

## Statement of Investment Policy and Objectives

### Summer KiwiSaver Scheme

Approver: Forsyth Barr Investment Management Limited Board

Owner: Head of Funds Management

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## Document History

<i>Version</i>	<i>Date</i>	<i>Changes</i>
<b>1.0</b>	16 September 2016	SIPO adopted
<b>1.1</b>	13 October 2016	Amendment to period for which a fund may be outside target asset allocation range as a result of client-initiated activity.
<b>1.2</b>	9 December 2016	Amendments to (i) asset allocation range for Summer Listed Property; (ii) period for which a fund may be outside asset allocation or any other limits as a result of client-initiated activity or implementation of tactical asset allocation / rebalancing decisions.
<b>1.3</b>	3 October 2017	<p>Amendments to permitted investments and investment restrictions of Summer New Zealand Equities, Summer Global Equities, Summer Australian Equities and Summer Listed Property.</p> <p>Amendments to permitted investments of Summer New Zealand Fixed Interest, Summer Global Fixed Interest and Summer New Zealand Cash.</p> <p>Adjustments to target asset allocations ranges of Summer Investment Selection, Summer Global Equities and Summer New Zealand Cash.</p> <p>Amendments to benchmarks of Summer Global Fixed Interest and Summer Investment Selection.</p> <p>Other immaterial editorial changes</p>
<b>1.4</b>	23 May 2018	<p>Changes to the market indices of Summer Global Equities and Summer Australian Equities to include currency hedging, plus updated information on the variant of the market index used by Summer Global Equities.</p> <p>Amendments to Summer New Zealand Equities and Summer Listed Property market indices to include imputation credits</p> <p>Further information on the application of the New Zealand Super Fund's exclusion list.</p> <p>Other immaterial editorial changes.</p>

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## Background & Description of the Summer KiwiSaver Scheme

The Summer KiwiSaver Scheme (Scheme) is a managed investment scheme registered under the Financial Markets Conduct Act 2013 as a KiwiSaver scheme. The principal purpose of the Scheme is to help individuals save for their retirement. The Scheme provides members with access to individual funds, each representing a different asset class, and the Summer Investment Selection which is a multi-asset fund (together, the **funds**).

Forsyth Barr Investment Management Limited (**Manager**) is the manager of the Scheme and must ensure that there is a Statement of Investment Policy and Objectives (**SIPO**) that adequately describes the investment policies and objectives of the Summer KiwiSaver Scheme. The SIPO must include, amongst other matters:

- the nature or types of investments that can be made and any limits on those;
- any limits on the proportion of each type of asset invested in; and
- the methodology used for developing and amending the investment strategy, and for measuring performance against the objectives of the funds.

The investment policies described in this SIPO are set out in more detail in investment policy documents maintained by the Manager.

### Objective

The purpose of this SIPO is to set out the investment policy and objectives of the Scheme.

## Responsibilities

### Decision Making Framework

The Manager's decision making framework is illustrated in the table set out below:

	<b>Plan</b>		<b>Implement</b>		
	<i>SIPO</i>	<i>Investment policies</i>	<i>Management</i>	<i>Trade</i>	<i>Control</i>
<b>Board</b>	Decides	Decides	Oversees		Monitors management performance and compliance.
<b>Compliance Committee</b>			Oversees		Reviews compliance incidents and reports, and reports to the Board.
<b>Funds Management Oversight Committee</b>			Oversees		Monitors investment performance and reports to the Board.
<b>Management</b>	Recommends	Recommends	Decides	Decides	Monitors investment performance and compliance.
<b>Administration manager</b>					Arranges independent calculation of investment performance.
<b>Supervisor</b>			Supervises		Oversees management and administration.
<b>Custodian</b>				Settles transactions	Holds the assets on behalf of investors.

### Manager's Board

The board of directors of the Manager (Board) is responsible for:

- reviewing and approving this SIPO and any changes to it;
- reviewing and approving the investment policies and objectives of each fund and any changes to them;
- monitoring management's overall performance in relation to the funds;
- monitoring compliance with this SIPO and the investment policies; and
- approving the appointment or termination of any external administration manager, any external investment manager, and any other outsource providers.

### Compliance Committee

The Compliance Committee is responsible for reviewing incidents and reports in relation to compliance with this SIPO and reporting to the Board.

### Funds Management Oversight Committee

The Funds Management Oversight Committee is responsible for:

- monitoring investment performance of each fund;
- monitoring Forsyth Barr Limited's performance as delegated provider of the administrative functions in respect of the Scheme;
- monitoring the performance of the custodian, any external investment manager, the supervisor and any other outsource providers to the Manager; and
- reporting on the above items to the Board.

### Managing Director

The Managing Director of the Manager is responsible for ensuring that the decisions of the Board are implemented.

### Investment Management

Day-to-day investment management is carried out (pursuant to a management services agreement) by employees of Forsyth Barr Limited, which is an authorised body under the Manager's market services licence.

### Head of Funds Management

The Head of Funds Management is responsible for the day-to-day investment management of the Scheme and, in particular:

- making recommendations to the Board in respect of changes to this SIPO;
- making recommendations to the Board in respect of changes to the investment policies of a fund;
- monitoring the Scheme's investment performance; and
- monitoring the Scheme's compliance with this SIPO and the investment policies.

### Administration Manager

Forsyth Barr Limited has been appointed by the Manager as an administration manager and provides (or may delegate to an external service provider) asset valuation, unit pricing and financial accounting.

### Supervisor

The supervisor is responsible for, amongst other things:

- supervising the Manager's performance of its functions; and
- monitoring the Manager's and the Scheme's financial position to assess whether they are adequate.

The name and contact details for the supervisor are set out in the Scheme's Product Disclosure Statement (PDS).

### Custodian

Any custodian is appointed by the supervisor and is independent of the Manager and, as a delegate of the supervisor, holds the Summer KiwiSaver Scheme's assets on behalf of investors.

The name and contact details for any custodian are set out in the Scheme's PDS.

## Fund Management

The Scheme offers members the option of investing in one or more of the funds.

## Summer Investment Selection

### Description of the fund

The Summer Investment Selection is a multi- asset fund in the Scheme.

### Investment Objective

The Summer Investment Selection's investment objective is to achieve positive returns after fees, taxes and other expenses by investing in selected New Zealand and international equities, listed property and New Zealand and international debt and debt-like securities, subject to the risks associated with investments in equity and debt markets.

The Summer Investment Selection invests in the following asset classes:

- Australasian Equities
- International Equities
- Listed Property
- New Zealand Fixed Interest
- International Fixed Interest
- New Zealand cash

The Manager chooses the exposures to each of the asset classes, within set ranges. Investment exposures and ranges are generally consistent with a balanced investment approach.

