



Private Wealth Series

Statement of Investment Policy and Objectives

Issued by BNZ Investment Services Limited - 25 February 2025



Contents

1. The SIPO describes our policies and objectives for the Scheme and the Funds	1
2. The Private Wealth Series Scheme offers a range of Funds	1
3. BNZISL invests Private Wealth Series' assets	1
4. Our investment philosophy	2
5. Each Fund has its own investment strategy and objective	2
6. BNZISL manages the Scheme	13
7. How we implement our strategies and policies	14
8. We apply four risk management principles	14
9. When we monitor and review	15

Investments in Private Wealth Series (Private Wealth Series or the Scheme) are not bank deposits or other liabilities of Bank of New Zealand (BNZ) or any other member of the National Australia Bank Limited (NAB) group. They are subject to investment risk including possible delays in repayment. You could get back less than the total contributed. No person (including the New Zealand Government) guarantees (either fully or in part) the performance or returns of Private Wealth Series Funds or the repayment of amounts contributed. NAB, the ultimate owner of BNZ, is not a registered bank in New Zealand but a licensed bank in Australia and is not authorised to offer the products and services mentioned in this document to customers in New Zealand.

BNZ Investment Services Limited (BNZISL) uses the BNZ brand under licence from Bank of New Zealand, whose ultimate parent company is National Australia Bank Limited. No member of the FirstCape group (including BNZISL) is a member of the NAB group of companies (NAB Group). No member of the NAB Group (including Bank of New Zealand) guarantees, or supports, the performance of any member of FirstCape group's obligations to any party.

1. The SIPO describes our policies and objectives for the Scheme and the Funds

The Statement of Investment Policy and Objectives (SIPO) sets out the way BNZ Investment Services Limited (BNZISL, we, us or our) governs and manages investments held in Private Wealth Series.

It includes information on the investment strategy and objectives, target investment mixes and allowable investment ranges, benchmark indices and authorised investments for the Funds in the Private Wealth Series.

2. The Private Wealth Series Scheme offers a range of Funds

Private Wealth Series is a registered Managed Investment Scheme (MIS) under the Financial Markets Conduct Act 2013 (FMCA).

Private Wealth Series offers the following funds (Funds):

- International Equity Fund
- Australasian Equity Fund
- Australasian Equity Active Fund
- NZ Equity Passive Fund
- International Fixed Interest Fund
- International Corporate Bond Fund
- International Government Bond Fund
- NZ Fixed Interest Fund
- Cash Fund.

3. BNZISL invests Private Wealth Series' assets

BNZISL, the manager of the Private Wealth Series, is responsible for investing the Scheme's assets.

Our responsibilities include:

- the investment philosophy for the Funds
- maintaining the investment governance (oversight of how it is managed) framework and ensuring that effective investment policies and processes are in place
- setting the Funds' investment strategies, objectives and guidelines
- approving the investments that the Funds are allowed to invest in
- monitoring the Funds' investment performance
- reviewing and approving changes to this SIPO and ensuring it is adhered to.

BNZISL is a wholly owned subsidiary of Harbour Asset Management Limited (Harbour) and is part of a group of investment and advisory businesses ultimately owned by FirstCape Group Limited (FirstCape). FirstCape is jointly owned by NAB, Jarden Wealth and Asset Management Holdings Limited and funds managed by Pacific Equity Partners. NAB is a licensed bank in Australia and is the parent company of BNZ.

4. Our investment philosophy

Our investment philosophy beliefs are:

- The type of investments a Fund holds has the largest influence of its level of risk and potential return.
- A well-diversified portfolio of investments helps investors meet their investment goals.
- Higher potential returns often come with more ups and downs (volatility) along the way. Accepting higher levels of volatility over the short term means there is the potential for higher returns over the long term. This volatility is often referred to as risk.
- It's important that the fees and charges investors pay are cost effective, so that they get to keep more of their returns.
- Both active management (which aims to achieve a return that is higher than that of a market index) and passive management (which aims to achieve a return

that is close to that of a market index) have a place in investment management.

- Incorporating environmental, social and governance factors (ESG) into our investment process is important, as these factors are drivers of sustainable long-term returns.

We implement our investment philosophy by:

- Selecting underlying investment managers who are experts in their specific markets.
- Taking positions away from the strategic asset allocations and strategic level of currency hedging (from time to time) with the aim of reducing risk / increasing potential return.
- Maintaining a robust governance structure, which leads to better decisions and enables risks to be managed more effectively.

5. Each Fund has its own investment strategy and objective

Each Fund provides different risk and potential return outcomes.

