SBS Wealth Investment Funds Statement of Investment Policy and Objectives (SIPO)

SBS Wealth World Equity Portfolio

SBS Wealth Australasian Equity Portfolio

SBS Wealth World Bond Portfolio

SBS Wealth New Zealand Bond Portfolio

Conservative Strategy

Balanced Strategy

Growth Strategy

High Growth Strategy

2 September 2024

SBS Wealth Limited (“SBS Wealth”) is the issuer of this offer. SBS Wealth is a wholly owned subsidiary of Southland Building Society, operating as “SBS Bank”.

Contents

Introduction

This Statement of Investment Policy and Objectives ("**SIPO**") sets out the investment policies and objectives for the funds and strategies described below. It takes effect from 2 September 2024, and with effect from that date replaces the previous SIPOs for each of the Funds dated 27 June 2024.

In conducting its investment activities, SBS Wealth must always act in a manner that is consistent with its statements in the Investment Policy, including responsible investment and its obligations to invest as if it were a trustee which implies a fiduciary obligation to maximise the long-term risk adjusted returns for investors. In establishing and adhering to the policies, standards, and process, SBS Wealth must exercise its expert judgement.

Description of the Funds

This SIPO has four funds (each a "**Fund**" and together the "**Funds**").

1. SBS Wealth World Equity Portfolio ("World Equity Portfolio")
2. SBS Wealth Australasian Equity Portfolio ("Australasian Equity Portfolio")
3. SBS Wealth World Bond Portfolio ("World Bond Portfolio"); and
4. SBS Wealth New Zealand Bond Portfolio ("New Zealand Bond Portfolio")

This SIPO also includes four strategies (each a **"Strategy"** and together **"Strategies"**).

1. Conservative Strategy
2. Balanced Strategy
3. Growth Strategy
4. High Growth Strategy

The Funds are individually registered managed investment schemes under the Financial Markets Conduct Act 2013 ("**FMCA**"). SBS Wealth Limited (referred to as "**SBS Wealth**", "**we**", "**us**" in this SIPO) is the manager ("**Manager**") of the Funds.

Each Fund is governed by the master Trust Deed ("**Trust Deed**") dated 01 November 2016 entered into between us and the Supervisor of the Funds, Trustees Executors Limited ("**Supervisor**").

In the event of conflict between the provisions of this SIPO and the master Trust Deed, the provisions of the Trust Deed will prevail.

Each Fund is a Portfolio Investment Entity ("**PIE**"). The income is taxed at the investor's prescribed investor rate ("**PIR**"), We pay tax on an investor's behalf to the Inland Revenue Department.

Each Strategy is not a PIE, rather the Funds that make up the Strategies are all PIEs. We will pay tax on an investor's behalf to the Inland Revenue Department at their PIR rate through the Fund(s) in the Strategy that an investor may hold.

1. Investment Philosophy

As manager of the Funds, we believe in actively managing investments to take advantage of opportunities in a responsible and environmentally friendly way. We believe taking this approach, we are best positioned to manage investments while keeping risk in check.

The key principles that are embedded in our investment philosophy are:

- We actively manage to create value for investors over the long-term;
- We invest responsibly;
- We construct portfolios which balance performance and risk to an appropriate level for our clients; and
- We understand the local and global economic themes that are impacting investments.

2. Investment Strategy, Policies and Process

2.1. Investment Strategy

We aim to grow our investors' investment sustainably over the long-term. To achieve this, we focus on building risk-efficient funds/strategies that are globally diversified, liquid, transparent and cost efficient. We also consider local and global economic themes, such as climate change and digitalisation, to ensure we are investing for the future rather than for the past.

Each Fund/Strategy has its own investment strategy and investment objective. These are detailed in the schedules at the back of this SIPO (See Schedules 1-8).

2.2. Investment Policies

In managing our investments, we take into account the following policies:

2.2.1. Responsible Investment Policy

Our approach to Responsible Investment is guided by our stewardship principles of "driving change over time, not over night" and "focus on opportunities, not just exclusions." This is reflective of the nature of our investment strategy, which recognises the need for improvement but also the need to "keep the lights on" in the meanwhile.

We favour investments with lower carbon intensity or lower fossil fuel involvement. We also prefer companies with greater carbon solutions involvement. This is key to enabling companies in high impact industries to do better for the environment.

2.2.2. Asset Allocation Policy

The basic principles of asset class investing are based on the foundations provided by Modern Portfolio Theory ("**MPT**"), selecting investments in order to maximise each Fund's/Strategy overall risk & return. We achieve this by setting a Strategic Asset Allocation ("**SAA**") for each Fund/Strategy.

Actual asset class allocations may frequently differ from the SAA but will remain within the permitted ranges in the investment guidelines. We may at any time rebalance each Fund's/Strategy holdings closer to their SAA.

Traditionally the asset classes are cash, fixed interest, and equities. In New Zealand, this is separated further into New Zealand and international fixed interest, Australasian and international equities, listed property and other.

Currency hedging is given a separate allocation within the SAA.

Tactically, we may separate:

1. Australasian equities into New Zealand equities and Australian equities,
2. International equities into developed and emerging markets equities, and
3. Fixed Interest into short and long duration.

Any addition of Australian equities, emerging markets equities, and/or short duration form part of a Tactical Asset Allocation ("**TAA**"). TAA is an active management portfolio strategy that shifts the allocation of asset away from the SAA to take advantage of short-term market conditions, market pricing anomalies, strong market sectors and sub-sectors, or to limit downside risk. We review the Funds/Strategies SAA at least every three years. The review takes into account future long-run asset class returns and peer comparisons.

2.2.3. Hedging Policy

The primary purpose of international investment is diversification of markets rather than diversification of currencies. It is accepted that international market diversification will entail additional risk arising from foreign currency exposure.

