

Hobson Wealth Investment Funds

Statement of Investment Policy and Objectives

Investment Management by Hobson Wealth Partners Limited

Effective date: 13 April 2023
Issued by FundRock NZ Limited



A. Description of the managed investment scheme

The Hobson Wealth Investment Funds ('Scheme') is a managed investment scheme. The Scheme offers three single sector investment funds, the Hobson Wealth NZ Fixed Interest Fund, the Hobson Wealth NZ Equity Fund and the Hobson Wealth International Growth Fund ('Funds') which provide investors with, respectively, exposure to New Zealand fixed interest, New Zealand equities and international equities.

The Funds are actively managed. The Funds may invest in direct securities (including derivatives) or through other managed investment schemes.

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:
 - o Administration management, and
 - o Investment management.
- Monitoring investment performance and outcomes.

Hobson Wealth Partners Limited ('Hobson Wealth') is the Scheme's Investment Manager and is responsible for making recommendations and decisions about what the Scheme invests in, in accordance with this SIPO. The Scheme is invested in accordance with Hobson Wealth's investment philosophy and process. Currently the Funds invest in directly held cash and cash equivalents, New Zealand fixed interest, New Zealand equities and international equities.

Hobson Wealth also participates in reviewing this SIPO.

Key administration functions, being registry, fund accounting, and unit pricing, are currently performed by Apex Investment Administration (NZ) Limited.

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 Funds' 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 that the assets are held in accordance with applicable legislative requirements by appointing an independent custodian.

C. Investment philosophy

Hobson Wealth operates their business with a strong focus on their clients' wealth, so they can provide clients with a high-quality, professional service. Hobson Wealth's investment philosophy is that asset allocation is the most important investment decision. As an investment team, they aim for long run asset allocations that are:

- Well diversified
- Robust in terms of future market environments
- Suit NZ-based investors
- Easy to communicate with clients, regulators and other parties

D. Fund Investment Objectives and Strategies

The investment objectives and strategies for the Funds are:

Hobson Wealth NZ Fixed Interest Fund

Objectives

To provide a return, before costs and tax, higher than the Fund's benchmark on a rolling three year period.

Investment Strategy

Benchmark index

- Bloomberg NZ Bond Composite 0+ Yr Index

Benchmark asset allocation

- 100% New Zealand fixed interest

Asset allocation ranges:

- 50%-100% New Zealand fixed interest
- 0%-50% cash and cash equivalents
- 0-20% International fixed interest¹
- 0%-20% currency hedging instruments²

Permitted investments:

- New Zealand fixed interest (including debt/equity hybrid securities such as preference shares and convertible bonds)
- International fixed interest
- Cash and cash equivalents
- Derivative instruments including currency hedging instruments
- Managed investment schemes that have elected to be a Portfolio Investment Entity (PIE)
- Any other investment agreed to by the Manager and Supervisor

Rebalancing policy:

- As a single-sector fund, there is no need for a rebalancing policy.

Currency hedging policy:

- Australian dollar currency exposure is largely hedged back to the New Zealand dollar.

¹ Investment in international fixed interest is restricted to the Australian fixed income market either through Australian denominated debt securities or derivative instruments.

² Measured on an exposure basis.

Other

- The Fund can borrow up to 20% of the aggregate value of its investments but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions or pay expenses).

Hobson Wealth NZ Equity Fund

Objectives

To provide a return, before costs and tax, higher than the Fund's benchmark on a rolling three-year period.

Investment Strategy

Benchmark index

- S&P/NZX 50 Index Gross (with Imputation credits)

Benchmark asset allocation

- 100% New Zealand equities

Asset allocation ranges:

- 50%-100% New Zealand equities
- 0%-50% cash and cash equivalents
- 0-20% Australian equities
- 0%-20% currency hedging instruments³

Permitted investments:

- Australasian equities
- Cash and cash equivalents
- Derivative instruments including currency hedging instruments
- Managed investment schemes that have elected to be a Portfolio Investment Entity (PIE)
- Any other investment agreed to by the Manager and Supervisor

Rebalancing policy:

- As a single-sector fund, there is no need for a rebalancing policy.

Currency hedging policy:

- Australian dollar currency exposure is largely hedged back to the New Zealand dollar.

Other:

- The Fund can borrow up to 20% of the aggregate value of its investments but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions or pay expenses).
- Underwriting or sub-underwriting is permitted.

³ Measured on an exposure basis.

Hobson Wealth International Growth Fund

Objectives

To provide a return, before costs and tax, higher than the Fund's benchmark on a rolling three-year period.

