



New Zealand Investment Portfolio Management Limited

Statement of Investment Policy and Objectives (SIPO)

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DESCRIPTION OF THE MANAGED INVESTMENT SCHEME

The NZIPM Tailored Portfolio Service (the Scheme) is registered under the Financial Markets Conduct Act 2013 (FMCA) as a managed investment scheme. New Zealand Investment Portfolio Management Limited (NZIPM) is the manager of the Scheme and is responsible for setting the investment objectives of the Scheme and each Portfolio.

Public Trust is the Supervisor and is responsible for monitoring NZIPM's compliance with its obligations as Manager of the Portfolios. Public Trust IPM Nominees Limited (wholly owned subsidiary of Public Trust) is the Custodian of the Scheme.

Caliber Investment Limited (Caliber) is the investment manager (Investment Manager) for the Portfolios and is responsible for selecting the underlying investments within each of the Portfolios to meet the investment objectives.

Throughout this document, the Funds are referred to as Portfolios as this is a more accurate description of the nature of the investment solution our clients use to achieve their objectives.

For retail investors, the NZIPM Tailored Portfolio Service can be accessed through a Financial Advice Provider that meets their obligations under current financial service provider regulations and is approved to act for NZIPM in terms of our compliance requirements.

Under the Scheme, clients can invest in the following:

- IPM Diversified Income Portfolio (can be invested into as a standalone Portfolio – i.e. 100%, but ideally in combination with the IPM Diversified Growth Portfolio).
- IPM Diversified Growth Portfolio (can be invested into as a standalone Portfolio – i.e. 100%, but also in combination with the IPM Diversified Income Portfolio).

IDEALLY:

- A combination of the two Portfolios is used in proportions determined by the client's needs and risk profile, in conjunction with their adviser (e.g. 50% in the IPM Diversified Income Portfolio and 50% in the IPM Diversified Growth Portfolio or whatever allocation as required).

The Portfolios (IPM Diversified Income and IPM Diversified Growth) invest into a mixture of direct securities and one or more underlying fund managers.

When the two Portfolios are combined, they work to achieve the overall risk/return objectives of that stated combination.

DESCRIPTION OF THE PORTFOLIOS

The specific objectives of each of the Portfolios are as follows. Returns are measured after all management fees but before taxation.

IPM Diversified Income Portfolio

The Portfolio's primary focus is on income returns and capital stability, rather than capital growth, and is therefore suited to a medium to long term investment time frame (minimum of 3 years but 5 years plus is recommended).

The IPM Diversified Income Portfolio invests primarily in a range of domestic and overseas interest-bearing securities e.g. cash, NZ and international fixed interest etc, either directly or indirectly. The Portfolio may also include an exposure to equities, property, and other diversified investments (e.g. multi-strategy funds) for the purpose of yield enhancement and/or increased risk exposure when appropriate.

This Portfolio is designed to give clients a low volatility (movements up and down in value) investment solution that has the potential to earn above bank term deposit rates over the medium to long term.

IPM Diversified Growth Portfolio

The Portfolio's primary focus is on achieving capital growth rather than income and is therefore more suited to a longer investment time horizon (minimum of 7 years but 10 years plus is recommended).

The IPM Diversified Growth Portfolio invests primarily in a range of domestic and overseas equities and property securities, either directly or indirectly. The Portfolio will include some exposure to cash, NZ and international fixed interest and other diversified investments (e.g. multi-strategy funds) for the purpose of managing the overall risk exposure.

