

# Castle Point Funds

## STATEMENT OF INVESTMENT POLICY AND OBJECTIVES (SIPO)

Issued by Castle Point Funds Management Limited

Effective Date: 25 June 2024



# Contents

---

1. Description of the managed investment scheme	3
2. Investment philosophy	3
3. Investment approach	4
4. Investment strategy and objectives	6
5. Permitted investments	10
6. Market indices	11
7. Investment policies	13
8. Risk management	13
9. Investment performance and monitoring	14
10. Investment strategy and SIPO review	15
Definitions / glossary	15

# 1. Description of the managed investment scheme

---

## The Manager

Castle Point was founded in 2013 by Richard, Stephen, Jamie and Gordon, who have over seven decades of experience between them. They were inspired to start a funds management company to create funds with strategies they wanted to personally invest into. The Ranger Fund was subsequently launched in 2014. Since then, the Castle Point team has grown significantly, and two additional funds have been added: the 5 Oceans Fund in 2016 and the Trans-Tasman Fund in 2018.

## The Funds

The following three funds are offered under a registered managed investment scheme known as the Castle Point Funds Scheme (Scheme):

- **Castle Point 5 Oceans Fund**  
("5 Oceans Fund")
- **Castle Point Ranger Fund**  
("Ranger Fund")
- **Castle Point Trans-Tasman Fund**  
("Trans-Tasman Fund")

The licensed manager of the Scheme is Castle Point. The supervisor of the Scheme is Public Trust (Supervisor). Apex Investment Administration (NZ) Limited provide administration for the funds (unit pricing, registry etc) and custodial services (holding the underlying fund assets on behalf of investors). Both Public Trust and Apex Investment Administration (NZ) Limited are independent of Castle Point.

# 2. Investment philosophy

---

## Aligned and focused

We believe that having a focused team with a rigorous approach to in-depth research, and a team that is strongly aligned with investors is key to maximising the identification of investment opportunities.

## Long term investors

We also believe that superior returns can be generated by investing with a long-term perspective and a focus on avoiding permanent loss of capital. This is because financial market investors are generally, in our opinion, biased towards short-term performance, resulting in the inefficient pricing of some assets.

## Proven investment philosophy

Our investment philosophy seeks to exploit market inefficiencies that exist, in our opinion, because financial market investors tend to:

- focus on recent past performance
- underestimate the effect of capital flows and the resilience of poor returning companies (we call this the 'Value opportunity')
- underestimate the length of time growth companies can earn excess returns (we call this the 'Quality opportunity').

More information can be found [www.castlepointfunds.com/about](http://www.castlepointfunds.com/about)

## Environmental, social and responsible investing

We incorporate Environment, Social and Governance (ESG) measures into our research process, as we believe it positively enhances the risk and returns of our portfolios over the long term.

We employ a three-fold Environmental, Social and Governance framework to selecting investments depending on industries, companies and practices involved:

1. We actively seek out investments with long-term positive ESG attributes in a process known as positive screening.
2. We blacklist (i.e. exclude) certain sectors, industries, companies and practices where we view the attributes to be materially negative, therefore both detrimental to society as a whole and to long-term investor returns.
3. We use research and engagement to understand any historical or current issues and importantly actions being taken to reduce or prevent any issues moving forward.

These lists are maintained and updated by the Investment Committee.

Further detail on our Responsible Investing Policy and the blacklist and positive screen can be found in our Responsible Investment Statement (which can be downloaded from [www.castlepointfunds.com/documents](http://www.castlepointfunds.com/documents)).

As part of our commitment to responsible investing, we are a founding signatory to the Stewardship Code Aotearoa New Zealand, which aligns strongly with our long-term investing approach.

We are also a signatory to the United Nations Principles for Responsible Investment (UNPRI), a United Nations-supported framework which provides aspirational global criteria for responsible investing.

## 3. Investment approach

Our investment approach is based on investing directly in assets where we have the expertise and resources to undertake the fundamental research and analysis ourselves. For areas where this is not currently achievable, we use our skills in manager selection to appoint best-in-breed external fund managers who align with our investment philosophy, to gain exposure to these areas.

