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# Franklin Templeton Investment Funds

## Statement of Investment Policy and Objectives

Effective date: 16 June 2026

Issued by FundRock NZ Limited



## A. Description of the managed investment scheme

The Franklin Templeton Investment Funds ('Scheme') is a managed investment scheme. The Scheme currently offers two single sector investment funds:

- the Brandywine Global Opportunistic Fixed Income Fund ('Income Fund'), which provides investors with exposure to international fixed interest (hedged to New Zealand Dollars); and
- the Brandywine Global Opportunistic Equity Fund ('Equity Fund'), which provides investors with exposure to global equities (unhedged), where each may be referred to as a 'Fund' and together may be referred to as the 'Funds'.

The Funds, or any underlying investment portfolios, 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', 'we', 'us' or 'our') 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:
  - administration management, and
  - investment management.
- Monitoring investment performance and outcomes.

Franklin Templeton Australia Limited ('Franklin Templeton') is the investment manager of the Funds and is responsible for making recommendations and decisions about what the Funds invest in, in accordance with this SIPO. The Funds are invested in accordance with Franklin Templeton's investment philosophy and process. Currently the Funds invest in direct assets, or underlying funds, with investment management sub-delegated to Brandywine Global Investment Management LLC ('Brandywine Global'). Franklin Templeton and Brandywine Global are part of the Franklin Resources, Inc. group operating as Franklin Templeton.

Franklin Templeton also participated in reviewing this SIPO.

Key administration functions, being fund accounting and unit pricing, are currently performed by BNP Paribas Fund Services Australasia Pty Limited. Registry services are provided 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. BNP Paribas Fund Services Australasia Pty Limited has been appointed by the Supervisor as Custodian for the Funds.

## C. Investment philosophy

Franklin Templeton's sub-contracted investment manager, Brandywine Global was founded in 1986 by a group of highly experienced portfolio managers. They are an active specialist manager in fixed income, equity and alternative investments headquartered in Philadelphia, USA. Value investing is core to Brandywine Global's investment approach. Brandywine believes in the power of value investing. Acting with conviction and discipline, Brandywine looks beyond short-term, conventional thinking to rigorously pursue long-term value for their clients. Where others see risk, they see potential.

Since 1986, Brandywine's global experience has provided clients with investment insights and a range of differentiated fixed income, equity, and alternative solutions. They thrive in a culture of debate that encourages ideas, respects diverse viewpoints, and invites candid discussion. By challenging one another and conventional thinking, they make better investment decisions and create value for their clients.

Brandywine Global, as a specialist investment manager of Franklin Resources, Inc., offers the advantages of an investment boutique backed by the resources and infrastructure of one of the world's leading asset managers. With headquarters in Philadelphia and locations in Singapore, Columbus, London, and Sydney, they are committed to bringing value to all their relationships.

### Environmental, Social, and Ethical Factors and Labour Standards

Brandywine Global monitors underlying investments for compliant labour, social, ethical, and environmental practices and standards. These factors are not the primary or sole drivers of buying, retaining or selling investments. To the extent that Brandywine Global believes that those matters may negatively affect the value or performance of an underlying investment, they may be considered as risks that would require reducing or selling out of an investment.

There may be limitations to the availability, timeliness, accuracy and reliability of data used to assess ESG factors and this may impact the analysis.

### Exclusions and Screening

The Funds will not invest in securities issued by companies directly involved in<sup>1</sup>:

- the production of controversial weapons;
- the manufacture of tobacco products;
- mining or extraction of thermal coal, or extraction of oil from tar sands (≤10% of revenue threshold).

The Equity Fund applies further security-level exclusions to companies with exposure in the following areas:

- coal (including metallurgical and thermal coal),
- evidence of fossil fuel reserves,
- palm oil (≤20% of revenue threshold),
- factory farming (≤20% of revenue threshold),
- child labour,
- adult entertainment (≤10% of revenue threshold),
- personal firearms, and
- gambling (≤10% of revenue threshold).