The current policy is for international fixed interest exposure to be 100% hedged back to the NZD. This is generally achieved through investing in a NZD hedged underlying fund.

The current policy for international equities (other than Australian equities) is for that asset class to be 50% hedged back to the NZD. This is generally achieved through investing in a combination of NZD hedged and unhedged underlying funds.

All other offshore assets are generally unhedged, although this can change in the future. This includes Australian equities, Emerging Markets equities, listed property and infrastructure assets.

The actual hedging ratio for the Funds can differ from time to time. We may at any time rebalance the Funds exposure closer to the target.

2.2.4. Rebalancing Policy

The purpose of rebalancing is to ensure the actual mix of assets in each Fund/Strategy resembles the target investment mix (the SAA). Each asset class of the Funds/Strategies has a range around the SAA agreed in the guidelines. We can use this range to take tactical positions.

Each Fund's/Strategy's actual asset mix is monitored against its target regularly. Frequent rebalancing incurs excessive transaction costs that we believe outweigh the benefit of rebalancing.

We use Fund cashflows to rebalance the Funds to their target. Where cashflows do not achieve the target, then assets are sold or bought accordingly. This is important as if the actual mix in the Fund does not reflect the target, then the actual investment risk of the Fund could be greater or smaller than the target level of risk.

We rebalance investors investments annually, on or about 20th April to restore their investment mix back to the investment proportions of their selected Strategy.

2.2.5. External Manager Selection Policy

As part of our investment strategy, a key concern is to ensure Funds are adequately diversified. This may include the appointment of external fund managers, with built in risk constraints.

We follow a due diligence process for selecting external managers. This includes external research and onsite visits.

2.2.6. Liquidity Risk Management Policy

Shifting market conditions can cause periods of stress where liquidity dries up and costs to liquidate securities rise. In extreme circumstances, this can lead to extraordinary costs incurred when transacting. We follow a strict Liquidity Risk Management (LRM) framework, as set out in the Liquidity Risk Management Policy, which can be found on the Disclose Register at www.disclose-register.companiesoffice.govt.nz.

Fundamentally, our LRM begins with security selection – we seek to only invest in those securities that are traded on a recognised exchange (e.g., New York Stock Exchange), and are quoted on a regular basis. Liquidity Management Tools (LMTs) are also embedded within the LRM framework and LRM Policy, for more information, please refer to the Liquidity Risk Management Policy.

Sufficient liquidity will be held to cover reasonably anticipated redemptions.

If necessary, we have agreed with the Supervisor to borrow up to 5% of the market value of a Fund.

Such borrowing is to be used solely to meet redemption requests and will be for a maximum period of 15 business days and in each instance the Supervisor will be advised of drawdowns occurring and when the amounts have been repaid. To date the Funds have not borrowed, nor have any intention to.

2.2.7. Valuation

The means by which we price units in these Funds and methods we use can be found in the SBS Wealth Unit Pricing and Valuation Policy. The most current version of this is available on the Disclose Register offer register entry at www.disclose-register.companiesoffice.govt.nz.

2.2.8. Derivatives

Derivatives may be used as a risk management tool where underlying investments create an overall portfolio exposure that we determine to be undesirable e.g. to hedge currency risk. It is envisaged that derivatives will not be used in the normal course of business.

Derivatives may not be used to leverage any Fund, or if the effect is to increase the portfolio risk beyond what it would have been had the relevant Fund comprised only directly held securities. That is, there will be no gearing effect and any derivative positions will be backed by physically held positions at the time that the risk on any derivative arrangement commences.

While derivatives may be used at our sole discretion, we will advise the Supervisor of any decision to do so.

2.3. Investment Process

The investment process can be broken down into four main stages.

Stage 1	
Objective, universe & screens	Examine the investment objective and risk profile of the fund/portfolio to work through what the investible universe and what the benchmark split between growth and income assets is.
	Define any exclusionary filters on funds, sectors, and underlying securities based on our Responsible Investment Policy.
Stage 2	
Fundamental Drivers & Portfolio Construction	Determine what asset classes and sub-asset classes to invest into.
	Determine geographic, sector, and currency hedging characteristics.
	Determine factor and style tilts required, e.g. value, short duration.
	Determine desired ESG outcomes.
Stage 3	
Security Selection	Conduct fundamental research utilising historical asset class data, scenario testing between the asset classes, the economic outlook, and industry trends.
	Analyse stocks and funds using fundamentals such as strength of the business, track record, investment process, earnings, valuation, performance, and third-party ratings and recommendations.
	Analyse stocks and funds using Environmental, Social, and Governance measures such as stewardship, current carbon emissions, net-zero aligned carbon reduction targets, fossil fuel involvement, stranded assets, environmental impact, employee welfare, modern slavery, community relations and supply chain.
	Target high-conviction themes with long-term growth opportunities, e.g. disruptive technology, healthcare innovation, and decarbonisation.
	Rank and weight the securities by key fundamentals, including valuations, size, style, ESG characteristics, conviction, fees, and liquidity.
	Blend highly active direct share portfolio with actively managed fund manager(s) to optimise return and mitigate risk.
	Make sure the portfolio is diversified across country, sector, market capitalisation, and style.
	Research presented investment team.
Stage 4	
Portfolio Implementation & Monitoring	Present the portfolio(s) and underlying research to the SBS Wealth Investment Committee for discussion and approval.
	Investment team executes changes and/or any rebalancing through an external broker/platform/fund manager.
	Holdings are then managed and continuously monitored by the investment team.

We reduce stock specific risk by building a highly diversified portfolio, but with conviction in every single security.

We recognise the limitations of market cap-weighted indices, so we take an unconstrained approach which enables us to invest wherever we find the best opportunities, potentially deviating from index weightings. This approach allows us to enhance our exposure to our preferred thematic and factor tilts.

