



STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

for the Local Government Superannuation Scheme
and SuperEasy KiwiSaver Superannuation Scheme

MELVILLE JESSUP WEAVER

Consulting Actuaries

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1. Introduction

1.1 Purpose

The purpose of this Statement of Investment Policy and Objectives ("the SIPO") is to document the decisions the Trustee has made on the investment management of the Local Government Superannuation Scheme ("the LGSS") and the SuperEasy KiwiSaver Superannuation Scheme ("the SKSS"), collectively referred to as "the Schemes". In particular the SIPO:

- specifies the Trustee's overall investment objectives;
- details the Schemes' investment strategy;
- details the Schemes' fund managers' specific objectives;
- allocates responsibilities between the Trustee, the administration manager, the fund managers, and the investment consultant;
- specifies the terms of the investment mandates and constraints to be observed by the fund managers;
- sets out the process for reviewing the investment strategy and updating the SIPO; and
- details the process to follow in the event of a breach of the SIPO.

The SIPO provides a standalone picture of the investment policy and objectives of the LGSS and the SKSS and is consistent with the product disclosure statement for each Scheme.

1.2 Review of the SIPO

The SIPO will be reviewed every 3 years to assess its ongoing suitability in light of the circumstances of the Schemes and the prevailing economic environment, with the next review due in June 2018. In the event of a major change to the purposes of the Schemes or a major event impacting the Scheme's investments the Trustee may consider an earlier review. The review will be carried out by the Trustee in conjunction with the Schemes' investment consultant, and will consider the objectives of each investment option in light of the circumstances of the Schemes and take account of any changes in the investment outlook which may affect the relative value and role of the different investment sectors.

The Trustee is responsible for approving the SIPO. Changes to the SIPO will be made by resolution of the directors of the Trustee and the updated SIPO will be lodged as required by the Financial Markets Conduct Act 2013 ("FMCA").

A copy of the current version of the SIPO will be available on each Scheme's offers and schemes register entry at www.companiesoffice.govt.nz/disclose.

1.3 Description of the Schemes

The Schemes have been established to provide retirement and other benefits to employees in the local government sector.

The LGSS is registered under the FMCA as a restricted, employer-related, workplace savings scheme. It provides lump sum benefits to members principally upon leaving service with a participating employer, retirement, death, and hardship.

The SKSS is registered under the FMCA as a restricted, employer-related, KiwiSaver scheme. It provides lump sum benefits on or after attaining the age of entitlement to New Zealand Superannuation (or five years' KiwiSaver membership, whichever is later), death, and in the other limited circumstances permitted by the KiwiSaver scheme rules set out in the KiwiSaver Act 2006.

The amount of benefit available to a member in either Scheme is determined by the value of the member's savings in the Scheme at the time the benefit is paid.

Each Scheme is governed by a separate trust deed dated 15 March 2016, as amended from time to time.

Members of each Scheme have a choice of five investment options, as follows:

- Aggressive Fund
- Growth Fund
- Balanced Fund
- Conservative Fund
- Automatic Fund

Further details on the investment strategies and objectives of each investment option are set out in this document.

1.4 Document History

The initial SIPO was dated 15 January 2013. The document has been updated as follows:

- in February 2014, to take into account the fund manager changes which were implemented during the third quarter of 2013.
- in February 2015, to take into account the changes required under the FMCA.
- in April 2016, to reflect further changes required to transition the Schemes to the FMCA.
- in December 2016, to allow the Schemes to invest in property and bond funds offered by AMP Capital Investors (New Zealand) Limited.
- in March 2017, to allow the Schemes to invest in cash and bonds funds offered by ANZ New Zealand Investments Limited, and remove reference to the Schemes investing in funds offered by ASB Group Investments Limited.
- In September 2017, to amend the Benchmark Index for two international equity funds to MSCI World Index ex Tobacco to reflect AMP Capital Investors (New Zealand) Limited removing tobacco related investments from their investment portfolios.
- In November 2017, to recognise the Schemes' shift to AMP Capital Investors' passive global bond fund, following the closure of the sovereign global bond fund, and the shift to AMP Capital Investors' new passive NZ share fund following closure of the old product.

