

# Statement of Investment Policy and Objectives

## Forsyth Barr Investment Funds

Approver: Forsyth Barr Investment Management Limited Board

Owner: Co - Heads of Funds Management

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## Document History

Version	Date	Changes
1.0	9 August 2016	SIPO adopted.
1.1	2 September 2016	Adjustments to asset allocations for NZ Equities and Australian Equities Funds.
1.2	19 September 2016	Addition of responsible investment information.
1.3	3 October 2017	<p>Amendments to permitted investments and investment restrictions of the New Zealand Equities Fund, Global Equities Fund, Australian Equities Fund and Listed Property Fund.</p> <p>Amendments to permitted investments of the NZ Fixed Interest Fund and Premium Yield Fund.</p> <p>Adjustments to Global Equities Fund and Listed Property Fund target asset allocation ranges.</p> <p>Additional statement on foreign currency hedging within underlying funds for the Australian Equities Fund, Global Equities Fund, Listed Property Fund and Premium Yield Fund.</p> <p>Additional statement on compliance with limits and regulations for all funds.</p>
1.4	23 May 2018	<p>Changes to the comparative market indices of the Global Equities Fund and Australian Equities Fund to include currency hedging, plus updated information on the variant of the market index used by the Global Equities Fund.</p> <p>Amendments to the New Zealand Equities Fund and Listed Property Fund 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>

1.5	11 December 2020	<p>Addition of three new funds – Income Fund, Balanced Fund and Growth Fund</p> <p>Amendments to NZ Fixed Interest Fund on its closure to new applications.</p> <p>Renaming of the Premium Yield Fund as the New Zealand Fixed Interest Fund and amendments to the fund’s previous investment objective and other associated information.</p> <p>Amendments to the asset allocation ranges and investment restrictions of the Australian Equities Fund and Global Equities Fund; amendments to the investment restrictions of the New Zealand Equities Fund and Listed Property Fund.</p> <p>The scheme can borrow for specific purposes</p> <p>Alteration of document format and other non-material editorial changes.</p>
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## Background & Description of the Forsyth Barr Investment Funds

The Forsyth Barr Investment Funds is a managed investment scheme registered under the Financial Markets Conduct Act 2013. The Forsyth Barr Investment Funds provides investors with access to a range of single asset class funds and multi-asset class funds (together, the funds).

Forsyth Barr Investment Management Limited (Manager) is the manager of the Forsyth Barr Investment Funds and must ensure that there is a Statement of Investment Policy and Objectives (SIPO) that adequately describes the investment policies and objectives of the Forsyth Barr Investment Funds. 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 and procedures documents maintained by the Manager.

## Objective

The purpose of this SIPO is to set out the investment policy and objectives of the Forsyth Barr Investment Funds.

## Responsibilities

### Decision Making Framework

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

	<i>Plan</i>		<i>Implement</i>		
	<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 of each fund; and
- approving the appointment or termination of any external administration manager, any external investment manager, and any other outsource providers to the Manager.

## 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 Forsyth Barr Investment Funds;
- 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.

## **Co-Heads of Funds Management**

The Co-Heads of Funds Management are responsible for the day-to-day investment management of the Forsyth Barr Investment Funds 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 Forsyth Barr Investment Funds' investment performance; and
- monitoring the Forsyth Barr Investment Funds' compliance with this SIPO and the investment policies.

## **Administration Manager**

Forsyth Barr Limited has been appointed 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 Forsyth Barr Investment Funds' financial position to assess whether they are adequate.

The name and contact details for the supervisor are set out in the Forsyth Barr Investment Funds' 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 Forsyth Barr Investment Funds' assets on behalf of investors.

The name and contact details for any custodian are set out in the Forsyth Barr Investment Funds' PDS



## Fund Management

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The Forsyth Barr Investment Funds offers investors the option to invest in the following actively managed funds from our range of single asset class funds and multi-asset class funds. The multi-asset class funds generally have an exposure to a greater number of asset classes when compared to the single asset class funds.

### Single Asset Class Funds

The following funds are single asset class funds

- Forsyth Barr Australian Equities Fund
- Forsyth Barr Global Equities Fund
- Forsyth Barr Listed Property Fund
- Forsyth Barr New Zealand Equities Fund
- Forsyth Barr NZ Fixed Interest Fund (Closed) Note: not open for applications
- Forsyth Barr New Zealand Fixed Interest Fund

### Multi-Asset class funds

The following funds are multi-asset class funds

- Forsyth Barr Income Fund
- Forsyth Barr Balanced Fund
- Forsyth Barr Growth 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.