3. Authorised Investments

The universe of authorised investments for each Fund is set out in their Trust Deed, as amended from time to time. Investments may be made into securities directly or through underlying managed funds.

The investments currently accessed are available in the most current Fund Update on the Disclose Register Offers register entry at www.disclose-register.companiesoffice.govt.nz.

3.1. Managed Funds

Investment in managed funds, such as exchange traded funds, which achieve essentially the same ultimate exposure as would have been achieved by directly held securities, with the relevant benchmark asset allocation and ranges flowed through to any managed fund exposure.

3.2. Cash and Fixed interest

Cash, in the form of Highly Liquid Securities, is generally held in the Funds' bank accounts for cashflow management. Any other cash investments will be made by way of direct or indirect investment in unsecured deposits (including redeemable shares) with SBS Bank, or with other registered banks or financial institutions pending investment into other assets.

The Funds gain their exposure to fixed interest by way of direct or indirect low to medium risk investments consisting of a broad spread of government and non-government securities primarily of investment grade quality. Any unrated securities will comply with our strict risk policy criteria through the underlying manager's internal Credit ratings process.

3.3. Equities

The Funds gain their exposure to equities by way of direct securities or indirect via a managed fund.

4. Authorised Activities

The Funds may undertake the following other activities in carrying out their investment strategy:

4.1. Securities Lending

The Australasian Equity Portfolio and the World Equity Portfolio are authorised to lend up to 20% of their Gross Asset Value (as defined in the Trust Deed) to 'A' rated (or equivalent) counterparties. The World Bond Portfolio is authorised to lend up to 20% of its Net Tangible Assets to 'A' rated (or equivalent) counterparties, with a counterparty credit limit of no more than 20% with any one party or 5% net risk exposure.

4.2. New Issues

Underwriting new issues of authorised debt and share issues (as applicable).

4.3. Borrowing

Each Fund is authorised to borrow up to 25% of its Gross Asset Value (as defined in the Trust Deed). Any borrowing must be considered necessary or desirable in the general interests of the members of the Fund, or for the purposes of conducting the investment, management, or other operation of the Fund pursuant to the Trust Deed (including for the purposes of acquiring further Authorised Investments or providing funds for the redemption of units).

Except where borrowing is for the purposes of funding redemption or repayment of units (as set out in 2.2.6. Liquidity Risk Management Policy on page 7) we will make written submission to the Supervisor setting out the reasons why the Fund needs to borrow and a recommendation thereto. Any borrowing will only be effected in accordance with the Trust Deed. Currently there is no intention to borrow.

4.4. Related Party Transactions

Transactions with related parties of us or the Supervisor are permitted, provided such transactions are permitted under the Trust Deed and the FMCA (where applicable), the appropriate process under the FMCA has been followed, and it complies with our Conflict of Interest policy. A copy of this policy is available on the Disclose Register offer register entry at www.disclose-register.companiesoffice.govt.nz.

SBS Bank is a related party.

5. Monitoring

Fund manager and direct securities performance is monitored daily, in conjunction with daily monitoring of breaches of guidelines, to ensure no fund has breached its own recommended limits.

Performance is monitored daily by the Investment Team, and quarterly (formally) by the SBS Wealth Investment Committee. These reviews compare the investment performance of the Funds and all the underlying investments against appropriate benchmark indices.

Compliance with authorised investments and guidelines is monitored daily by the Investment Team, and quarterly by the SBS Wealth Investment Committee and SBS Wealth Risk & Compliance Committee. Breaches are reported through to Management and the Supervisor.

The Investment Team annually review each Fund/Strategy against its peers as determined by the SBS Wealth Investment Committee, with input from the Supervisor where appropriate. Those reviews include an assessment of the reasonableness of the fees charged to the Funds/Strategies, having regard to expectations expressed in guidance by the FMA.

6. Review and Update of SIPO

The SIPO will be reviewed and updated from time to time by the SBS Wealth Investment Committee and the Supervisor. The most current version of the SIPO is available on the Disclose Register schemes register at www.disclose-register.companiesoffice.govt.nz. For the purposes of this section 6, "we" shall mean the SBS Wealth Investment Committee.

6.1. Review of the SIPO

The SIPO will be reviewed at least annually.

An ad hoc review of the overall SIPO and/or underlying fund managers/issuers may be triggered if an investment/underlying fund, or direct security is flagged for 'enhanced due diligence', and subjected to a higher degree of scrutiny for any one or more of the following reasons:

- A change in the primary underlying manager/issuer/ company management;
- A significant change in an underlying managers, issuers or company majority owner or ownership structure;
- A greater than 25% fall in the fund's assets under management over a rolling one-year period (due to redemptions, not market movements) or total fund assets falling below $25 million at any time;
- A change in the fund's investment style, diversification, approach to sustainability and/or risk factor tilting;
- An increase in the fund's fees;
- The fund or direct security shows persistent underperformance against a relevant benchmark. Persistent underperformance is defined as performance below benchmark on a three-year basis minus fees, and a volatility measure appropriate for each fund/security;
- An extraordinary event which we consider has impacted or may interfere with the manager/company/fund's ability to act in the future within the established fund mandate.

6.2. Review of the investment strategy

We undertake a review of the investment strategy of each fund, the appropriateness of the benchmark asset allocations and ranges, and the performance and risk profiles of the asset class on a regular basis. This is a qualitative review and forms part of the manager review of the managers used in each Fund.

6.3. Changes to the SIPO

Both we and the Supervisor must agree in writing any changes or replacements to this SIPO. Any changes must be approved by our Board.

