

WEDGE

Wedge Savings Scheme

Statement of Investment Policy and Objectives

Issued by Wedge Management Limited

Effective from 7 May 2025

Part A – Wedge Savings Scheme

This Statement of Investment Policy and Objectives (**SIPO**) is for the Wedge Savings Scheme (**Scheme**) and each fund established within the Scheme (**funds**).

Each fund established within the Scheme is a separate trust within the Scheme.

The Scheme is a registered managed investment scheme, managed by Wedge Management Limited (**Wedge, the Manager, our or us**).

As at the date of this SIPO only one fund has been established within the Scheme – the Wedge Savings Fund (**Savings Fund**).

Introduction

Wedge is a specialist cash and fixed income investment manager headquartered in Auckland, New Zealand.

Wedge offers investment in the Savings Fund to New Zealand residents.

The Savings Fund invests in underlying Wedge managed wholesale funds (**Underlying Funds**), which are actively managed by Wedge's experienced team of investment professionals.

More information about the Scheme, the Savings Fund and the most current version of this SIPO are available on the Disclose Register at www.companiesoffice.govt.nz/disclose.

Roles and responsibilities

Wedge is the Manager of the Scheme and The New Zealand Guardian Trust Company Limited is the Supervisor.

The roles and responsibilities of Wedge and the Supervisor are set out in the Governing Document for the Scheme which is available on the Disclose Register at www.companiesoffice.govt.nz/disclose.

The roles and responsibilities of Wedge include:

- having in place, and following, effective investment policies and processes
- setting the investment strategies, objectives and guidelines for each fund established within the Scheme
- approving the investments that each fund invests in.

The roles and responsibilities of the Supervisor include:

- maintaining oversight of how the Scheme (and each fund) is managed
- reviewing and approving changes to this SIPO and ensuring it is adhered to.

The administration manager for the Scheme is Adminis NZ Limited. It is responsible for attributing the Savings Fund's income, expenses, and tax to each member on each business day, in proportion to the number of units they hold in the Savings Fund.

Tax for members who have a prescribed investor rate (**PIR**) of greater than 0% is deducted throughout the year by the Scheme's registrar, Adminis NZ Limited, and paid directly to Inland Revenue annually after 31 March based on taxable income attributed to the relevant member at their PIR which they must provide to Wedge.

The Wedge Investment Committee (**IC**) is responsible for ensuring that the SIPO is adhered to.

Scheme structure

The Scheme currently offers one fund called the Savings Fund. Wedge may establish other funds within the Scheme in the future.

Each fund in the Scheme is a separate unit trust managed by Wedge.

A unit trust is an investment vehicle where the Supervisor (or a custodian appointed by the Supervisor) holds the assets of the unit trust for the benefit of all members who hold units in that unit trust.

Wedge makes the investment decisions, but the assets of each fund are held separately from, and independently of, Wedge.

Members receive units in whichever fund(s) offered that they choose to invest in. Each unit in a fund is of equal value to all other units in that fund.

Each fund is, or will be established as, a portfolio investment entity ('PIE') for tax purposes.

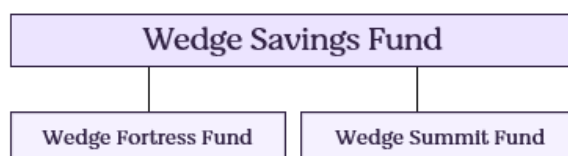
Savings Fund

Wedge, as Manager of the Scheme and the Savings Fund, will invest the assets of the Savings Fund in units issued by the two Underlying Funds established under the Wedge Wholesale Scheme.

These Underlying Funds are the Wedge Fortress Fund and the Wedge Summit Fund.

The structure of the Scheme and the Savings Fund is outlined below.

Wedge Savings Scheme



** The allocation of the Savings Fund's assets to each Underlying Fund and cash on call is managed by Wedge according to the permissible asset allocation ranges set out below in Part B of this SIPO.*

Investment philosophy and principles

Our investment philosophy is that investing in actively managed portfolios of cash and fixed income assets can consistently deliver returns that are better than bank savings rates in New Zealand.

The key principles that underpin our philosophy are:

Specialisation matters

A specialised team of cash and fixed income investment professionals who handpick each Underlying Fund asset is required to deliver the outcomes Wedge expects of its funds.

Importance of capital preservation

A focused approach that prioritises the preservation of our members' capital, especially ahead of potential returns, must always be the primary objective.