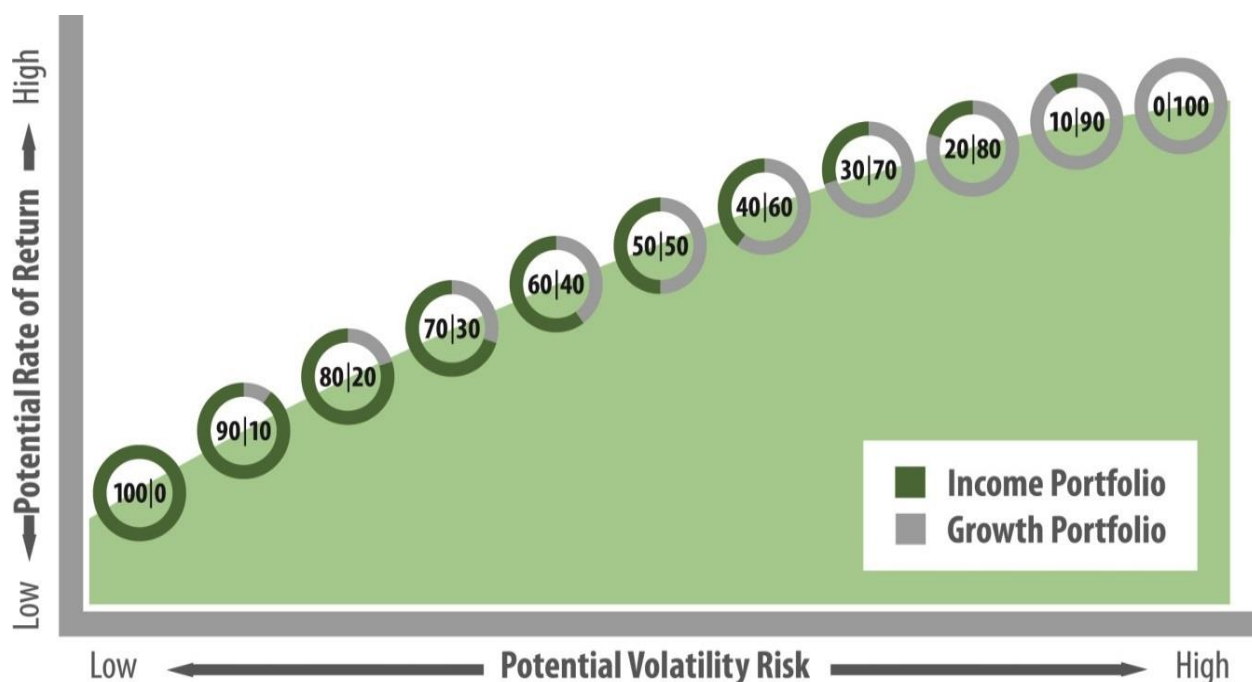
This Portfolio is designed to give clients an investment solution that will provide exposure to a combination of assets that have the potential to earn margins over bank term deposit rates and that assist in retaining the purchasing power of capital over the longer term.

Combination of Portfolios

A client can invest in either the IPM Diversified Income Portfolio by itself, the IPM Diversified Growth Portfolio by itself or a combination of the two (e.g. 80% IPM Diversified Income Portfolio and 20% IPM Diversified Growth Portfolio, or 20% IPM Diversified Income Portfolio and 80% IPM Diversified Growth Portfolio etc.).

The amounts invested into each Portfolio will depend on the specific needs of a client, for instance, their time horizon and how much movement up and down in value, they can withstand (volatility).

The chart below illustrates how a client may combine both Portfolios to suit their needs.



Over time, as personal or financial circumstances change, the selected proportions of IPM Diversified Income and IPM Diversified Growth (Portfolio Mix) can easily be altered to suit current needs. This allows expectations around risk, return and overall volatility to be established and aligned with the chosen Portfolio Mix. If the Portfolio Mix needs to be altered, the client remains in control and only the client is able to authorise a change.

The amount of risk (uncertainty) a client is exposed to is dictated by the Portfolio Mix used. For example, a client with a higher tolerance to movements in value may choose a higher proportion of the IPM Diversified Growth Portfolio and a lower proportion of the IPM Diversified Income Portfolio and vice versa, depending on their personal circumstances and investment needs.

Those who adopt a more aggressive Portfolio Mix are likely to be rewarded over time but along the way, will see larger "ups and downs" in their returns than those whose tolerance or capacity indicates a more conservative approach.

Please note, on Disclose (<https://disclose-register.companiesoffice.govt.nz/>) there is one PDS for the Offer that covers both Portfolios and allows for combining the two Portfolios.

PURPOSE AND PHILOSOPHY

Regardless of whether the Portfolios are used individually or combined, the purpose of the investment management process is about ensuring that:

1. Volatility (movements up and down in value) are managed in a way that is appropriate for the nature of that Portfolio (e.g. IPM Diversified Income Portfolio should have lower volatility than the IPM Diversified Growth Portfolio),

2. Liquidity is retained, allowing clients to fund their cash flow to and from their chosen Portfolios,
3. Diversification is used to assist in managing the risk exposure,
4. Rebalancing helps maintain a disciplined approach to investment management for clients.