### Benchmark

The Summer Investment Selection has no benchmark, however for comparative purposes only, fund performance may be considered in relation to a composite index made up of the indices used to measure the performance of each asset class that the Summer Investment Selection is permitted to invest in. A weighted average return is calculated; we multiply the index return by the target asset allocation of the Summer Investment Selection.

### Risk Indicator

The Summer Investment Selection's risk indicator is a historic measure of the volatility of the fund's returns, calculated as the annualised standard deviation of market index returns over the last five years. The most recently published risk indicator for the fund is available in the most recent Fund Update published for the fund.

### Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit, and that an actively managed portfolio of investments, spread across a range of asset classes, will over time provide better returns than a simple buy-and-hold strategy.



## Investment Strategy

### Target Asset Allocation

The Summer Investment Selection's target asset allocation and target asset allocation ranges are set out in the table below:

<i>Asset Class</i>	<i>Target</i>	<i>Range</i>
Cash and cash equivalents	15%	0% - 50%
New Zealand Fixed Interest	20%	0% – 50%
International Fixed Interest	10%	0% – 50%
Australasian Equities	25%	0% – 50%
International Equities	25%	0% – 50%
Listed Property	5%	0% – 50%
Unlisted property	-	-
Commodities	-	-
Other	-	-

### Permitted Investments

The Summer Investment Selection may invest into any financial product that would be a permitted investment for any other fund in the Scheme.

The Summer Investment Selection may use derivatives where the Manager considers doing so is consistent with the risk profile of the Summer Investment Selection and will contribute to the performance objectives of the Summer Investment Selection.

### Foreign Currency Hedging

Hedging involves making an investment or entering into an agreement with the intention of reducing the risk of adverse price movements in a financial obligation.

The Summer Investment Selection's foreign currency hedging strategy is established by the Board and implemented by the Head of Funds Management. The Board and the Funds Management Oversight Committee monitor the Manager's compliance with the strategy.

Where the Manager invests into an underlying managed investment scheme to achieve the intended investment exposures, foreign currency hedging may be undertaken by the manager of that underlying scheme.

### Tactical Asset Allocation

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

The Summer Investment Selection may undertake tactical asset allocation in response to market conditions, within the asset allocation ranges set out above.

### Rebalancing

Rebalancing involves buying and selling assets so that the Summer Investment Selection's actual asset allocation matches its target asset allocation.

Rebalancing is at the discretion of the Manager, within the terms of this SIPO and in relation to the desired tactical asset allocation. However, the Summer Investment Selection may not be rebalanced where market conditions mean that, in the opinion of the Manager, rebalancing would be uneconomic.

### **Investments in underlying managed investment schemes**

Where the Summer Investment Selection invests in an underlying managed investment scheme, the investment is not itself subject to the permitted investments and other investment restrictions but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the underlying managed investment scheme's investments (as made available by the investment manager of the underlying scheme) with its own investments

Derivatives may be used by the manager of an underlying managed investment scheme.

### **Investment Restrictions**

For each other fund in the Scheme, the Manager maintains a list of the Summer Investment Selection investments that are permitted investments for the Summer Investment Selection by reason of being permitted investments for that fund. For each such fund, the corresponding Summer Investment Selection investments must, when taken as a whole, comply with the investment restrictions for that fund.

### **Borrowing and Derivatives**

The Summer Investment Selection may not borrow or use derivatives to leverage the fund.

### **Compliance with limits and restrictions**

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or
- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.

## Summer Australian Equities

### Description of the fund

Summer Australian Equities is a fund in the Scheme.

### Investment Objective

The investment objective of Summer Australian Equities is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected Australian equities, subject to the higher risks associated with investments in international equity markets. The fund is actively managed.

### Benchmark

Summer Australian Equities has no benchmark, however for comparative purposes only, fund performance may be considered in relation to the S&P/ASX 200 Accumulation Index, 50% hedged to the New Zealand dollar.

### Risk Indicator

The risk indicator for Summer Australian Equities is a historic measure of the volatility of the fund's returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the fund is available in the most recent Fund Update published for the fund.

### Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit, and that an actively managed portfolio of investments will over time provide better returns than a simple buy-and-hold strategy.

The Manager uses a "bottom up" approach to select investments for Summer Australian Equities, and seeks to invest in securities that are trading at an attractive price when compared to the Manager's assessment of their intrinsic value. To do this, the Manager reviews investment criteria such as earnings prospects, risk level, qualitative analysis of business strengths and weaknesses, and relative value against similar investments or other opportunities. Similarly, the Manager will seek to exit investments which are trading at a price that is high compared to intrinsic value. Relative value does not always change quickly, and so the fund's investments are often medium- to long-term.

The Manager also reviews the fund's overall composition on a "top down" basis, taking into account macro-economic, political, sectoral and regional considerations.

## Investment Strategy

### Target Asset Allocation

Summer Australian Equities' target asset allocation and target asset allocation ranges are set out in the table below:

<i>Asset Class</i>	<i>Target</i>	<i>Range</i>
Cash and cash equivalents	5%	0% – 20%
New Zealand Fixed Interest	–	–
International Fixed Interest	–	–
Australasian Equities	85%	80% – 100%
International Equities	–	–
Listed Property	10%	0% - 20%
Unlisted property	–	–
Commodities	–	–
Other	–	–

### Permitted Investments

Summer Australian Equities may invest in:

- financial products listed on the ASX<sup>1</sup> and unlisted financial products the Manager expects to be listed on the ASX within 12 months of purchase; and
- cash in deposits with registered banks.

The Manager may invest into these instruments directly, or indirectly by investing into an underlying managed investment scheme (which may also be managed by the Manager) to achieve the intended investment exposures.

Summer Australian Equities may also, after consultation with the supervisor, invest in other assets (which are not explicitly set out above) that the Manager considers appropriately reflect the risk profile of the fund and will contribute to the performance objectives of the fund.

Summer Australian Equities may use derivatives where the Manager considers doing so is consistent with the risk profile of the fund and will contribute to the performance objectives of the fund.

### Foreign Currency Hedging

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<sup>1</sup> Where a financial product is listed on both the ASX and a non-Australian stock exchange Summer Australian Equities may transact on either exchange.

Hedging involves making an investment or entering into an agreement with the intention of reducing the risk of adverse price movements in a financial obligation.

The Manager actively manages Summer Australian Equities' Australian dollar exposure. This is achieved through foreign currency hedging. The fund's foreign currency hedging strategy is established by the Board and implemented by the Head of Funds Management. The Board and the Funds Management Oversight Committee monitor the Manager's compliance with the strategy.