For material changes, we must provide 30 days' notice in advance to all existing members of the proposed change. A change will be regarded as 'material' if it would alter the nature of the investment or its risk profile to such an extent that a reasonable existing member would consider whether to continue with the investment. We and the Supervisor will agree whether a change is material. However, the ultimate decision as to whether a change is material rests with the Supervisor.

Each updated or amended SIPO will contain an effective date. Any changes to this SIPO will be available on the Disclose Register schemes register entry at www.disclose-register.companiesoffice.govt.nz.

7. Useful Definitions

"**Benchmarks**" means the asset allocations and indices against which we measure the performance of the relevant Fund/Strategy as outlined in Schedules 1-8 of the SIPO.

"**Benchmark asset allocation**" means the relevant Fund's/Strategy long-term average expected weighting for each type of asset (i.e. the proportion of that Fund's assets that we target to have invested in each type of asset). This is also referred to in other documents as its 'target asset allocation' or 'Strategic Asset Allocation' (SAA). We invest within ranges agreed with the Supervisor, and actual exposures will vary over time.

"**Board**" means the SBS Wealth Board of Directors.

"**Carbon Emissions Intensity**" (Tons CO2E/US$m sales) measures a fund's exposure to carbon intensive companies. This figure represents the estimated greenhouse gas emissions per US$1 million in sales across the fund's holdings. This allows for comparisons between funds of different sizes.

"**Cash**" unless otherwise specified, means on-call deposits or other debt obligations of, or guaranteed by a registered bank under the Banking (Prudential Supervision) Act 1989, credit union or building society.

"**Credit ratings**" are ratings of the debtor's ability to pay back the debt by making timely interest payments and of the likelihood of default. An agency may rate the creditworthiness of issuers of debt obligations, the debt instruments, and/or in some cases, the servicers of the underlying debt, but not individual consumers. A poor credit rating indicates a credit rating agency's opinion that the company or government has a high risk of defaulting, based on the agency's analysis of the entity's history and analysis of long-term economic prospects.

"**Derivatives**" means any financial arrangement traded on a recognised market or market system (and specifically not 'over the counter' securities) whose contribution to portfolio risk, after considering any gearing element within the derivative, is essentially no more than that of the security from which it is derived had that security been held ungeared.

"**Equities**" means shares of companies listed and traded on a recognised stock exchange and any traded derivative of those shares whose contribution to portfolio risk, after considering any gearing element within the derivative, is essentially no more than that of the security from which it is derived had that security been held ungeared.

"**Fixed Interest**" any other form of debt security that pays a specific rate of interest. Usually, the fixed interest rate is for a specific term, and at the end of the term your money is returned to you.

"**Fossil Fuel Involvement**" measures the percentage of the fund's assets that are involved in fossil fuels. Companies with fossil-fuel involvement are defined as those deriving at least 5% of their revenue from the following activities: thermal coal extraction, thermal coal power generation, oil and gas production, and oil and gas power generation.

"**Highly Liquid Securities**" means on-call Cash, NZ Government, or bank securities with less than 3 months to maturity.

"**Large capitalisation equities**" are those equities listed towards the top of a countries stock exchange ranked by full market capitalisation (calculated by multiplying the number of a company's shares outstanding by its stock price per share). Large caps are generally safer investments than their mid and small cap counterparts because the companies are more established, and investors fly to quality and stability during rough markets.

"**Managed funds**" means units in a pooled arrangement or managed fund, which achieve essentially the same ultimate exposure as would have been achieved by directly held securities.

"**Preference shares**" are a type of stock which may have any combination of features not possessed by common stock including properties of both equity and a debt instrument and is generally considered a hybrid instrument. Preference shares are senior (i.e., higher ranking) to common stock, but subordinate to bonds in terms of claim (or rights to their share of the assets of the company) and may have priority over common stock (ordinary shares) in the payment of dividends and upon liquidation. Terms of the preferred stock are described in the articles of association. Like bonds, preferred stocks are rated by the major credit-rating companies. The rating for preference shares is generally lower than for bonds because preferred dividends do not carry the same guarantees as interest payments from bonds and because preferred stockholders' claims are junior to those of all creditors.

"**SBS Bank**" is the trading name for Southland Building Society. SBS Wealth Limited is a wholly owned subsidiary of SBS Bank.

"**SBS Wealth Investment Committee**" is a committee of appointed Directors of SBS Wealth responsible for overseeing the investment management performance, risk, and processes.

"**Strategic Asset Allocation (SAA)**" is the desired or preferred target allocation for each asset class chosen by the Manager.

"**Underlying managers**" are the underlying fund managers that we have appointed in respect of the Funds. The underlying managers are named in the most current relevant Fund Update.

Schedule 1: SBS Wealth World Equity Portfolio

Investment objective

a) Aims to achieve capital growth and returns over the long term; and

b) To provide a gross return above the return of the Benchmark on a rolling three-year basis (i.e. before tax, fees, and other expenses).

Investment strategy

The Fund will invest primarily in a portfolio of international equities, either directly or indirectly via an underlying fund, with a small amount held in cash.

The risk return trade-off for the Fund is that it will invest in growth-producing assets as opposed to assets that are focused on providing income over the long term. As a result, over the long term, the Fund may not produce much in the way of income but should produce long term capital growth. This growth is likely to fluctuate depending on market conditions, although should be in line with the benchmark fluctuations.

We have developed the investment strategy

a) With reference to investors who are seeking a fund that aims to provide them with capital growth over the long-term; and

b) With the intention of providing investors with a portfolio of international equities, diversified sectorally.

The investment strategy considers both financial return and environmental, social and governance good.

Benchmark

The benchmark is a composite of the following asset allocation and indices as at the date of this SIPO is:

Asset Class	Allocation	Indices
New Zealand Cash	5%	NZX NZ 90 Day Bank Bill
International Equities	95%	MSCI World Index in NZD (50% hedged to the NZD)

International equities may include emerging markets.

