



Squirrel Investment Funds

Statement of Investment Policy and Objectives

Investment Management by Squirrel Money Limited

Effective date: 11 December 2024

Issued by FundRock NZ Limited

A. Description of the managed investment scheme

The Squirrel Investment Funds (“Scheme”) is a managed investment scheme. The Scheme offers one investment fund, the Squirrel Monthly Income Fund (“Fund”). The Fund is designed to provide investors with a regular income return generated through exposure to a diversified portfolio of loans predominately secured against registered first mortgages on residential property across New Zealand, but it includes exposure to other loans and forms of security.

B. Roles and responsibilities

FundRock NZ Limited (“FundRock”) is the licensed manager (“Manager”) of the Scheme. The Manager’s key roles and responsibilities are:

- Preparation of disclosure material.
- Establishing, reviewing and maintaining this Statement of Investment Policy and Objectives (“SIPO”).
- The ongoing management and oversight of the Funds. This includes appointing, managing and monitoring specialist providers for:
 - fund administration, and
 - Investment management.
- Monitoring investment performance and outcomes.

Squirrel Money Limited (“Squirrel”) is the Scheme’s investment manager (“Investment Manager”) and is responsible for making decisions about what the Scheme invests in, in accordance with this SIPO. The Scheme is invested in accordance with Squirrel’s investment philosophy and process as outlined below.

Key fund administration functions, being registry, fund accounting, and unit pricing, are currently performed by Adminis NZ Limited (“Adminis”).

Public Trust is the Scheme’s Supervisor. The Supervisor is responsible for supervision of the Manager and the Scheme, including:

- acting on behalf of the Fund’s investors in relation to the Manager and any contravention of the Manager's issuer obligations;
- supervising the performance by the Manager of its functions and the financial position of the Manager and the Scheme; and
- holding the Scheme property or ensuring the assets are held in accordance with applicable legislative requirements. Adminis has been appointed by the Supervisor as custodian for the Fund.

C. Investment philosophy

As Investment Manager, Squirrel will establish, maintain and actively manage exposure to a broad range of loans that are secured by registered first mortgage and focused on the New Zealand residential market, for the purpose of providing a steady income stream to the Fund. This loan exposure will be diversified across a range of maturity dates, interest rates and physical locations of the mortgaged properties to mitigate loan default risk.

D. Fund investment objectives and strategies

The investment objective and strategy for the Fund are:

Objective

The Fund aims to provide an annual return, after fees and before tax, that outperforms the 1 Year New Term Deposit Rate (>\$10k) by a margin of 2.00%. This is achieved through obtaining exposure to a diversified portfolio of actively managed loans predominately secured against registered first mortgages on residential property across New Zealand.

Investment Strategy

The Fund strategy provides investors exposure to loans made to New Zealand residential property homeowners by investing in the Squirrel Wholesale Construction Loan Fund and the Squirrel Wholesale Home Loan Fund (“Underlying Funds”), which are part of the Squirrel Wholesale Investment Funds scheme (“Squirrel Wholesale Funds”). Each Underlying Fund invests in a diversified range of New Zealand loans in their respective target loan class, i.e. construction and home loans. The Underlying Funds obtain their loan exposure by investing via the Squirrel peer-to-peer (“P2P”) platform, where they can invest in either a portion of a loan (a fractional loan), or an entire loan (a whole loan). The Fund may also invest in cash and cash equivalent assets. The investment strategy and asset allocation ranges are set in order for the Fund to achieve its desired return profile and will be reviewed on an annual basis (or when material changes occur).

The underlying loans to which the Fund has exposure have a diverse range of loan features and purposes including:

- Lending to a business or person to build a residential dwelling(s) for sale on completion;
- Lending to a business or person to land bank for future development;
- Home loans for older borrowers with a clear exit strategy from their property;
- Bridging the purchase of a new home prior to the sale of an existing home;
- Residential construction of owner-occupied properties;
- Renovations and enhancements to existing residential property;
- A large range of borrowers;
- Predominantly in metropolitan locations;
- Range of maturity profiles (up to 7 years); and
- Floating and fixed interest rates.