Where the Manager invests into an underlying managed investment scheme to achieve the intended investment exposures, foreign currency hedging may be undertaken by the manager of that underlying scheme.

### **Tactical Asset Allocation**

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

Summer Australian Equities does not undertake tactical asset allocation outside of permitted ranges.

### **Rebalancing**

Rebalancing involves buying and selling assets so that Summer Australian Equities' actual asset allocation matches its target asset allocation.

Summer Australian Equities is generally close to fully invested in Australian equities, which means that it does not have to undertake rebalancing.

### **Investment Restrictions**

The following investment restrictions apply to Summer Australian Equities:

- investment in any one entity or financial product may not be more than 25% of the value of the fund's assets;
- at the time of purchase, no holding can represent more than 10% of the issued capital of an issuer; and
- investments in unlisted financial products the Manager expects to be listed on the ASX within 12 months of purchase may not in aggregate be more than 10% of the value of the fund's assets.

### **Investments in underlying managed investment schemes**

Where Summer Australian Equities invests in an underlying managed investment scheme, the investment is not itself subject to the permitted investments and other investment restrictions set out above, but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the underlying managed investment scheme's investments (as made available by the investment manager of the underlying scheme) with its own investments. Derivatives may be used by the manager of an underlying managed investment scheme.

### **Borrowing and Derivatives**

Summer Australian Equities may not borrow or use derivatives to leverage the fund.

### **Compliance with limits and restrictions**

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or
- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.

## Summer Global Equities

### Description of the fund

Summer Global Equities is a fund in the Scheme.

### Investment Objective

The investment objective of Summer Global Equities is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected international equities, subject to the higher risks associated with investments in international equity markets. There are no geographical or sector restrictions on Summer Global Equities. The fund is actively managed.

### Benchmark

Summer Global Equities has no benchmark, however for comparative purposes only, fund performance may be considered in relation to the MSCI ACWI Net Total Return Index, 50% hedged to the New Zealand dollar

### Risk Indicator

The risk indicator for Summer Global Equities is a historic measure of the volatility of the fund's returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the fund is available in the most recent Fund Update published for the fund.

### Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit, and that an actively managed portfolio of investments will over time provide better returns than a simple buy-and-hold strategy.

The Manager uses a "bottom up" approach to select investments for Summer Global Equities, and seeks to invest in securities that are trading at an attractive price when compared to the Manager's assessment of their intrinsic value. To do this, the Manager reviews investment criteria such as earnings prospects, risk level, qualitative analysis of business strengths and weaknesses, and relative value against similar investments or other opportunities. Similarly, the Manager will seek to exit investments which are trading at a price that is high compared to intrinsic value. Relative value does not always change quickly, and so the fund's investments are often medium- to long-term.

The Manager also reviews the fund's overall composition on a "top down" basis, taking into account macro-economic, political, sectoral and regional considerations.

## Investment Strategy

### Target Asset Allocation

Summer Global Equities' target asset allocation and target asset allocation ranges are set out in the table below:

<i>Asset Class</i>	<i>Target</i>	<i>Range</i>
Cash and cash equivalents	10%	0% - 20%
New Zealand Fixed Interest	-	-
International Fixed Interest	-	-
Australasian Equities	-	-
International Equities	90%	80% – 100%
Listed Property	-	0% - 10%
Unlisted property	-	-
Commodities	-	-
Other	-	-

### Permitted Investments

Summer Global Equities may invest in:

- financial products listed on recognised international securities exchanges and unlisted financial products the Manager expects to be listed on one or more recognised international securities exchanges within 12 months of purchase; and
- cash in deposits with registered banks.

The Manager may invest into these instruments directly, or indirectly by investing into underlying managed investment schemes (which may also be managed by the Manager) to achieve the intended investment exposures.

Summer Global Equities may also, after consultation with the supervisor, invest in other assets (which are not explicitly set out above) that the Manager considers appropriately reflect the risk profile of the fund and will contribute to the performance objectives of the fund.

Summer Global Equities may use derivatives where the Manager considers doing so is consistent with the risk profile of the fund and will contribute to the performance objectives of the fund.

### Foreign Currency Hedging

Hedging involves making an investment or entering into an agreement with the intention of reducing the risk of adverse price movements in a financial obligation.

The Manager actively manages Summer Global Equities' foreign currency exposure. This is achieved through foreign currency hedging. The fund's foreign currency hedging strategy is established by the Board and implemented by the Head of Funds Management. The Board and the Funds Management Oversight Committee monitor the Manager's compliance with the strategy.



Where the Manager invests into an underlying managed investment scheme to achieve the intended investment exposures, foreign currency hedging may be undertaken by the manager of that underlying scheme.

### **Tactical Asset Allocation**

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

Summer Global Equities does not undertake tactical asset allocation outside of permitted ranges.

### **Rebalancing**

Rebalancing involves buying and selling assets so that Summer Global Equities' actual asset allocation matches its target asset allocation.

Summer Global Equities is generally close to fully invested in international equities, which means that it does not have to undertake rebalancing.

### **Investment Restrictions**

The following investment restrictions apply to Summer Global Equities:

- investment in any one entity or financial product may not be more than 25% of the value of the fund's assets;
- at the time of purchase, no holding can represent more than 10% of the issued capital of an issuer; and
- investments in unlisted financial products the Manager expects to be listed on one or more recognised international exchanges within 12 months of purchase may not in aggregate be more than 10% of the value of the fund's assets.

### **Investments in underlying managed investment schemes**

Where Summer Global Equities invests in an underlying managed investment scheme, the investment is not itself subject to the permitted investments and other investment restrictions set out above, but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the underlying managed investment scheme's investments (as made available by the investment manager of the underlying scheme) with its own investments. Derivatives may be used by the manager of an underlying managed investment scheme.

### **Borrowing and Derivatives**

Summer Global Equities may not borrow or use derivatives to leverage the fund.

### **Compliance with limits and restrictions**

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or
- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.

## Summer Listed Property

### Description of the fund

Summer Listed Property is a fund in the Scheme.

### Investment Objective

The investment objective of Summer Listed Property is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected listed property vehicles, subject to the higher risks associated with investments in listed property investments. The fund is actively managed.

### Benchmark

Summer Listed Property has no benchmark, however for comparative purposes only, fund performance may be considered in relation to the S&P/NZX All Real Estate Gross with Imputation Index.

### Risk Indicator

The risk indicator for Summer Listed Property is a historic measure of the volatility of the fund's returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the fund is available in the most recent Fund Update published for the fund.

### Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit, and that an actively managed portfolio of investments will over time provide better returns than a simple buy-and-hold strategy.

The Manager uses a "bottom up" approach to select investments for Summer Listed Property, and seeks to invest in securities that are trading at an attractive price when compared to the Manager's assessment of their intrinsic value. To do this, the Manager reviews investment criteria such as earnings prospects, risk level, qualitative analysis of business strengths and weaknesses, and relative value against similar investments or other opportunities. Similarly, the Manager will seek to exit investments which are trading at a price that is high compared to intrinsic value. Relative value does not always change quickly, and so the fund's investments are often medium- to long-term.

The Manager also reviews the fund's overall composition on a "top down" basis, taking into account macro-economic, political, sectoral and regional considerations.

## Investment Strategy

### Target Asset Allocation

Summer Listed Property's target asset allocation and target asset allocation ranges are set out in the table below:

<i>Asset Class</i>	<i>Target</i>	<i>Range</i>
Cash and cash equivalents	5%	0% - 20%
New Zealand Fixed Interest	–	–
International Fixed Interest	–	–
Australasian Equities	20%	0% – 30%
International Equities	5%	0% – 10%
Listed Property	70%	55% – 100%
Unlisted property	–	–
Commodities	–	–
Other	–	–

### Permitted Investments

Summer Listed Property may invest in:

- financial products listed on the NZX, ASX or other recognised international securities exchange issued by entities whose principal business is, in the opinion of the Manager, owning or managing property or property-like assets;
- unlisted financial products, issued by entities whose principal business is, in the opinion of the Manager, owning or managing property or property-like assets, that the Manager expects to be listed on the NZX, ASX or other recognised international securities exchange within 12 months of purchase; and
- cash in deposits with registered banks.

The Manager may invest into these instruments directly, or indirectly by investing into an underlying managed investment scheme (which may also be managed by the Manager) to achieve the intended investment exposures.

Summer Listed Property may also, after consultation with the supervisor, invest in other assets (which are not explicitly set out above) that the Manager considers appropriately reflect the risk profile of the fund and will contribute to the performance objectives of the fund.

Summer Listed Property may use derivatives where the Manager considers doing so is consistent with the risk profile of the fund and will contribute to the performance objectives of the fund.

### Foreign Currency Hedging

Hedging involves making an investment or entering into an agreement with the intention of reducing the risk of adverse price movements in a financial obligation.

The Manager actively manages Summer Listed Property's foreign currency exposure. This is achieved through foreign currency hedging. The fund's foreign currency hedging strategy is established by the Board and implemented by the Head of Funds Management. The Board and the Funds Management Oversight Committee monitor the Manager's compliance with the strategy.

Where the Manager invests into an underlying managed investment scheme to achieve the intended investment exposures, foreign currency hedging may be undertaken by the manager of that underlying scheme.

### **Tactical Asset Allocation**

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

Summer Listed Property does not undertake tactical asset allocation outside of permitted ranges.

### **Rebalancing**

Rebalancing involves buying and selling assets so that Summer Listed Property's actual asset allocation matches its target asset allocation.

Summer Listed Property is generally close to fully invested in listed property and equities, which means that it does not have to undertake rebalancing.

### **Investment Restrictions**

- Summer Listed Property's investment in any one entity or financial product may not be more than 25% of the value of the fund's assets;
- at the time of purchase, no holding can represent more than 10% of the issued capital of the issuer; and
- investments in unlisted financial products the Manager expects to be listed on the NZX, ASX or other recognised international securities exchange within 12 months of purchase may not in aggregate be more than 10% of the value of the fund's assets.

### **Investments in underlying managed investment schemes**

Where Summer Listed Property invests in an underlying managed investment scheme, the investment is not itself subject to the permitted investments and other investment restrictions set out above, but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the underlying managed investment scheme's investments (as made available by the investment manager of the underlying scheme) with its own investments. Derivatives may be used by the manager of an underlying managed investment scheme.

### **Borrowing and Derivatives**

Summer Listed Property may not borrow or use derivatives to leverage the fund.

### **Compliance with limits and restrictions**

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or

- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.

## Summer New Zealand Equities

### Description of the fund

Summer New Zealand Equities is a fund in the Scheme.

### Investment Objective

The investment objective of Summer New Zealand Equities is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected New Zealand equities, subject to the higher risks associated with investments in equity markets. The fund is actively managed.

### Benchmark

Summer New Zealand Equities has no benchmark, however for comparative purposes only, fund performance may be considered in relation to the S&P/NZX50 Gross with Imputation Index.

### Risk Indicator

Summer New Zealand Equities' risk indicator is a historic measure of the volatility of the fund's returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the fund is available in the most recent Fund Update published for the fund.

### Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit and that an actively managed portfolio of investments will over time provide better returns than a simple buy-and-hold strategy.

The Manager uses a "bottom up" approach to select investments for Summer New Zealand Equities, and seeks to invest in securities that are trading at an attractive price when compared to the Manager's assessment of their intrinsic value. To do this, the Manager reviews investment criteria such as earnings prospects, risk level, qualitative analysis of business strengths and weaknesses, and relative value against similar investments or other opportunities. Similarly, the Manager will seek to exit investments which are trading at a price that is high compared to intrinsic value. Relative value does not always change quickly, and so the fund's investments are often medium- to long-term.

The Manager also reviews the fund's overall composition on a "top down" basis, taking into account macro-economic, political, sectoral and regional considerations.

## Investment Strategy

### Target Asset Allocation

Summer New Zealand Equities' target asset allocation and target asset allocation ranges are set out in the table below:

<i>Asset Class</i>	<i>Target</i>	<i>Range</i>
Cash and cash equivalents	5%	0% – 20%
New Zealand Fixed Interest	–	–
International Fixed Interest	–	–
Australasian Equities	85%	80% – 100%
International Equities	–	–
Listed Property	10%	0% - 20%
Unlisted property	–	–
Commodities	–	–
Other	–	–

### Permitted Investments

Summer New Zealand Equities may invest in:

- financial products listed on the NZX<sup>1</sup> and unlisted financial products the Manager expects to be listed on the NZX<sup>1</sup> within 12 months of purchase; and
- cash in deposits with registered banks.

The Manager may invest into these instruments directly, or indirectly by investing into an underlying managed investment scheme (which may also be managed by the Manager) to achieve the intended investment exposures.

Summer New Zealand Equities may also, after consultation with the supervisor, invest in other assets (which are not explicitly set out above) that the Manager considers appropriately reflect the risk profile of the fund and will contribute to the performance objectives of the fund.