### Permitted Investments

In addition to each of the funds' specific permitted investments, each of the funds may gain investment exposure by investing directly, or indirectly into an underlying managed investment scheme (which may also be managed by the Manager).

The Manager may also, after consultation with the supervisor of the funds, invest in other assets that the Manager considers appropriately reflect the risk profile of the funds and will contribute to the performance objectives of the funds.

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### Foreign Currency Hedging

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

The Manager actively manages the fund's foreign currency exposure associated with international and Australian equities and generally hedges the foreign currency exposure associated with international fixed interest. This is achieved through foreign currency hedging. The funds' foreign currency hedging strategy is established by the Board and implemented by the Co-Heads 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.

### **Risk Indicator**

The funds' risk indicators are a historic measure of the volatility of the funds' returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the funds are available in the most recent Fund Update published for the funds.

### **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 funds do not undertake tactical asset allocation outside of permitted ranges.

### **Rebalancing**

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

The single asset class funds are generally close to fully invested in the relevant asset class, which means that they do not have to undertake rebalancing.

The multi-asset class funds may undertake rebalancing so that actual asset allocation matches desired asset allocation. Any rebalancing is at the discretion of the Manager.

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

Where the funds invest in underlying managed investment schemes, the Manager will aggregate its interests in the investment scheme's underlying investments (as made available by any external investment manager) with its own investments for the purposes of assessing compliance with the funds' target asset allocation ranges, and other limits and restrictions. Derivatives may be used by the manager of an underlying managed investment scheme.

### **Derivatives**

The funds may use derivatives where the Manager considers doing so is consistent with the funds' risk profile and will contribute to the performance objectives of the funds. Derivatives may be used by the manager of an underlying investment scheme.

### **Borrowing**

The funds may only borrow to facilitate investor-initiated activity (switches and redemptions) and for the payment of fund expenses.

## Compliance with limits and restrictions

If the funds move outside a target asset allocation range or cease to comply with any other limit or restriction,

there is no breach of that limit or restriction if the fund returns to compliance within 7 business days.

## Forsyth Barr Australian Equities Fund

### Description of the Fund

The Forsyth Barr Australian Equities Fund is a single asset class fund.

### Investment Objective

The Forsyth Barr Australian Equities Fund's investment objective 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.

### Benchmark

The Forsyth Barr Australian Equities Fund 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.

### Investment Strategy

#### Target Asset Allocation

The Forsyth Barr Australian Equities Fund's target asset allocation and target asset allocation ranges are set out in the table below:

Asset Class	Target	Range
Cash and cash equivalents	5%	0% - 20%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	85%	80% - 100%
International equities	-	0% - 20%
Listed property	10%	0% - 20%
Unlisted property	-	-
Commodities	-	-
Other	-	-

#### Permitted Investments

The Forsyth Barr Australian Equities Fund 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.

### **Investment Restrictions**

The following investment restrictions apply to the Forsyth Barr Australian Equities Fund:

- investment in any one entity or financial product may not be more than 25% of the value of the fund's assets;
- 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.

## **Forsyth Barr Global Equities Fund**

### **Description of the Fund**

The Forsyth Barr Global Equities Fund is a single asset class fund.

### **Investment Objective**

The Forsyth Barr Global Equities Fund's investment objective 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.

### **Benchmark**

The Forsyth Barr Global Equities Fund 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.

### **Investment Strategy**

#### **Target Asset Allocation**

The Forsyth Barr Global Equities Fund's target asset allocation and target asset allocation ranges are set out in the table below:

<b>Asset Class</b>	<b>Target</b>	<b>Range</b>
Cash and cash equivalents	10%	0% - 20%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	-	0% - 20%

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

International equities	90%	80% – 100%
Listed property	–	0% – 10%
Unlisted property	–	–
Commodities	–	–
Other	–	–

### ***Permitted Investments***

The Forsyth Barr Global Equities Fund 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.

### ***Investment Restrictions***

The following investment restrictions apply to the Forsyth Barr Global Equities Fund:

- investment in any one entity or financial product may not be more than 25% of the value of the fund's assets; and
- investments in unlisted financial products the Manager expects to be listed on one or more recognised international securities exchanges within 12 months of purchase may not in aggregate be more than 10% of the value of the fund's assets.