To implement this approach, NZIPM has appointed the Investment Manager, Caliber Investment Ltd, a specialist investment manager, across all of the asset classes for the Portfolios.

Caliber's core investment philosophy is based on the following beliefs:

- **Risk Management** – We believe that successful investing requires a comprehensive and proactive approach to managing risk exposures, and that risk is primarily managed by having an effectively diversified portfolio.
Further, we view a comprehensive risk management process as fundamental to reducing permanent capital impairment. As such, the Portfolios are managed by allocating only the appropriate proportion of "riskier" assets, to ensure the degree of risk being taken is appropriate for the given level of return we aim to provide clients.
- **Market Efficiency** – We believe that in large developed markets there is relatively strong market efficiency. Therefore, our core exposures to equity and fixed income markets aim to capture the broad market returns without necessarily matching the holdings of a market index.
In markets that are new, lack liquidity or information flows, there is weaker market efficiency, and so greater opportunities exist to spot mis-priced assets.
- **Active Management** – We believe non-core investments provide opportunities for active management where additional returns, or a different pattern of returns assist in diversifying a portfolio of core holdings. Additionally, including some active managers and alternatively managed investments provide further diversification and risk reduction opportunities.
- **Disciplined Research Driven Approach** – We believe that thorough research and analysis of risk exposures, the optimal combination, and how best of access them, is necessary to increasing the probability of clients achieving their investment objectives. Accordingly, Caliber maintains an ongoing and extensive programme of research, monitoring and reviewing each component of the Portfolios to help identify the most suitable investment solutions.

INVESTMENT STRATEGY

Each Portfolio invests directly or indirectly in a range of asset classes as disclosed in the tables below.

Strategic Asset Allocations

Asset classes are not used to dictate the asset allocation exposures, as they can be misleading in terms of the actual underlying risk exposures (e.g. equity, fixed interest, currency, liquidity) to which a Portfolio may be subject.

See the Strategic Risk Allocation Policy within the Investment Policies section for further details.

Sector Benchmark Index

In the tables below, we have included benchmarks against which performance is reported but not necessarily as the sole measure of Portfolio performance.

Benchmarks are arbitrary and not aligned to client objectives. Instead, our focus is on how a Portfolio is performing against our clients' objectives (e.g. liquidity, volatility, and risk exposures).

IPM Diversified Income Portfolio

Asset Class	Strategic Asset Allocation	Asset Allocation Range	Sector Benchmark Index
Overall Portfolio	NA	NA	S&P / NZX Bank Bill 90 Day Index Total Return
Cash	10%	0% to 100%	100% S&P / NZX Bank Bill 90 Day Index Total Return
New Zealand Fixed Interest	25%	0% to 100%	50% S&P / NZX NZ Government Bond Index Total Return 50% S&P / NZX A-Grade Corporate Bond Index Total Return
International Fixed Interest	35%	0% to 70%	100% Bloomberg Global Developed Sovereign Bond Index Hedged
Other (alternative investments)	30%	0% to 70%	70% S&P / NZX NZ Government Bond Index Total Return 30% MSCI World Developed Index Hedged
Australasian Equities	No Strategic allocation	0% to 30%	70% S&P / ASX 200 Index NZD (50% Hedged) 30% NZXSE 50 Gross Index

Asset Class	Strategic Asset Allocation	Asset Allocation Range	Sector Benchmark Index
International Equities	No Strategic allocation	0% to 30%	50% MSCI All World Index Unhedged 50% MSCI All World Index Hedged

IPM Diversified Growth Portfolio

Asset Class	Strategic Asset Allocation	Asset Allocation Range	Sector Benchmark Index
Overall Portfolio	NA	NA	80% MSCI All World Index (USD) Unhedged 50% hedged back to NZD + 20% S&P / NZX Bank Bill 90 Day Index Total Return
Cash	5%	0% to 50%	100% S&P / NZX Bank Bill 90 Day Index Total Return
New Zealand Fixed Interest	5%	0% to 50%	50% S&P / NZX NZ Government Bond Index Total Return 50% S&P / NZX A-Grade Corporate Bond Index Total Return
International Fixed Interest	5%	0% to 50%	100% Bloomberg Global Developed Sovereign Bond Index Hedged
Other (alternative investments)	25%	0% to 50%	70% S&P / NZX NZ Government Bond Index Total Return 30% MSCI World Developed Index Hedged
Australasian Equities	5%	0% to 50%	70% S&P / ASX 200 Index NZD (50% Hedged) 30% NZX 50 Gross Index
International Equities	55%	0% to 100%	50% MSCI All World Index Unhedged 50% MSCI All World Index Hedged