Trust the process

An investment process must be wholeheartedly embraced and collectively owned by the team that administers it. This will ensure the investment team strives to strengthen the value and effectiveness of our process over time.

No short cuts

While information is a freely available commodity in today's world, insightful investment research is just as valuable as it has always been. Wedge believes there is simply no better way to protect the investment portfolios of the Underlying Funds.

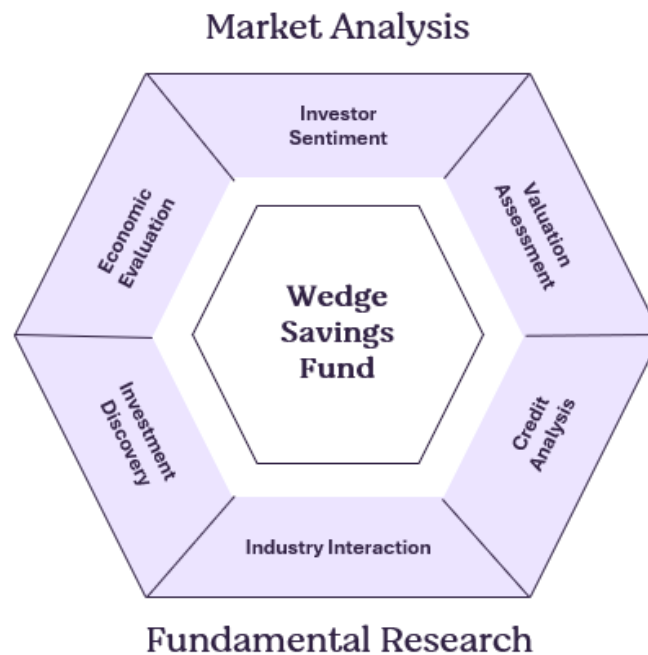
Only back those that act responsibly

Responsible businesses care about more than just maximising profits. They do the right thing. This involves being aware of their environmental impact and their social responsibilities. They also have a well-balanced and appropriate governance framework in place.

Investment process

Wedge is an active cash and fixed income investment manager which conducts its own proprietary market analysis and detailed fundamental research to help it select investments for the Underlying Funds into which the Scheme invests.

Wedge looks for investments which it believes will deliver stability and consistency of returns to members of funds within the Scheme.



Market Analysis

Economic Evaluation

The price of fixed income assets is mostly determined by the current and expected level of interest rates. In turn, interest rates are mostly a reflection of the current and evolving economic environment.

Given the impact the economy can have on fixed income asset prices, our investment team closely monitors the economies where our investments are based. This is an important aspect of how Wedge manages the investment portfolios of the Underlying Funds.

To achieve this, the Wedge investment team combines the use of proprietary economic models and macroeconomic analysis.

Investor Sentiment

It is important to then understand what ‘the markets’ or consensus expectations are for the economic outlook.

This is because an overly optimistic or pessimistic market brings with it a heightened risk of extreme swings in asset prices. Any meaningful divergence between our investment team’s economic expectations and that of market consensus, is weighed when making investment decisions.

To develop this insight, our team monitors economist forecasts, observes investor behaviour, monitors survey data and regularly reviews sentiment indicators.

Valuation Assessment

Our investment team undertakes its own assessment of asset valuations – allowing us to compare possible economic outcomes with the price at which assets are trading in the market.

This step in the process is designed to highlight those assets that are valued at prices not representative of either our economic expectations or the markets. This insight is used to help our team avoid making investments that embedded too much optimism.

Fundamental Research

Thorough independent research of the businesses the Underlying Funds invest in is essential when building resilient portfolios for the Scheme's funds to gain exposure to. There is simply no place for short-cuts when it comes to obtaining this knowledge.

Investment Discovery

Wedge first aims to narrow down the investment universe, so that our investment team is more consistently searching in the right areas of the market for suitable investment opportunities.

Our investment team uses various quantitative screening and filtering tools, which they have developed over the many years they have been managing fixed income investment portfolios.

They also leverage their extensive global network of management teams, deal arrangers, traders, bankers, lawyers, and investors to help them source attractive investment opportunities.

Industry Interaction

Identifying high quality investments requires a detailed understanding of the industry in which those businesses operate.

Building industry knowledge is a painstaking process that reflects years of reading, thinking, analysing, and reasoning. It is this understanding of industry trends and dynamics which gives our team the necessary knowledge to make sound investment decisions.

