

Stewart Investors (NZ) Managed Investment Scheme



Stewart Investors

Statement of Investment Policy and Objectives

Investment management by First Sentier Investors (Australia) IM Ltd

Effective date: 26 February 2024

Issued by: FundRock NZ Limited

A. Description of the managed investment scheme

The Stewart Investors (NZ) Managed Investment Scheme ('Scheme') is a managed investment scheme. The Scheme has on offer one single sector investment fund, the Stewart Investors Worldwide Leaders Sustainability Fund ('Fund') which provides investors with exposure to global equities.

The Fund is actively managed. The Fund invests in a diversified portfolio of equity or equity-related securities of larger capitalisation companies which are listed, traded or dealt in on any of the regulated markets worldwide.

B. Roles and responsibilities

The Licensed Manager

FundRock NZ Limited (**FundRock, we, us, our** or **Manager**) is the licensed 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**) for the Scheme.
- The ongoing management and oversight of the Fund. This includes appointing, managing and monitoring specialist providers for:
 - Fund administration; and
 - Investment management.
- Monitoring investment performance and outcomes.

The Investment Manager

First Sentier Investors (Australia) IM Ltd (**First Sentier Investors** or **Investment Manager**) is the Scheme's Investment Manager and is responsible for deciding what the Fund invests in. In turn, the Investment Manager may sub-delegate any of its duties, responsibilities, functions or powers to manage the assets of the Fund to one or more affiliates within the First Sentier Investors group. As at the date of this SIPO, investment management responsibilities are undertaken by Stewart Investors, who are an independent investment team within the First Sentier Investors group.

The Fund is invested in accordance with this SIPO and Stewart Investors' investment philosophy.

Stewart Investors and First Sentier Investors participate in reviewing this SIPO.

Other Service Providers

BNP Paribas Funds Services Australasia Pty Limited (**BNP**) is the custodian and administration manager.

Apex Investment Administration (NZ) Limited is the registrar.

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 Fund's 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.
- Holding the Scheme property or ensuring that the assets are held in accordance with applicable legislative requirements. BNP has been appointed by the Supervisor as Custodian for the Fund.

C. Investment philosophy

Stewart Investors undertakes a bottom-up and qualitative approach to identifying, analysing and investing in companies, which it believes can deliver long-term positive financial returns and also contribute to, and benefit from, sustainable development. Stewart Investors considers that a company contributes to, and benefits from, sustainable development if its activities lead to positive social outcomes and may lead to positive environmental outcomes.

D. Responsible investment

The Manager has delegated investment management decisions of the Fund, to the Investment Manager pursuant to the Investment Management Agreement. The Investment Manager takes into account labour standards and environmental, social and ethical considerations for the purposes of selecting, retaining or realising investments.

For information in relation to how the Investment Manager incorporates environmental, social and governance (**ESG**) considerations into the management of the Fund please refer to 'The Fund's approach to sustainability and ESG' section below.

The Fund's approach to sustainability and ESG

The sustainability and ESG approach of Stewart Investors for the Fund may differ to other funds managed by the Investment Manager.

Stewart Investors does not rely solely on quantitative thresholds for incorporating sustainability or ESG considerations, but rather evaluates a company's track record and business model through a:

1. Quality Assessment; and
2. Sustainability Assessment,

and makes qualitative judgements based on the outcomes of those assessments. An explanation of the Quality Assessment and Sustainability Assessment process is set out below. Stewart Investors provides a summary of its specific sustainability assessment for all investee companies that it makes an active decision to invest in¹ on its Portfolio Explorer tool at: <https://www.stewartinvestors.com/nz/en/adviser-institutional/how-we-invest/our-approach/portfolio-explorer.html>.

Quality Assessment

Stewart Investors will only invest in companies that have been through its Quality Assessment process.

This is distinct to the Sustainability Assessment described below but necessarily includes some ESG considerations.

Stewart Investors considers quality across three dimensions:

1. management;
2. franchise; and
3. financials.

