

AE KiwiSaver Plan

Statement of Investment Policy And Objectives - SIPO

Issued by AE KiwiSaver Limited

Dated 18 July 2024

This document replaces the Statement of Investment Policy and Objectives dated 8 December 2022.

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on <https://companies-register.companiesoffice.govt.nz/>. AE KiwiSaver Limited *, has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you make an investment decision.

*Formerly known as Amanah KiwiSaver Limited

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INTRODUCTION

This Statement of Investment Policies and Objectives (SIPO) sets out the Investment objectives, philosophies, and strategy for AE KiwiSaver Plan .

The Manager of the Scheme is AE KiwiSaver Limited (company number: 4674859) (Manager), a subsidiary of Always-Ethical Limited.

AE KiwiSaver Plan is governed by a trust deed between AE KiwiSaver Limited (the Manager) and Trustees Executors Limited (TE, the Supervisor). Your investments are held by the Supervisor's Custodial Division.

Trustees Executors Limited is independent from the Manager and Always-Ethical Limited.

The assets of AE KiwiSaver Plan are not available to meet the liabilities of any other fund.

No KiwiSaver funds are guaranteed by the New Zealand government or any other person.

KiwiSaver funds for an 18-year-old, are a 47-year investment maturing at the age of 65. The maturity date is set by the government and could change if government policies changed.

The effective date of this SIPO is 18 July 2024.

DESCRIPTION OF SCHEME

AE KiwiSaver Plan (the Scheme) is registered under the Financial Markets Conduct Act 2013 (FMC) as a KiwiSaver scheme under the KiwiSaver Act 2006.

HOW DOES IT WORK

KiwiSaver is a voluntary work-based savings initiative to help you save for your retirement. The Fund receives contributions from the member, the member's employer and the government. The employer and government contributions are set by legislation.

WHAT ARE THE BENEFITS?

AE KiwiSaver Plan has a unique Strict Ethical Mandate that defines its investment objectives, philosophy and strategies.

INVESTMENT OBJECTIVES

AE KiwiSaver Plan has clear objectives:

- i) To comply at all times with its Strict Ethical Mandate.
- ii) To actively manage risk for the Investors as the market requires.
- iii) Applying (i) and (ii) to provide long term growth for the benefit of Investors.
- iv) It is a long-term fund.

AE KiwiSaver Plan believes Investors need certainty to understand the philosophical aims and has developed a plain English statement called "The Strict Ethical Mandate" which is unique to AE.

INVESTMENT STRATEGY

AE KiwiSaver Plan invests in units in AE Investor and/or cash.

AE Investor is a unit trust managed by Always-Ethical Limited.

AE Investor applies an “Absolute Return” style of active management while adhering to its Strict Ethical Mandate. The manager describes the Fund as aggressive as it may have 90% – 100% of its assets invested in equities.

AE Investor invests in up to 50 US stocks listed on the New York Stock Exchange (NYSE) or Nasdaq or may hold Cash in either USD or NZD.

Part of AE Investor’s investment strategy is to manage volatility by rebalancing equity and cash holdings. The balance may change depending on market events and AE Investor’s view of the market.

In times of market uncertainty AE Investor may sell equities and hold high cash levels, thereby taking a more conservative position. AE Investor will then look for opportunities to deliver long term growth by buying at prices below the future market price potential of the stock.

INVESTMENT PHILOSOPHY

AE KiwiSaver Plan invests in AE Investor, a unit trust that complies with its Strict Ethical Mandate or holds cash in NZD or USD.

AE Investor was expressly designed to meet the investment requirements of AE KiwiSaver Fund and its AE KiwiSaver Plan.