2. The Parties and their responsibilities

2.1 Trustee

The Trustee of the Scheme is Local Government Superannuation Trustee Limited ("LGST"). The directors of LGST are: Mr B J Morrison, Mr J T Hicks, Mr R R Gallagher, Ms N J Harrison and Ms C M Bowers. The licensed independent trustee director of LGST is Mr G R Mitchell.

The secretary of the Schemes is Caroline Bedford.

2.2 Fund managers

The Trustee is responsible for making investment decisions in respect of the Schemes. As at the date of this SIPO, the Trustee has determined to invest the Schemes' assets in managed funds. The managers of those underlying funds ("fund managers") are:

- AMP Capital Investors (New Zealand) Limited ("AMP Capital")
- ANZ New Zealand Investments Limited ("ANZI")

2.3 Administration manager

The administration manager of the Schemes is Civic Financial Services Limited.

2.4 Investment consultant

The investment consultant is Melville Jessup Weaver.

2.5 Responsibilities of the Trustee

The FMCA requires the Trustee to exercise a prescribed level of care, diligence and skill in exercising any powers or performing any duties in respect of the Schemes. The Trustee, amongst other things, will have regard to the following matters:

- the desire to maintain the real value of capital;
- the risk of capital loss or depreciation;
- the potential for capital appreciation;
- the likely income return;
- taxation;
- the effects of inflation;
- the costs of maintaining the Schemes;
- statutory requirements.

The responsibilities of the Trustee as they relate to the Schemes' investments include:

- to establish the investment objectives and investment strategy for each investment option;
- to ensure the SIPO is adhered to;
- to select funds managed by third party fund managers in which the Schemes' assets are invested;
- to determine whether to appoint investment managers to invest the Schemes' assets;

- to review the performance and the fees of the funds in which the Schemes invest;
- to review the performance of the investment consultant, if one is appointed;
- to communicate to members the results of the Schemes' performance;
- to review the SIPO on a regular basis.

2.6 Fund managers

The responsibilities of the fund managers are:

- to invest the assets of the Schemes in accordance with the investment mandates of each underlying fund selected by the Trustee;
- to provide a copy of their investment guidelines for each underlying fund to the Trustee and to advise the Trustee and the investment consultant of any changes;
- to provide reporting to the Trustee and the investment consultant as required by the Trustee;
- to provide information on changes in personnel;
- to attend Trustee Board meetings when requested.

2.7 Administration manager

The responsibilities of the administration manager are to provide administrative, communication, and promotion services appropriate to the efficient and effective operation of the Schemes, and to ensure that all statutory and regulatory obligations of the Trustee and the Schemes are discharged. This includes assisting the Trustee with the discharge of its obligations in respect of this SIPO.

2.8 Investment consultant

The responsibilities of the investment consultant are:

- to assist the Trustee in the regular review of the Schemes' investment objectives and strategy, including the SIPO;
- to assist the Trustee in the selection of underlying funds and associated fund managers;
- to monitor the performance of the fund managers;
- to provide general advice to the Trustee on investment matters;
- to attend the Trustee's Board meetings when required;
- to provide the Trustee with such additional information as it may require from time to time.

3. Investment Philosophy and beliefs

3.1 Investment beliefs

The key investment beliefs of the Trustee are as follows:

- investment markets are broadly efficient;
- the prime driver of investment results will be the long terms strategic asset allocation of the investment options and it is important to limit asset allocation movements around this long term position;
- the Trustee does not believe that returns for growth assets can be enhanced by making tactical asset allocation decisions, and accordingly the asset allocation for growth assets should usually be managed on a passive basis;
- the Trustee does not believe that investment managers can consistently achieve above index returns for growth assets after taking into account the higher fees charged by active managers;
- value can be added by efficient implementation and choosing tax effective funds and carefully managing investment costs;
- the Trustee considers that diversification of investment management risk is important.