### Direct equity research

Our direct equity research is based around finding Value and Quality opportunities in amongst the much larger number of listed companies. It is our opinion that focusing on Value and Quality opportunities significantly increases the ability to outperform the general market.

We categorise Value and Quality into two further sub-categories each as shown below.

Opportunity	Rationale	Sub categories
Value	Value companies often trade materially below their true worth due to short-term issues that can reward the patient investor.	Deep value Value
Quality	Quality companies can grow for longer or earn above-average returns for longer than expected.	Mid-cap grower Moat

## Deep value

A Deep Value company has a share price that is lower than the value of shutting down its operation and selling all its assets/paying off its debt (its 'liquidation value'), plus a margin of safety (an extra buffer of 'cheapness' to be safe). This means that if the company was to close and sell all its assets, the shareholders would actually receive more than selling its shares to the market.

These extremely low prices occur when the company has disappointed the market so badly, and for so long, that the market has forgotten the value of the company's underlying assets.

NOTE: While we do not invest with the aim of liquidating assets to realise shareholder value, we get comfort from understanding the market value of assets along with the margin of safety.

## Value

A Value company has gone through a period of disappointing performance, which could be a result of wider economic factors that the company has no control over, or poor decisions that were clearly wrong in hindsight. However, companies generally adapt and recover.

For a company to fall into this category, we need to be convinced that a turnaround is possible, which often requires a change in management. The market (share price) won't often reflect the turnaround until well after it has occurred.

## Mid-cap grower

Mid-Cap Growers are high-quality, profitable (often mid-sized) companies with substantial growth opportunities and excellent management in place. They have an effective innovation engine that keeps them competitive, along with a long-term strategy that continuously drives them forwards.

## Moat

A Moat company has high barriers to entry, making it hard for others to compete and take market share from it. The high barriers to entry allow Moat companies to earn above-average returns for longer than many expect. Moats can include a combination of ownership of unique assets, brands, and networks, or having substantial benefits of scale and supplying products and services with high switching costs.

## Opportunistic

In addition to the main categories above. An Opportunistic company is one that has many attractive qualities but falls outside our other categories. It may, for example, have the potential to produce substantial upside, but be quite an early-stage (i.e. riskier) company. Opportunistic positions will only ever make up a small allocation to the overall fund.

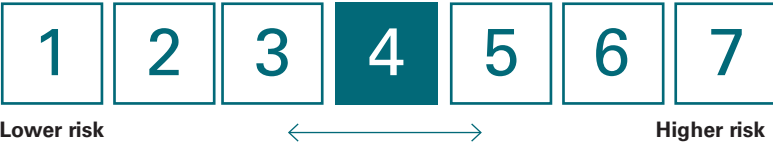
## Third party managers

Where we also use third party managers, we undertake a rigorous manager selection process to carefully select these managers.

Manager research and due diligence is based around identifying managers that share a common philosophy and approach to that of ourselves and how well they align with the objectives for the fund. We also evaluate their approach to ESG and vehicle suitability, including tax efficiency. The Castle Point team has a long history of manager selection with two of the founders having been deeply involved in manager research and selection in prior roles.

## 4. Investment strategy and objectives

The investment strategy and objective for each fund is described below:

Name	Castle Point 5 Oceans Fund
Fund description and objective	<p>The 5 Oceans Fund is our lowest risk fund. It is a globally diversified fund that provides a moderate exposure to growth assets.</p> <p>The Fund invests in a mix of directly owned assets, other Castle Point funds and selected third-party funds.</p> <p>The Fund is designed to generate returns, with the objective of outperforming the NZ Official Cash Rate +3% over the medium term (after fees but before tax), with some risk mitigation tools to smoothen the ride.</p>
Risk indicator	<p>Potentially lower returns ← → Potentially higher returns</p>  <p>Please see the Product Disclosure Statement for further information on the Risk Indicator. The Risk Indicator above is based on the returns data for 5 years to 31 March 2024. For an up-to-date Risk Indicator please see the latest Fund Update (available at <a href="http://www.castlepointfunds.com/documents">www.castlepointfunds.com/documents</a> or <a href="http://disclose-register.companiesoffice.govt.nz">disclose-register.companiesoffice.govt.nz</a>).</p>
Recommended investment timeframe	Minimum 3 years
Investment strategy	<p>The fund invests in a mix of:</p> <ul style="list-style-type: none"> <li>• Directly owned assets</li> <li>• Other funds we manage, such as the Ranger Fund</li> <li>• Third-party funds</li> </ul> <p>When investing with third-party funds, we carefully select managers by understanding their philosophies, strategies and approaches, and how well they align with the objectives for the fund.</p> <p>The fund uses the following risk mitigation tools to smoothen the ride:</p> <ul style="list-style-type: none"> <li>• Diversification (across growth and defensive assets, and across countries)</li> <li>• Flexible strategies (greater freedom to avoid overpriced assets)</li> <li>• Insurance strategies (that pay off in market downturns)</li> </ul> <p>The fund does not have a strict target asset allocation rather employs broad ranges for the different asset classes (see Asset Allocation table below).</p> <p>The fund pays a monthly distribution that can be taken as cash or re-invested into additional units.</p>

**Name****Castle Point Ranger Fund**

## Fund description and objective

The Ranger Fund is expected to have higher risk than our 5 Oceans Fund. It can invest in a broad range of New Zealand and Australian assets, including equities, cash, debt instruments, derivatives and other assets.

The Fund's objective is to prioritise long-term capital growth through investing into carefully selected NZ and Australian assets, with a focus on shares.

When suitable, the Fund may use strategies that seek to reduce the impact of large market downturns.

The performance objective of the Fund is to outperform the NZ Official Cash Rate by 5% per annum over the long-term, after all fees (and other expenses) but before tax.

## Risk indicator



Please see the Product Disclosure Statement for further information on the Risk Indicator. The Risk Indicator above is based on the returns data for 5 years to 31 March 2024. For an up-to-date Risk Indicator please see the latest Fund Update (available at [www.castlepointfunds.com/documents](http://www.castlepointfunds.com/documents) or [disclose-register.companiesoffice.govt.nz](http://disclose-register.companiesoffice.govt.nz)).

## Recommended investment timeframe

Minimum 5 years

## Investment strategy

The fund has a wide investment mandate and can invest into most New Zealand and Australian assets (including listed and unlisted equities, options, fixed interest and cash). As a result of the investment process there might be prolonged periods when the fund holds material levels of defensive assets (for example cash, Term Deposits and fixed interest).

The fund has broad discretion on the type and proportion of Australasian assets it invests into (see asset allocation table below). There are times in the economic cycle when equity prices can become excessive and the upside from equity investments is limited. Depending on the prevailing investment environment, the Ranger Fund might be significantly invested in equities or might be significantly invested in cash and/or fixed interest, or it might use derivatives. This allows the Ranger Fund to have capacity to invest when valuations become more attractive. Due to this flexibility the Ranger Fund does not have a set target asset allocation. There are some restrictions and investment limits on certain assets (see section 5: Permitted Investments for details).

The fund does not currently pay any distributions.

**Name****Castle Point Trans-Tasman Fund**

## Fund description and objective

The Trans-Tasman Fund is an equity fund and therefore comes with higher risk. It invests in New Zealand and Australian Listed Companies and is benchmarked to the S&P/NZX 50 Index (including Imputation Credits).

The performance objective of the Fund is to outperform the benchmark over rolling five-year periods after all fees (and other expenses) but before tax.

## Risk indicator



Please see the Product Disclosure Statement for further information on the Risk Indicator. The Risk Indicator above is based on the returns data for 5 years to 31 March 2024. For an up-to-date Risk Indicator please see the latest Fund Update (available at [www.castlepointfunds.com/documents](http://www.castlepointfunds.com/documents) or [disclose-register.companiesoffice.govt.nz](http://disclose-register.companiesoffice.govt.nz)).

## Recommended investment timeframe

Minimum 5 years

## Investment strategy

The Trans-Tasman Fund primarily invests into a portfolio of New Zealand and Australian listed equities. While the Fund is expected to be fully invested into equities, it can hold some cash or cash equivalents for transactional purposes.