Summer New Zealand Equities may use derivatives where the Manager considers doing so is consistent with the risk profile of the fund and will contribute to the performance objectives of the fund.

### Tactical Asset Allocation

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<sup>1</sup> Where a financial product is listed on both the NZX and a non-New Zealand stock exchange Summer New Zealand Equities may transact on either exchange.



Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

Summer New Zealand Equities does not undertake tactical asset allocation outside of permitted ranges.

### **Rebalancing**

Rebalancing involves buying and selling assets so that Summer New Zealand Equities' actual asset allocation matches its target asset allocation.

Summer New Zealand Equities is generally close to fully invested in New Zealand equities, which means that it does not have to undertake rebalancing.

### **Investment Restrictions**

The following investment restrictions apply to Summer New Zealand Equities:

- investment in any one entity or financial product may not be more than 25% of the value of the fund's assets;
- at the time of purchase, no holding can represent more than 10% of the issued capital of the issuer; and
- investments in unlisted financial products the Manager expects to be listed on the NZX<sup>1</sup> within 12 months of purchase may not in aggregate be more than 10% of the value of the fund's assets.

### **Investments in underlying managed investment schemes**

Where Summer New Zealand Equities invests in an underlying managed investment scheme, the investment is not itself subject to the permitted investments and other investment restrictions set out above, but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the underlying managed investment scheme's investments (as made available by the investment manager of the underlying scheme) with its own investments. Derivatives may be used by the manager of an underlying managed investment scheme.

### **Borrowing and Derivatives**

Summer New Zealand Equities may not borrow or use derivatives to leverage the fund.

### **Compliance with limits and restrictions**

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or
- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.

## Summer New Zealand Fixed Interest

### Description of the fund

Summer New Zealand Fixed Interest is a fund in the Scheme.

### Investment Objective

The investment objective of Summer New Zealand Fixed Interest is to achieve positive long-term returns after tax, fees and other expenses, by investing in selected New Zealand dollar denominated debt and debt-like securities, subject to the risks associated with investments in debt markets. The fund is actively managed.

### Benchmark

Summer New Zealand Fixed Interest has no benchmark, however for comparative purposes only, fund performance may be considered in relation to the S&P/NZX Investment Grade Corporate Bond Index.

### Risk Indicator

The risk indicator for Summer New Zealand Fixed Interest is a historic measure of the volatility of the fund's returns, calculated as the annualised standard of returns over the last five years. The most recently published risk indicator for the fund is available in the most recent Fund Update published for the fund.

### Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit, and that an actively managed portfolio of investments will over time provide better returns than a simple buy-and-hold strategy.

The Manager uses a "bottom up" approach to select investments for Summer New Zealand Fixed Interest, and seeks to invest in securities that are trading at an attractive price when compared to the Manager's assessment of their intrinsic value. To do this, the Manager reviews the terms of the potential investment in light of prevailing interest rates and the credit risk of the issuer. Credit risk is assessed using criteria such as the issuer's available cash flow, gearing and level of business risk, and qualitative analysis of business strengths and weaknesses. Similarly, the Manager will seek to exit investments which are trading at a price that is high compared to intrinsic value. Relative value does not always change quickly, and so the fund's investments are often medium- to long-term.

The Manager also reviews the fund's overall credit and interest rate exposure on a "top down" basis, taking into account macro-economic, political, sectoral and regional considerations, including expected monetary policy settings and changes to interest rates.

## Investment Strategy

### Target Asset Allocation

Summer New Zealand Fixed Interest's target asset allocation and target asset allocation ranges are set out in the table below:

<i>Asset Class</i>	<i>Target</i>	<i>Range</i>
Cash and cash equivalents	5%	0% – 15%
New Zealand Fixed Interest	90%	0% – 100%
International Fixed Interest	5%	0% – 100%
Australasian Equities	–	–
International Equities	–	–
Listed Property	–	–
Unlisted property	–	–
Commodities	–	–
Other	–	–

### Permitted Investments

Summer New Zealand Fixed Interest may, subject to the ranges set out below, invest in:

<i>Investment</i>	<i>Range</i>
Cash and cash equivalents	0% – 15%
New Zealand Government debt securities	0% – 100%
Overseas Government or supranational debt securities	0% – 50%
State-owned enterprise and local authority debt securities	0% – 50%
New Zealand Local Government Funding Agency debt securities	0% – 50%
Senior or unsubordinated debt securities issued by entities (other than the above)	0% – 100%
Subordinated debt securities, preference shares, convertible notes, reset securities and other forms of hybrid debt/equity securities issued by entities (other than the above)	0% – 30%

All investments must be New Zealand dollar denominated.

The Manager may invest into these instruments directly, or indirectly by investing into an underlying managed investment scheme (which may also be managed by the Manager) to achieve the intended investment exposures.

Summer New Zealand Fixed Interest may also, after consultation with the supervisor, invest in other assets (which are not explicitly set out above) that the Manager considers appropriately reflect the risk profile of the fund and will contribute to the performance objectives of the fund.

Summer New Zealand Fixed Interest may use derivatives where the Manager considers doing so is consistent with the risk profile of the fund and will contribute to the performance objectives of the fund.

### **Tactical Asset Allocation**

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

Summer New Zealand Fixed Interest does not undertake tactical asset allocation outside of permitted ranges.

### **Rebalancing**

Rebalancing involves buying and selling assets so that Summer New Zealand Fixed Interest's actual asset allocation matches its target asset allocation.

Summer New Zealand Fixed Interest is generally close to fully invested in New Zealand fixed interest, which means that it does not have to undertake rebalancing.

### **Investment Restrictions**

Summer New Zealand Fixed Interest's investment in any one entity (other than the New Zealand Government) or financial product (other than a financial product issued by the New Zealand Government) may not be more than 25% of the value of the fund's assets.

### **Investment in underlying managed investment schemes**

Where Summer New Zealand Fixed Interest invests in an underlying managed investment scheme, the investment is not itself subject to the permitted investments and other investment restrictions set out above, but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the underlying managed investment scheme's investments (as made available by the investment manager of the underlying scheme) with its own investments. Derivatives may be used by the manager of an underlying managed investment scheme.

### **Borrowing and Derivatives**

Summer New Zealand Fixed Interest may not borrow or use derivatives to leverage the fund.

### **Compliance with limits and restrictions**

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or
- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.

## Summer Global Fixed Interest

### Description of the fund

Summer Global Fixed Interest is a fund in the Scheme.

### Investment Objective

The investment objective of Summer Global Fixed Interest is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected international debt and debt-like securities that are generally hedged to the New Zealand dollar, subject to the risks associated with investments in debt markets. The fund is actively managed.