Brandywine Global considers the data provided by a third-party vendor (where available) in determining which companies are excluded and in assessing revenue thresholds for excluding companies. Brandywine Global's analysts also compare the data provided by any third-party data provider with their own internal research and to the extent of any inconsistency, Brandywine Global's analysis will prevail. Revenue is generally on a gross basis.

The screening methodology does not capture all entities within a corporate group structure, meaning that parent or subsidiary companies may have exposure to excluded investments.

The Funds may have indirect exposure to excluded investments through other investments including exchange-traded funds and certain types of derivatives (in particular, derivatives referencing indices or baskets of securities). The Funds may also invest in securities that are involved in the same supply chain as an excluded investment or have an association with an excluded investment, for example, the Funds may invest in securities that have exposure to companies involved in the:

- distribution of tobacco and tobacco products;
- generation of electricity from thermal coal;
- distribution of Controversial Weapons or production or distribution of other types of weapons not considered Controversial Weapons; or
- financing to an excluded investment.

Brandywine Global reviews the screening criteria periodically, taking into account the availability and quality of third-party data. Where a holding is identified as no longer meeting the screening criteria, it will be divested as soon as reasonably practicable, having regard to the best interests of investors.

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<sup>1</sup> For the definition of *controversial weapons*, please see [Franklin Templeton's Controversial Weapons Policy – European Funds](#); for the definitions of *metallurgical* and *thermal coal*, the Investment Manager relies on the definitions applied by a third-party data provider, MSCI.

## D. Fund Investment Objectives and Strategies

### Brandywine Global Opportunistic Fixed Income Fund

The investment objectives and strategies for the Income Fund are:

#### *Objectives*

The investment objective of the Income Fund is to earn a return before fees and taxes in excess of the Bloomberg Global Aggregate Index – New Zealand dollar Hedged over rolling five-year periods.

The Income Fund invests in an actively managed portfolio of sovereign bonds, investment grade corporate bonds, mortgage securities, currencies, and other similar securities. The Income Fund can also invest in emerging market debt, high yield debt, and below investment grade non-sovereign and corporate debt.

#### *Investment strategy*

##### *Benchmark index:*

- Bloomberg Global Aggregate Index – New Zealand dollar Hedged

##### *Benchmark asset allocation:*

- 100% International fixed interest

##### *Asset allocation*

- 90-100% International fixed interest ranges:
- 0-10% Cash and Cash Equivalents

##### *Sector/Issuer Limits:*

- Investment grade corporate bonds and taxable municipal bonds will not exceed 40% of the portfolio in aggregate.
- No more than 5% of the portfolio shall be invested in the obligations of any one investment grade corporate bond or taxable municipal bond issuer at the time of purchase.
- No more than 3% of the portfolio shall be invested in the obligations of any one High Yield Debt<sup>2</sup> issuer at the time of purchase.
- Fixed income securities of companies of any one industry will not exceed 25% of the portfolio.
- Non-agency mortgage-backed securities and asset-backed securities will not exceed 20% of the portfolio in aggregate.

##### *Credit quality:*

- Fixed income securities and cash in the portfolio shall have a weighted average rating of A-/A3 or better according to the methodology used by Bloomberg Barclays Global Bond Indices.
- High Yield Debt<sup>3</sup> shall be limited to 15% of the portfolio at the time of purchase.

##### *Duration range:*

- Portfolio duration shall be limited to a range of 1 to 10 years.

##### *Appointed investment manager:*

- Franklin Templeton Australia Limited

##### *Investment Manager strategy:*

- Franklin Templeton selects underlying funds and/or appoints investment managers.
- The current investment manager appointed by Franklin Templeton is Brandywine Global.

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<sup>2</sup> High Yield Debt consists of non-sovereign investments with below investment grade ratings (below BBB- or the equivalent) assigned by all Nationally Recognized Statistical Rating Organizations that provide such a rating. In the case of split ratings, the highest rating will apply.

<sup>3</sup> See footnote No 2.