Benchmark index

- Not applicable

Target asset allocation and ranges

Asset class or underlying fund	Target asset allocation %	Asset class or underlying fund range %
New Zealand income assets (including loans)		70%-100%
<ul style="list-style-type: none"> • Squirrel Wholesale Construction Loan Fund • Squirrel Wholesale Home Loan Fund 	98.5%	0% - 100%
Cash and cash equivalents	1.5%	0% - 30%

Permitted investments:

- Squirrel Wholesale Construction Loan Fund
- Squirrel Wholesale Home Loan Fund
- Cash and cash equivalents

Rebalancing policy:

- Asset allocation targets and ranges will be monitored daily. Exposures will be passively rebalanced back to the target asset allocations using cashflows. If an asset allocation moves outside its permitted range, the Investment Manager must move back within the range within 20 business days, unless prior approval is obtained from the Supervisor for the rebalancing to take a longer period of time.

Hedging policy:

- The Fund does not have a hedging policy, and it will not use risk management financial instruments.

Other

- The Fund can borrow up to 10% of the aggregate value of its investments but only for the purposes of providing short-term liquidity (for example, to temporarily fund redemptions or pay expenses).

E. Investment policies

Taxation

The Scheme has elected to be a Portfolio Investment Entity ('PIE') and is therefore taxed under the PIE regime.

The taxation implications of an investment method, such as holding assets directly or investing in a managed investment scheme, are taken into account when determining the most appropriate approach for the Fund. Note that taxation is not the sole consideration when choosing an investment method; other factors taken into account include cost and implementation feasibility. More information about the taxation of the Fund can be found in the 'Taxation' section of the Other Material Information ("OMI") document for the Scheme.

Liquidity

The liquidity risk of the Fund is assessed with reference to liquidity of the underlying assets and securities. The Manager then establishes an appropriate application and redemption frequency for the Fund.

The key objective of the Fund is to gain exposure to loans that are secured by residential mortgages, which by nature are long term investments. While the Manager will endeavour to match your request against other cashflows, immediate liquidity cannot be guaranteed. Investors are required to provide 30 calendar days written notice for redemptions. Notice starts on the first business day after receipt.

FundRock may need to delay or suspend withdrawals if there are insufficient liquid assets to meet withdrawal requests. To mitigate this risk a portion of the Fund's assets is held in liquid investments (such as on call and short-term bank deposits), as well as the Investment Manager staggering the maturity profile of the loans.

To assist liquidity, the Manager and Investment Manager have a number of tools available. These include:

- Up to 30 calendar days' notice period to provide visibility of withdrawal and to aid reinvestment decisions.
- Staggered maturity profile of the pool of loans.
- Use of the secondary market of Squirrel's P2P platform that enables the sale of loan investments where investment demand from other investors exists.
- Holding cash.

Related-party transactions

Related-party transactions, other than the types permitted under the FMC Act are prohibited.

The Fund may enter into transactions with related parties if permitted under section 174 of the FMC Act or consented to by the Supervisor under section 173(2)(a). Examples of such transactions include:

- the Funds investment in the Underlying Funds; and,
- parties related to the Fund, including the staff of Squirrel and their families, and the staff of FundRock and their families from time to time investing in the Fund.

The Manager will report such transactions by related parties to its Supervisor in accordance with section 173(2) of the FMC Act.

Trade allocations and transactions

The Fund currently invests in managed investment schemes rather than trading directly in securities.

Other relevant policies

Summaries of the key relevant policies are set out below.

Credit and Lending Policy

The purpose of this policy is to outline the credit policy, procedures and rules that Squirrel applies when originating new loans which the Underlying Funds invest into, and the Fund in turn obtains exposure to.

Squirrel has a full credit policy in place, that is signed off by the Squirrel Group Board. Squirrel's credit policy focuses on homeowners and the residential property market, in which they have deep specialist knowledge. Squirrel's lending products target niches within the homeowner and the residential property market.