Credit Analysis

The Wedge investment team conducts a deep investigation of the businesses in which the Underlying Funds invest.

To ensure consistency, our team performs the same analysis, including:

1. a thorough business examination
2. an assessment of the business' past and present financial accounts
3. a review of the business' capital structure
4. an appraisal of the investments issued by the business and their value.

Investment and other relevant policies

The policies summarised below are considered when implementing the investment strategy of each fund within the Scheme (which is implemented through investment in the Underlying Funds).

Liquidity Risk Management

Wedge has determined for each fund an appropriate level of liquidity, including cash and exposure to liquid securities. Wedge maintains a Liquidity Risk Management Framework which governs its approach to liquidity management.

Wedge monitors the cash balances of the funds and the liquidity of each Underlying Fund daily. Wedge may conduct trades to ensure sufficient liquidity is maintained in each fund.

Wedge may also suspend withdrawals from a fund if it has good reason to consider suspension is in the interests of the fund or its members. Further information on deferral and suspension of withdrawals is contained in the Product Disclosure Statement and Other Material Information document which are available on the Disclose Register at www.companiesoffice.govt.nz/disclose.

Conflict of Interests & Conduct

Wedge considers potential conflicts of interest and follows guidelines on how they should be addressed.

Sources of potential conflicts include personal financial activities, gifts and entertainment, and other business activities conducted by Wedge employees. Another potential conflict is communicating with the media about specific investment decisions Wedge has made.

Wedge maintains and adheres to both Code of Conduct and Conflicts of Interest policies. Potential or actual conflicts of interest are identified and appropriately managed in accordance with these policies.

Related party transactions

The Manager, the Supervisor, or other related parties may enter related party transactions in relation to the Scheme and any fund within the Scheme, including in relation to investments in the Underlying Funds, subject to compliance with the provisions in the Financial Markets Conduct Act 2013 and the Governing Document for the Scheme relating to related party transactions and related party benefits. In particular, the Manager ensures that relevant related party transactions are entered into at arm's length, on normal commercial terms, and in accordance with this SIPO and the best interests of the fund's members, and that required related party transaction certificates are provided to the Supervisor.

Fair Dealing

Wedge provides clear instruction to its employees to ensure they are aware of the practices expected of them when transacting on behalf of the Scheme.

This includes maintaining strong risk management practices and always executing trades with the intention of delivering the best possible outcome for members.

Unit Pricing and Asset Valuation

Wedge has delegated certain administration functions to Adminis NZ Limited.

This delegation includes the calculation of daily unit pricing of each fund and is governed by our Unit Pricing Policy. This policy describes the unit pricing calculation process, how unit prices are prepared and verified, and the process for dealing with and reporting any errors.

The value of each fund's investments is determined independently by Adminis NZ Limited, to produce a net asset value of each fund for each day.

Adminis NZ Limited maintains a Pricing and Valuation Policy and a Unit Pricing & NAV Policy which governs their approach to valuation.

Responsible Investing

Wedge maintains a Responsible Investing Policy (**RI Policy**), which incorporates responsible investment considerations; weighs environmental, social and governance (**ESG**) factors, and Wedge integrates the values set out in this policy into the investment decisions it makes.

Wedge also believes its influence can positively impact the behaviour of the businesses our funds have indirect investments in (through investment in the Underlying Funds). It is for this reason that Wedge has made a commitment to actively engage with its portfolio entities within its RI Policy when it feels it is appropriate.

This policy impacts the investment decisions the Manager makes. However, Wedge does not consider the responsible investment considerations it weighs to be a material or significant factor within its investment process.

The Manager maintains an Investment Exclusions List of the entities, industries, sectors and governments that Wedge will use reasonable endeavours to not invest in.

Incident Management

Wedge maintains an Incident Management Policy under which all incidents, which can include financial, operational, or legal failures, must be reported as soon as they become known. Incidents must also be recorded in the Incident Register. These are reviewed and escalated according to the Incident Assessment Matrix, including regulatory disclosure if required.

Borrowing

Each fund is permitted to maintain an overdraft to provide liquidity to fund redemptions and facilitate settlements.

Wedge funds may also borrow using repurchase agreements for the purposes of managing cash flows and optimising returns.

Rebalancing

The units each fund holds in each Underlying Fund are rebalanced monthly, or at the Manager's discretion.