3.2 How these views are expressed

The investment strategy for the Schemes has been developed in accordance with the above beliefs. In addition, consistent with the investment beliefs set out above, the Trustee has a preference for managing the Schemes' exposure to growth assets on an indexed basis. This means that the relevant manager aims to produce gross returns in respect of each underlying fund (before investment fees and tax) which are broadly in line with the applicable index.

It is recognised however that for other asset classes, an active management approach (whereby the manager, at the risk of underperforming, aims to produce returns higher than the applicable index return through stock selection decisions) may not give rise to the same concerns about active management that apply to growth assets.

An exception to the indexed basis approach to management of growth assets currently applies to the AMP Capital Responsible Investment Leaders Global Shares Fund, given the need for more active filtering of the assets in which that Fund invests.

3.3 Socially responsible and ethical investments

The Trustee is mindful of applying the principles of socially responsible and ethical investments and has approximately 10% of the global shares mandate invested with the AMP Capital Responsible Investment Leaders Global Shares Fund.

4. Investment Policies

4.1 Adopted policies

The Trustee has adopted the following key investment policies:

- socially responsible / ethical investment policy (see paragraph 3.3);
- currency hedging policy (see paragraphs 6.3 and 7.6);
- prohibition on tactical asset allocation (see paragraph 6.4);
- rebalancing policy (see paragraph 6.4); and
- derivatives policy (see paragraph 7.6).

5. Investment Objectives

5.1 Investment objectives of each Scheme

The objective and strategy of each Scheme is to provide members with a range of investment options that will enable members to meet their individual investment objectives in the context of a workplace savings scheme and/or KiwiSaver scheme (as applicable). The Trustee aims to achieve this objective through the individual investment strategies and objectives for each investment option, as set out in this SIPO.

5.2 Investment Options

Members have the choice of five investment options or a mixture thereof as follows:

- Aggressive Fund
- Growth Fund
- Balanced Fund
- Conservative Fund
- Automatic Fund

Each of these strategies has its own investment objectives and benchmark asset allocation.

5.3 Investment Objectives

Aggressive Fund

The investment objectives of the Aggressive Fund are to achieve a high level of real returns over the medium to long term primarily through substantial investment in equities, accepting that the returns may be subject to significant short-term variations. More specifically,

- the Aggressive Fund's investment objective is to achieve a real rate of return (after tax at the highest PIR rate and after investment fees and costs) of 4.0% pa over rolling three year periods;
- it is expected to have a negative return frequency of 1 in 3.5 years, using the investment modelling assumptions adopted by the investment consultant.

This option is suitable for members willing to take a reasonable risk for potentially higher returns over the longer term through selected domestic and international asset classes with perceived growth potential.

Growth Fund

The investment objectives of the Growth Fund are to achieve positive real returns over the medium to long term through investment in growth assets, while managing volatility through diversification of the assets. More specifically,

- the Growth Fund's investment objective is to achieve a real rate of return (after tax at the highest PIR rate and after investment fees and costs) of 3.25% pa over rolling three year periods;
- it is expected to have a negative return frequency of 1 in 4 years, using the investment modelling assumptions adopted by the investment consultant.

This option is suited to members seeking long term growth with risk limited by broad diversification.

Balanced Fund

The investment objectives of the Balanced Fund are to reduce the likelihood of negative returns over the short to medium term through higher proportions of investment in defensive assets, such as cash and bonds, while still providing a reasonable opportunity for positive real returns over the longer term by investing a reasonable proportion of the assets in growth assets such as equities and property. More specifically,

- the Balanced Fund's investment objective is to achieve a real rate of return (after tax at the highest PIR rate and after investment fees and costs) of 2.50% pa over rolling three year periods;
- it is expected to have a negative return frequency of 1 in 4.5 years, using the investment modelling assumptions adopted by the investment consultant.