'Other' includes Underlying Investments called 'Global Diversified Strategies'. These utilise a different mix of asset classes and strategies. They trade in equities, currencies, metals, energies, agriculture, and a range of fixed interest securities. Global Diversified Strategies are used to further diversify the Portfolios.

Permitted Investments

The permitted investments for all asset classes are Cash, NZ Fixed Interest, International Fixed Interest, Australasian Equities, International Equities, and Other assets, including,

without limitation, such class or classes of investments agreed between the Supervisor and us and notified to Unitholders.

Whilst the permitted investments are very broad, we have set out below the general permitted investments in respect of the asset types used by the Portfolios.

Asset Class	Types of investments within this class
Cash	Deposits with banks including deposits in foreign currency bank accounts, bank bills, cash and short duration funds, currency swaps, interest rate swaps
New Zealand Fixed Interest	Government stock, local authorities' securities, commercial paper, corporate bonds, swaps, repos, floating rate notes, overnight market securities, other wholesale and treasury vehicles and securities, asset back securities, mortgages, bank loans, bond funds
International Fixed Interest	International government stock, currency swaps derivatives, Government stock, local authorities' securities, commercial paper, corporate bonds, swaps, repos, floating rate notes, overnight market securities, other wholesale and treasury vehicles and securities, asset back securities, mortgages, bank loans, bond funds
Australasian Equities	Equity securities, equity funds and currency swaps and funds which invest in Australasian equities
International Equities	Equity securities, equity funds and currency swaps and funds which invest in international equities
Other (alternative investments)	Funds which utilise alternative and diversified strategies (e.g. Absolute Return Funds and Hedge Funds), options, futures, swaps and other derivative instruments, currency swaps, foreign currency and currency options, across various asset classes

INVESTMENT POLICIES

Strategic Risk Allocation Policy

Our process has evolved from a more traditional Strategic Asset Allocation (SAA) into one of Strategic Risk Allocation (SRA) which allocates assets across risk exposures (e.g. equity, fixed interest, currency, liquidity) as opposed to asset classes.

Risk exposures are monitored closely to ensure the appropriate levels within the Portfolio and to ensure that the Portfolios are not exposed to inadvertent or excessive risks. Diversification is an important element of the Portfolios, not just within asset/risk classes, but also across different asset/risk classes. From time to time the Portfolios will contain derivatives to manage the overall exposure to the asset/risk classes.

Rebalancing Policy

The risk/asset allocations of the Portfolios are monitored daily, and allocations are generally kept within a few percentage points of the strategic asset allocations and remain within the broader asset allocation ranges above. Currency exposures form part of the Strategic Risk Allocation and are similarly rebalanced on a regular basis.

When the Portfolios move away from the strategic asset allocations, this can be the trigger to rebalance. From time to time the Investment Manager may determine that it is expedient

to allow Portfolios to move away from the strategic asset allocation, remaining within the asset allocation range, for extended periods to accommodate market and trading conditions.

The client's Portfolio Mix (IPM Diversified Income Portfolio and IPM Diversified Growth Portfolio) is automatically reweighted according to set parameters as instructed by the client, to ensure a disciplined approach is used with the Portfolios. A formal rebalance process is undertaken on an annual basis. The Portfolios are reviewed, and where deemed appropriate by the Investment Manager, rebalanced back to their Strategic Risk Allocation (or asset allocation) targets.

Currency Hedging Policy

Currency is viewed as a diversifying exposure and managed within the risk exposures and objectives of the Portfolios. Where the Portfolios invest in assets which are exposed to overseas currencies NZIPM will apply the following currency hedging policy:

Portfolio	Hedging Style	Target (%)	Range (%)
IPM Diversified Income (Other assets)	Active	Not applicable	0% to 100%
IPM Diversified Growth (All assets)	Active	Not applicable	0% to 100%

Liquidity Policy

The Portfolios have high liquidity requirements as, amongst other objectives, they are designed to allow clients to accumulate savings and fund lifestyle expenditure. The Investment Manager selects and monitors investments to ensure the Portfolios are able to meet client cash flow requirements.

