Kiwi Wealth Super Scheme

Statement of Investment Policy and Objectives

1 October 2021

Contents

1. About the Kiwi Wealth Super Scheme

The Kiwi Wealth Super Scheme (the **Scheme**) was established on 18 December 2008 and is registered under the Financial Markets Conduct Act 2013 (**FMCA**) as a managed investment scheme.

Kiwi Wealth Investments Limited Partnership is the manager of the Scheme (**Manager**) and is responsible for offering and issuing interests in the Scheme and for the management of investments and administration of the Scheme.

Public Trust is the supervisor of the Scheme (**Supervisor**), and JBWere (NZ) Nominees Limited is the custodian of the Scheme.

As at the date of this Statement of Investment Policy and Objectives (**SIPO**), the Scheme's assets are invested in underlying funds within a wholesale managed investment scheme issued by Kiwi Investment Management Limited, a related party of the Manager. The Manager is the investment manager of those underlying funds.

This SIPO specifies the policy, objectives, investment philosophy, investment style, guidelines and limits that the Manager shall follow in relation to the investment of the assets of each fund of the Scheme (**Fund**).

The governance function for this SIPO is the responsibility of the Investment Governance Committee (**IGC**) which has this responsibility delegated to it by the board of directors of the Manager (**Board**).

This SIPO is at all times subject to the trust deed that governs the Scheme (**Trust Deed**).

The Manager currently offers the following three funds to members of the Scheme:

- Conservative Fund
- Balanced Fund
- Growth Fund

The most current version of the SIPO is available on the schemes register entry for the Scheme on the Disclose Register website at https://disclose-register.companiesoffice.govt.nz.

2. Role of the Supervisor

Public Trust is responsible for supervising the performance of the Manager's functions, acting on behalf of investors, and ensuring the Funds' assets are appropriately held. Public Trust has appointed JB Were (NZ) Nominees Limited to hold each Fund's assets on trust for investors.

A complete list of the Supervisor's responsibilities is set out in the Trust Deed. A copy of the Trust Deed can be found at https://www.kiwiwealth.co.nz/scheme-fund-documents.

3. Role of the Investment Governance Committee

The IGC is a subcommittee of the board of directors of the general partner of the Manager, Kiwi Wealth Investments General Partner Limited (**General Partner**). Its role is to:

- provide governance oversight of the investment related risk taking activities;
- review investment processes and performance;

- approve within its guiding principles (set out below) changes to the SIPO; and
- bring any material issues to the attention of the Board through a regular reporting process.

The IGC's guiding principles are:

- a fiduciary duty to the investor/client;
- prudent risk management;
- clear separation of management (doing the work) and governance (setting the investment objectives, boundaries, policies and limits and reviewing performance and compliance); and
- the setting of clear measurable accountabilities and defined investment risk and return objectives.

The IGC reviews the Scheme's strategies and their ability to deliver investment objectives and to perform in periods of stress. Reports that show metrics, such as tracking error and absolute risk, are provided to the IGC.

The IGC has at least four members appointed by the board of the General Partner and may include independent members. In addition, attendees would normally include the Chief Investment Officer (**CIO**) and senior representatives from the following teams:

- Investment Management Team (**IMT**);
- Operations;
- Product; and
- Risk and Compliance.

The IGC meets at least quarterly and can approve requests both by out-of-cycle meetings and by circulation if required.

All matters voted on by the IGC must receive unanimous agreement from those members present, with a minimum quorum of two members. Matters that cannot be agreed will be referred to the board of the General Partner.

Significant issues will also be brought to the attention of the Supervisor.

4. Objectives of the Scheme

The Scheme is a superannuation scheme designed to provide retirement benefits to its members. The principal objective of the Scheme is to provide members with a range of transparent, liquid and diversified investment options they can use to save for their retirement.

5. Investment objectives

The investment objectives specific to each Fund in the Scheme are set out in Appendix 1.

The key investment objective of each Fund is to deliver returns net of fees that, over the relevant investment timeframe, exceed that Fund's benchmark with similar levels of risk.

In setting the investment objectives for each Fund, the performance of the Funds will vary, and they may not always meet or exceed their investment objective.