## **Forsyth Barr Listed Property Fund**

### **Description of the Fund**

The Forsyth Barr Listed Property Fund is a single asset class fund.

### **Investment Objective**

The Forsyth Barr Listed Property Fund's investment objective 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.

### **Benchmark**

The Forsyth Barr Listed Property Fund 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.

### **Investment Strategy**

#### ***Target Asset Allocation***

The Forsyth Barr Listed Property Fund’s target asset allocation and target asset allocation ranges are set out in the table below:

<b>Asset Class</b>	<b>Target</b>	<b>Range</b>
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***

The Forsyth Barr Listed Property Fund 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.

### ***Investment Restrictions***

The following investment restrictions apply to the Forsyth Barr Listed Property Fund:

- investment in any one entity or financial product may not be more than 25% of the value of the fund’s assets.
- 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.

## **Forsyth Barr New Zealand Equities Fund**

### **Description of the Fund**

The Forsyth Barr New Zealand Equities Fund is a single asset class fund.

## Investment Objective

The Forsyth Barr New Zealand Equities Fund's investment objective 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.

## Benchmark

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

## Investment Strategy

### *Target Asset Allocation*

The Forsyth Barr New Zealand Equities Fund's target asset allocation and target asset allocation ranges are set out in the table below:

<b>Asset Class</b>	<b>Target</b>	<b>Range</b>
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*

The Forsyth Barr New Zealand Equities Fund may invest in:

- financial products listed on the NZX<sup>2</sup> and unlisted financial products the Manager expects to be listed on the NZX within 12 months of purchase; and
- cash in deposits with registered banks.

### *Investment Restrictions*

The following investment restrictions apply to the Forsyth Barr New Zealand Equities Fund:

<sup>2</sup> Where a financial product is listed on both the NZX and a non-New Zealand stock exchange the Forsyth Barr New Zealand Equities Fund may transact on either exchange.

- investment in any one entity or financial product may not be more than 25% of the value of the fund's assets; and
- investments in unlisted financial products the Manager expects to be listed on the NZX within 12 months of purchase may not in aggregate be more than 10% of the value of the fund's assets.

## Forsyth Barr NZ Fixed Interest Fund

### Description of the Fund

The Forsyth Barr NZ Fixed Interest Fund is a single asset class fund. It is closed and so not open for applications.

### Investment Objective

The Forsyth Barr NZ Fixed Interest Fund's investment objective 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.

### Benchmark

The Forsyth Barr NZ Fixed Interest Fund 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.

### Investment Strategy

#### Target Asset Allocation

The Forsyth Barr NZ Fixed Interest Fund's target asset allocation and target asset allocation ranges are set out in the table below:

Asset Class	Target	Range
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**

The Forsyth Barr NZ Fixed Interest Fund may, subject to the ranges set out below, invest in:

<b>Investment</b>	<b>Range</b>
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.

**Investment Restrictions**

The Forsyth Barr NZ Fixed Interest Fund'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 Forsyth Barr NZ Fixed Interest Fund's assets.

**Forsyth Barr New Zealand Fixed Interest Fund****Description of the Fund**

The Forsyth Barr New Zealand Fixed Interest Fund is a single asset class fund.

**Investment Objective**

The Forsyth Barr New Zealand Fixed Interest Fund's investment objective is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected New Zealand debt and debt-like securities, subject to the risks associated with investments in debt markets.

**Benchmark**

The Forsyth Barr New Zealand Fixed Interest Fund 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.

## Investment Strategy

### Target Asset Allocation

The Forsyth Barr New Zealand Fixed Interest Fund's target asset allocation and target asset allocation ranges are set out in the table below:

Asset Class	Target	Range
Cash and cash equivalents	5%	0% – 15%
New Zealand fixed interest	95%	0% – 100%
International fixed interest	0%	0% – 100%
Australasian equities	–	–
International equities	–	–
Listed property	–	–
Unlisted property	–	–
Commodities	–	–
Other	–	–

### Permitted Investments

The Forsyth Barr New Zealand Fixed Interest Fund may, subject to the ranges below, invest in:

Investment	Range
Cash and cash equivalents	0% – 15%
New Zealand Government debt securities	0% – 100%
Overseas Government or supranational debt securities	0% – 50%
New Zealand Local Government Funding Agency debt securities	0% - 50%
State-owned enterprise and local authority 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.