Eligible investments

As at the date of this SIPO, the Fund (through its underlying managers) will only invest in the following security types:

a) Deposits, transferable obligations, or other debt obligations of or guaranteed by a ‘registered bank’ under the Banking (Prudential Supervision) Act 1989 whose short-term rating is at least A1, or equivalent, with the maturity of no more than 180 days at time of purchase. Floating rate notes with a final maturity of more than 180 days are not authorised (irrespective of the frequency of rate setting);

b) Equities issued in any jurisdiction of companies listed and traded on a recognised stock exchange or other trading system;

c) Derivative contracts, where the underlying risk relates to the equities referred to in b). Eligible derivative contracts include interest rate futures, options, interest rate swaps, and credit default swaps. Options, swaps, and credit default swaps must be entered with a counterparty with a minimum long-term credit rating of AA-, or equivalent, and a current industry standard (International Swaps and Derivatives Agency) agreement must be in place between the counterparty and us or the underlying manager. The market value of the exposure must be fully covered by cash or backed by liquid physical assets. Derivatives are to be measured on a notional face value basis and may not exceed 100% of the net market value of the relevant Fund’s investment portfolio. Investment in collateralised debt obligations and collateralised loan obligations are not permitted.

Where an entity or an issuer is rated, that rating shall be by an internationally recognised credit rating agency such as Standard & Poor’s (or other rating agency acceptable to the Supervisor).

The eligible investments may change in the future.

Investment Guidelines

• Liquidity

A minimum of 2% of the Fund's total assets must be held in Highly Liquid Securities. The neutral cash holding for the Fund is 5%. The most cash that the Fund can hold is 10%.

• Ranges

The allowable investment ranges outlined below are not to be exceeded.

Asset class	Strategic asset allocation %	Allowable investment range %
New Zealand Cash	5%	2–10%
International Equities	95%	90–98%

The exposure to any single direct equity security is limited to 10%.

The Fund will also consider geographic breakdown and sector breakdown diversity in its construction.

While there is no set allocation to emerging markets, any exposure would be relative to emerging market exposure within MSCI All Countries World Index.

• Hedging

Investments in international equities may be hedged back to NZD, generally via an underlying fund. The benchmark for hedging of the international equity exposure is 50%, although this can change in the future.

Schedule 2: SBS Wealth Australasian Equity Portfolio

Investment objective

a) Aims to achieve capital growth and income returns over the long term; and

b) To provide a gross return above the return of the Benchmark on a rolling three-year basis (i.e. before tax, fees, and other expenses).

Investment strategy

The Fund will invest primarily in a portfolio of New Zealand and Australian equities, either directly, or indirectly via an underlying fund, with a small amount held in cash.

The risk return trade-off for the Fund is that it will invest in growth-producing assets as opposed to assets that are focused on providing income over the long term. As a result, over the long term, the Fund may not produce much in the way of income but should produce long term capital growth. This growth is likely to fluctuate depending on market conditions, although should be in line with the benchmark fluctuations.

We have developed the investment strategy

a) With reference to investors who are seeking a fund that aims to provide them with capital growth over the long-term; and

b) With the intention of providing investors with a portfolio of Australasian equities, diversified sectorally.

The investment strategy considers both financial return and environmental, social and governance good.

Benchmark

The benchmark is a composite of the following asset allocation and indices as at the date of this SIPO is:

Asset Class	Allocation	Indices
New Zealand Cash	5%	NZX NZ 90 Day Bank Bill
Australasian Equities	95%	S&P/NZX 50 Gross Index

Australasian Equities may include New Zealand and Australian equities.

Eligible investments

As at the date of this SIPO, the Fund (through its underlying managers) will only invest in the following security types:

a) Deposits, transferable obligations, or other debt obligations of or guaranteed by a 'registered bank' under the Banking (Prudential Supervision) Act 1989 whose short-term rating is at least A1, or equivalent, with the maturity of no more than 180 days at time of purchase. Floating rate notes with a final maturity of more than 180 days are not authorised (irrespective of the frequency of rate setting);

b) Equities issued by New Zealand or Australian incorporated entities or entities incorporated in a foreign jurisdiction, and listed on a recognised stock exchange where the primary jurisdiction for listing is Australia or New Zealand;

c) Derivative contracts, where the underlying risk relates to the equities referred to in b). Eligible derivative contracts include interest rate futures, options, interest rate swaps, and credit default swaps. Options, swaps, and credit default swaps must be entered with a counterparty with a minimum long-term credit rating of AA-, or equivalent, and a current industry standard (International Swaps and Derivatives Agency) agreement must be in place between the counterparty and us or the underlying manager. The market value of the exposure must be fully covered by cash or backed by liquid physical assets. Derivatives are to be measured on a notional face value basis and may not exceed 100% of the net market value of the relevant Fund's investment portfolio. Investment in collateralised debt obligations and collateralised loan obligations are not permitted.

Where an entity or an issuer is rated, that rating shall be by an internationally recognised credit rating agency such as Standard & Poor's (or other rating agency acceptable to the Supervisor).

The eligible investments may change in the future.

Investment Guidelines

• Liquidity

A minimum of 2% of the Fund's total assets must be held in Highly Liquid Securities. The neutral cash holding for the Fund is 5%. The most cash that the Fund can hold is 10%.

• Ranges

The allowable investment ranges outlined below are not to be exceeded.

Asset class	Strategic asset allocation %	Allowable investment range %
New Zealand Cash	5%	2–10%
Australasian Equities	95%	90–98%

The exposure to any single direct equity security is limited to 15%.

The Fund will also consider geographic breakdown and sector breakdown diversity in its construction.

While there is no set allocation to New Zealand or Australian equities, our internal guidelines are to have 50%-80% invested in New Zealand and 20-50% invested in Australia for risk-return efficiency.