Conservative Fund

The investment objectives of the Conservative Fund are to reduce the likelihood of negative returns over the short term with higher proportions of investment in defensive assets, such as cash and bonds, while still providing an opportunity for positive real returns over the longer term by investing a smaller proportion of the assets in growth assets such as equities and property. More specifically,

- the Conservative Fund's investment objective is to achieve a real rate of return (after tax at the highest PIR rate and after investment fees and costs) of 1.25% pa over rolling three year periods;
- it is expected to have a negative return frequency of 1 in 8 years, using the investment modelling assumptions adopted by the Investment Consultant.

Automatic Fund

The investment objectives of the Automatic Fund are to achieve the optimum long-term outcome by accepting a higher investment risk and return volatility in the early stages of a member's working life as a trade for higher returns. When a member is younger, the Automatic Fund provides greater exposure to investments with the potential for growth such as overseas and New Zealand equities.

Each month, between the ages of 20 and 80, the Automatic Fund will automatically and smoothly change a member's target investments to a slightly more conservative mix. Thus the member's target exposure to income assets such as fixed interest securities and cash is slightly increased every month and the exposure to growth assets is correspondingly decreased.

This option is suitable for members who wish to start with a relatively high proportion of growth assets, who wish this proportion over time to reduce, who want the rebalancing done on a monthly basis, and who do not wish on a monthly basis to organise this for themselves.

As the Automatic Fund adjusts members' target investments based on age, it is a life cycle investment option for the purposes of the FMCA.

5.4 Taxation

The Schemes' investment income is subject to tax on the following basis:

- fixed interest investments, including cash, are taxed under the Comparative Value regime;

- global equities are taxed under the FDR regime;
- capital gains on NZ equities are not subject to tax. Dividends are taxable.

6. Investment Strategy

6.1 Benchmark asset / manager allocation – Aggressive, Growth, Balanced and Conservative Options

The following table sets out the benchmark asset allocation for the Aggressive, Growth, Balanced and Conservative Options. This may also be referred to as each investment option's 'target asset allocation' in reporting provided to members, as 'target asset allocation' is a term prescribed by regulations for use in those documents.

Asset Class	Product	Benchmark Allocation for Investment Option			
		Aggressive	Growth	Balanced	Conservative
NZ equities	AMP Capital NZ Shares Index Fund	20.0%	15.0%	10.0%	5.0%
Int. equities	Wholesale Unit Trust MSCI Global Index Shares Fund	44.0%	26.5%	17.7%	5.9%
	AMP Capital Hedged Global Index Shares Fund	10.0%	9.5%	9.3%	3.1%
	AMP Capital Responsible Investment Leaders Global Shares Fund	6.0%	4.0%	3.0%	1.0%
Listed property	AMP Capital NZ Property Fund	10.0%	15.0%	10.0%	5.0%
Total Growth Assets		90.0%	70.0%	50.0%	20.0%
NZ fixed interest	ANZ NZ Fixed Interest Strategy*	3.0%	10.0%	20.0%	35.0%
Int. fixed interest	AMP Capital Hedged Global Fixed Interest Index Fund	5.0%	15.0%	20.0%	15.0%
Cash	ANZ Wholesale Cash Fund	2.0%	5.0%	10.0%	30.0%
Total Income Assets		10.0%	30.0%	50.0%	80.0%

* The ANZ NZ Fixed Interest Strategy invests 50% into the ANZ Wholesale Sovereign Bond Fund and 50% into the ANZ Wholesale High Grade Bond Fund.

With the exception of the AMP Capital Responsible Investment Leaders Fund, all growth assets are invested on an indexed basis. The AMP Capital Responsible Investment Leaders Global Shares Fund is actively managed and avoids exposure to any company which has a substantial exposure to sectors identified as having a high negative social impact, in accordance with the AMP Capital Responsible Investment Charter.

6.2 Benchmark asset / manager allocation – Automatic Option

Each month, between the ages of 20 and 80, the allocation to each asset class changes. Details at four specimen ages are shown in the table below. Due to market movements and cash flow requirements, actual asset allocations will inevitably vary by small amounts from the benchmark allocation.