### Benchmark

Summer Global Fixed Interest has no benchmark, however for comparative purposes only, fund performance may be considered in relation to the Bloomberg Barclays Global- Aggregate Total Return Index, hedged to the New Zealand dollar.

### Risk Indicator

The risk indicator for Summer Global Fixed Interest is a historic measure of the volatility of the fund's returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the fund is available in the most recent Fund Update published for the fund.

### Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit, and that an actively managed portfolio of investments will over time provide better returns than a simple buy-and-hold strategy.

The Manager uses a "bottom up" approach to select investments for Summer Global Fixed Interest, and seeks to invest in securities that are trading at an attractive price when compared to the Manager's assessment of their intrinsic value. To do this, the Manager reviews the terms of the potential investment in light of prevailing interest rates and the credit risk of the issuer. Credit risk is assessed using criteria such as the issuer's available cash flow, gearing and level of business risk, and qualitative analysis of business strengths and weaknesses. Similarly, the Manager will seek to exit investments which are trading at a price that is high compared to intrinsic value. Relative value does not always change quickly, and so the fund's investments are often medium- to long-term.

The Manager also reviews the fund's overall credit and interest rate exposure on a "top down" basis, taking into account macro-economic, political, sectoral and regional considerations, including expected monetary policy settings and changes to interest rates.

## Investment Strategy

### Target Asset Allocation

Summer Global Fixed Interest's target asset allocation and target asset allocation ranges are set out in the table below:

<i>Asset Class</i>	<i>Target</i>	<i>Range</i>
Cash and cash equivalents	5%	0% – 25%
New Zealand Fixed Interest	15%	0% - 100%
International Fixed Interest	80%	0% – 100%
Australasian Equities	–	–
International Equities	–	–
Listed Property	–	–
Unlisted property	–	–
Commodities	–	–
Other	–	–

### Permitted Investments

Summer Global Fixed Interest may, subject to the ranges below, invest in:

<i>Investment</i>	<i>Range</i>
Cash and cash equivalents	0% – 25%
Global Government debt securities	0% – 100%
Supranational debt securities	0% – 100%
Global Government related debt securities	0% – 100%
Senior or unsubordinated debt securities issued by entities (other than the above)	0% – 100%
Subordinated debt securities, preference shares, convertible notes, reset securities and other forms of hybrid debt/equity securities issued by entities (other than the above)	0% – 30%

The Manager may invest into these instruments directly, or indirectly by investing into an underlying managed investment scheme (which may also be managed by the Manager) to achieve the intended investment exposures.

Summer Global Fixed Interest may also, after consultation with the supervisor, invest in other assets (which are not explicitly set out above) that the Manager considers appropriately reflect the risk profile of the fund and will contribute to the performance objectives of the fund.

Summer Global Fixed Interest may use derivatives where the Manager considers doing so is consistent with the risk profile of the fund and will contribute to the performance objectives of the fund.

## **Foreign Currency Hedging**

Hedging involves making an investment or entering into an agreement with the intention of reducing the risk of adverse price movements in a financial obligation.

The Manager generally hedges Summer Global Fixed Interest's foreign currency exposure. This is achieved through foreign currency hedging. The fund's foreign currency hedging strategy is established by the Board and implemented by the Head of Funds Management. The Board and the Funds Management Oversight Committee monitor the Manager's compliance with the strategy.

Where the Manager invests into an underlying managed investment scheme to achieve the intended investment exposures, foreign currency hedging may be undertaken by the manager of that underlying scheme.

## **Tactical Asset Allocation**

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

Summer Global Fixed Interest does not undertake tactical asset allocation outside of permitted ranges.

## **Rebalancing**

Rebalancing involves buying and selling assets so that Summer Global Fixed Interest's actual asset allocation matches its target asset allocation.

Summer Global Fixed Interest is generally close to fully invested in global fixed interest, which means that it does not have to undertake rebalancing.

## **Investment Restrictions**

Summer Global Fixed Interest's investment in any one entity (other than a global government entity) or financial product (other than a financial product issued by a global government entity) may not be more than 25% of the value of the fund's assets.

## **Investments in underlying managed investment schemes**

Where Summer Global Fixed Interest invests in an underlying managed investment scheme, the investment is not itself subject to the permitted investments and other investment restrictions set out above, but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the underlying managed investment scheme's investments (as made available by the investment manager of the underlying scheme) with its own investments. Derivatives may be used by the manager of an underlying managed investment scheme.

## **Borrowing and Derivatives**

Summer Global Fixed Interest may not borrow or use derivatives to leverage the fund.

## **Compliance with limits and restrictions**

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or

- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.



## Summer New Zealand Cash

### Description of the fund

Summer New Zealand Cash is a fund in the Scheme.

### Investment Objective

The investment objective of Summer New Zealand Cash is to provide competitive returns in relation to money held on-call, by investing in a portfolio of cash and cash-like securities, as defined and determined by the Manager.

### Benchmark

Summer New Zealand Cash has no benchmark, however for comparative purposes only, fund performance may be considered in relation to the S&P/NZX 90 Day Bank Bills Index.

### Risk Indicator

The risk indicator for Summer New Zealand Cash is a historic measure of the volatility of the fund's returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the fund is available in the most recent Fund Update published for the fund.

### Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit, and that an actively managed portfolio of cash and cash-like investments will over time provide better returns than money simply held as bank deposits.

## Investment Strategy

### Target Asset Allocation

Summer New Zealand Cash's target asset allocation and target asset allocation ranges are set out in the table below:

<i>Asset Class</i>	<i>Target</i>	<i>Range</i>
Cash and cash equivalents	100%	50% – 100%
New Zealand Fixed Interest	–	0% – 50%
International Fixed Interest	–	–
Australasian Equities	–	–
International Equities	–	–
Listed Property	–	–
Unlisted property	–	–
Commodities	–	–
Other	–	–

### Permitted Investments

Summer New Zealand Cash may, subject to the ranges set out below, invest in:

<i>Investment</i>	<i>Range</i>
On-call and term bank deposits	0% – 100%
Government or supranational debt securities	0% – 100%
State-owned enterprise and local authority debt securities	0% – 100%
New Zealand Local Government Funding Agency debt securities	0% – 50%
Senior or unsubordinated debt securities issued by entities (other than the above)	0% – 100%
Subordinated debt securities, preference shares, convertible notes, reset securities and other forms of hybrid debt/equity securities issued by entities (other than the above)	0% – 30%

All investments must be New Zealand dollar denominated. The Manager may invest into these instruments directly, or indirectly by investing into an underlying managed investment scheme (which may also be managed by the Manager) to achieve the intended investment exposures.

