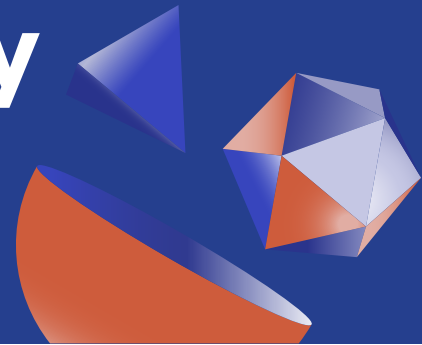


# Statement of Investment Policy and Objectives



30 September 2024

## 1. Description of the Scheme

The NZ Core Equity Trust (**Scheme**) is a managed investment scheme managed by Smartshares Limited (**Smart**).

The Scheme's external investment manager is DFA Australia Limited.

## 2. Investment philosophy

The Scheme aims to provide investors with the benefits of long-term capital growth by investing in listed New Zealand equities, with increased exposure to small companies and value companies relative to a market weighted portfolio.

Value companies are companies with a low price relative to various financial measures, including book value, cash flow and earnings.

## 3. Investment objective

The Scheme's investment objective is to provide a return (before tax, fees and expenses) that outperforms the return of the S&P/NZX 50 Portfolio Index.



## 4. Investment strategy and policies

### Target asset allocation

The Scheme's target asset allocation and asset allocation ranges are set out in the following table:

| Asset class                  | Target | Range      |
|------------------------------|--------|------------|
| Cash and cash equivalents    | 0%     | 0% - 10%   |
| New Zealand fixed interest   | -      | -          |
| International fixed interest | -      | -          |
| Australasian equities        | 100%   | 90% - 100% |
| International equities       | -      | -          |
| Listed property              | -      | -          |
| Unlisted property            | -      | -          |
| Commodities                  | -      | -          |
| Other                        | -      | -          |

### Permitted investments

The Scheme may invest in the following assets:

- financial products listed in New Zealand; and
- cash and cash equivalents.

Cash and cash equivalents include cash on hand, deposits held at call with banks or the custodian and other short-term investments (and funds that primarily invest in cash and cash equivalents).

### Derivatives

The Scheme may use derivatives (a derivative is a financial product with a value that is reliant upon or derived from, an underlying asset or group of assets) to gain exposure to assets that are

consistent with the permitted investments set out above. The Scheme may not use derivatives to lever the Scheme.

The Scheme may use the following types of derivatives:

- exchange traded futures contracts;
- exchange traded options on futures contracts;
- exchange traded options on financial products that the Scheme may invest in and options on such financial products issued by the issuer of those financial products;
- exchange traded warrants on financial products that the Scheme may invest in and warrants on such financial products issued by the issuer of those financial products; and
- derivatives received as part of a corporate action by the issuer of financial products held by the Scheme.

### Investment restrictions

The Scheme must invest in a minimum of 20 financial products listed in New Zealand.

All investments must be New Zealand dollar denominated.

The Scheme may borrow up to 10% of the Scheme's net asset value for the purposes of providing short-term liquidity (i.e. to temporarily fund securities settlement or pay expenses).

## 5. Investment performance monitoring and reporting

The Scheme's investment performance is monitored every month (by Smart's Chief Investment Officer) and every three months (by Smart's Investment Oversight Committee and Smart's Board). In particular:

- every month, Smart prepares investment performance reports and provides them to the Chief Investment Officer;
- every three months, Smart prepares investment performance reports and provides them to Smart's Investment Oversight Committee; and

- every three months, Smart's Investment Oversight Committee reports to Smart's Board. The investment performance reports are also provided to Smart's Board.

Investment performance is monitored over one month, three months, one year, three years and five years periods.

Absolute performance, performance relative to benchmark indices and performance relative to peer averages is monitored.

## 6. Investment strategy review

Smart's Investment Oversight Committee reviews the Scheme's investment strategy annually, and undertakes an ad hoc review if:

- changes to market conditions necessitate changes to either: (1) the nature or types of investments that can be made and any limits on those; and/or (2) any limits on the proportions of each type of asset invested in; or
- Smart's Board instructs Smart's Investment Oversight Committee to review the Scheme's investment strategy.

Smart's Investment Oversight Committee considers management's recommendations in respect of any proposed changes to the Scheme's investment strategy.

Smart's Investment Oversight Committee reports to Smart's Board as to the outcome of its review, together with any proposed changes to the Scheme's investment strategy.

Smart's Board considers Smart's Investment Oversight Committee's report and may approve any changes to the Scheme's investment strategy.

## 7. SIPO review

Smart's Investment Oversight Committee reviews this SIPO annually, and undertakes an ad hoc review if:

- changes to the law or the Financial Markets Authority's guidance necessitate changes to this SIPO;
- Smart's Board instructs Smart's Investment Oversight Committee to review this SIPO; or
- changes to the Scheme's investment strategy (made as part of an ad hoc review of investment strategy) necessitate changes to this SIPO.

Smart's Investment Oversight Committee considers management's recommendations in respect of any proposed changes to this SIPO.

Smart's Investment Oversight Committee reports to Smart's Board as to the outcome of its review, together with any proposed changes to this SIPO.

Smart's Board considers Smart's Investment Oversight Committee's report and may approve any changes to this SIPO.

Changes to the SIPO can only be made following consultation with the supervisor.