



**Kiwi  
Wealth.**

**Kiwi Wealth  
Managed Funds**

# **Statement of Investment Policy and Objectives**

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**8 May 2018**



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# 01

## About the Kiwi Wealth Managed Funds

The Kiwi Wealth Managed Funds (**Scheme**) was registered under the Financial Markets Conduct Act 2013 (**FMC Act**) as a scheme on 8 May 2018.

There are three separate funds within the Kiwi Wealth Managed Funds offered to investors, called the Conservative Fund, Balanced Fund, and Growth Fund (**Funds**). Further information on the Funds is set out in the Appendix to this SIPO.

The Scheme and Funds are currently governed by a master trust deed dated 4 May 2018 (**Trust Deed**) and establishment deeds under which the Funds were established within the Scheme dated 4 May 2018 (**Establishment Deeds**). In this document, unless the context requires otherwise, a reference to the 'Trust Deed' includes the Establishment Deeds.

Kiwi Wealth Limited is the manager of the Scheme (**Manager, we, our or us**) and is responsible for offering and issuing interests in the Scheme. The Manager has delegated its investment management and administration functions to Kiwi Wealth Investments Limited Partnership (**Investment Manager**). The Manager is a wholly owned subsidiary of the Investment Manager. The Investment Manager has in turn appointed MMC Limited to provide some of the administration functions including registry services and unit pricing for the Scheme.

Public Trust is the supervisor and custodian of the Scheme (**Supervisor**), and currently holds the Scheme's and each Fund's assets on trust for investors.

This Statement of Investment Policy and Objectives (**SIPO**) was proposed by the Manager and consented to by the Supervisor with effect on and from 8 May 2018 in accordance with the Trust Deed. It 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.

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

The most current version of this SIPO is available on the Scheme's entry on the schemes register on the Disclose website at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

# 02

## Role of the Supervisor

The Supervisor of the Scheme is Public Trust. A complete list of the Supervisor's responsibilities is listed in the Trust Deed.

# 03

## Role of the Investment Governance Committee

The IGC is a subcommittee of the Board of directors of the general partner of the Investment 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 changes to the SIPO; and
- bring any material issues to the attention of the Board.

### 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 up to three members appointed by the Board of the General Partner and may include independent members. In addition, attendees would normally include the following personnel:

- Chief Investment Officer (CIO);
- Senior representatives from the Investment Management Team (IMT);
- Operations representatives;
- Product representatives; and
- Risk and Compliance representatives.

The IGC meets quarterly and can consider requests for approval out of cycle if required.

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

The IGC provides minutes and a quarterly summary report to the General Partner's Board, of matters it has considered, including any significant issues that the Manager (through reporting provided by the Investment Manager) would reasonably expect to know about. Any significant issues will also be brought to the attention of the Supervisor.

## 04 Objectives of the Scheme

Putting customers first is in our DNA and our focus is on delivering an outstanding customer experience.

The Scheme is designed to provide investment options to its investors. The principal objective of the Scheme is to provide investors with access to a range of transparent, liquid and diversified investment options they can use to achieve their investment goals.

Our job as the manager of your money is to make sure you understand what we are doing with it and how your investment is tracking at all times – and we make sure we provide simple reports and helpful people to make this happen.

## 05 Investment objectives

Investment objectives specific to each Fund of the Scheme are summarised below:

Fund	Investment Objective	Minimum Suggested Investment Time Frame
<b>Conservative Fund</b>	The objective is to exceed the returns you would receive from investing 85% of your funds in cash and New Zealand fixed interest assets and 15% in global shares.	1 to 5 years
<b>Balanced Fund</b>	The objective is to exceed the returns you would receive from investing 45% of your funds in cash and New Zealand fixed interest assets and 55% in global shares.	5 to 10 years
<b>Growth Fund</b>	The objective is to exceed the returns you would receive from investing 85% of your funds in global shares and 15% in cash and New Zealand fixed interest assets.	More than 10 years

The key investment objective of the Conservative Fund, Balanced Fund and Growth Fund is to deliver returns that, over the relevant timeframe, after taking account of all fees and taxes, exceed that Fund's benchmark, with lower volatility (i.e. less risk) than the benchmark. Relevant benchmarks are set out in the Appendix to this SIPO.

All investment objectives are set with the explicit recognition that there will be variance in results and periods where a Fund will fail to meet or exceed investment objectives.

## Investment philosophy

The philosophy of both the Investment Manager and the Manager is that the role of an investment manager is to protect the value of investors' capital and each Fund's purchasing power, then enhance wealth through the active selection of securities, such as shares and fixed interest assets, and asset allocation.