The fund is actively managed, which means that holdings and returns can differ materially from the benchmark.

The fund pays a quarterly distribution that can be taken as cash or re-invested into additional units.



## Asset allocation

The asset allocation ranges shown below are designed to help the funds achieve their respective investment objectives. Some of the funds intentionally have broad ranges to give the required flexibility, while the Trans-Tasman Fund is more constrained.

Asset class	Castle Point 5 Oceans Fund	Castle Point Ranger Fund	Castle Point Trans-Tasman Fund
Cash and cash equivalents	0 - 70%	0 - 100%	0 - 10%*
New Zealand fixed interest	0 - 70%	0 - 100%	
International fixed interest	0 - 70%	0 - 100% (Australian only)	
Australasian equities	0 - 50%	0 - 100%	90 - 100%
New Zealand equities			65 - 100%
Australian equities			0 - 25%
Unlisted equities		0 - 10%	
International equities	0 - 70%		
Listed property	0 - 50%		
Unlisted property	0 - 50%		
Other	0 - 100%	0 - 100%	
Individual listed equity		-5 to 20%	0 to Benchmark weight + 10%**
Overall growth assets	30 - 70%		
Overall income assets	30 - 70%		

\* 0 to 5% is the normal operating range

\*\* 0 to 10% if a security is not in the Benchmark



## 5. Permitted investment

The funds can invest in the following assets:

Asset class	Description	Castle Point 5 Oceans Fund	Castle Point Ranger Fund	Castle Point Trans-Tasman Fund
Cash and cash equivalents	Call accounts	Yes	Yes	Yes
	Term Deposits (up to 12 months)			
	Commercial Paper			
	Deposits with government departments, directly or via intermediaries			
New Zealand fixed interest	Government bonds	Yes	Yes	No
	Corporate bonds	(max 10% of NAV for unlisted debt)	(max 10% of NAV for unlisted debt)	
	Unlisted debt			
International fixed interest	Government bonds	Yes	Australian only	No
	Corporate bonds	(max 10% of NAV for unlisted debt)	(max 10% of NAV for unlisted debt)	
	Unlisted debt			
Australasian equities	Listed equities*	Yes	Yes	Yes
	Options		(max 10% of NAV for unlisted equity)	
	Warrants			
	Futures			
	Unlisted equities (Ranger fund only)			
International equities	Listed equities	Yes	No	No
	Options			
	Warrants			
	Futures			
Other	Tail risk assets (inc options and hedge funds)	Yes	Yes	No
	Carbon Credits			

\* Also includes equities that are intending to list in the near future

All the funds can also hold the following:

- Forward foreign exchange contracts (for currency hedging risk see section below).
- Any other investment agreed to by the Manager and the Supervisor.
- Managed Investment Schemes (whose assets are permitted investments above).

We may decide to invest in other investments (which are not explicitly stated in the list of permitted assets above) that we consider fall within the parameters of permitted investments and that appropriately reflect the risk profile of the fund and will contribute to the performance objective of the fund. Where necessary, in accordance with the Trust Deed, the Manager will seek the approval of the Supervisor when doing so.

## Currency hedging

The funds might gain exposure to foreign currencies through the purchase of offshore assets (for example international equities) which brings currency risk (the foreign currency might fall lowering the value of the asset in NZ dollars). While the funds have discretion to leave foreign currency exposures unhedged, the default position is to use forward foreign exchange contracts and/or hedging in underlying funds to hedge the foreign currency exposure.

## 6. Market indices

The Market indices that we use in the quarterly Fund Updates and Disclose register entries (referred to as “target asset allocations”) are calculated using the following asset allocations:

Asset class	Index	Castle Point 5 Oceans Fund	Castle Point Ranger Fund	Castle Point Trans-Tasman Fund
Cash and cash equivalents	S&P/NZX Bank Bills 90-Day Index	10%	Varies*	
New Zealand fixed interest	Bloomberg NZBond Credit 0-5Yr Index	5%		
International fixed interest	Bloomberg AusBond Bank Bill Index (Hedged NZD)	30%		
New Zealand equities	S&P/NZX 50 Index (inc Imputation Credits)	9.75%	Varies*	100%
Australian equities	S&P/ASX All Ordinaries Index (100% hedged to NZD)	9.75%	Varies*	
International equities	MSCI World (75% Hedged to NZD)	29%		
Other	S&P/NZX Bank Bills 90-Day Index	6.5%		

\*The Ranger Fund does not have a target asset allocation or investment mix. The market index is constructed using the month end allocations to Cash, New Zealand equities and Australian equities together with the monthly returns for those indices.