Investment Strategy

Benchmark index

- MSCI World Net Index

Benchmark asset allocation

100% international equities

Asset allocation ranges:

- 0%-100% international equities (excludes Australian and New Zealand equities)
- 0%-20% Australasian equities (Australian equities only)
- 0%-50% cash and cash equivalents
- 0%-20% derivatives
- 0%-105% currency hedging instruments⁴

Permitted investments:

- International equities
- Australian equities
- Cash and cash equivalents
- Derivative instruments including currency hedging instruments
- Managed investment schemes
- Any other investment agreed to by the Manager and Supervisor

Rebalancing policy:

- As a single-sector fund, there is no need for a rebalancing policy.

Currency hedging policy:

- The Fund has the ability to be fully unhedged or fully hedged to New Zealand dollars.

Other:

- The Fund can borrow up to 20% of the aggregate value of its investments but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions or pay expenses).
- Underwriting or sub-underwriting is permitted.

⁴ Measured on an exposure basis.

E. Investment Policies

Taxation

The Funds have elected to be Portfolio Investment Entities (PIEs) and 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 a particular fund. Note that taxation is not the sole consideration when choosing an investment method; other factors taken into account include cost and implementation feasibility.

Liquidity

The liquidity risk of the Funds is assessed with reference to liquidity of the underlying assets and securities. The Manager then establishes an appropriate application and redemption frequency for the Funds. The Funds invest predominantly in liquid investments and hence have daily applications and redemptions. Market conditions can, however, change resulting in some assets becoming difficult to sell. Hence if a Fund were to experience liquidity problems the Manager may defer or suspend redemptions for a period of time.

Related-party transactions

Related-party transactions, other than the type described below, are prohibited.

The Funds may invest in other managed investment schemes. If these schemes are managed by related parties, and are permitted under section 174 of the FMC Act, they are permitted investments for the Funds. The Manager will report transactions in managed investment schemes managed by related parties to its Supervisor in accordance with section 173(2) of the FMC Act.

A related party of the Investment Manager may be appointed to:

- provide brokerage and execution services for the Scheme; and
- manage derivatives (including currency hedging) for the Scheme.

Trade allocations and transactions

The Funds invest directly in securities. The Investment Manager has policies and procedures covering trade allocation and arms-length transactions.

Other relevant policies

Summaries of the key relevant policies are set out below.

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 Funds' 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 policy governs how FundRock selects, monitors and undertakes ongoing due diligence on third party providers.

Within the bounds of what is reasonable and practical our 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 our governing documents, offer documents and the law.

Conflicts of Interest and Related Party Transactions Policy

FundRock's Conflicts of Interest and Related Party Transaction Policy sets out the principles and procedures relating to the management of conflicts of interest within FundRock. The policy applies 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.

The core policy statement is:

'As a licensed manager of MIS', FundRock must act honestly and in the best interests of the Scheme participants. FundRock recognises that in order to satisfy this duty, it and its Staff members must put the interests of Scheme participants ahead of those of itself or Staff members.'

FundRock Investment Management Policy

This document sets out FundRock's 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 Funds on a monthly basis. Performance is measured and assessed on the following basis for 1, 3 and 5 year periods:

- Gross return.
- Benchmark index return.
- Performance relative to benchmark.
- Annualised standard deviation of gross return.
- Annualised standard deviation of benchmark index return.
- Annualised tracking error.

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

The FundRock Board has responsibility for oversight of investment manager performance. The FundRock Board aims to meet at least quarterly.

G. 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 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.
- A permanent change in risk and return characteristics of the relevant 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.

This SIPO was approved by the FundRock Board on 12 April 2023 and takes effect on 13 April 2023.

Glossary

Act and FMC Act means the Financial Markets Conduct Act 2013.

Hobson Wealth means Hobson Wealth Partners Limited.

Benchmark index means the financial index or indices against which a Fund's performance is measured.

Fund means each of the investment funds offered within the Scheme, being the Hobson Wealth NZ Fixed Interest Fund, the Hobson Wealth NZ Equity Fund and the Hobson Wealth International Growth Fund.

FundRock means FundRock NZ Limited, the Manager of the Scheme.

Investment Manager means Hobson Wealth Partners Limited.

Manager means FundRock.

Scheme means the Hobson Wealth Investment Funds, a managed investment scheme established under a master trust deed dated 1 December 2016 and a scheme establishment deed dated 27 May 2019 and offered in accordance with the Act.

Supervisor means the supervisor of the Scheme, which is Public Trust.

Tracking error means the annualised standard deviation of the difference between the returns of the Fund and the benchmark against which its performance is measured.