The Investment 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.

They believe that there are targeted opportunities to add value through active management. These opportunities arise because:

- Risk premiums 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.

The Investment 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.

### Policy and process for selecting and monitoring external investment managers

When selecting external investment managers, the Investment Manager considers diversification, liquidity, cost, potential risk and returns, and tax efficiency.

When investing in managed funds or unit trusts the Investment Manager also considers the credentials and track record of the manager, transparency, and fees. When selecting a managed fund or unit trust, the Investment Manager considers a range of key factors including the performance track record, management structure, investment process and philosophy, operations, risk management and compliance, transparency, liquidity and fees.

## 07

### Investment style

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

The Investment Manager is principally an active investment manager of global investments, and has a broad investment mandate. 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 the allowable asset class limits, according to their view of what's happening in the markets (and as opposed to managing tightly against a predefined asset allocation). All Funds are actively managed although both active and passive investment management styles may be used within the Funds.

The Investment 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.

It 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

#### Currency management

The Investment 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 NZD, in accordance with the Scheme's hedging policy (see section 17).

## 08

### Security selection

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

The Investment Manager is focussed on providing an underlying exposure to 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.

As at the date of this SIPO, the Funds of the Scheme gain their investment exposure by investing in investment funds offered by a related party of the Manager. The Investment Manager is the investment manager of those underlying funds. All transactions are conducted at arm's length and are subject to the related party certification and/or consent of the Supervisor, pursuant to the FMC Act.

## 09

### Investment funds

The Manager operates the following Funds within the Scheme, which investors may invest in:

- Conservative Fund
- Balanced Fund
- Growth Fund

# 10

## 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
<b>Shares and other growth assets</b>	<ul style="list-style-type: none"><li>• Equity securities.</li><li>• Interests in listed or unlisted managed funds, investment funds or collective investment vehicles.</li><li>• Exchange traded funds, where the underlying assets are predominantly equity securities or commodities.</li><li>• Derivatives relating to the management of this asset group.</li></ul>
<b>Fixed Interest</b>	<ul style="list-style-type: none"><li>• Bank certificates of deposit and term deposits with more than 6 months, and less than 12 months, to maturity.</li><li>• Domestic or global bonds with more than 6 months to maturity.</li><li>• Floating rate notes with a reset period of more than 6 months.</li><li>• Interests in listed or unlisted managed funds or collective investment vehicles where the underlying assets are predominantly fixed interest investments.</li><li>• Derivatives relating to the management of this asset group.</li></ul>
<b>Cash</b>	<ul style="list-style-type: none"><li>• On call bank deposits.</li><li>• Bank certificates of deposit with 6 months or less to maturity.</li><li>• Domestic fixed rate bonds with 6 months or less to maturity.</li><li>• Global Bonds with 6 months or less to maturity.</li><li>• Bank bills.</li><li>• Floating rate notes with a reset period of 6 months or less.</li><li>• Derivatives relating to the management of this asset group.</li><li>• Interests in listed or unlisted managed funds or collective investment vehicles where the underlying assets are predominantly cash investments.</li></ul>

# 11

## Permitted investments

The permitted investments for each Fund are set out in the Appendix of this SIPO. The permitted investments can be altered by way of amendment to this SIPO (see section 23), and subject to agreement from the Supervisor.

## 12

### Asset allocation ranges

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

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

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

## 13

### Benchmarks

Benchmarks specific to each Fund of the Scheme are set out in the Appendix to this SIPO.

More information on the relevant market indices can currently be found at the following web pages:

S&P/NZX: [us.spindices.com/regional-exposure/asia-pacific/new-zealand](https://us.spindices.com/regional-exposure/asia-pacific/new-zealand)

MSCI: [msci.com/indexes](https://msci.com/indexes)

The 'MSCI All Country World Index 100% Hedged to NZD Index' is a custom index calculated by MSCI for the Investment Manager.

Please note that the market indices and the links above may change, or may be renamed or replaced from time to time without notice.

## 14

### Conflicts and related party transactions

A conflict of interest may arise when a financial or any other interest, a relationship or any other association of the Manager or Investment Manager or of a relevant person that would, or could reasonably be expected to, materially influence the investment decisions of the Manager or Investment Manager (or both) in respect of the Scheme, or any Fund within the Scheme. A relevant person includes a director, senior manager, or employee (who has a significant impact on the investment decisions made in respect of the Scheme, or any Fund within the Scheme) of the Manager, or an associated person (or director or senior manager of that associated person) of the Manager.