#### *Permitted investments:*

The Income Fund invests in countries included in the Benchmark, however up to 40% of the Income Fund can be invested in countries outside the Benchmark. The permitted investments include:

- International fixed income
- New Zealand fixed income
- Cash and cash equivalents
- Floating rate securities
- Convertible fixed income securities (which includes contingent convertible securities)
- Derivative instruments including currency hedging instruments
- Managed investment schemes

#### *Rebalancing policy:*

- The Income Fund's benchmark asset allocation ranges set out above are monitored on a daily basis. If exposures move outside those ranges, remedial action will be undertaken by using available cash flows and/or buying/selling portfolio assets to return the Income Fund to within range, seeking to minimise transaction costs and market impact. Rebalancing will be undertaken as soon as reasonably practicable and is normally expected to be completed within 5 working days after the date the Manager becomes aware of that position. If it is not practicable to restore the Income Fund to within range within 5 working days due to market disruption, illiquidity or other trading constraints, the Income Fund will continue to be rebalanced progressively as conditions allow.

#### *Currency hedging policy:*

- A minimum of 75% of the portfolio must be denominated in and/or hedged into New Zealand dollars. Currency positions may also be cross hedged.

#### *Derivatives:*

- Derivatives including forwards, futures, options, mortgage derivatives, structured notes, and swaps may be used.
- The Income Fund, through the use of derivatives, may hold short positions in individual currencies. All such derivative exposures are fully supported by cash, cash equivalents, or securities. The Income Fund may also use certain derivatives to implement investment decisions, to manage cash flows, or to facilitate timely exposure to securities.

#### *Other:*

- The Income Fund can borrow up to 5% of the aggregate value of its investments but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, settle securities trades or pay expenses).

### **Brandywine Global Opportunistic Equity Fund**

The Investment objectives and strategies for the Equity Fund are:

#### *Objectives*

The investment objective of the Equity Fund is to earn a return before fees and taxes in excess of the MSCI All Country World Index NR, in New Zealand dollar terms, over 5-7 years.

The Equity Fund intends to achieve its investment objective by investing in a diversified portfolio of equity securities listed on recognised stock markets in both developed and emerging markets around the world.

#### *Investment strategy*

#### *Benchmark index:*

- MSCI All Country World Index – NR (Unhedged, in NZD).

#### *Benchmark asset allocation:*

- 100% global equities.

The Equity Fund aims to be fully invested but may, however, hold up to 10% of its Net Asset Value (NAV) in cash and cash equivalents under normal market conditions.

*Benchmark asset allocation ranges:*

- 90-100% global equities
- 0-10% cash and cash equivalents.

*Permitted investments*

- International equity securities<sup>4</sup>
- Equity-related securities such as convertible securities (excluding contingent convertible securities), warrants, American depositary receipts ('ADRs'), global depositary receipts ('GDRs'), and preferred stock, including from emerging market issuers.
- Cash and cash equivalents.
- Financial derivative instruments, limited to forward foreign exchange transactions (including non-deliverable forward foreign exchange transactions) & currency hedging instruments.
- Collective investment schemes such as Managed Investment Schemes ('MIS') and Undertakings for Collective Investment in Transferable Securities ('UCITS') that are single-sector funds that invest in global equities.
- Exchange Traded Funds (ETFs).

*Appointed investment manager:*

- Franklin Templeton Australia Limited.

*Investment Manager strategy:*

- Franklin Templeton appoints investment managers and/or selects underlying funds.
- The current investment manager appointed by Franklin Templeton is Brandywine Global.
- The Equity Fund invests in a diversified portfolio of equity securities listed on recognised stock markets in both developed and emerging markets around the world.
- The Equity Fund generally aims to ensure that:
  - typically, between 60-100 securities are held<sup>5</sup>;
  - no more than 5% of its NAV is invested in any one security at the time of purchase<sup>6</sup>; and
  - no more than 30% of its NAV is invested in emerging market countries at time of purchase<sup>6</sup>.