6. Investment philosophy

The Manager is focussed on managing total risk. It defines investment risk as the possibility of a permanent loss of economic capital – the purchasing power of money. It believes that investors experience this risk in two ways: the probability of loss, as well as the variance of returns. It manages both of these risk dimensions by:

- Using a risk-budgeting approach and diversifying across multiple sources of risk and return.
- Managing total fund risk rather than focusing solely on benchmark centric tracking error.
- Favouring liquid and transparent investments so that the underlying sources of risk and return are clear and investments are able to be exited at reasonable prices, in times of stress.

The philosophy of the Manager is that the role of a superannuation scheme investment manager is to protect the value of members' capital and the Scheme's purchasing power, then enhance wealth through the active selection of securities, such as shares and fixed interest assets, and asset allocation.

The Manager believes that global capital markets are largely effective in allocating capital and generally ensure a stable relationship between risk and return over time. As a result of this risk/return relationship, a range of systematic long-term returns can be expected in the form of various risk premia. Successful investing therefore includes exposure to these various sources of risk and return over the long term.

The Manager believes that there are targeted opportunities to add value through active management. These opportunities arise because:

- Risk premia are time varying, which is evident in predictable changes in: fundamental valuation; value mean reversion; momentum (trends); and clustering of risk.
- Markets can be segmented by various barriers to free capital flow. This creates relative value and security selection opportunities.
- Price discovery for individual securities is somewhat predictable. For example, the micro themes that drive security valuations develop over time, with individual investments showing relative momentum and mean reversion.

Policy and process for selecting and monitoring external investment managers

When selecting external investment managers (including for underlying funds the Scheme invests in), the Manager considers diversification, liquidity, cost, potential risk and returns, and tax efficiency.

When investing in managed funds or unit trusts the Manager also considers the credentials and track record of the manager, transparency, and fees. This includes consideration of a range of key factors including performance track record, management structure, investment process and philosophy, their approach to responsible investment, operations, risk management and compliance, transparency, liquidity and fees.

7. Investment style

The Manager's investment style is active, global and local investment with a dynamic total fund approach to investing.

The Manager is principally an active investment manager of global and local investments. As an active investment manager, it has the discretion to change the asset allocation (the mix of asset classes between shares, fixed interest, cash and other financial instruments) and to actively choose individual securities and investments within any applicable limits set out in Appendix 1, as opposed to managing tightly against a predefined asset allocation.

The Manager seeks to create risk efficient funds that utilise a wide practical set of investment activities subject to ethical, liquidity, transparency and cost efficiency tests.

The Manager follows an integrated bottom up (security level) as well as top down (macro) approach with four main areas of emphasis:

- Capturing market returns (risk premia) effectively
- Adding value by active security selection
- Risk management to preserve capital
- Cost efficiency of implementation

The investment goal is to deliver higher returns, with similar levels of risk, compared with common market index funds over the long term - after all costs and fees.

Currency management

The Manager looks to hold currency hedges appropriate to the Scheme's funds to reduce the impact on returns from variations in the value of the NZ Dollar, in accordance with the Scheme's hedging policy (see section 16).

8. Security selection

Underlying investments are held across a reasonably large number of assets, securities, sectors, countries and/or industries in order to achieve sufficient diversification. There is also a strong focus on liquidity of the underlying assets so that assets can be sold within a reasonable timeframe without having a material adverse effect on the price of those assets.

The Manager is responsible for making decisions about the asset allocation of each Fund, and the selection of each investment in the Fund. Relative value, liquidity, transparency, cost, potential returns and the associated risks are used as criteria to select assets.

9. Asset groups

Each fund invests, in different proportions, across three asset groups: shares and other growth assets, fixed interest and cash. The asset groups are described in the following table:

Asset group	Assets included in the asset group
Shares and other growth assets	• Equity securities • Interests in listed or unlisted managed funds, investment funds or collective investment vehicles where the underlying assets are predominantly within this asset group • Commodities • Exchange traded funds, where the underlying assets are predominantly equity securities or commodities • Derivatives relating to the management of this asset group • Underwriting or sub-underwriting contracts where the underlying assets are within this asset group
Fixed Interest	• Bank certificates of deposit with more than 6 months to maturity • Domestic or global fixed rate bonds with more than 6 months to maturity • Interests in listed or unlisted managed funds, investment funds or collective investment vehicles where the underlying assets are predominantly fixed interest investments • Repurchase agreements • Derivatives relating to the management of this asset group • Bills of exchange, promissory notes and other forms of negotiable instruments • Deposits with, loans to or other debt obligations of any bank, company or person whether secured or unsecured with more than 6 months to maturity • Government agency or local authority bonds of any country with more than 6 months to maturity • Underwriting or sub-underwriting contracts where the underlying assets are within this asset group