A fund's asset allocation to each Underlying Fund must be maintained within the permissible range for that fund set out in Part B below.

Currency exposure and hedging

The neutral position for foreign currency exposure in each Underlying Fund is 0%, with a permitted range for foreign currency exposure of 10% to +10%.

Within each Underlying Fund, currency hedging will be used to mitigate the effects of foreign exchange movements on the value of its non-NZD denominated assets. This will be implemented using derivatives such as forward foreign exchange contracts.

Derivatives

Each fund may use derivatives to manage and reduce investment risks, such as interest rate risk. When derivatives are used, they must reference securities that are authorised in this SIPO and the resulting asset class exposure derived by derivative positions must comply with all appropriate guidelines in the SIPO. Derivative exposures are monitored as part of pre and post trade compliance.

Investment governance

Investment Committee (IC)

The IC is the oversight body responsible for all investment-related activities at Wedge. The IC meets regularly and is made up of senior members of the investment team and business unit leaders.

The IC was established by the Board of Directors (**Board**) to assist with discharging its duties in relation to the Manager's regulated investment management activities. IC responsibilities include:

1. Ensuring adherence to the SIPOs.
2. Reviewing and approving all investment-related policies, process, and frameworks.
3. Monitoring, measuring and reporting performance against each fund's objectives and limits.
4. Conducting regular stress tests on each fund.
5. Reviewing and evaluating investment-related conflicts and the process by which they are to be managed.
6. Developing and overseeing the process by which fund assets are valued.

Risk & Compliance Committee (RCC)

The RCC is the governance committee which meets regularly and is made up of business unit leaders.

The RCC was established by the Board to assist with discharging its duties in relation to the Manager's internal controls structure, risk management practices, external audit function, and conduct-related activities. RCC responsibilities include:

1. Assessing the overall effectiveness of the Manager's control environment.
2. Regularly reviewing and approving Wedge's risk management framework and supporting policies, processes and procedures.
3. Monitoring all risk management practices, including those relating to workplace health and safety.
4. Providing compliance assurance to the Board and making recommendations on compliance matters.
5. Overseeing the process by which key outsource service providers are reviewed.
6. Regularly evaluating the process by which member records are collected and stored.
7. Overseeing the conduct of Wedge employees, including reviewing the Incident and Complaints registers.

Investment performance monitoring

Performance of each fund is calculated for each day through the calculation of the unit price and is monitored against the respective benchmark and investment objectives.

A daily report is provided by the fund administrator to investment operations and the Portfolio Manager, which is then compared against expected performance to ensure reasonableness of any movements in the unit price. Any unusual movements in a fund or underlying investments are investigated to determine the cause and if any action is required.

Fund performance is monitored on a before-tax and after-tax basis over several time periods, including one month, three months and one year. Performance is reported to the IC at each meeting as part of their responsibilities to ensure each fund's performance is in line with its investment objectives.

SIPO compliance and review

Compliance

The following processes are in place to monitor compliance with this SIPO:

1. Compliance with the SIPO and all SIPO-related policies is monitored by the IC, under delegated authority from the Board.

2. Wedge maintains a SIPO Compliance Process, in which it commits to conducting both pre- and post-trade compliance checks against each limitation set out in the SIPO.
3. Compliance checks, wherever possible, are built into its Order Management System and Portfolio Management System to ensure the accuracy and timeliness of checks.
4. Pre-trade checks occur each time a proposed order is submitted by an authorised investment team member into the Order Management System, ahead of execution.
5. Post-trade compliance occurs each business day, as early in the day as possible, following the portfolio reconciliation process, to ensure its accuracy.
6. A report of any (active or passive) SIPO breaches, complaints, or incidents is reviewed quarterly by the RCC.

The Wedge investment professionals responsible for managing each fund understand the investment limits set out in this SIPO and take this into consideration when determining appropriate trades.

Review

The Manager will review the SIPO at least every two years (and more frequently if appropriate). This review may include, but not be limited to, the following considerations:

1. Legal and regulatory changes.
2. Market practice.
3. Investment team recommendations.

The review may also consider the appropriateness of all SIPO restrictions, parameters, and ranges as well as any investment-related policies.

The SIPO will be updated should any of its terms be deemed to unduly impede the Manager from:

1. implementing a fund's stated investment strategy; or
2. meeting a fund's investment objective(s).

Any material amendments to the SIPO will be made in consultation with the Supervisor.