Asset Class	Product	Age of the Member			
		Age 20	Age 40	Age 60	Age 80
NZ equities Int. equities	AMP Capital NZ Shares Index Fund	20.0%	17.5%	12.5%	5.0%
	Wholesale Unit Trust MSCI Global Index Shares Fund	50.0%	31.4%	17.2%	5.9%
	AMP Capital Hedged Global Index Shares Fund	8.5%	9.1%	7.5%	3.1%
	AMP Capital Responsible Investment Leaders Global Shares Fund	6.5%	4.5%	2.8%	1.0%
Listed property	AMP Capital NZ Property Fund	10.0%	12.5%	15.0%	10.0%
Total Growth Assets		95.0%	75.0%	55.0%	25.0%
NZ fixed interest	ANZ NZ Fixed Interest Strategy*	1.0%	8.0%	20.0%	30.0%
Int. fixed interest	AMP Capital Hedged Global Fixed Interest Index Fund	2.0%	12.0%	20.0%	15.0%
Cash	ANZ Wholesale Cash Fund	2.0%	5.0%	5.0%	30.0%
Total Income Assets		5.0%	25.0%	45.0%	75.0%

* The ANZ NZ Fixed Interest Strategy invests 50% into the ANZ Wholesale Sovereign Bond Fund and 50% into the ANZ Wholesale High Grade Bond Fund.

With the exception of the AMP Capital Responsible Investment Leaders Global Shares Fund, all growth assets are invested on an indexed basis. The AMP Capital Responsible Investment Leaders Global Shares Fund is actively managed.

6.3 Foreign currency

The following table sets out the hedging position for each of the global products referred to in sections 5.2 and 5.3 above.

Asset Class	Product	Benchmark hedging position
Int. equities	Wholesale Unit Trust MSCI Global Index Shares Fund	Unhedged
	AMP Capital Hedged Global Index Shares Fund	139% hedged
	AMP Responsible Investment Leaders Global Shares Fund	69% hedged
Listed property	AMP Capital NZ Property Fund	100% hedged *
Int. fixed interest	AMP Capital Hedged Global Fixed Interest Index Fund	100% hedged

* Hedging position applies to the Australian component

The purpose of the Scheme's hedging is:

- for international bonds and the Australian component of the AMP Capital NZ Property Fund to eliminate all foreign currency risk;
- for global equities, the hedging policy recognises that it is beneficial from a long term investment viewpoint to have some exposure to foreign currency, but that members should not have a full exposure to currency movements.

The hedging is carried out by the fund managers within the underlying funds. The fund managers are responsible for ensuring that the hedging ratio is at the stated level, within tolerances, and will report to the Trustee if there have been any breaches.

6.4 Asset allocation ranges, tactical asset allocation and rebalancing

Tactical asset allocation

Mindful that any changes to the benchmark asset allocations, including temporary ones, can lead to losses instead of the hoped for gains, the Trustee currently does not attempt or desire to attempt to improve investment returns by making tactical asset allocation decisions.

Asset allocation ranges and rebalancing

It is recognised however that market movements and cash flow can result in the actual asset allocation becoming different to the benchmark asset allocation. Accordingly, the Trustee has adopted the following rebalancing approach:

If either:

- the allocation to any particular asset class as at the previous month end varies from the benchmark allocation to that sector by more than 7.5%; or
- the allocation to growth or income assets as at the previous month end varies from the benchmark allocation by more than 7.5%;

then the Trustee shall arrange for a rebalancing to take place such that the actual allocations are within the +/- 7.5% ranges above. Any required rebalancing shall be made within 1 month of the previous month end.

The maximum permitted variance of the allocation to either a particular asset class or to growth/ income assets from the relevant benchmark is 12%. If the Trustee identifies that the allocation to either a particular sector or to growth / income assets has varied from the relevant benchmark by more than +/- 12%, then the Trustee shall arrange for a rebalancing to within +/- 7.5% of the relevant benchmark to take place within five working days of becoming aware of that variation.

Formal monitoring will occur at the end of each month.

It is noted that the primary mechanism for managing the asset allocations within the ranges set out above shall be the allocation of cashflow. However, where this is not possible and an allocation to either a particular sector or the allocation to growth / income assets is outside the relevant range, then a rebalancing between sectors will be made.