Cash	• On call bank deposits • Bank certificates of deposit with 6 months or less to maturity • Domestic fixed rate bonds with 6 months or less to maturity • Global bonds with 6 months or less to maturity • Bank bills • Bills of exchange, promissory notes and other forms of negotiable instruments with 6 months or less to maturity • Deposits with, loans to or other debt obligations of any bank, company or person whether secured or unsecured with 6 months or less to maturity • Government agency or local authority bonds of any country with 6 months or less to maturity • Floating rate notes • Derivatives relating to the management of this asset group • Repurchase agreements • Interests in listed or unlisted managed funds or collective investment vehicles where the underlying assets are predominantly cash investments • Underwriting or sub-underwriting contracts where the underlying assets are within this asset group

10. Asset allocation ranges

The asset group limits the Manager must adhere to when investing the assets of each Fund are set out in Appendix 1 for each Fund.

The asset group limit ranges set out in Appendix 1 for each Fund refer to the underlying exposure and not the investment vehicle by which the exposure is obtained. The Manager may invest directly into the asset group or gain exposure to the asset class indirectly through other investment vehicles (e.g. through a unit trust or other type of managed fund).

At any time, the Manager has a target asset allocation for each Fund. The actual asset allocation can change in response to market conditions. The actual asset allocation can change as part of the Manager's active investment management.

The Manager may amend the asset group limit ranges for a Fund from time to time (by amending the SIPO with the Supervisor's consent). Any amendments will be implemented, by buying and selling assets for the affected Fund, as soon as reasonably practicable after the adoption of the revised SIPO.

For the purposes of section 167 of the FMCA, no limit break will occur if:

- the actual asset allocation of a Fund was, when the relevant amendment took effect, within the range for that Fund that applied immediately prior to the amendment; and
- the actual asset allocation of a Fund is brought in line with the new asset group limit ranges as soon as reasonably practicable after the amendment takes effect.

The Funds operate as separate funds of the Scheme for financial reporting purposes.

11. Benchmarks

The benchmarks that apply to each Fund are specified in Appendix 1.

For the purposes of our quarterly Fund Updates, benchmark (or market index) returns are calculated gross of fees and tax as per the Financial Markets Conduct Regulations 2014.

12. Permitted investments

The permitted investments for the Funds are set out in Appendix 1 of this SIPO. The permitted investments can be altered by way of amendment to this SIPO, and subject to agreement from the Supervisor.

The Funds may also invest in other investments that are not explicitly stated in this SIPO, that the Manager considers fall within the parameters of permitted investments and that appropriately reflect the risk profile of the relevant Fund and will contribute to the performance objectives of that Fund.

13. Related party transactions

The assets of each Fund may be invested with a related party, provided that the transaction is conducted on commercial arm's length terms, in accordance with the requirements of the Financial Markets Conduct Act 2013, and subject to the usual principles of prudence, liquidity and diversification. While the assets of each Fund are currently primarily invested in wholesale funds issued by Kiwi Investment Management Limited (a related party of the Manager), the same principles of prudence, diversification and liquidity are applied to the investment of those wholesale funds.

Refer to the offers register entry for the Scheme on the Disclose Register website at https://disclose-register.companiesoffice.govt.nz for a copy of our Conflicts of Interest Disclosure Document.

14. Derivatives

Unless otherwise agreed in writing with the Supervisor, derivative transactions are only to be entered into to help facilitate risk management and efficient investment implementation.

Where the Scheme invests in other investment vehicles, derivatives may be used by the underlying investment manager.

The Manager will not enter into derivatives in relation to a Fund that gives rise to liabilities beyond the value of the assets of that Fund.

For the purpose of this SIPO, "derivatives" includes forward foreign exchange contracts, currency options, and cross currency swaps, futures (including equity futures) and options, total return swaps, interest rate swaps and credit derivatives and contracts or arrangements related to those. See section 9 for the inclusion of derivatives within the asset groups.