1. **(Management)** Indicators of a higher quality of management of the company include, but are not limited to:

- competence and integrity (e.g., evidence that the company's decision-makers are delivering outcomes in line with representations investee companies have made and acting honestly in their dealings with shareholders and other stakeholders);
- alignment with stakeholders (e.g., evidence that the company's decision-makers consider and balance the interests of the stakeholders in the company, such as employees or local communities, with shareholders); and
- the track record of the company's management (e.g., evidence that the company's management make decisions in the long-term interests of the company and analysis of their behaviour in their current and previous roles).

2. **(Franchise)** Indicators of a higher quality franchise include, but are not limited to:

- whether the product or service is necessary (e.g., products that support more efficient and sustainable use of resources);
- business practices that preserve and enhance the company's reputation (e.g. compliance with global norms²);
- sustainable and profitable growth opportunities (e.g., products that benefit from the greater societal emphasis on sustainability including management of carbon emissions and affordable and accessible healthcare); and
- return on invested capital (e.g., the ability of the company to generate reasonable returns on its investments for the long-term benefit of the company).

3. **(Financials)** Indicators of a higher quality financial position include, but are not limited to:

- resilient cash flows and profit margins during all phases of an economic and market cycle (e.g., the continued demand at reasonable prices of products and services during economic and market downturns);
- appropriate payment of taxes (e.g., not engaging in aggressive or elaborate tax minimisation strategies);
- strong balance sheets (e.g., preference for net cash or lower debt levels); and
- conservative accounting (e.g., not engaging in complex accounting practices that disguise the underlying financial performance of the company or that are used for non-business purposes like reducing tax liabilities or enriching management).

Sustainability Assessment

Stewart Investors seeks to identify and invest in companies which it believes has prospects of long-term positive financial returns and also contribute to, and benefit from, sustainable development. Stewart Investors considers that a company contributes to, and benefits from, sustainable development if its activities lead to positive social outcomes (as defined below) and may lead to positive environmental outcomes (as defined below).

The contribution of the Fund's investments to the social and environmental outcomes are assessed by reference to two framework indicators – Stewart Investors' human development pillars and Project Drawdown's climate solutions (as described below).

In assessing whether a company 'contributes to, and benefits from' sustainable development, Stewart Investors will consider whether:

1. Assets that the Fund may hold, which an active decision has not been made, and sustainability assessment does not apply, include cash, cash equivalents, short-term holdings for the purpose of efficient portfolio management and holdings received as a result of mandatory corporate actions. Holding such as assets will not appear on the Portfolio Explorer tool.
2. Stewart Investors assess global norms by reference to the UN Global Compact and OECD Guidelines for Multinational Enterprises as well as other standards and third party assessments that we adopt from time to time

- there is either a direct³ or enabling⁴ link between the activities of the company and the achievement of a positive social or environmental outcome;
- the company can benefit from any contribution to positive social or environmental outcomes through revenue or growth drivers inherent in the company's business model, strategic initiatives that are backed by research and development or capital expenditure, or from the company's strong culture e.g. for equity and diversity; and
- the company recognises potential negative social or environmental outcomes associated with its product or services and works towards minimising such outcomes (e.g., a company that sells affordable nutritious food products in plastic packaging, but is investigating alternative packaging options).

Positive social outcomes

The Fund will only invest in a company if Stewart Investors believe its activities lead to a positive social outcome.

Stewart Investors assesses positive social outcomes by reference to the below human development pillars. Stewart Investors has developed these human development pillars, by reference to, amongst other things, the UN Human Development Index.

- Health and well-being – improved access to and affordability of nutrition, healthcare and hygiene, water and sanitation.
- Physical infrastructure – improved access to and affordability of energy and housing.
- Economic welfare – safe employment offering a living wage and opportunities for advancement, access to finance and improved standards of living.
- Opportunity and empowerment – improved access to and affordability of education and information technology.

Positive environmental outcomes

Stewart Investors assesses positive environmental outcomes by reference to the climate solutions developed by Project Drawdown,⁵ a non-profit organisation that has mapped, measured and modelled over 90 different climate solutions that it believes will contribute to reaching 'drawdown', i.e. the future point in time when levels of greenhouse gases in the atmosphere stop climbing and start to steadily decline.