Summer New Zealand Cash may also, after consultation with the supervisor, invest in other assets (which are not explicitly set out above) that the Manager considers appropriately reflect the risk profile of the fund and will contribute to the performance objectives of the fund.

Summer New Zealand Cash may use derivatives where the Manager considers doing so is consistent with the risk profile of the fund and will contribute to the performance objectives of the fund.

### **Tactical Asset Allocation**

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

Summer New Zealand Cash does not undertake tactical asset allocation outside of permitted ranges.

### **Rebalancing**

Rebalancing involves buying and selling assets so that Summer New Zealand Cash's actual asset allocation matches its target asset allocation.

Summer New Zealand Cash is generally close to fully invested in New Zealand cash and cash equivalents, which means that it does not have to undertake rebalancing.

### **Investment Restrictions**

Summer New Zealand Cash's investment in any one entity (other than the New Zealand Government) or financial product (other than a financial product issued by the New Zealand Government) may not be more than 25% of the value of the fund's assets.

### **Investment in underlying managed investment schemes**

Where Summer New Zealand Cash invests in an underlying managed investment scheme, the investment is not itself subject to the permitted investments and other investment restrictions set out above, but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the underlying managed investment scheme's investments (as made available by the investment manager of the underlying scheme) with its own investments. Derivatives may be used by the manager of an underlying managed investment scheme.

### **Borrowing and Derivatives**

Summer New Zealand Cash may not borrow or use derivatives to leverage the fund.

### **Compliance with limits and restrictions**

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or
- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.

## Appointment of External Investment Managers

The Manager may decide to appoint selected external investment managers. The due diligence process to consider the appointment or removal of an external investment manager is undertaken by the Head of Funds Management. When reporting to the Board the Head of Funds Management will consider a number of quantitative and qualitative factors.

Appointed external investment manager performance is included in the monitoring of Investment Performance and Compliance, as detailed elsewhere in this SIPO.

Only the Board has the authority to appoint or remove an external investment manager.

## Limit Breaks

A limit break is a material breach of a limit set out in this SIPO. It can relate to either the nature or type of investments that may be made by a fund, or the proportion of each type of asset that may be invested in by a fund.

### Materiality and Limit Breaks

In deciding whether a breach is material, the Manager will assess the circumstances of the breach in the context of the Scheme and the fund and take into account the following factors:

- the size of the breach in relation to the Scheme and the relevant fund;
- any losses caused to investors;
- whether the breach involves related-party transactions;
- whether the breach is an isolated incident, or part of a recurring pattern of breaches;
- whether the breach causes the PDS or any register entry on Disclose in respect of the Scheme or a fund, or an advertisement relating to the Scheme or a fund, to be false or misleading;
- how quickly the breach is rectified after the Manager became aware of the breach; and
- how long the breach went on for.

### Immediate Reporting

Where the Manager becomes aware of a limit break, the Manager must report the limit break to the supervisor, if the limit break is not corrected within five working days of the Manager becoming aware of the limit break.

## Quarterly Reporting

In accordance with the requirements of the Financial Markets Conduct Act 2013, the Manager must provide a report detailing all limit breaks to the supervisor each quarter.

The quarterly report must be provided within 10 working days after the expiry of each quarter.

### Content of limit break reports

The content of any limit break reports, where possible, will detail the following

- the date the Manager became aware of the limit break;
- the name of the fund within the Scheme to which the limit break relates;
- the nature and cause of the limit break (the type of limit break);
- the net asset value of the scheme property in the Scheme as a whole and in respect of the fund within the Scheme to which the limit break relates (as at the date the limit break first occurred);
- the reasons why the limit break is material;
- the date on which the limit break first occurred and the period for which the limit break continued before it was corrected (or whether the limit break remains uncorrected at the time of the report);
- the steps taken, or to be taken, by the Manager to correct the limit break;
- what steps (if any) have been taken, or will be taken, to minimise risk of a recurrence of this type of limit break or to ensure early notification and correction of limit breaks of this type; and
- the timeframe within which the Manager intends to take any steps not already taken under the preceding bullet points.

## Responsible investment

Responsible investment, including environmental, social and governance considerations, is taken into account in the investment policies and procedures of the Scheme as follows:

- Before we make a direct investment for the Scheme, we assess whether, in our opinion, the relevant entity is directly engaged in any of the following activities:
  - the manufacture of cluster munitions
  - the manufacture or testing of nuclear explosive devices
  - the manufacture of anti-personnel mines
  - the manufacture of tobacco products
  - the processing of whale meat

If our assessment is that the entity is directly engaged in any of those activities, then we don't make the investment.

We will make our assessment based on the framework made available by the NZ Super Fund (see [www.nzsuperfund.co.nz/how-we-invest/responsible-investment](http://www.nzsuperfund.co.nz/how-we-invest/responsible-investment)). We will ensure that none of our direct investments are on the NZ Super Fund's exclusion list because of engagement in any of those activities at the time of purchase.

- If we make a direct investment and subsequently form the view that the relevant entity is directly engaged in any of the activities listed above, we will sell the investment in a reasonable timeframe. We will check our direct investments against the most recently published NZ Super Fund exclusion list at least monthly.

- Before the Scheme invests into an underlying managed investment scheme that we don't manage, we will consider the responsible investment framework for that scheme. We will seek to invest in underlying schemes with responsible investment frameworks comparable to ours, where we can do that without compromising our other investment objectives. At the end of each quarter, we will make available on [www.summer.co.nz](http://www.summer.co.nz) a list of any of the underlying scheme's direct investments (as are available to us) where we consider that the relevant entity is directly engaged in any of the activities above (based on the NZ Super Fund's exclusion list at that time).
- If the Scheme invests into an underlying managed investment scheme that we manage, we will follow the process above for that scheme's direct investments and investments into underlying managed investment schemes.

## Monitoring

### Investment Performance

The Manager's Head of Funds Management monitors investment performance daily by reviewing each fund's unit price, which will reflect any significant changes in the value of individual assets held by the fund.

Investment performance is formally calculated (using information provided by an external administration manager) and reported on at the end of each month. The reports set out investment performance on a monthly, quarterly, one year, two year, three year and since inception basis, and include gross and net absolute returns. The reports compare performance against appropriate performance benchmarks for comparative purposes only. Also included in monthly reports is each fund's Risk Indicator.

The investment performance reports are provided to the Board, the Funds Management Oversight Committee and the supervisor.

The Funds Management Oversight Committee and the Board each meet at least every two months to, amongst other things, consider the Scheme's investment performance.