6.5 Investment strategy and benchmark review

The investment strategy shall be reviewed on a triennial basis, or as otherwise required, in accordance with paragraph 1.2. The review will consider the objectives of each investment option in light of the circumstances of the Schemes and take account of any changes in the investment outlook which may affect the relative value and role of the different investment sectors.

7. Investment Guidelines for underlying funds

7.1 Indexed Management (including permitted investments)

With the exception of the AMP Capital Responsible Investment Leaders Global Shares Fund, all growth assets are to be invested on an indexed basis. In addition the Global Fixed Interest Fund is passively managed.

As well as the AMP Capital Responsible Investment Leaders Global Shares Fund, the ANZ NZ Fixed Interest Strategy, and the ANZ Wholesale Cash Fund are also actively managed.

For the asset classes that are invested on an indexed basis, the permitted investments are restricted to those represented by the relevant index.

7.2 AMP Capital Responsible Investment Leaders Global Shares Fund

The Fund invests primarily in a diversified portfolio of international shares and adopts a responsible investing approach which addresses environmental, social, governance and ethical issues when selecting individual securities.

7.3 ANZ NZ Fixed Interest Strategy

This strategy involves investing into the ANZ Wholesale Sovereign Bond Fund and the ANZ Wholesale High Grade Bond Fund in approximately equal proportions. The ANZ Wholesale Sovereign Bond Fund invests predominantly in debt securities issued or guaranteed by the New Zealand Government. The ANZ Wholesale High Grade Bond Fund invests predominantly in New Zealand Government securities, securities issued by New Zealand Local Authorities and corporate debt securities rated A- or better.

7.4 ANZ Wholesale Cash Fund

The Fund invests predominantly in bank deposits, treasury bills and bank bills. The maximum term to maturity of any investment is 365 days and the effective duration of the Fund is to be less than 180 days.

7.5 Investment restrictions

The investment parameters are:

- as far as practicable, all investments are to be readily marketable;
- for equity and fixed interest investments, reliable market quotations for prices available at all times;
- all investment portfolios are to be fully invested, subject to any cash held from time to time to allow for settlement mismatches and cashflows. Any other cash positions, unless part of the investment mandate, should be temporary and should reflect general repositioning of the portfolio or covering a futures position;
- currency exposure for international fixed interest is to be 100% hedged to the NZ dollar, with a tolerance of +/- 5%;
- futures contracts, options and other derivatives are to be restricted to hedging and efficient portfolio management techniques and not to leverage the portfolio;
- securities are not to be lent to any third party without the written consent of the Trustee;

- no more than 7.5% of a Fund shall be invested in any one company, except in the case of cash exposures to New Zealand registered banks and holdings in companies arising through passive trading of a particular index by an underlying fund manager.

7.6 Agreement to deviate

A fund manager may request from the Trustee permission to go outside of the agreed guidelines. Any such request shall be in writing and include details of the reasons for such a request. The Trustee must approve any such request.

It is accepted that the assets are invested through managed funds. As a result, it may not be possible to comply with the investment guidelines at all times, and accordingly these guidelines are not limits for the purposes of the FMCA. However, any exceptions to the above should be approved by the Trustee.

8. Investment Monitoring

8.1 Monitoring compliance

The Trustee monitors compliance with the SIPO through the reporting provided to it (via the administration manager, where appropriate), as set out below. The underlying fund managers' and Schemes' compliance with this SIPO is formally reviewed by the Trustee at each quarterly Board meeting, based on that information. Any required changes to the SIPO will be made as outlined in paragraph 1.2.

In addition, if a limit break occurs, the administration manager will provide all information required for the Trustee to make any required reports to the FMA. At that time the Trustee will consider whether any action needs to be taken in respect of the break, or whether any further compliance monitoring or assurance measures are required.

For the purposes of this SIPO, a "limit break" is any material breach of any limits on either the nature or type of investments that may be made by the Schemes or the proportion of each type of assets that may be invested in, as set out in this SIPO (see paragraph 6.4).