*Rebalancing Policy:*

- The Equity Fund's benchmark asset allocation ranges set out above are monitored on a daily basis. If exposures move outside those ranges, remedial action will be undertaken by using available cash flows and/or buying/selling portfolio assets to return the Equity Fund to within range, seeking to minimise transaction costs and market impact. Rebalancing will be undertaken as soon as reasonably practicable and is normally expected to be completed within 5 working days after the date the Manager becomes aware of that position. If it is not practicable to restore the Equity Fund to within range within 5 working days due to market disruption, illiquidity or other trading constraints, the Equity Fund will continue to be rebalanced progressively as conditions allow.

*Currency hedging policy:*

- Where direct securities are held, currency exposures are generally unhedged.
- The Equity Fund may hold derivatives from time to time to hedge some of its currency risk.

*Other:*

- The Equity Fund can borrow up to 5% of the aggregate value of its investments but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, settle securities trades or pay expenses).

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<sup>4</sup> *International equity securities* may include Australasian equity securities.

<sup>5</sup> While the Equity Fund will usually hold 60-100 securities, this is not a hard limit and it may hold more or less than that if the investment manager believes this to be in the best interest of investors.

<sup>6</sup> Market movements may result in limits being exceeded. The Investment Manager will remedy this as soon as reasonably practicable, having regard to the best interests of investors.

## E. Investment Policies

### *Taxation*

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

The taxation implications of an investment method, such as holding assets directly or investing in a managed investment scheme, are taken into account when determining the most appropriate approach for the Funds. 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 are assessed with reference to liquidity of the assets and securities. The Manager then establishes an appropriate application and redemption frequency for each Fund. The Funds invest predominantly in liquid investments and hence has daily applications and redemptions. Market conditions can change, however, 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 types permitted under the FMC Act are prohibited.

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

- a Fund investing in an underlying fund managed by Franklin Templeton; or
- parties related to the Funds, including the staff and directors of Franklin Templeton and their families, and the staff of FundRock and their families from time to time investing in the Funds.

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

### *Trade allocations and transactions*

Brandywine Global has a trade allocation policy covering accounts they manage.

### *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 pricing and asset valuation obligations, and the way in which FundRock exercises its discretions authorised by the Trust Deed and the Fund's establishment documentation.

This policy also links to FundRock's Outsourcing Policy, reflecting that we outsource 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 Policies*

The Conflicts of Interest and Related Party Transactions Policies set out the principles and procedures relating to the management of conflicts of interest within FundRock. The policies apply to all FundRock's directors, relevant officers, senior management, and employees.

The policy provides guidance on:

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

### *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 (before fees and before tax);
- net return (after fees and before tax);
- benchmark index return;
- performance relative to benchmark;
- annualised standard deviation of fund returns (based on monthly returns);
- annualised standard deviation of benchmark returns (based on monthly returns); and
- annualised Tracking Error (based on monthly returns).

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

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

### **G. Investment strategy review**

The Funds are expected to be fully invested in international fixed interest assets or global equities, as appropriate. FundRock does not intend to amend the Funds' investment strategies, although amendments may be made following recommendations by the Investment Manager.

### **H. SIPO monitoring and review**

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

The Manager's compliance processes include periodic policy reviews. The SIPO is reviewed annually by FundRock management 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 FundRock Board approval. The Manager will give notice to fund investors before implementing any material SIPO changes.

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

The current version of this SIPO is available on the schemes register at <http://www.companiesoffice.govt.nz/disclose>.

This SIPO was approved by the FundRock Due Diligence Committee under delegation from the FundRock Board on 11 June 2026 and takes effect on 16 June 2026.

## Glossary

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

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

**Fund** means the investment funds offered within the Scheme, being the Brandywine Global Opportunistic Fixed Income Fund or the Brandywine Global Opportunistic Equity Fund.

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

**Investment Manager** means Franklin Templeton Australia Limited.

**Manager** means FundRock.

**Franklin Templeton** means Franklin Templeton Australia Limited.

**Scheme** means the Franklin Templeton Investment Funds, a managed investment scheme governed by the Trust Deed dated 1 December 2016 and as amended on 11 January 2021 and the Scheme Establishment Deed dated 30 January 2018 and as amended on 10 August 2021.

**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 each fund and the relevant benchmark against which its performance is measured.