- It complies with AE KiwiSaver Plan’s Strict Ethical Mandate.
- It is actively managed.
- It manages risk for its Investors, including AE KiwiSaver Plan.
- It invests in strong balance sheet companies listed on the NYSE and Nasdaq.
- It selects and manages its investments - no outsourcing.
- Compliance with the Strict Ethical Mandate is checked daily.
- It is based in New Zealand.
- It is managed by the same team that manages AE KiwiSaver Plan.
- It is a long-term investment.
- All investments are made on a five-year horizon.
- Ordinary share investments are required to meet the financial ratios below. Investments are permitted to have up to 5% of the prohibited investments below. If a share is purchased and later if the prohibited activity of that company exceeds 5%, the Investment is sold on the next trading day.

To keep the ordinary shares investments permitted, all dividends are purified for non-permissible income by the donation of part of the dividend (less than 5% of the dividend) to a charity for the poor.

AE Investor is the only approved investment for AE KiwiSaver Plan. All Fund assets are held by the Custodian as Units in AE Investor or NZD cash.

Until a further investment is approved, the only investment issue for AE KiwiSaver Plan is the amount of cash it holds in NZD. This is an administrative decision (based on the upcoming cash requirement for members, i.e. maturity, first home, and other approved withdrawals under the KiwiSaver rules).

The Investment Committee can give guidance to the Management Committee as to the level of cash to be held.

STRICT ETHICAL MANDATE:

EQUITIES

Equity investments must be in companies with strong balance sheets that meet the following financial ratios:

- Interest-bearing debt less than 30%.
- Interest-bearing investments less than 30%.
- The assets of the company making or doing something for the good of humanity to exceed 67% of total assets.

Prohibited Investments: the fund itself does not invest in any of these activities. The underlying equity investments may, provided the prohibited investment is under 5% of the business activity and is appropriately purified.

Prohibited activities:

- Products whose return is based on receipt of interest. Including money lending*. *Explanation: this excludes all financial institutions, Banks, Money Lenders and Insurance Companies.
- Gambling and speculative investments*
*Explanation: this is not just a prohibition of gambling organisations like Casinos, but also excludes high-risk investment products that rely on chance for success, e.g. hedging products.
- Derivatives*
*Explanation: these are a high-risk product that rely on chance for success. These are gambling.
- Alcohol.
- Tobacco.
- Weapons of war.
- Adult entertainment.
- Gold and Silver hedging.
- Pork*.
*Explanation: This limits the investment in meat-based businesses.
- Leverage* (i.e. borrowing by the manager against investors' (your) money, not the manager's assets).
*Explanation of leverage: Leverage is a practice of many fund managers. Leverage puts your investment at an unethical risk. Leverage is absolutely prohibited.
- Fossil fuel exploration.

If an investment is suspected of not complying with the Ethical mandate, it is sold on the next trading day.

CASH

Any cash held in the Scheme is held in USD or NZD interest-free bank accounts.

Our investment philosophy, strategy, and policies all derive from the Objectives.

PURIFICATION

Purification is the method used to cleanse any investment income that may have been generated through prohibited activities (for example, alcohol). The units of AE Investor in which AE KiwiSaver Plan invests have already been purified at the AE Investor Fund level. The AE KiwiSaver Fund does not require further purification to be compliant with the Strict Ethical Mandate.

Inland Revenue may pay interest on individual member contributions which is credited to that member's accounts. This interest is non-compliant income. The payment of purification is the member's responsibility and can only be lawfully made when the member is eligible to withdraw their full investment.

If requested, we are able to provide you with a calculation of the amount of purification payment that is required to be donated to charity, however we are unable to make this payment on your behalf. Purification amounts are not intermingled with other investments.

INVESTMENT PERFORMANCE MONITORING

STRICT ETHICAL MANDATE / SIPO MONITORING

The key performance criteria is compliance with the Strict Ethical Mandate as set out in this SIPO. The methodology to ensure compliance has been explained above.

We measure performance as absolute performance:

Performance is monitored daily and reviewed by the Investment Committee at their monthly meeting. All investments are invested in accordance with AE Investors Investment Committee.