Below is a list of climate solutions together with corresponding examples Stewart Investors believes lead to positive environmental outcomes:

- Food system – sustainable farming, food production and distribution of food-related products and services.
- Energy – adoption of renewable energy and other clean energy and related technologies.
- Circular economy and industries – improved efficiency, reduced waste, and new business models for closing resource loops in linear value chains and production processes.
- Human development – advancement of human rights and education that drive environmental conservation and sustainable use of resources.
- Transport – efficient transport technologies and growth in fossil fuel-free transportation options.
- Buildings – products and services which reduce the environmental footprint of the built environment, including energy efficiency, electrification, improved design, and use of alternative materials.
- Water – less energy-intensive methods for treating, transporting and heating water.
- Conservation and restoration – supporting deforestation-free and environmentally regenerative supply chains, operations and end-of-life impacts.

Method of assessment

In performing the above quality and sustainability assessments, Stewart Investors undertakes its own research through various methods, including company meetings, reviewing company reporting and company visits. This research is supplemented by data from third-party data providers. In addition, Stewart Investors commissions specific research from third-party experts where it concludes such research is required to understand a particular issue related to the quality and sustainability assessments and a company's position with respect to that issue.

There is no set weighting given to the indicators, pillars or climate solutions as part of the respective Quality Assessment or Sustainability Assessment as the relevance of each factor will vary on a company-by-company basis according to each company's business model, industry, and/or geography. Stewart Investors publishes a summary of its sustainability assessment for each investee company on its portfolio explorer tool at <https://www.stewartinvestors.com/nz/en/adviser-institutional/how-we-invest/our-approach/>

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3. A **direct link** would arise where the goods a company produces or the services it provides are the primary mean through which the positive social or environmental outcome can be achieved (e.g. solar panel manufactures or installers).
 4. An **enabling link** would arise if the goods an entity produces or the services it provides enable other companies to contribute towards the achievement of the positive social or environment outcome (e.g. manufacturers of critical components that are used as inputs in the manufacture of solar panels).
 5. Any reference to Project Drawdown is to describe the publicly available materials utilised by Stewart Investors in formulating its Sustainability Assessment framework. It is not intended to be, and should not be, read as constituting or implying that Project Drawdown has reviewed or otherwise endorsed the Stewart Investors' Sustainability Assessment framework. For the list of Project Drawdown climate solutions please go to <https://drawdown.org/solutions/table-of-solutions>.

[portfolio-explorer.html](#).

Stewart Investors utilises these methods of assessment to perform ongoing monitoring of the Fund's investments and at least annually reviews each investee company's positioning in respect of its Quality Assessment and Sustainability Assessment. If it is found that an investee company no longer contributes to, or benefits from, sustainable development, the Fund will seek to divest its interest in that company in an orderly manner having regard to the best interest of investors.

Except where specifically disclosed (e.g., the gross revenue threshold for harmful and controversial products, services and practices described below), Stewart Investors does not use specific thresholds or quantitative criteria to assess companies.

Investment stewardship

Stewardship is a key part of Stewart Investors' approach at each stage of the investment life cycle (i.e. selecting, retaining and realising investments). It provides a channel through which Stewart Investors can:

- assess and monitor a company's quality and contribution to sustainable development (as defined by Stewart Investors above); and
- encourage management teams to address any issues relevant to its business.

Stewart Investors does this through constructive, non-confrontational and relationship-based verbal and written conversations with representatives of investee companies.

Stewart Investors also has an active voting programme and votes on all issues at all company meetings where they have the authority to do so.

Position statement on harmful and controversial products, services or practices

A copy of Stewart Investors' current Position Statement on harmful and controversial products, services or practices (**Position Statement**) is available at <https://www.stewartinvestors.com/nz/en/adviser-institutional/insights/our-position-on-harmful-and-controversial-products-and-services.html>. The Position Statement sets out what Stewart Investors considers to be harmful and controversial products, services or practices and may be amended from time to time.

