverage of up to 30% of NAV.

The Fund does not tactically vary its asset allocation outside the ranges above.

No one financial product may represent more than 17% of NAV.

Short selling is not permitted.

E. Investment Policies

Taxation

The Fund has elected to be Portfolio Investment Entity ("PIE") and is therefore 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 a particular fund. Note that taxation is not the sole consideration when choosing an investment method; other factors taken into account include cost and implementation feasibility.

Liquidity

The liquidity risk of the Fund is assessed with reference to liquidity of the underlying assets and securities. The Manager then establishes an appropriate application and redemption frequency for the Fund. The Fund invests in highly liquid investments and hence has daily applications and redemptions. Market conditions can, however, change resulting in some assets becoming difficult to sell. Hence if the Fund were to experience liquidity problems the Manager may defer or suspend redemptions for a period of time.

Related-Party Transactions

Related-party transactions, other than the type described below are prohibited.

Parties related to the Fund, including the staff of Lighthouse and their families, and the staff of FundRock and their families may from time to time invest in the Fund. The Manager will report such transactions by related parties to its Supervisor in accordance with section 173(2) of the Financial Markets Conduct Act 2013 ("FMC Act").

Trade Allocations And Transactions

As the Fund invests directly in securities, and the investment manager trades the same securities for another portfolio it manages which has a similar investment philosophy, the investment manager has best execution, brokerage and soft dollar processes governing their investment management activity on behalf of the Fund.

Other Relevant Policies

Summaries of the key relevant policies are set out below.

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 our 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 our governing documents, offer documents and applicable laws.

Conflicts Of Interest And Related Party Transactions Policy

FundRock's Conflicts of Interest and Related Party Transaction Policy sets out the principles and procedures relating to the management of conflicts of interest within FundRock. The policy applies 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.

The core policy statement is:

'As a licensed manager of MIS', FundRock must act honestly and in the best interests of the Scheme participants. FundRock recognises that in order to satisfy this duty, it and its Staff members must put the interests of Scheme participants ahead of those of itself or Staff members.'

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, and
- Investment manager monitoring and compliance.

F. Investment Performance Monitoring

FundRock monitors investment performance of the Fund on a monthly basis. Performance is measured and assessed on the following basis for 1, 3 and 5 year periods:

- Gross return
- Benchmark index return
- Performance relative to benchmark
- Annualised standard deviation of gross return
- Annualised standard deviation of benchmark index return
- Annualised tracking error

FundRock reports performance to the Supervisor and to the FundRock Board.

The FundRock Board has responsibility for oversight of investment manager performance. The FundRock Board aims to meet at least quarterly.

G. SIPO Monitoring And Review

The FundRock Board is responsible for governance oversight of the SIPO.

The Manager's compliance processes include periodic policy reviews. SIPOs are reviewed annually by management with the outcomes of these reviews 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 FMC Act. 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 Board approval, as well as written approval of the Supervisor. 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 reporting any breaches to the FundRock Board and the Supervisor.

This SIPO was approved by the FundRock Board on 12 April 2023 and takes effect on 13 April 2023.