15. Asset valuations and pricing

The guiding principle is that securities in the Funds are valued at a price that fairly and accurately represents the market price.

Securities are valued in accordance with the Trust Deed and Asset Valuation and Pricing Policy which can be found on our website: www.kiwiwealth.co.nz/how-we-invest/investing-policies and on the Scheme's offer register entry: https://disclose-register.companiesoffice.govt.nz.

16. Foreign currency hedging policy

The Manager may actively manage currency risk. The NZ Dollar target for each fund is in the table below. The Manager may vary from the target level. The maximum effective hedge ratio for foreign assets is 100% and the minimum is 0%.

NZ Dollar exposure by Funds

Fund	Indicative range %	Target %
Conservative	80 – 100%	90%
Balanced	70-90%	80%
Growth	50-90%	70%

Separate to the NZ Dollar exposure, the Manager may also actively manage and vary exposure between foreign currency pairs.

17. Borrowing policy

The Manager may not arrange for moneys to be borrowed unless otherwise agreed, in writing, with the Supervisor as to both the purpose and extent of those borrowings.

For the purposes of this clause, amounts outstanding or payable for settlement purposes, taxation, or under a derivative contract permitted under this SIPO shall not be considered to be borrowing.

18. Investment guidelines

Investment concentration

The Manager will take reasonable care to ensure that investments of the Scheme, excluding specified related party investments to which the Supervisor has agreed these guidelines do not apply[1], adhere to the following guidelines:

a. Direct exposure to a single commonly recognised investment manager, excluding the Manager or a sub-appointee of the Manager, is limited to 50% of the assets of each Fund.

b. Direct exposure to any one underlying financial product (e.g. equity or fixed interest security), excluding interests in a managed investment scheme issued by the Manager or any entity which is wholly owned by the Manager, or any other entity to which the Supervisor has agreed this limit does not apply, is limited to 7.5% of the assets of each Fund. Cash and derivatives are excluded, but remain subject to the diversification principle.

c. Direct exposure to fixed interest investments of any one underlying issuer (e.g. bank or corporate) is limited to 15% of the assets of each Fund, unless the issuer is either:

    (i) The New Zealand Government; or

    (ii) The New Zealand Local Government Funding Agency Limited (or its successor, or an entity issuing financial products on its behalf).

d. Direct exposure to fixed interest investments issued by either (i) or (ii) above is limited to 50% of the assets of each Fund.

e. Broader exposure (i.e. including cash and derivatives) to any one underlying issuer (excluding specified related party investments to which the Supervisor has agreed these limits do not apply) is limited to 50% of the assets of a Fund.

For fixed interest assets, the Manager will take reasonable care to limit total underlying exposure to non-investment grade credit to no more than 25% of a Fund.

Any investment in any financial product issued by any related party of the Manager is permitted subject to compliance with this SIPO and restrictions on related party investments set out in the FMC Act.

Given the range of assets and issuers and in some cases the complex relationships that exist in financial markets it is important to see the above as guidelines rather than rigid rules. Accordingly, the above are not limits on the nature or type of investments that may be made, or on the proportion of each type of asset invested in, for the purposes of section 164 of the FMCA.

Liquidity

Reasonable care will be taken by the Manager to ensure the investments of each Fund are liquid (as described in section 6. Investment philosophy).

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[1] On 30 August 2016 the Supervisor provided consent for the Scheme to invest up to 100% of the Scheme's assets into wholesale managed funds issued by Kiwi Investment Management Limited, subject to meeting the target and range sector allocations for each Fund. The Supervisor is also the trustee of those underlying wholesale funds.

19. Investment cycle and rebalancing policy

Member contributions are deposited into the Scheme applications bank account, and are linked to the member's account and earn interest. Contributions accumulate daily, and are then transferred to the relevant funds for investment during the monthly process outlined below.

Other member requests (such as withdrawals and investment direction changes) are actioned on the monthly cycle.

Each month, in line with the investment cycle, every member's account is rebalanced to ensure that it is aligned with the member's current investment direction. Rebalancing includes investing cash contributions, rebalancing for market movements and rebalancing if a member's investment direction is split (e.g. 50% Conservative 50% Balanced) to return the investor to that asset allocation.