Squirrel's credit policy is summarised below:

- Credit decisioning process, including:
 - Identify verification;
 - Credit checks;
 - Credit risk modelling;
 - Debt servicing ability;
 - Risk rating;
 - Quality of security offered;
 - Pre-sales;
 - Budget and Feasibility;
 - Valuation and
 - Track record (where relevant).
- Security.
- Loan value.
- Portfolio diversification.
- Loan terms.

For further information on Squirrel’s Credit and Lending Policy, refer to that particular section of the “Other Material Information” document.

Pricing and Asset Valuation Policy

The purpose of this policy is to set out how FundRock manages its unit pricing and asset valuation obligations, and the way in which FundRock exercises its discretions authorised by the Trust Deed and the Fund’s establishment documentation.

This policy also links to FundRock’s Outsourcing Policy reflecting that it outsources functions including registry, fund administration and unit pricing to third parties. In particular, the Outsourcing Policy governs how FundRock selects, monitors and undertakes ongoing due diligence on third party providers.

Within the bounds of what is reasonable and practical FundRock’s goals are to:

- Have unit prices that reflect fair, realisable value of underlying assets and liabilities.
- Ensure equitable treatment of investors entering, exiting or remaining in a Fund.
- Have a consistent and objective process for determining unit prices.
- Comply with the Scheme’s governing documents, offer documents and the law.

Conflicts of Interest and Related Party Transactions Policies

FundRock’s conflicts of interest and related party transactions policies set out the principles and procedures relating to the management of conflicts of interest within FundRock. The policies apply to all of FundRock’s directors, relevant officers, senior management, and employees.

The policy provides guidance on:

- what is meant by a conflict of interest;
- what constitutes a related party transaction; and
- how these are managed.

FundRock Investment Management Policy

FundRock’s Investment Management Policy sets out policies and procedures in relation to appointing and monitoring investment managers. In particular the policy covers:

- investment management governance;
- investment manager selection and appointment; and
- investment manager monitoring and compliance.

F. Investment performance monitoring

FundRock monitors investment performance of the Fund on a monthly basis. Performance is measured and assessed on the following basis for 1-, 3-, and 5-year periods:

- Net of fees and gross of tax return.
- Performance relative to the 1 Year New Term Deposit Rate (>\$10k) plus a margin of 2% p.a.
- Annualised standard deviation of net of fees and gross of tax return.

FundRock reports performance to the Supervisor and to the FundRock Board.

G. Investment strategy review

The FundRock Board has responsibility for oversight of the Investment Manager's performance and aims to meet at least quarterly.

The Fund is expected to be fully invested in the Underlying Funds, with a portion allocated to cash and cash equivalents for liquidity purposes. FundRock does not intend to amend the Fund's investment strategies (including its asset allocations or ranges), although amendments may be made following recommendations by the Investment Manager.

H. SIPO monitoring and review

The FundRock Board is responsible for governance oversight of the SIPO.

The Manager's compliance processes include periodic policy reviews. The SIPO is reviewed annually by FundRock management, including ensuring the investment strategy, permitted investments and asset allocation ranges remain appropriate, with the outcomes of the review reported to the FundRock Board. In addition, FundRock management may initiate an ad hoc review, with examples of events that could lead to this being:

- the investment manager recommending changes to the SIPO;
- a change in roles and responsibilities of key persons of the Manager or key service providers; and
- a permanent change in risk and return characteristics of the relevant investment market.

SIPO reviews take into account the views of FundRock and the Investment Manager and if required the views of external experts.

The Manager can make changes to the SIPO in accordance with the Trust Deed and the FMC Act. Before making changes to the SIPO, the Manager will consider if the changes are in the best interests of investors and consult with the Supervisor. Any changes to the SIPO require Board approval, as well as written approval of the Supervisor. The Manager will give notice to Fund investors before implementing any material SIPO changes.

The Manager is responsible for monitoring adherence to the SIPO and reporting any breaches to the FundRock Board and the Supervisor.

The current version of this SIPO, and other useful information about this offer, is available on <http://www.companiesoffice.govt.nz/disclose>.

This SIPO was approved by the FundRock Board on 11 December 2024 and takes effect on 12 December 2024.