The table below includes information on the activities and practices that Stewart Investors finds inconsistent with its investment philosophy. Subject to any exceptions (see below), the Fund will not invest in companies that have a material exposure in the manner described in the table to those activities and practices. The Fund has set a materiality threshold for exposure to activities and practices of 5% of gross revenue of the investee company other than where stated in the table.

For the purposes of determining gross revenue of a company,⁶ the Fund relies on most recently reported gross revenue in the company's accounts or gross revenue estimates provided by reputable third-party research providers. Where such information turns out to be inaccurate or there are delays in accessing such information, the implementation of the Position Statement may be delayed.

Issue	Our approach
Fossil fuels	The Fund will not invest in companies that have a material exposure to the exploration, production or generation of fossil fuel energy. The Fund defines fossil fuels as coal, unconventional oil & gas (arctic drilling, oil sands, shale energy), and conventional oil & gas. The Fund considers exploration, extraction, power generation, transportation, distribution, refining or providing dedicated equipment or services as part of the value chain.
Nuclear power	The Fund does not invest in companies materially involved in nuclear energy.
Environmental obligations	The Fund will not invest in companies that Stewart Investors reasonably believes wilfully or persistently neglect their environmental obligations, including their obligations in accordance with applicable laws, and the principles outlined in the UN Global Compact and other standards and third party assessments that we adopt from time to time. No materiality threshold applies to this item.
Alcohol (production)	The Fund does not invest in companies materially involved in the production of alcohol products.
Tobacco (production)	The Fund does not invest in companies involved in the production of Tobacco Products (this includes any company that owns a 50% or more interest in companies that derive any revenue directly from the manufacture of Tobacco Products (defined below)). This activity has a 0% revenue threshold. However, for any wholesaling, distribution and provision of dedicated equipment and services to companies that produce Tobacco Products, the Fund applies a 5% gross revenue threshold. The Fund defines Tobacco Products to mean traditional cigarettes and other tobacco products, such as cigars, chewing tobacco, vaping and e-cigarette products.
Gambling (retail involvement and services)	The Fund does not invest in companies materially involved in gambling operations or the provision of gambling opportunities.
Pornography (production and sales)	The Fund does not invest in companies involved in the production of pornography or are materially involved in the distribution of pornography. Production of pornography has a 0% gross revenue threshold

6. Published company gross revenue.

	and distribution of pornography has a 5% gross revenue threshold.
Animal welfare (agriculture)	The Fund will not invest in companies that are materially involved in: <ol style="list-style-type: none"> 1. the export of live animals; 2. cruel production practices (e.g., revenue derived from factory farming); or 3. the trade of controversial animal products such as ivory. No materiality threshold applies to this item.
Animal testing (cosmetics, chemicals, household products etc.)	The Fund will not invest in companies that are involved in animal testing during the production of some consumer, medical, chemical and home and personal care products other than in the following circumstances: <ol style="list-style-type: none"> 1. animal testing is done in accordance with ethical principles, policies, protocols and standards for the responsible treatment and welfare of animals; 2. animal testing is required by regulatory agencies to limit risks to human lives and health; or 3. products require ingredients for which no suitable alternative methods of testing are available. No materiality threshold applies to this item.
Sexual and reproductive health and rights	The Fund will not invest in companies that discriminate against or seek to impinge on abortion rights for women. No materiality threshold applies to this item.
Genetic research and stem cells	The Fund will not invest in companies that are involved in research for the reproductive cloning of human beings or animals. No materiality threshold applies to this item.
Human rights	The Fund will not invest in companies with poor records in relation to globally accepted human rights norms and standards, including modern slavery, child labour, capital punishment and indigenous rights. No materiality threshold applies to this item.
Armaments (weapons, strategic and non-strategic products)	The Fund does not invest in companies that are materially involved in the manufacture of armaments. This includes both Controversial Weapons and other armaments such as hand guns. A 0% gross revenue threshold applies to Controversial Weapons (this includes any company that owns a 50% or more interest in companies that derive any revenue directly from the manufacture of such weapons). Controversial Weapons mean anti-personnel mines, cluster weapons, biological and chemical weapons, depleted uranium, nuclear weapons and white phosphorus munitions.