### Compliance

The Manager's Head of Funds Management monitors compliance with this SIPO by reviewing daily reports setting out compliance (or non-compliance) for the previous day with:

- target asset allocation ranges;
- permitted investments; and
- investment restrictions.

If the Manager has breached this SIPO, the Board, and the members of the Compliance Committee are notified by email.

As part of its Compliance Assurance Programme Forsyth Barr's Compliance Team provides assurance that this monitoring is working as intended and is effective by carrying out, on a sample basis, re-performance of the Head of Funds Management's compliance monitoring.

The Compliance Committee meets every month to, amongst other things, consider the Scheme's compliance with this SIPO, and compliance monitoring reports from the Compliance Team.

The Board meets at least every two months to, amongst other things, consider the Scheme's compliance with this SIPO.

## Risk Management

### Counterparty Risk Management

#### **Meaning of Counterparty Risk**

Counterparty risk is the risk that a party to a contract defaults or is otherwise unable to fulfil its obligations. If this occurs, the full amount invested may be lost or the affected fund may otherwise be negatively affected.

#### **Management of Counterparty Risk**

The Manager will manage counterparty risk by restricting exchange-traded derivative transactions to counterparties that use payment and security delivery platforms approved by the Manager. The Manager also restricts over-the-counter derivative transactions to counterparties that have executed satisfactory legal documentation and have a Standard & Poor's credit rating of A or better.

The Manager will also manage counterparty risk by assessing a counterparty's effectiveness, cost efficiency, execution quality and other business practices and conduct prior to appointing the counterparty to the list of authorised counterparties that the Manager may trade with, and by setting limits on direct exposure to counterparties.

The Manager will monitor a counterparty's effectiveness on an ongoing basis, and formally review its appointment annually.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's counterparty risk management policy and procedures as part of its due diligence process.

### Currency Risk Management

#### **Meaning of Currency Risk**

Currency risk is the risk that movements in foreign exchange rates impact the New Zealand dollar value of offshore investments, meaning that returns from offshore investments could be reduced if the New Zealand dollar strengthens against the currency in which an investment is denominated. This will affect all funds with foreign currency assets.

#### **Use of Foreign Exchange Hedging**

The Manager will manage currency risk by using foreign exchange hedging, which may include foreign currency transactions executed in the spot, forward or over-the-counter options market and investments in vehicles offered by external investment managers that incorporate foreign exchange hedging.

Foreign exchange hedging may only be used where such use is consistent with the investment strategy for the fund set out in this SIPO. In particular, foreign exchange hedging may only be used for a purpose, and in compliance with the restrictions, set out in this SIPO.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's currency risk management policy and procedures as part of its due diligence process.

## Liquidity Risk Management

### Meaning of Liquidity Risk

Liquidity risk is the risk that an investment cannot be sold at the required time, due to a lack of a liquid market for that security. This may result in the investment being worth less than its fair value, the return from the investment being less than expected, or affected funds being unable to process withdrawals.

### Management of Liquidity Risk

The Manager will manage liquidity risk by continuously monitoring forecast and actual cash flows, and maintaining sufficient cash holdings to meet potential payment obligations that may arise at short notice. In addition, the Manager will take reasonable steps to ensure that investments made directly by the Manager are able to be partly or fully liquidated within five business days.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's liquidity risk policy and procedures as part of its due diligence process.

## Market Risk Management

### Meaning of Market Risk

Market risk is the risk of the value of a fund's investments being affected by developments in economies and financial markets (such as changes in market sentiment, inflation, interest rates and employment), and regulatory and political conditions. This could result in reduced returns or capital being lost.

### Management of Market Risk

The Manager will manage market risk by only making investments that are consistent with the investment strategy for the fund set out in this SIPO. In particular, the Manager will only make an investment for a purpose, and in compliance with the restrictions, set out in this SIPO.

This SIPO will:

- adopt a target asset allocation for each fund consistent with the fund's investment objective; and
- avoid concentration of risk by ensuring adequate diversification between and within asset classes.

The Manager will ensure that key staff involved in investment decisions will have sufficient relevant skills, experience and training to meet the Manager's professional standard of care.

The Manager will regularly stress test its investment strategies and discuss the results with the supervisor.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's market risk management policy and procedures as part of its due diligence process.

## Operational Risk Management

### Meaning of Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

### Management of Operational Risk

The Manager will:



- maintain an operational risk framework which covers risk and control assessment, policy and compliance management, incident management (including breach reporting), governance and risk reporting;
- appoint a custodian to separate the investment function (undertaken by the Manager) from the transaction settlement, safekeeping, recording and reporting functions (undertaken by the custodian);
- maintain a business continuity plan; and
- maintain a fraud minimisation plan.

The Manager's and outsource providers' compliance with internal controls and processes will be monitored through a self-assessment process, and the results of the assessment will be reported to the Compliance Committee.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's operational risk management policy and procedures as part of its due diligence process.

## Trade Execution and Trade Allocation

### Execution of Trades

When determining the priority of execution of trades, the Manager will act in the best interests of the Scheme's members, taking into account the following factors:

- price, including transaction costs;
- speed of execution;
- the counterparty's status and reputation;
- size and nature of the order; and
- any other relevant considerations.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's trade execution policy and procedures as part of its due diligence process.

### Allocation of Trades

When allocating trades, the Manager will act in the best interests of the Scheme's members, applying the following principles:

- all proposed trades must be pre-allocated;
- actual allocation must follow the pre-trade allocation;
- in the unlikely event that a trade is not fully allocated, actual allocation must follow a pro-rata based on the pre-trade allocation; and
- no fund will receive preferential allocation treatment over another.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's trade allocation policy and procedures as part of its due diligence process.

## Voting

The Manager will exercise its voting power in relation to any of the Scheme's assets when the Manager considers that it is in the best interests of the Scheme's members to do so. Decisions as to whether and how to vote will be made on a case by case basis.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's voting policy and procedures as part of its due diligence process.

## Review

The Head of Funds Management will review this SIPO annually.

The Head of Funds Management will undertake an ad hoc review of this SIPO if changes in market conditions necessitate changes to either:

- the nature or type of investments that can be made and any limits on those; or
- any limits on the proportion of each type of asset invested in.

The Head of Funds Management will report to the Board as to the outcome of his/her review, together with any proposed changes to this SIPO.

The Board will consider the Head of Funds Management's report and may approve the changes to this SIPO.

If any changes are made to this SIPO then notice will be given to the supervisor, and the Scheme's register entry will be updated accordingly.

The most current version of this SIPO is available on the Disclose Register for managed investment schemes under the Financial Markets Conduct Act 2013 at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).