We select the mix of authorised investments for each Fund that we consider appropriately reflects its risk profile, investment strategy and objective. Investment choices must also be consistent with our investment philosophy.

The current list of underlying investment managers can be found on bnz.co.nz/privatewealthmanagers

The underlying investment managers can be added to, removed or changed at any time without prior notice.

The Funds can also invest in derivatives as described in the derivatives policy set out in Section 6.

The Funds will hold authorised investments

Each Fund can invest in the asset classes detailed in its fund summary tables in this section of the SIPO. The Funds can invest in underlying investment funds managed by us or underlying investment managers, and hold some operational cash to help us pay redemptions and expenses.

Benchmark indices

Each Fund's performance is measured against a benchmark index (also referred to as a market index). All market indices exclude fees and expenses. The S&P/NZX 50 Index includes the value of imputation credits. These are tax credits that a company can attach to its dividends, which reduces the amount of income tax the recipient needs to pay.

Fund name	Market index	Description
International Equity Fund	MSCI All Country World Index (60% hedged to NZD)	This index is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of developed and emerging markets.
Australasian Equity Fund Australasian Equity Active Fund NZ Equity Passive Fund	S&P/NZX 50 Index (including imputation credits)	This index is designed to measure the performance of the 50 largest, eligible equities listed on the Main Board (NZSX) of the NZX by float-adjusted market capitalisation.
International Fixed Interest Fund	Bloomberg Global Aggregate Index (100% hedged to NZD)	This index is a flagship measure of global investment grade (Standard & Poor's BBB- rated or higher, or equivalent) debt from 24 local currency markets. This multi-currency index includes treasury, government-related, corporate and securitised fixed-rate bonds from both developed and emerging markets issuers.
International Corporate Bond Fund	Bloomberg Global Aggregate Corporate Index (100% hedged to NZD)	This index is a flagship measure of global investment grade fixed-rate corporate debt. It includes bonds from developed and emerging markets issuers within the industrial, utilities and financial sectors. The index is a component of the Global Aggregate Index.
International Government Bond Fund	Bloomberg Global Treasury Index (100% hedged to NZD)	This index tracks fixed-rate, local currency government debt of investment grade countries, including both developed and emerging markets. The index represents the treasury sector of the Global Aggregate Index.
NZ Fixed Interest Fund	Bloomberg NZBond Composite 0+ Years Index	This index is designed to measure the performance of the New Zealand debt market. It constitutes a composite of Treasury, Local Government, Supra/Sovereign and Credit instruments.
Cash Fund	Bloomberg NZBond Bank Bill Index	This index is designed to measure the performance of the New Zealand money market by representing a passively managed short-term money market portfolio.

The market indices disclosed above may change or may be renamed or replaced from time to time without prior notice to you.

International Equity Fund

- Investment strategy and objective

This Fund invests in international equities primarily in developed markets, with the ability to invest to a lesser extent in emerging market countries. It aims to provide a gross return in excess of its benchmark index, over the long term.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Benchmark index
International equities	100	90-100	MSCI All Country World Index (60% hedged to NZD)
Cash and cash equivalents	0	0-10	

Australasian Equity Fund

- Investment strategy and objective

This Fund invests in Australasian equities primarily listed on the New Zealand equity market, by utilising a mix of active and passive management. It aims to provide a gross return in excess of its benchmark index, over the long term.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Benchmark index
Australasian equities	100	90-100	S&P/NZX 50 Index (including imputation credits)
Cash and cash equivalents	0	0-10	

Australasian Equity Active Fund

- Investment strategy and objective

This Fund invests in Australasian equities primarily listed on the New Zealand equity market. It aims to provide a gross return in excess of its benchmark index, over the long term.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Benchmark index
Australasian equities	100	90-100	S&P/NZX 50 Index (including imputation credits)
Cash and cash equivalents	0	0-10	

NZ Equity Passive Fund

- Investment strategy and objective

This Fund invests in Australasian equities listed on the New Zealand equity market. It aims to approximately replicate (or track) the performance of the benchmark index, before taking into account fees, expenses, taxes, responsible investment exclusions and tilts.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Benchmark index
Australasian equities	100	90-100	S&P/NZX 50 Index (including imputation credits)
Cash and cash equivalents	0	0-10	

International Fixed Interest Fund

- Investment strategy and objective

This Fund invests in international fixed interest securities, primarily investment-grade government and corporate bonds in developed markets, but with the ability to invest to a lesser extent in emerging market countries. It aims to provide a gross return in excess of its benchmark index, over the medium term.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Benchmark index
International fixed interest	100	90-100	Bloomberg Global Aggregate Index (100% hedged to NZD)
Cash and cash equivalents	0	0-10	