Exceptions

Where Stewart Investors becomes aware of a material exposure to harmful or controversial products, services or practices prior to a new investment in a company or as part of its ongoing monitoring, Stewart Investors will:

- engage with the company where they require further information or wish to encourage improved practices and an appropriate resolution of the issues identified; and
- review the company research and investment case, noting the company's response where they believe it is adequate.

If following this review and engagement Stewart Investors determines that an exception to its Position Statement would not be inconsistent with its assessment that the relevant company contributes to, and benefits from, sustainable development, Stewart Investors may decide to invest in or maintain its existing holding in the company (as applicable). In such circumstances, Stewart Investors will disclose this to investors on its website at <https://www.stewartinvestors.com/nz/en/adviser-institutional/insights/our-position-on-harmful-and-controversial-products-and-services.html> together with the reasons for its decision to invest or maintain the holding (as applicable).

Stewart Investors may make an exception to its Position Statement in the following circumstances:

- if a company is winding down a legacy commercial activity (in which case the company will be engaged and encouraged to cease the commercial activity concerned); or
- where the company is not increasing capital expenditure in relation to, or if a company is only indirectly exposed to, harmful or controversial products, services or practices, for example, a company making safety products for a wide range of industries may also have customers in the fossil fuel or defence industries.

Where engagement has been unsuccessful or where the harmful activities are part of a pattern of behaviour that raises concerns regarding the quality and integrity of the company's management, Stewart Investors will not invest or will exit the Fund's position in the company in an orderly manner having regard to the best interest of investors (as applicable).

Stewart Investors will not make any exceptions to its Position Statement for a company that:

- derives any revenue directly from the manufacture of Controversial Weapons (defined above) or Tobacco Products (as defined above); or
- owns a 50% or more interest in companies that derive any revenue directly from the manufacture of Controversial Weapons or Tobacco Products.



CERTIFIED BY RIAA

RIAA's RI Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that the Stewart Investors Worldwide Leaders Sustainability Fund adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product. The Certification Symbol is a Trademark of the Responsible Investment Association Australasia ('RIAA'). Detailed information about RIAA, the Symbol and the Stewart Investors Worldwide Leaders Sustainability Fund's methodology, performance and stock holdings can be found at www.responsiblereturns.co.nz, together with details about other responsible investment products certified by RIAA.⁷

E. Fund investment objectives and strategies

Stewart Investors Worldwide Leaders Sustainability Fund

The investment objectives and strategy of the Fund are:

Investment Objectives⁸

To achieve long-term capital appreciation by investing in companies which contribute to, and benefit from, sustainable development.

Stewart Investors invests in larger capitalisation companies with a minimum investible market cap (free float) of US\$5 billion at the time of initial investment.^{9,10}

The Fund aims to exceed the MSCI All Country World Index (NZD) over rolling five-year periods before fees and taxes.

The Fund is actively managed and the benchmark is not used to limit or constrain how the Fund's portfolio is constructed.

Investment Strategy

The Fund aims to achieve its investment objective by investing in a diversified portfolio of equity or equity-related securities¹¹ of larger capitalisation companies which are listed in, traded or dealt on any of the regulated markets worldwide.

Stewart Investors undertakes a bottom-up and qualitative approach to identifying, analysing and investing in companies,

which it believes can deliver long-term positive financial returns and also contribute to, and benefit from, sustainable development. Stewart Investors considers a company contributes to, and benefits from, sustainable development if its activities lead to positive social outcomes and may lead to positive environmental outcomes.

The Fund does not hedge currency risk.

Benchmark index

- MSCI All Country World Index (NZD)¹²

Target investment mix

- 10% cash and cash equivalents
- 90% global equities

Asset allocation ranges:¹³

- 0%-20% cash and cash equivalents
- 80%-100% global equities

Appointed investment manager:

- First Sentier Investors (Australia) IM Ltd

7. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold a Financial Advice Provider licence.
8. The investment objective is not intended to be a forecast. It is merely an indication of what the Fund aims to achieve over the longer term on the assumption that equity markets remain relatively stable throughout the investment term. The Fund may not be successful in meeting this objective. Returns are not guaranteed.
9. Any security that is held and transitions below the threshold can be actively traded (bought and sold) so long as it continues to be held in the portfolio.
10. For the purposes of this Fund, Stewart Investors refers to companies of this size as "Leaders".
11. The Fund may have exposure to equity-related securities if it is entitled to such securities via a corporate action.
12. The benchmark is not used to limit or constrain how the Fund's portfolio is constructed.
13. The asset allocation is a range, actual allocations can change within the ranges significantly and sometimes quickly.