• Hedging

The purpose of Australian investment is diversification of markets rather than diversification of currencies. It is accepted that Australian market diversification will entail additional risk from foreign currency exposure. As practicable, the foreign currency risk will not be removed by currency hedging.

Schedule 3: SBS Wealth World Bond Portfolio

Investment objective

a) Aims to provide investors with a broadly diversified portfolio of international investment grade income securities; and

b) To provide a gross return in line with or greater than the Benchmark over a rolling three-year basis (i.e. before tax, fees, and other expenses.

Investment strategy

The Fund will invest primarily in a portfolio of international investment grade income securities, with a small amount held in cash.

The risk return trade-off for the Fund is that it will invest in income-producing assets as opposed to assets that are focused primarily on providing capital growth over the long term. As a result, over the long term, the Fund should produce a more consistent profile of capital growth. This growth is likely to fluctuate depending on market conditions, although should be in line with the benchmark fluctuations.

We have developed the investment strategy

a) With reference to investors who are seeking a fund that aims to provide them with a broadly diversified portfolio of global fixed interest, hedged into New Zealand dollars; and

b) With the intention of providing investors with access to a large pool of offshore income producing investments.

The investment strategy considers both financial return and environmental, social and governance good.

Benchmark

The benchmark is a composite of the following asset allocation and indices as at the date of this SIPO is:

Asset Class	Allocation	Indices
New Zealand Cash	5%	NZX NZ 90 Day Bank Bill
International Fixed Interest	95%	Bloomberg Barclays Global Aggregate Index hedged into New Zealand dollars

Eligible investments

As at the date of this SIPO, the Fund (through its underlying managers) will only invest in the following security types:

a) On-call cash, bank deposits, or other debt obligations of or guaranteed by a ‘registered bank’ under the Banking (Prudential Supervision) Act 1989 with a minimum long-term credit rating of BBB-, or equivalent;

b) Fixed or floating rate debt and bond issues denominated in foreign currencies. These issues may include but are not limited to inflation indexed bonds, municipal and government bonds, mortgage related debt and corporate debt, and that are listed, traded, or dealt in on regulated markets in the OECD and which may have fixed or floating interest rates. FX exposures are to be hedged back to NZD;

c) Derivative contracts, where the underlying risk relates to foreign currency – denominated interest rates or credit risk. Eligible derivative contracts include interest rate futures, options, interest rate swaps, and credit default swaps. Options, swaps, and credit default swaps must be entered with a counterparty with a minimum long-term credit rating of AA-, or equivalent, and a current industry standard (International Swaps and Derivatives Agency) agreement must be in place between the counterparty and us or the underlying manager. The market value of the exposure must be fully covered by cash or backed by liquid physical assets. Derivatives are to be measured on a notional face value basis and may not exceed 100% of the net market value of the Fund’s investment portfolio. Investment in collateralised debt obligations and collateralised loan obligations are not permitted;

d) Any other income strategies approved by the Supervisor and by the Board of SBS Wealth.

Where an entity or an issuer is rated, that rating shall be by an internationally recognised credit rating agency such as Standard & Poor’s (or other rating agency acceptable to the Supervisor).

The eligible investments may change in the future.

Investment Guidelines

• Duration

The duration of the Fund is to be kept within +/- five years of the benchmark duration.

• Yield Curve

The underlying managers shall monitor the maturity bucket exposure of the portfolio to ensure no excessive yield curve exposures exist. A 'laddered' approach is sought.

• Liquidity

A minimum of 2% of the Fund's total assets must be held in Highly Liquid Securities. The neutral cash holding for the Fund is 5%. The most cash that the Fund can hold is 12.5%.

• Credit Exposures

The underlying managers will apply quality ratings using internationally recognised credit rating agency. If an issue is not rated by one of these rating agencies, then a rating will be determined within any parameters agreed with the Supervisor.

Minimum Average Portfolio Quality:	A- Rating
Minimum Issue Quality:	B- Rating
Minimum Commercial Paper Quality:	A2/P2

Should an issue be downgraded below these minimums, the underlying manager will determine the appropriate action (sell or hold) based on the perceived risk and expected return.

Concentrations within the Fund's portfolio will be limited to the following:

Issue/Issuer: • Sovereign debt of OECD governments and US agencies: • Supranational issuers: • Any others:	 No limit 25% 5%
High Yield Securities (rated below BBB-):	10%
Emerging Market Securities: (We use the World Bank definition for emerging markets which is based on GNP per capita calculation)	20%
Mortgage Derivatives:	10%
Structured Notes:	5%
Preferred Securities:	5%
Bank Loans:	10%

Any other income strategies approved by the Supervisor which we consider fall within the parameters of the Fund's Authorised Investments (as set out in the Establishment Deed), appropriately reflect the risk profile of the Fund, and will contribute towards achieving its investment objectives. There are no limits on the extent to which the Fund's investment exposure may be obtained through Income Strategies. The percentages set out above are maximums. There are no specific benchmark asset allocations or minimum exposures. However, any breach of these limits will result in a breach of the Limit Breaks Policy and require action as provided at section 167 of the Financial Markets Conduct Act.

- ## Ranges

The allowable investment ranges outlined below are not to be exceeded.

Asset class	Strategic asset allocation %	Allowable investment range %
New Zealand Cash	5%	2–12.5%
International Fixed Interest	95%	87.5–98%

The Fund will also consider geographic breakdown and sector breakdown diversity in its construction.

- ## Hedging

Investments in international fixed interest are hedged back to NZD, generally via an underlying fund. The benchmark for hedging of the international fixed interest exposure is 100%, although this can change in the future.