International Corporate Bond Fund

- Investment strategy and objective

This Fund invests in international fixed interest securities, primarily investment-grade corporate bonds in developed markets, with the ability to invest to a lesser extent in emerging market countries and investment-grade international government bonds. It aims to provide a gross return in excess of its benchmark index, over the medium term.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Benchmark index
International fixed interest	100	90-100	Bloomberg Global Aggregate Corporate Index (100% hedged to NZD)
Cash and cash equivalents	0	0-10	

International Government Bond Fund

- Investment strategy and objective

This Fund invests in international fixed interest securities, primarily investment-grade government bonds in developed markets, with the ability to invest to a lesser extent in emerging market countries. It aims to approximately replicate (or track) the performance of the benchmark index, before taking into account fees, expenses, taxes and responsible investment exclusions.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Benchmark index
International fixed interest	100	90-100	Bloomberg Global Treasury Index (100% hedged to NZD)
Cash and cash equivalents	0	0-10	

NZ Fixed Interest Fund

- Investment strategy and objective

This Fund invests in New Zealand fixed interest securities, primarily investment-grade government and corporate bonds. It aims to provide a gross return in excess of its benchmark index, over the medium term.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Benchmark index
New Zealand fixed interest	100	90-100	Bloomberg NZBond Composite 0+ Years Index
Cash and cash equivalents	0	0-10	

Cash Fund

- Investment strategy and objective

This Fund invests in New Zealand cash and cash equivalent securities. It aims to achieve stable returns over the short term and provide a gross return in excess of its benchmark index.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Benchmark index
Cash and cash equivalents	100	N/A	Bloomberg NZBond Bank Bill Index

6. BNZISL manages the Scheme

We maintain several policies and processes relevant to the Private Wealth Series. A summary of these follows.

We take responsible investment considerations into account

The BNZ Investment Services Limited Responsible Investment Policy applies to Private Wealth Series. We take responsible investment, including environmental, social, and governance (ESG) considerations, into account in the investment policies and procedures of Private Wealth Series. For an explanation of the extent to which responsible investment is taken into account in those policies and procedures, see bnz.co.nz/investingresponsibly

A copy of the BNZ Investment Services Limited Responsible Investment Policy is available at www.companiesoffice.govt.nz/disclose

We manage conflicts of interest

Actual or perceived conflicts of interest for directors and employees of FirstCape group companies can arise from any competing interests.

Directors are required to disclose conflicts of interest and there are processes for recording and managing these conflicts.

FirstCape group companies' employees are required under the terms of their individual employment agreements to disclose and register potential or actual conflicts of interest to FirstCape so that these can be effectively managed.

We may use related parties to provide services to the Funds, including staffing services, banking facilities and investments in other investment vehicles managed by us or related parties.

We conduct all transactions with related parties of Private Wealth Series on arms' length commercial terms (as if the parties were independent) and follow the rules on related party transactions that apply to Managed Investment Schemes under the FMCA.

For more information on related-party transactions under the FMCA go to: <https://www.fma.govt.nz/library/guidance-library/related-party-transactions-under-the-financial-markets-conduct-act-2013/>

We have a currency hedging strategy

Currency hedging is a way to protect investors against the impact of changes in exchange rates that affect the value of investments made overseas.

Foreign currency hedging may be implemented within the underlying investment funds by the investment

managers of those funds. We may also approve another party to implement currency hedging. Where we invest in an underlying investment fund, we consider that fund's strategic hedging policy at the time we select it, and regularly review its compliance with this policy. Section 7 of this SIPO has more details on our current approach to currency hedging. This approach may change from time to time.

We can invest in derivatives for specific purposes

A derivative is a financial instrument that has its value based on the value of an actual financial asset, index or rate (such as a particular currency, equity, or fixed interest investment).

We may use derivatives for currency hedging purposes and for maintaining asset class exposures during asset transitions. The underlying investment funds in which the Funds invest may use derivatives for managing currency, mitigating risk, efficient portfolio implementation and enhancing returns.

Our underlying investment managers do not use leverage

Leverage is borrowing money or using derivatives to gain a financial exposure that is greater than the financial exposure that can be obtained through the use of physical assets, with the purpose of increasing the potential gains on an investment. Although leverage can increase gains, it can also increase losses.

We do not use leverage in the Funds, and do not allow our underlying investment managers to use leverage in the portfolios that they manage for us.