The Manager must also give the Supervisor prior notice of any changes to the SIPO in accordance with the Trust Deed and the Financial Markets Conduct Act 2013.

A summary of how changes can be made to the SIPO, including whether members will be notified of those changes and how they can otherwise obtain information about those changes can be found in the Product Disclosure Statement.

The current SIPO for the Savings Fund is available on the Scheme register on the Disclose Register at www.companiesoffice.govt.nz/disclose.

Part B – Wedge Savings Scheme Funds

This section provides information that is specific to each fund established under the Scheme.

The Savings Fund is currently the only fund established under the Scheme.

Wedge Savings Fund

Description

The Savings Fund invests in an actively managed portfolio consisting of cash, cash equivalents, and short-term fixed income assets, through its investments in the Underlying Funds.

Suitability

The Savings Fund is suitable for anyone who requires a savings account that is on-call, and suits people who value steady income and capital stability over achieving potential higher returns.

Investment in the Savings Fund may also offer members a tax efficient investment, for members with marginal tax rates of 30%, 33% or 39%.

Objective

The objective of the Savings Fund is to provide an annualised return above New Zealand bank on-call savings accounts while maintaining a stable capital value and providing members ready access to their money.

Strategy

The Savings Fund aims to achieve its objective through:

- investing in units in the Underlying Funds, which invest in cash and fixed income investments, and
- paying a Set Rate of return that accrues daily and is distributed monthly.

The Savings Fund invests in the Underlying Funds in accordance with the below asset allocation.

All investments (including those of the Underlying Funds) are managed by Wedge.

Benchmark

Bloomberg NZBond Bank Bill Index or equivalent index.

Timeframe

There is no recommended minimum timeframe associated with the Savings Fund.

Permitted Investments

The Savings Fund is permitted to invest in:

- Units in the Underlying Funds.
- Cash on call

Asset Allocation

| Investment | Neutral Allocation | Permissible Range |
|---------------------|--------------------|-------------------|
| Wedge Fortress Fund | 70% | 0-100% |
| Wedge Summit Fund | 25% | 0-50% |
| Cash on call | 5% | 0-25% |

Through its investments in the Underlying Funds, the Savings Fund will be managed within the following permissible asset class mix:

| Asset Class | Neutral Allocation | Permissible Range |
|-------------------------|--------------------|-------------------|
| Cash & Cash Equivalents | 65% | 15-100% |
| Fixed Income | 35% | 0-85% |

Authorised Securities

Through its investments in the Underlying Funds, the Savings Fund is authorised to hold the following securities:

- Cash and Cash Equivalents
 - Cash held by, or on behalf of, approved counterparties, banks, brokers, agents, or custodians.
 - Fixed, floating, or variable interest-bearing assets with a modified duration of less than 6 months.
 - Derivatives including, but are not limited to, swaps, futures, forward rate agreements, exchange traded funds, options, and repurchase agreements which have a modified duration of less than 6 months.
- Fixed Income
 - Fixed, floating, or variable interest-bearing assets with a maximum modified duration of 7 years.
 - Derivatives including, but are not limited to, swaps, futures, forward rate agreements, exchange traded funds, options, and repurchase agreements which have a maximum modified duration of 7 years.
 - Any other fixed income investment agreed to by the Manager and the Supervisor, provided the investment is permitted under the Governing Document for the Scheme.

Investment Exposures Limits

Credit rating

Through its investments in the Underlying Funds, the Savings Fund's neutral weighted average credit rating is AA. Its minimum allowable weighted average credit rating is BBB.

Through its investments in the Underlying Funds, the maximum exposure in the Fund to an investment grade issuer (BBB- rated or higher) is 20% and a non-investment grade issuer (BB+ to BB-) is 5%.

The Manager will apply the highest appropriate credit rating assigned to each security held in the Fund by a recognised credit rating agency. The ratings referred to in this SIPO are the long-term credit ratings. An equivalent short-term rating is also permitted. Securities that do not possess a public credit rating are permitted and will be assigned an appropriate credit rating as determined by the Manager.

The net unrealised and uncollateralised profit or loss of any derivative held in the Fund will be included in the maximum exposure calculation by using the long-term, senior unsecured credit rating of the derivative counterparty.

Duration

Through its investments in the Underlying Funds, the Savings Fund's neutral modified duration is 0.125 years. Its allowable modified duration range is from -1 year to +2 years.

WEDGE 

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