Schedule 4: SBS Wealth New Zealand Bond Portfolio

Investment objective

(a) Aims to provide investors with a core and low risk exposure to New Zealand fixed interest debt securities; and

(b) To provide a gross return above the return of the Benchmark on a rolling three-year basis i.e. before tax, fees, and other expenses.

Investment strategy

The Fund will invest in a broad spread of government and non-government securities primarily of investment grade quality. Any unrated securities will comply with our strict policy criteria through the manager's internal credit ratings process.

The risk return trade-off for the Fund is that it will invest in income-producing assets as opposed to assets that are focused primarily on providing capital growth over the long term. As a result, over the long term, the Fund should produce a more consistent profile of capital growth. This growth is likely to fluctuate depending on market conditions, although should be in line with the benchmark fluctuations.

We have developed the investment strategy

a) With reference to investors who are seeking a fund that aims to provide them with a broadly diversified portfolio of New Zealand fixed interest; and

b) With the intention of providing investors with "no surprises" in terms of their fixed interest investments.

The investment strategy considers both financial return and environmental, social and governance good.

Benchmark

The benchmark as at the date of this SIPO is:

Asset Class	Allocation	Indices
New Zealand Fixed Interest	100%	S%P/NZX A-Grade Corporate Bond Index

From 1 October 2024 the Benchmark will change to:

Asset Class	Allocation	Indices
New Zealand Fixed Interest	100%	Bloomberg NZ Bond Composite 0+ Yr Index

Eligible investments

As at the date of this SIPO, the Fund (through its underlying managers) will only invest in the following cash, deposit or other security types denominated in New Zealand Dollars:

a) On-call cash, bank deposits, or other debt obligations of or guaranteed by a 'registered bank' under the Banking (Prudential Supervision) Act 1989 with a minimum long-term credit rating of BBB-, or equivalent;

b) Debt securities denominated in New Zealand Dollars that have a long-term credit rating of not less than BBB-, or a short-term rating of not less than A3;

c) Preference shares denominated in New Zealand Dollars and issued under New Zealand or Australian legal jurisdiction with a long-term credit rating of not less than BBB-;

d) Securities that qualify as Tier 1 capital for registered banks in New Zealand with a long-term credit rating of not less than BBB-;

e) Unrated securities provided the underlying manager, in their judgement, determines that the issue would have a rating of not less than BBB-, if a rating was sought;

Derivative contracts, where the underlying risk relates to New Zealand interest rates or credit risk. Eligible derivative contracts include interest rate futures, options, and interest rate swaps. Options, swaps, and credit default swaps must be entered with a counterparty with a minimum long-term credit rating of AA- and a current industry standard (International Swaps and Derivatives Agency) agreement must be in place between the counterparty and us or the underlying manager. The market value of the exposure must be fully covered by cash or backed by liquid physical assets. Derivatives are to be measured on a notional face value basis and may not exceed 100% of the net market value of the Fund's investment portfolio. Investment in collateralised debt obligations, collateralised loan obligations or credit default swaps are not permitted.

The eligible investments may change in the future.

Investment Guidelines

• Duration

The duration of the Fund is to be kept within two years of the duration of the Benchmark. The duration implications of derivative products are to be considered included when calculating the Fund's weighted average duration.

• Yield Curve

The underlying managers shall monitor the maturity bucket exposure of the portfolio to ensure no excessive yield curve exposures exist. A 'laddered' approach is sought.

• Liquidity

A minimum 2% of the Fund's total assets must be held in Highly Liquid Securities. The most cash that the Fund can hold is 12.5%.

• Credit Exposures

The credit exposures outlined in Table 1 are not to be exceeded.

Issuer	**Max % of Total Fund with Single Issuer**	**Max% of total Fund with Class of Issue**	**Credit Rating** Long-Term (Short-Term)
New Zealand Government	100%	100%	
Investment Grade Corporate Bonds	10%	60%	A- or better (A-2 or better Commercial Paper)
Investment Grade Corporate Bonds	3%	15% (including unrated bonds that are not Local Authority	BBB-, BBB and BBB+ (A-3 Commercial Paper)
NZ Local Government Funding Authority (LGFA)	50%	50%	
Other Local Authority Stock	10%	30%	if not rated, issue must be secured by rates
Registered Banks, including subordinate securities issued by bank-owned entities	12%	60%	A- or better
State Owned Enterprise Bonds	10%	40%	BBB+ or better
Unrated Corporate Bonds (Excluding Local Authority Stock)	3%	5%	Unrated with IC approval
Subordinate Debt, including Capital Notes and Bank Tier1 and Tier 2 securities, including Perpetual Debt	3%	20%	BBB- or better
Perpetual Debt	2.5%	10%	BBB- or better

Should an issue be downgraded below these minimums, the underlying manager will determine the appropriate action (sell or hold) based on the perceived risk and expected return.

- **Ranges**

The allowable investment ranges outlined below are not to be exceeded.

Asset class	Strategic asset allocation %	Allowable investment range %
New Zealand Cash	5%	2–12.5%
New Zealand Fixed Interest	95%	87.5–98%

Schedule 5: Conservative Strategy

Investment objective

To achieve low to medium capital growth and returns over the medium term, with low to medium ups and downs in value.

Investment strategy

The strategy will invest in a portfolio of equities and fixed interest, diversified globally and domestically, indirectly via underlying funds. These allocations are set out below.

The strategy will invest primarily in income-producing assets (approximately 70%) as opposed to assets that are focused on providing capital growth (approximately 30%) over the long term. As a result, over the medium term, the Fund may not produce much in the way of capital growth but should produce stable returns.