### Investment Restrictions

The Forsyth Barr New Zealand Fixed Interest Fund'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.

## Forsyth Barr Income Fund

### Description of the fund

The Forsyth Barr Income Fund is a multi- asset class fund.

### Investment Objective

The Forsyth Barr Income fund's investment objective is to pay distributions, while maintaining its capital value over the long-term, 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.

### Benchmark

The Forsyth Barr Income Fund has no benchmark, however for comparative purposes only, the fund's performance may be considered in relation to the following market indices.

(1) The S&P/NZX Bank Bills 90-Day Index, which generally reflects 3-month bank term deposit rates of domestic major banks; and,

(2) The indices used to measure the performance of each asset class that the Forsyth Barr Income Fund is permitted to invest in. A weighted average return is calculated; we multiply the index return by the target asset allocation for the Forsyth Barr Income Fund.

As the fund's investments typically have greater risk than term deposits in general, the Forsyth Barr Income Fund's market index is calculated using a composite index as described above, under the description of the Benchmark using option (2).

### Investment Strategy

#### Target Asset Allocation

The Forsyth Barr Income Fund's target asset allocation and target asset allocation ranges are set out in the table below:

	Target	Range
Cash and cash equivalents	5%	0% – 50%
New Zealand fixed interest	20%	0% - 50%
International fixed interest	20%	0% - 50%
Australasian equities	40%	0% – 70%
International equities	0%	0% – 20%
Listed property	15%	0% - 50%
Unlisted property	-	-

Commodities	-	-
Other	-	-

### ***Permitted Investments***

The Forsyth Barr Income Fund may invest into any financial product that would be a permitted investment for any of the single asset class funds. Where there is no equivalent single asset class fund, permitted investments are detailed in the Schedule.

### ***Investment Restrictions***

The investment restrictions applicable to each of the single asset class funds apply to the relevant asset classes that the Forsyth Barr Income Fund is permitted to invest in to. Where there is no equivalent single asset class fund, investment restrictions are detailed in the Schedule. On-call investments held in the Forsyth Barr Income Fund's transactional bank account of up to an aggregate value of \$2 million are not subject to any investment restrictions.

## **Forsyth Barr Balanced Fund**

### **Description of the fund**

The Forsyth Barr Balanced Fund is a multi- asset class fund.

### **Investment Objective**

The Forsyth Barr Balanced Fund's investment objective is to achieve positive long-term 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.

### **Benchmark**

The Forsyth Barr Balanced Fund has no benchmark, however for comparative purposes only, the fund's 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 Forsyth Barr Balanced Fund is permitted to invest in. A weighted average return is calculated; we multiply the index return by the target asset allocation for the Forsyth Barr Balanced Fund.

### **Investment Strategy**

#### ***Target Asset Allocation***

The Forsyth Barr Balanced Fund's target asset allocation and target asset allocation ranges are set out in the table below:

	<b>Target</b>	<b>Range</b>
Cash and cash equivalents	10%	0% – 50%
New Zealand fixed interest	22%	0% - 50%
International fixed interest	11%	0% - 50%

Australasian equities	30%	0% – 70%
International equities	20%	0% – 50%
Listed property	7%	0% - 50%
Unlisted property	–	–
Commodities	–	–
Other	–	–

### ***Permitted Investments***

The Forsyth Barr Balanced Fund may invest into any financial product that would be a permitted investment for any of the single asset class funds. Where there is no equivalent single asset class fund, permitted investments are detailed in the Schedule.

### ***Investment Restrictions***

The investment restrictions applicable to each of the single asset class funds apply to the relevant asset classes that the Forsyth Barr Balanced Fund is permitted to invest in to. Where there is no equivalent single asset class fund, investment restrictions are detailed in the Schedule.

On-call investments held in the Forsyth Barr Balanced Fund’s transactional bank account of up to an aggregate value of \$2 million are not subject to any investment restrictions.

## **Forsyth Barr Growth Fund**

### **Description of the fund**

The Forsyth Barr Growth Fund is a multi- asset class fund.

### **Investment Objective**

The Forsyth Barr Growth Fund’s investment objective is to achieve positive long-term 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.

### **Benchmark**

The Forsyth Barr Growth Fund has no benchmark, however for comparative purposes only, the fund's 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 Forsyth Barr Growth Fund is permitted to invest in. A weighted average return is calculated; we multiply the index return by the target asset allocation for the Forsyth Barr Growth Fund.