The 5 Oceans Fund does not have a strict target asset allocation, rather it operates within broad investment ranges (shown in section 4). The target asset allocation shown above is only for the purposes of calculating the market index.

Further information on the market indices can be found below

Asset class	Index	Description	Further information
Cash and cash equivalents	S&P/NZX Bank Bills 90-Day Index	The index is designed to measure the performance of a portfolio of bills with a maturity of 31 days to 90 days	<a href="https://us.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index">us.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index</a>
New Zealand fixed interest	Bloomberg NZBond Credit 0-5Yr Index	The index is designed to measure the performance of NZ corporate bonds with less than 5 years to maturity	<a href="https://www.bloomberginvestments.com/ausbond/">www.bloomberginvestments.com/ausbond/</a>
International fixed interest	Bloomberg AusBond Bank Bill Index (Hedged NZD)	The index is designed to measure the performance of Australian bank bills, hedged back to NZD	<a href="https://www.bloomberginvestments.com/ausbond/">www.bloomberginvestments.com/ausbond/</a>
New Zealand equities	S&P/NZX 50 Index (inc Imputation Credits)	The index is designed to measure the performance of the 50 largest, eligible companies listed on the Main Board (NZSX) of the NZX	<a href="https://www.nzx.com/markets/nzxsx/indices/NZ50">www.nzx.com/markets/nzxsx/indices/NZ50</a>
Australian equities	S&P/ASX All Ordinaries Index (100% hedged to NZD)	The index represents the 500 largest companies in the Australian equities market (hedged back to NZD)	<a href="https://us.spindices.com/indices/equity/all-ordinaries">us.spindices.com/indices/equity/all-ordinaries</a>
International equities	MSCI World (75% Hedged to NZD)	The MSCI World Index is a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.	<a href="https://www.msci.com/world">www.msci.com/world</a>
Other	S&P/NZX Bank Bills 90-Day Index	The index is designed to measure the performance of a portfolio of bills with a maturity of 31 days to 90 days.	<a href="https://us.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index">us.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index</a>



## 7. Investment policies

---

### Valuation and pricing policy

The valuation of underlying securities and the pricing of each Fund is outsourced to the Administrator. These functions are carried out by the Administrator daily and we have adopted the Administrator's unit pricing policy and framework, unit pricing taxation policy and asset and liability valuation policy subject to the variations and controls.

The objective of this policy is to ensure that the investment portfolios are fairly valued and priced, there is appropriate oversight of the outsourced pricing and valuation function, and we comply with Financial Markets Authority requirements, Trust Deed and NZ IFRS.

### Responsible investment policy

The purpose of this policy is to articulate our approach to responsible investing (RI) and to provide a framework for understanding and managing Environmental, Social and Governance impacts, risks and opportunities across our investment management services.

### Conflicts of interest policy

We are committed to acting honestly, fairly and professionally and in accordance with the best interest of our clients at all times. We will take all reasonable steps to identify and wherever possible prevent any potential or actual conflicts of interest. Potential areas of conflict include, but are not limited to:

- **Broker selection:** we have a duty to obtain "best execution" of the securities transactions being affected for our client's accounts.
- **Trade allocation:** No client for whom we have investment decision responsibility shall receive preferential treatment over any other client. In allocating securities among clients, all clients should be treated fairly and, to the extent possible, should receive equivalent treatment.
- **Proxy voting:** Castle Point votes proxies in the best interests of its clients. Where conflicts of interest arise we will either abstain from voting, request that clients vote on their own behalf, or use an independent third party to instruct the votes on our clients' behalf.