The Manager undertakes internal asset allocation modelling for each Fund, and monitors Fund positions against those model allocations on an ongoing basis. The Manager may (subject to specified exceptions) rebalance a Fund's asset holdings and currency hedging back to its model allocations as part of that process. The frequency of this rebalancing (if any) will be determined based on the type of asset and the model allocations. As a result of the asset allocation modelling, it is expected that each Fund will remain within the asset allocation ranges and other investment limits set out in this SIPO. In the event that a Fund exceeds those limits, the process and timing for rebalancing will be determined by the Manager on a case-by-case basis.

Regular compliance checks are also made to ensure the positions of each Fund are within the required investment guidelines, as specified in this SIPO.

Members can find each Fund's actual asset allocations at the end of each quarter in the fund updates that are available at www.kiwiwealth.co.nz/scheme-documents.

20. Responsible investment policy

The Manager maintains a responsible investment policy with some exclusions and giving consideration to environmental, social and governance issues.

Further information can be found in the responsible investment policy, available on our website at the following address: https://www.kiwiwealth.co.nz/how-we-invest/investing-policies.

21. Taxation

The Scheme is a Portfolio Investment Entity (**PIE**). The Scheme pays tax calculated at the rate of the member's elected Prescribed Investor Rate (**PIR**). Details of the way the Scheme calculates tax can be found in the Scheme's Trust Deed and offer documents.

22. Review and amendment

This SIPO is reviewed at least annually by the Manager and any changes are reviewed and approved by the IGC. The Supervisor of the Scheme is also involved in the development, review and consent of the SIPO. Material changes will be notified to affected members prior to taking effect.

23. Permitted encumbrances

The Manager may not create or allow to exist any encumbrance over all or any part of the investments or property of the Scheme or a fund, except where it:

- has the prior written approval of the Supervisor;
- arises by operation of law;
- was created by the Trust Deed in favour of the Supervisor or the Manager;
- was created by any nominee or custodian deed or agreement (however so described) and made in connection with holding or vesting such investments or property; or
- after consultation with the Supervisor, was made in favour of a third party in connection with investing such investments or property.

In this SIPO, “encumbrance” includes a mortgage, charge, assignment, pledge, lien, or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect but, for the avoidance of doubt, excludes any right of set-off.

24. Investment performance monitoring and reporting

Investment performance for the Scheme is monitored monthly by the IMT and reviewed at least quarterly by the IGC. The IGC is responsible for governance oversight of investment risk taking activities and setting investment risk tolerances. In monitoring investment performance, the IGC considers an attribution analysis and other performance reports provided to it.

Performance of the Scheme is monitored over various periods, including, monthly, quarterly, year-to-date and on a rolling 12 months’ basis (gross of tax). Performance is measured on an absolute return basis as well as relative to the Fund benchmark indices.

25. SIPO Compliance and Review

Investment Compliance monitors whether the Funds are in compliance with the guidelines and investment objectives stated in this SIPO daily. Reports are produced monthly, and Investment Compliance is a standing agenda item for IGC meetings. Monthly and quarterly compliance reports for the Scheme are reviewed by relevant business teams and submitted to the Supervisor quarterly.

Appendix 1 – Funds

Conservative Fund

This type of fund is generally more suitable for investors with a short investment timeframe (one to five years) or those who are risk averse and who can tolerate the occasional decline in the value of their member account.

Investment Objective	To exceed over the relevant timeframe the returns you would receive from investing 85% of your funds in New Zealand fixed interest and cash assets, and 15% in global shares, through active asset allocation and active selection of shares, fixed interest and cash assets – to exceed a "conservative" benchmark.
Benchmark	42.5% S&P/NZX Bank Bills 90-Day Index, 42.5% S&P/NZX NZ Government Bond Index, 10% Solactive* Kiwi Global Markets Screened NZD Index, 5% Solactive Kiwi Global Markets Screened Hedged to NZD Index.
NZ Dollar Exposure	Typical exposure is around 90%.
Permitted investments (subject to the applicable asset group descriptions in section 9 and investment concentration guidelines in section 18)	The Fund will invest in the asset classes listed in the table below directly or through investing in underlying funds to provide exposure to the asset classes listed (including by using derivatives). Cash may be held for transactional purposes.