Benchmark

The benchmark is a composite of the following asset allocation and indices is:

Asset Class	Allocation	Indices
Cash and cash equivalents	5%	NZX NZ 90 Day Bank Bill
New Zealand fixed interest	23.75%	Bloomberg NZ Bond Composite 0+ Yr Index
International fixed interest	42.75%	Bloomberg Barclays Global Aggregate Index hedged into NZD
Income Assets	**71.5%**	
Australasian Equities	7.6%	S&P/NZX 50 Gross Index
International Equities	20.9%	MSCI World Index in NZD (50% hedged to the NZD)
Growth Assets	**28.5%**	

Investment Guidelines

The allowable investment ranges outlined below are not to be exceeded.

Asset class	Strategic asset allocation %	Allowable investment range %
Cash and cash equivalents	5%	0-15%
New Zealand fixed interest	23.75%	10-40%
International fixed interest	42.75%	30-60%
Australasian Equities	7.6%	0-15%
International Equities	20.9%	10-35%

The allocation to of each underlying Fund for this Strategy are as follows.

Asset class	Strategic asset allocation %
New Zealand Bond Portfolio	25%
World Bond Portfolio	45%
Australasian Equity Portfolio	8%
World Equity Portfolio	22%

Schedule 6: Balanced Strategy

Investment objective

To achieve medium capital growth and returns over the medium to long term, with medium ups and downs in value.

Investment strategy

The strategy will invest in a portfolio of equities and fixed interest, diversified globally and domestically, indirectly via underlying funds. These allocations are set out below.

The strategy will invest in a balance of income-producing assets (approximately 40%) and assets that are focused on providing capital growth over the long term (approximately 60%). As a result, over the medium to long term, the strategy aims to balance capital growth with stable returns.

Benchmark

The benchmark is a composite of the following asset allocation and indices:

Asset Class	Allocation	Indices
Cash and cash equivalents	5%	NZX NZ 90 Day Bank Bill
New Zealand fixed interest	14.25%	Bloomberg NZ Bond Composite 0+ Yr Index
International fixed interest	23.75%	Bloomberg Barclays Global Aggregate Index hedged into NZD
Income Assets	**43%**	
Australasian Equities	14.25%	S&P/NZX 50 Gross Index
International Equities	42.75%	MSCI World Index in NZD (50% hedged to the NZD)
Growth Assets	**57%**	

Investment Guidelines

The allowable investment ranges outlined below are not to be exceeded.

Asset class	Strategic asset allocation %	Allowable investment range %
Cash and cash equivalents	5%	0-15%
New Zealand fixed interest	14.25%	5-25%
International fixed interest	23.75%	15-35%
Australasian Equities	14.25%	5-25%
International Equities	42.75%	30-60%

The allocation to of each underlying Fund for this Strategy are as follows.

Asset class	Strategic asset allocation %
New Zealand Bond Portfolio	15%
World Bond Portfolio	25%
Australasian Equity Portfolio	15%
World Equity Portfolio	45%

Schedule 7: Growth Strategy

Investment objective

To achieve low to high capital growth and returns over the long term, with high ups and downs in value.

Investment strategy

The strategy will invest in a portfolio of equities and fixed interest, diversified globally and domestically, indirectly via underlying funds. These allocations are set out below.

The strategy will invest primarily in growth-producing assets (approximately 80%) as opposed to assets that are focused on providing income over the long term (approximately 20%). As a result, over the long term, the strategy may not produce much in the way of income but should produce long term capital growth.

Benchmark

The benchmark is a composite of the following asset allocation and indices:

Asset Class	Allocation	Indices
Cash and cash equivalents	5%	NZX NZ 90 Day Bank Bill
New Zealand fixed interest	7.6%	Bloomberg NZ Bond Composite 0+ Yr Index
International fixed interest	11.4%	Bloomberg Barclays Global Aggregate Index hedged into NZD
Income Assets	**24%**	
Australasian Equities	19%	S&P/NZX 50 Gross Index
International Equities	57%	MSCI World Index in NZD (50% hedged to the NZD)
Growth Assets	**76%**	

Investment Guidelines

The allowable investment ranges outlined below are not to be exceeded.

Asset class	Strategic asset allocation %	Allowable investment range %
Cash and cash equivalents	5%	0-15%
New Zealand fixed interest	7.6%	0-15%
International fixed interest	11.4%	5-20%
Australasian Equities	19%	10-30%
International Equities	57%	45-75%

The allocation to of each underlying Fund for this Strategy are as follows.

Asset class	Strategic asset allocation %
New Zealand Bond Portfolio	8%
World Bond Portfolio	12%
Australasian Equity Portfolio	20%
World Equity Portfolio	60%

Schedule 8: High Growth Strategy

Investment objective

To achieve higher capital growth and returns over the long term, with higher ups and downs in value.

Investment strategy

The strategy will invest in a diversified portfolio of Australasian and international equities, indirectly via underlying funds. These allocations are set out below.

The strategy will invest in growth-producing assets as opposed to assets that are focused on providing income over the long term. As a result, over the long term, the strategy may not produce much in the way of income but should produce long term capital growth.

Benchmark

The benchmark is a composite of the following asset allocation and indices:

Asset Class	Allocation	Indices
Cash and cash equivalents	5%	NZX NZ 90 Day Bank Bill
Income Assets	**5%**	
Australasian Equities	23.75%	S&P/NZX 50 Gross Index
International Equities	71.25%	MSCI World Index in NZD (50% hedged to the NZD)
Growth Assets	**95%**	

Investment Guidelines

The allowable investment ranges outlined below are not to be exceeded.

Asset class	Strategic asset allocation %	Allowable investment range %
Cash and cash equivalents	5%	0-10%
Australasian Equities	23.75%	15-35%
International Equities	71.25%	55-95%

The allocation to of each underlying Fund for this Strategy are as follows.

Asset class	Strategic asset allocation %
New Zealand Bond Portfolio	0%
World Bond Portfolio	0%
Australasian Equity Portfolio	25%
World Equity Portfolio	75%

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