### **Investment Strategy**

#### ***Target Asset Allocation***

The Forsyth Barr Growth Fund’s target asset allocation and target asset allocation ranges are set out in the table below:

	<b>Target</b>	<b>Range</b>
Cash and cash equivalents	5%	0% – 50%
New Zealand fixed interest	12%	0% - 50%
International fixed interest	6%	0% - 50%
Australasian equities	37%	0% – 70%
International equities	30%	0% – 50%
Listed property	10%	0% - 50%
Unlisted property	-	-
Commodities	-	-
Other	-	-

### ***Permitted Investments***

The Forsyth Barr Growth Fund may invest into any financial product that would be a permitted investment for any of the single asset class funds. Where there is no equivalent single asset class fund, permitted investments are detailed in the Schedule.

### ***Investment Restrictions***

The investment restrictions applicable to each of the single asset class funds apply to the relevant asset classes that the Forsyth Barr Growth Fund is permitted to invest in to. Where there is no equivalent single asset class fund, investment restrictions are detailed in the Schedule.

On-call investments held in the Forsyth Barr Growth Fund’s transactional bank account of up to an aggregate value of \$2 million are not subject to any investment restrictions.

## **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 any external investment manager is undertaken by the Co-Heads of Funds Management. When reporting to the Board, the Co-Heads 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 in 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 Forsyth Barr Investment Funds and the relevant fund, and take into account the following factors:

- the size of the breach in relation to the Forsyth Barr Investment Funds 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 Forsyth Barr Investment Funds or a fund, or an advertisement relating to the Forsyth Barr Investment Funds 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 Forsyth Barr Investment Funds 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 Forsyth Barr Investment Funds as a whole and in respect of the fund within the Forsyth Barr Investment Funds 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

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

- Before we make a direct investment for a fund, 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 a fund 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 our website 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 a fund invests into an underlying managed investment scheme that we manage, we will follow the process above for the fund's direct investments and investments into underlying managed investment schemes.

## Monitoring

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### Investment Performance

The Manager's Co-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 Forsyth Barr Investment Funds' investment performance.

### Compliance

The Manager's Co-Heads 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 Co-Heads of Funds Management's compliance monitoring.

The Compliance Committee meets every month to, amongst other things, consider the Forsyth Barr Investment Funds' 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 Forsyth Barr Investment Funds' compliance with this SIPO.

## Risk Management

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### 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 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 investment sectors.

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**

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### **Execution of Trades**

When determining the priority of execution of trades, the Manager will act in the best interests of investors in the Forsyth Barr Investment Funds, 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 investors in the Forsyth Barr Investment Funds, 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

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The Manager will exercise its voting power in relation to any of the Forsyth Barr Investment Fund's assets when the Manager considers that it is in the best interests of investors in the Forsyth Barr Investment Funds 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

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The Co-Heads of Funds Management will review this SIPO annually.

The Co-Heads 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 Co-Heads 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 Co-Heads 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 Forsyth Barr Investment Fund'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).

## Schedule

### Permitted Investments and Investment Restrictions

That portion of the multi-asset class funds that is allocated to the asset class of cash has the target asset allocation and target asset allocation ranges as set out in the table below:

<b>Asset Class</b>	<b>Target</b>	<b>Range</b>
Cash and cash equivalents	75%	50% – 100%
New Zealand Fixed Interest	25%	0% – 50%
International Fixed Interest	–	–
Australasian Equities	–	–
International Equities	–	–
Listed Property	–	–
Unlisted property	–	–
Commodities	–	–
Other	–	–

and is permitted to invest in the following debt and debt-like securities:

<b>Investment</b>	<b>Range</b>
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%

### Investment Restrictions

An investment of the cash portion of the multi-asset class funds 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 cash portion of the multi-asset class fund's assets.

### Permitted Investments

That portion of the multi-asset class funds that is allocated to the asset class of international fixed interest has the target asset allocation and target asset allocation ranges as set out in the table below:

<b>Asset Class</b>	<b>Target</b>	<b>Range</b>
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	-	-

and is permitted to invest in the following debt and debt-like securities:

<b>Investment</b>	<b>Range</b>
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%

### **Investment Restrictions**

An investment of the international fixed interest portion of the multi-asset class funds 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 international fixed interest portion of the multi-asset class fund's assets.