Derivatives Policy

Instruments such as put options and foreign forward exchange contracts are used to appropriately manage the asset/risk classes exposure within the Portfolios. Underlying managers may use derivatives to create investment exposure and also for the purpose of mitigating risks within their portfolio. They may also use derivatives for leverage.

Leverage Policy

While the Portfolios are permitted to borrow up to 10% of the value of the Portfolio, there are currently no borrowings and there is no intention to borrow at this stage. Underlying managers and funds may use leverage.

ESG and Sustainability Considerations

ESG and sustainability considerations involve evaluating environmental, social, and governance factors to ensure investments align with long-term value creation, ethical standards, and positive societal impact.

NZIPM's approach to responsible investing, through Caliber, considers ESG factors in investment decisions as they benefit the long-term performance of portfolios. Caliber has a process of ongoing engagement and monitoring of underlying managers in relation to their ESG and Responsible Investing approach. The preference is to avoid those who rely solely on exclusion lists, instead favouring managers who pursue sustainability through active shareholder involvement and targeted investments in sustainable securities wherever possible.

INVESTMENT PERFORMANCE MONITORING AND REPORTING

The Board of NZIPM is responsible for oversight of this SIPO along with monitoring the Portfolios' performance.

The Investment Manager provides the Board with quarterly reports, which cover:

- Absolute and relative performance (1 month, 3 months, 6 months, 1 year and 3 year or since inception)
- Explanation of what has contributed to or distracted from the performance,
- A review of the Strategic Risk Allocation against the SIPO guidelines,
- Changes to the Investment Manager team and key personnel in particular,
- Changes to the composition of the Portfolios (i.e. changes to fund managers used or allocations to each fund manager),
- Key research activities that have been conducted during the period,
- Discussion against the objectives as noted above.

Performance is monitored on an ongoing basis by the Investment Manager weekly, monthly, quarterly, and annually to ensure that it is within the design parameters of the Portfolios. These parameters include such considerations as risk exposure, liquidity, and investment horizon.

There is an ongoing process for monitoring all risk exposures in the Portfolios. This is done on a daily, weekly, monthly, quarterly, annual basis. Risk exposures are dynamic – they rise and fall with prices and other events.

Risk exposures include but are not limited to equity, fixed interest, currency, liquidity.

INVESTMENT STRATEGY REVIEW

The Portfolios are a combination of risk factors as mentioned above. Intensive research and analysis is carried out to determine the optimal combination of risk factors.

The next stage is to research, analyse and model underlying investments to achieve effective implementation of the optimal combination of risk factors.

The Investment Manager utilises resources such as independent economic research, financial data feeds, and specific fund research to assist in the process.

As well as extensive qualitative and quantitative research there is also a program of fund manager visits both locally and offshore (US, UK, Australia, Asia) and attendance at local and international investment seminars and conferences.

Successful investing is underpinned by a disciplined and critical process of review and monitoring. Included in this programme of monitoring and review, is a review of the Portfolio's strategic asset allocation, which is undertaken on a bi-annual basis, as well as on an ongoing basis in the context of the environment.

Additionally, there is a comprehensive program of monitoring and reviewing each of the underlying Managers in the Portfolios both on a scheduled and ongoing basis as required.

SIPO REVIEW

NZIPM has a formal SIPO Change Process which is followed by the Board whenever there needs to be an amendment to the SIPO guidelines.

The SIPO is formally reviewed annually. The following events would trigger an ad-hoc review of the SIPO:

- If there was a significant shift in general client attitudes to risk, or changes in the overall required liquidity levels, this may trigger an overall review of Portfolio parameters, and
- a fundamental change in the investment environment or assumptions used.

The ad-hoc review involves a comprehensive process of assessing the elements of the SIPO against an ongoing research and analysis programme, and consultation with the Supervisor. A change in the SIPO requires sign off from the Board of Directors of NZIPM.

The most current version of the SIPO is available on the scheme register (Disclose), which is available at <https://disclose-register.companiesoffice.govt.nz/>