Conservative Fund asset group allocation ranges

<table>
<tr><th>Asset group</th><th colspan="2">Lower limit</th><th>Upper limit</th></tr>
<tr><td>Cash</td><td>0%</td><td rowspan="2">80%**</td><td>100%</td></tr>
<tr><td>Fixed Interest</td><td>0%</td><td>100%</td></tr>
<tr><td>Shares and other growth assets</td><td colspan="2">0%</td><td>20%</td></tr>
</table>

* Solactive is a trademark of Solactive AG.

**This is the combined lower limit for both Cash and Fixed Interest assets.

Balanced Fund

This type of fund is generally more suitable for investors with a medium investment timeframe (five to ten years) or those who have a moderate appetite for risk and tolerance for declines in the value of their member account.

Investment Objective	To exceed over the relevant timeframe the returns you would receive from investing 45% of your funds in New Zealand fixed interest and cash assets, and 55% in global shares through active asset allocation and active selection of shares, fixed interest and cash assets – to exceed a “balanced” benchmark.
Benchmark	22.5% S&P/NZX Bank Bills 90-Day Index, 22.5% S&P/NZX NZ Government Bond Index, 20% Solactive* Kiwi Global Markets Screened NZD Index, 35% Solactive Kiwi Global Markets Screened Hedged to NZD Index.
NZ Dollar Exposure	Typical exposure is around 80%.
Permitted investments (subject to the applicable asset group descriptions in section 9 and investment concentration guidelines in section 18)	The Fund will invest in the asset classes listed in the table below directly or through investing in underlying funds to provide exposure to the asset classes listed (including by using derivatives). Cash may be held for transactional purposes.

Balanced Fund asset group allocation ranges

Asset group	Lower limit		Upper limit
Cash	0%	30%**	100%
Fixed Interest	0%		100%
Shares and other growth assets	0%		70%

* Solactive is a trademark of Solactive AG.

**This is the combined lower limit for both Cash and Fixed Interest assets.

Growth Fund

This type of fund is generally more suitable for investors with a longer investment timeframe (more than ten years) and who have a greater tolerance for declines in the value of their member account.

Investment Objective	To exceed over the relevant timeframe the returns you would receive from investing 85% of your funds in global shares and 15% of your funds in New Zealand fixed interest and cash assets through active asset allocation and active selection of shares, fixed interest and cash assets – to exceed a "growth" benchmark.
Benchmark	7.5% S&P/NZX Bank Bills 90-Day Index, 7.5% S&P/NZX NZ Government Bond Index, 30% Solactive* Kiwi Global Markets Screened NZD Index, 55% Solactive Kiwi Global Markets Screened Hedged to NZD Index.
NZ Dollar Exposure	Typical exposure is around 70%.
Permitted investments (subject to the applicable asset group descriptions in section 9 and investment concentration guidelines in section 18)	The Fund will invest in the asset classes listed in the table below directly or through investing in underlying funds to provide exposure to the asset classes listed (including by using derivatives). Cash may be held for transactional purposes.

Growth Fund asset group allocation ranges

Asset group	Lower limit	Upper limit
Cash	0%	100%
Fixed Interest	0%	100%
Shares and other growth assets	0%	100%

* Solactive is a trademark of Solactive AG.

Appendix 2 – Solactive AG Disclaimer

Solactive AG (Solactive) is the licensor of each of the Solactive Kiwi Global Markets Screened NZD Index and Solactive Kiwi Global Markets Screened Hedged to NZD Index (each an Index). The financial instruments that are based on each Index are not sponsored, endorsed, promoted or sold by Solactive in any way and Solactive makes no express or implied representation, guarantee or assurance with regard to: (a) the advisability in investing in the financial instruments; (b) the quality, accuracy and/or completeness of any Index; and/or (c) the results obtained or to be obtained by any person or entity from the use of an Index. Solactive does not guarantee the accuracy and/or the completeness of any Index and shall not have any liability for any errors or omissions with respect thereto. Notwithstanding Solactive's obligations to its licensees, Solactive reserves the right to change the methods of calculation or publication with respect to any Index and Solactive shall not be liable for any miscalculation of or any incorrect, delayed or interrupted publication with respect to an Index. Solactive shall not be liable for any damages, including, without limitation, any loss of profits or business, or any special, incidental, punitive, indirect or consequential damages suffered or incurred as a result of the use (or inability to use) of an Index.