AE INVESTOR INVESTMENT COMMITTEE

The AE KiwiSaver Plan's investment risk is managed by the AE Investor Investment Committee.

The Investment Committee assesses market and other risks in accordance with its Strict Ethical Mandate at each monthly meeting. The Investment Committee also assesses the performance of individual investments, particularly when re-weighting the investment portfolio

If the Investment Committee has any concerns, it can sell the investment in whole or part.

If, when checked daily by the Management Committee with IdealRatings, a stock no longer complies with the Strict Ethical Mandate, it is sold the next trading day without regard to the future growth of the investment.

For more information see AE KiwiSaver Product Disclosure Statement ("PDS") Page 9, Strict Ethical Mandate

INVESTMENT PERFORMANCE

The Fund is an absolute return investment. This is measured by its daily unit price. The daily unit price is calculated (on an accruals basis) by the Registry and published on the website.

Internal monthly price reports are prepared and provided to the Supervisor and each quarter the price is published as part of the quarterly Fund Update filed on the Disclose Register website.

The performance of the Fund is reported as a percentage of the FUM (Funds Under Management).

Although it is an absolute return fund, AE KiwiSaver Plan also reviews the performance of the Scheme relative to major market indices, in particular, the Dow Jones Islamic Market US Index (Total Return) (DJIM US).

This index's Strict Ethical Mandate does not meet AE Investors Strict Ethical Mandate and, unlike AE Investor, does not immediately sell stocks if they become non-compliant (they rebalance quarterly rather than daily). This index also assumes the immediate re-investment of dividends in the stock that produced the dividend which is unlikely to be the Manager's practice. Furthermore, the index does not have fees, expenses or purification deducted from performance. This index is, however, the index that best meets the requirements of the FMC Regulations as at the date of this SIPO and is now used in preference to the Dow Jones Islamic Market US Index (Price Return) index which was the index the Manager used up until November 2022.

ASSET MONITORING SYSTEMS

AE KiwiSaver Plan has access to the ASL asset registry services for AE Investor via its "Sandpit" service. Examples of asset information included in the Sandpit are:

- i) Historical and current asset positions (including profit/ loss calculations) and portfolio weightings
- ii) Historical and current daily market prices of asset positions
- iii) Historical and current benchmark data (including charts)
- iv) Equities performance rankings (including returns information)
- v) Historical and current equities volatility data

The analytical team monitors the performance of the portfolio on a daily basis.

The analytical team also uses the data in the Sandpit regularly for both internal and external reporting purposes.

LIMIT BREAKS

A material breach of any limit on the nature or type of investment, or the proportion of each type of equities/sector that may be invested in, is called a limit break. Where a limit break occurs, the breach is immediately remedied and is reported to the Supervisor in the mandated form within the time required by the relevant law.

INVESTMENT STRATEGY REVIEW

The Strict Ethical Mandate is a firm commitment to members. Any substantive change to the Strict Ethical Mandate requires the approval of the members.

To be clear, that does not include changes to the plain wording of the Strict Ethical Mandate which is reviewed from time to time as the Management Committee decides. These are regarded as communication improvements, not a change to the underlying philosophy which is based on hundreds of years of philosophic and faith-based debate and teachings by the followers of Abraham.

The moral base of the Strict Ethical Mandate is a rejection of specified business activities, and of interest-based investments where the investor is paid interest as charged irrespective of the outcome of the borrower's business. It is fundamental that the investment participates in the business risk, such as holding ordinary shares.

SIPO REVIEW

A review of this SIPO is undertaken by the Management Committee as required. Any proposed changes must be approved by the Board of Directors and the Supervisor.

Reviews may arise as a result of regulatory changes; however, we do not anticipate that there will be any material changes to this SIPO.

Amended versions of the SIPO will be uploaded to the Disclose Register on the New Zealand Companies Office website <https://disclose-register.companiesoffice.govt.nz/>