8.2 Evaluation Criteria

The criteria by which the performance of each fund manager will be measured are set out below:

Individual Sector Performance – performance relative to benchmark

Fund managers of indexed funds are expected to achieve a return before tax and investment fees and other expenses that match the relevant index return set out below. For the AMP Responsible Investment Leaders Global Shares Fund, the outperformance target has been set so as to cover the expected investment management costs over a three-year rolling period. In other words, this product is expected to achieve a return after investment costs that at least matches the applicable index return after its estimated investment costs.

Asset Class	Benchmark Index	Outperformance target (% pa) **
<i>NZ equities</i>		
AMP Capital NZ Shares Index Fund	S&P / NZX 50 Index (incl imp credits)	Nil
<i>Int. equities</i>		
Wholesale Unit Trust MSCI Global Index Shares Fund	MSCI World Index ex Tobacco - NZD	Nil
AMP Capital Hedged Global Index Shares Fund	MSCI World Index ex Tobacco - NZD - 139% hedged	Nil
AMP Capital Responsible Investment Leaders Global Shares Fund	MSCI All Country World Gross Index - 69% Hedged	0.95%
<i>Listed property</i>		
AMP Capital NZ Property Fund	60% S&P / NZX All Real Estate (Industry Group) Gross with imputation Index and 40% S&P/ASX 200 A-REIT Accumulation Index - 100% hedged	Nil
<i>NZ fixed interest</i>		
ANZ NZ Fixed Interest Strategy*	S&P/NZX NZ Government Bond Index	0.80%
<i>Int. fixed interest</i>		
AMP Capital Hedged Global Fixed Interest Index Fund	Bloomberg Barclays Global Aggregate Bond Index - 100% hedged	Nil
<i>Cash</i>		
ANZ Wholesale Cash Fund	S&P/NZX Bank Bills 90 Day Index	Nil

* The ANZ NZ Fixed Interest Strategy invests 50% into the ANZ Wholesale Sovereign Bond Fund and 50% into the ANZ Wholesale High Grade Bond Fund.

** Outperformance targets are over rolling three year periods

8.3 Investment Performance Monitoring

The individual sector performance objectives shall be monitored on a quarterly basis. For this purpose, the investment consultant will provide a quarterly monitoring report which provides actual and benchmark sector returns for the quarter, the previous year, the previous three years, and the previous five years.

8.4 Fund Manager Review

The fund managers shall be subject to a formal review at least every three years. More frequent reviews will take place if the Trustee has any cause for concern.

9. Investment Reporting

9.1 Fund Managers

Accurate unit prices are required from the fund managers for each business day, including relevant PIE tax information.

The following information is required from the fund managers on a monthly basis for each asset class under management:

- market values as at the month end;
- actual returns gross of fees and tax for the month, rolling quarter and year to date;
- index returns for the same periods;
- taxable income for the month and year to date;
- contributions and withdrawals for the month.

The reports are required no later than the tenth business day following month end.

In addition, at the end of each quarter, each fund manager is to provide a more comprehensive report including:

- accounting information over the period including a balance sheet, and transaction details;
- comment on past performance and the reason for out/under performance;
- economic comment pertinent to the mandate and the outlook for future returns.

At the end of the financial year, such additional information as is required to enable the financial statements of the Schemes to be prepared.

9.2 Investment Consultant

On a half-yearly basis or such other frequency as agreed, the investment consultant will provide an investment performance report to the Trustee which contains sufficient information to enable the Trustee to monitor the performance of the fund managers against the evaluation criteria. The performance report shall include at least the following information:

- market values as at the end of the quarter;
- actual returns gross of fees and tax for each of the Aggressive, Growth, Balanced and Conservative portfolios for the quarter, the previous year and the previous three years;
- benchmark returns for the same periods;
- actual and benchmark sector returns for the quarter, the previous year, the previous three years, and the previous five years;
- a comparison of returns against other fund managers;
- an investment commentary, including fund manager developments;
- such other information as may be requested by the Trustee.