Our funds may borrow for operational purposes

Subject to any requirements of the governing document for the Private Wealth Series, the Funds may borrow, on a temporary basis, for the purposes of conducting the management or operations of the Fund, including the payment of redemptions to or in respect of investors.

We maintain liquidity

An investment is liquid when it is quick and easy to convert to cash without having a significant impact on its value. It is important for our Funds to maintain an appropriate level of liquidity to be able to meet our cash flow requirements.

We maintain liquidity by investing in authorised investments that have satisfactory levels of liquidity themselves. Each of the Funds also holds some operational cash to help us pay redemptions and expenses.

7. How we implement our strategies and policies

How we build each Fund

We start with determining the asset allocation or proportion of each fund that will be invested in each asset class for each Fund. Each Private Wealth Series Fund invests in one asset class.

We choose one or more underlying investment managers to manage the assets in each asset class. We consider a range of factors when picking these underlying investment managers, including:

- their investment philosophy and the way they invest (also known as their investment style)
- their track record of investment performance
- the way they incorporate Environmental, Social and Governance into their investment process
- the fees they charge.

We agree a set of rules (known as a mandate) with each underlying investment manager that sets out how they are expected to manage these assets.

How we invest

The underlying investment managers, or any third party delegated this function by them, buy and sell the assets of the Private Wealth Series.

How we manage currency for overseas investments

The way we manage foreign currency depends on the type of asset class. We use an investment technique called hedging to do this. Hedging, in this context, seeks to reduce the effect of changes in the exchange rate between the New Zealand dollar and foreign currencies. You can find the current hedging levels in the Fund Updates available at bnz.co.nz/pws

• International Equity Fund

We aim to hedge 60% of this Fund's international equity investments to the New Zealand dollar. From time to time we may target a different hedging position to this. We are allowed to hedge between 0% and 100% of this Fund's international equity investments to the New Zealand dollar.

• Australasian Equity Fund and Australasian Equity Active Fund

We aim to actively hedge the foreign currency exposure arising from the Australian equities held in these Funds to the New Zealand dollar. This means that the amount of hedging can vary from 0% to 100%.

• International Fixed Interest Fund, International Corporate Bond Fund and International Government Bond Fund

We aim to hedge 100% of these Funds' international fixed interest investments to the New Zealand dollar.

8. We apply four risk management principles

We follow these risk management principles.

- Risk can be reduced by holding many investments across countries (where applicable), sectors, securities and styles of investing.
- Regular and ongoing monitoring of investments enables the early identification of risks and the swift implementation of actions to mitigate these risks.
- Liquidity of the Funds is a key consideration and should be maintained at an appropriate level.
- Investing in quality assets helps us meet our investment goals. For example, the Cash Fund, NZ Fixed Interest Fund and International Fixed Interest Fund mainly comprise investment-grade securities.

9. When we monitor and review

Reviewing the SIPO

We review this SIPO at least every year.

We may also carry out an ad-hoc review due to:

- offering a new fund
- a change to a Fund's target investment mix and/or allowable investment objectives
- a change to a Fund's investment strategy and objective
- a change to the underlying investment funds and/or investment managers
- material changes in market conditions
- a change in law or regulation
- any other reason where it considers it necessary and appropriate.

When we review the SIPO, we consider our investment philosophy and the Funds' investment strategies and objectives. Any changes are approved in accordance with our internal processes. We may also consult with the Supervisor prior to approving any changes to the SIPO and provide written notice of the changes to the Supervisor before the changes take place. Any material changes to the SIPO will be outlined in the Private Wealth Series annual report.

The current version of this SIPO is available on the Scheme's Disclose Register. Find this at www.companiesoffice.govt.nz/disclose

Monitoring target investment mixes and rebalancing

We monitor the Funds' investment mixes regularly. If a Fund's investment mix falls outside its allowable investment ranges, we act to bring the investment mix back within the allowable investment ranges. We do this by buying and selling assets:

- within five working days, or
- as soon as reasonably practicable considering factors like the ability to buy or sell assets and transaction costs.

The target investment mixes and allowable investment ranges represent the exposure to the Funds' authorised investments. However, the assets within the authorised investments are not considered when rebalancing.

Approving and reviewing authorised investments

We approve each Fund's authorised investments in accordance with Section 5 of this SIPO.

We review the Funds' authorised investments at least once a year, or more often if necessary to make sure they remain appropriate and meet the requirements of this SIPO.

Monitoring and reporting of investment performance

We regularly monitor and report on the investment performance of the Funds and the underlying investment funds.

The performance of each Fund is monitored every month against its respective market index set out in Section 5 of this SIPO.

The performance of the Funds is measured over multiple timeframes ranging from one month to since inception.