Permitted investments:

- Cash and cash equivalents
- Equities listed on recognised international securities exchanges, including ordinary shares, preference shares, American depositary receipts (ADRs), real estate investment trusts (REITs), Master Limited Partnerships (MLPs), stapled securities
- IPOs, Reg S securities and 144A securities

Rebalancing policy:

- There is no rebalancing policy

Currency policy:

- The Fund does not hedge currency risk

Other

- The number of stocks to be held by the portfolio is typically between 40 – 60, but the minimum number required is 20
- Not more than 12% of the market value of the portfolio will be invested in one company
- The Fund will not acquire more than 20% of a company's free floating capital
- No more than 20% of the Fund may be held in individual stocks with a market capitalisation of less than US\$5 billion
- Short selling of equity securities is not permitted
- The Fund can borrow up to 10% of the aggregate value of its investments for operational purposes including the provision of short-term liquidity (for example, to temporarily fund redemptions, settle securities trades or pay expenses)

F. Investment policies

Taxation policy

The Fund has elected to be a Portfolio Investment Entity (PIE) and is therefore taxed under the PIE regime.

At the date of this document, the Fund calculates the taxable income accruing from investments in global shares listed outside of New Zealand and Australia using the Fair Dividend Rate (FDR) method.

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 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 policy

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

Related-party transactions

Related-party transactions, other than the types permitted under the Financial Markets Conduct Act 2013 (FMC Act) are prohibited.

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

- the Fund investing in a First Sentier fund offshore; or,
- a related party of the Investment Manager being appointed to provide investment services for the Fund; or,
- parties related to the Fund, including the staff and directors of First Sentier Investors and their families, Stewart Investors and their families and the staff of FundRock and their families from time to time investing in the Fund.

Trade allocations and transactions

As the Fund invests directly in securities, and the Investment Manager trades the same securities for other portfolios it manages which have a similar investment philosophy, the Investment Manager has best execution and brokerage processes governing their investment management activity on behalf of the Fund.

Other relevant policies

Summaries of the other 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.

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 the Fund;
- have a consistent and objective process for determining unit prices; and
- comply with our governing documents, offer documents and the law.

Conflicts of Interest and Related Party Transactions Policy

The 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 Conflicts of Interest and Related Party Transactions Policy provides guidance on:

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

The core policy statement is:

'As a licensed manager of Managed Investment Schemes, the Manager must act honestly and in the best interests of the Scheme participants. The Manager recognises that in order to satisfy this duty, it and its staff members must put the interests of its customers ahead of those of itself or of the staff members.'

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.

G. Performance monitoring

FundRock monitors investment performance of the Fund on a monthly basis. Performance is measured and assessed on the following basis for 1, 3 and 5 year periods:

- gross return;
- net return;
- net of fees and gross of tax at an assumed 28% PIR;
- benchmark index return;
- performance relative to benchmark;
- annualised standard deviation of gross return;¹⁴
- annualised standard deviation of benchmark index return;¹⁴ and
- annualised tracking error.¹⁴

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

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

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. SIPOs are reviewed annually by FundRock management, including ensuring the investment strategy and asset allocation ranges remain appropriate, 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; and
- 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 at any time 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, as well as written approval of the Supervisor.

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 22 February 2024 and takes effect on 26 February 2024.

This SIPO is subject to change from time to time without notice to investors (provided written notice is given to the Supervisor). The Manager will give notice to Fund investors before implementing any material SIPO changes and all SIPO changes will be advised in the annual report for the Scheme. The most current version of this SIPO is available on the Disclose Register at www.companiesoffice.govt.nz/disclose.

14. Standard deviations and tracking error calculated based on monthly returns.