## 8. Risk management

---

### Rebalancing

The asset allocation of each fund is monitored daily to account for market movements, together with any inflows and outflows. Rebalancing occurs if allocations have deviated sufficiently from desired levels to justify any costs of trading that would be incurred.

If any of the limits set out in Section 4 are breached, we must rebalance the fund to within the permitted limits within 5 business days, unless written approval is obtained from the Supervisor.

## Derivatives

Derivatives are securities with a price that is dependent upon or derived from one or more underlying assets (such as commodities, currencies or securities). The derivative itself is a contract between two or more parties based upon the asset or assets. Its value is determined by fluctuations in the underlying asset. Examples include futures, forwards, swaps and options.

Derivatives can only be used in accordance with the investment strategy of each fund and can be used for:

- risk management
- hedging (including currency)
- implementing investment opportunities

There is a counterparty assessment and approval process to ensure appropriate due diligence is undertaken before a counterparty is used. A list of approved counterparties is maintained by the compliance team.

## Liquidity

Fund liquidity is constantly monitored by the Portfolio Managers and the traders to ensure there is sufficient liquidity to meet redemptions and expenses as they may occur. We consider the liquidity of every asset of each fund when evaluating its position size.

The Investment Committee is responsible for monitoring liquidity risk metrics and stress testing. Liquidity risks are managed using a framework of Identify, Measure, Monitor and Manage.

## Borrowing and leverage

Each fund is permitted to borrow up to 15% of the fund's value for events such as:

- transaction settlement mismatches
- mismatch between withdrawals and selling underlying assets
- to cover shortfalls due to payment of expenses and/or fees.

Explicit leveraging of a fund's assets is not permitted

# 9. Investment performance monitoring

---

Performance is monitored by the Investment Committee on a quarterly basis. The Investment Committee monitors performance both against fund objectives and market indices (where these may differ).

Investment performance is reported monthly through fund fact sheets which are available on our website. Performance is monitored over multiple periods including one month, t months, and 1, 3, and 5 years (as applicable).

Performance is measured net of fees but before any tax on an absolute basis and with reference to the fund's return objective(s).

## 10. Investment strategy and SIPO review

---

Investment strategies and the SIPO are reviewed annually by the Investment Committee which reports to the Board. If there are any material changes to a fund's investment strategy or to the regulations or market conditions affecting a fund, an ad hoc review is undertaken. Any changes to the SIPO are made in consultation with the Supervisor. We will not implement any material changes to the SIPO until we have given investors at least one month's prior notice.

The process for selecting external investment managers involves identification, due diligence, appointment and ongoing monitoring. Due diligence involves both quantitative and qualitative analysis with a focus on philosophy, process, people and performance. We look for managers that share our philosophy of long-term investing with a capital preservation focus. Monitoring encompasses daily, monthly and quarterly performance reporting from underlying managers. In addition, underlying managers are reviewed quarterly by the Investment Committee.

Compliance with the SIPO is independently monitored daily by the operations team and any positions outside of mandate are communicated to the investment team for rectification. Any SIPO breaches are reported to the Supervisor.

The most current version of this SIPO is available on the schemes register (Disclose) at [disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz)

## Definitions / glossary

---

<b>Administrator</b>	means Apex Investment Administration (NZ) Limited. This is an independent entity, appointed by Castle Point, who is responsible for unit pricing, registry and fund accounting.
<b>Custodian</b>	means Apex Investment Administration (NZ) Limited. This is an independent entity appointed by the Supervisor to hold fund assets on behalf of investors.
<b>FDR</b>	means the Fair Dividend Rate- a method for calculating tax on certain overseas assets.
<b>Investment Committee</b>	is an oversight body that reports to the Castle Point Board and contains independent investment expertise.
<b>PIR</b>	means Prescribed Investor Rate. This is the tax rate that certain Portfolio Investment Entity (PIE) funds will use to calculate your tax paid. Current rates are 10.5%, 17.5% or 28% depending on the individual investor's taxable income. See <a href="https://www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates">www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates</a> for further information.
<b>SIPO</b>	means this Statement of Investment Policy and Objectives.
<b>Supervisor</b>	means the Public Trust. This is an independent entity responsible for supervising Castle Point as manager.