The Manager is a related party of Kiwi Investment Management Limited, Kiwi Wealth Investments Limited Partnership (Investment Manager and Administration Manager), Kiwibank Limited (**Kiwibank**) and of New Zealand Post Limited (**NZ Post**).

Kiwi Wealth Limited is a wholly owned subsidiary of Kiwi Wealth Investments Limited Partnership, which is owned by Kiwi Wealth Management Limited. Kiwi Wealth Management Limited is a wholly owned subsidiary of Kiwi Group Holdings Limited (which in turn is owned by NZ Post, Guardians of the New Zealand Superannuation Fund and the Accident Compensation Corporation). Kiwi Group Holdings Limited also owns Kiwibank.

Related and associated parties may materially influence the investment decisions of the Investment Manager in relation to the Scheme and each Fund by providing positive or negative incentives or exerting management control to:

- influence the Investment Manager to invest in securities issued by the related party in preference to securities of other issuers;
- influence the Investment Manager to use third parties which provide benefits to the related party;
- influence the decisions of the Investment Manager to obtain benefit for the related party, or another party over which they have control;
- influence the Investment Manager to use the services of a related party ahead of third parties.

The constitution of the Manager contains a provision requiring the Directors, in the event of a conflict, to act in the best interests of the Manager and not in the best interests of its shareholder. The Partnership Deed of the Investment Manager contains a provision that the General Partner must act in the best interests of the Investment Manager. Each Director must also comply with the Director's Code of Conduct and Conflict of Interest Policy. The Manager and Investment Manager are also subject to the conduct requirements of the FMC Act and are required to act in the best interests of investors of the Scheme.

Existing conflicts	How the conflict is managed
<p>The Investment Manager currently has a broking relationship with the Financial Markets division of Kiwibank. A conflict would arise if the Investment Manager used Kiwibank for broking services, without considering costs.</p>	<p>Any deal done through the Kiwibank trading desk must be done on a competitive quote basis, as per the Investment Manager's Related Party Dealings policy.</p>
<p>Directors and senior managers of the Manager may hold interests in the Funds. A conflict would arise if a senior manager or director attempted to change the investment strategy for the Scheme or a Fund to benefit the Fund in which they invest.</p>	<p>All Directors and senior managers are obliged under the FMC Act to act in the best interests of the investors of the Scheme, and bound to comply with the relevant (staff or director) conflict of interest policy.</p>
<p>The Investment Manager is also the investment manager of the Kiwi Wealth Growth Fund and the Kiwi Wealth Fixed Interest Fund, which are managed funds issued by Kiwi Investment Management Limited. The Investment Manager will initially invest the assets of the Funds in the Kiwi Wealth Growth Fund and the Kiwi Wealth Fixed Interest Fund.</p>	<p>The Manager has sought and received the Supervisor's consent to these transactions in accordance with the requirements of the FMC Act. There are no fees charged within either the Kiwi Wealth Growth Fund or the Kiwi Wealth Fixed Interest Fund, and the costs associated with investing in those funds are paid by the Manager out of the fee it receives from managing the Scheme.</p>

The assets of each of the Scheme's Funds 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 FMC Act, and subject to the usual principles of prudence, liquidity and diversification. While the assets of the Scheme will primarily be invested in the Kiwi Wealth Fixed Interest Fund and the Kiwi Wealth Growth Fund, the same principles of prudence, diversification and liquidity are applied to the investment of those funds.

## 15

### 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.

Prior to any type or class of derivative being entered into for a Fund of the Scheme, the Supervisor and Manager shall agree in writing on the relevant limits that are to apply (if any). Amendments to any such limits may from time to time be agreed in writing between the Supervisor and the Manager.

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” means forward foreign exchange contracts, currency options, and cross currency swaps, futures (including equity futures) and options, interest rate swaps and credit derivatives and contracts or arrangements related to those. See section 10 for the inclusion of derivatives within the asset groups.

## 16

### 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 the Asset Valuation and Pricing Policy that can be found on the Scheme’s offer register entry: [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

## 17

### Foreign currency hedging policy

The Investment Manager actively manages currency risk. The New Zealand dollar target for each Fund is in the table below. The Investment Manager may vary from the target level. The maximum effective hedge ratio for foreign assets is 100% and the minimum is 0%.

#### New Zealand dollar exposure by investment funds

	Indicative range %	Target %
<b>Conservative Fund</b>	80 – 100%	90%
<b>Balanced Fund</b>	70-90%	80%
<b>Growth Fund</b>	50-90%	70%

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

## 18

### Borrowing policy

The Investment Manager does not intend to borrow unless for settlement purposes. However, the Investment Manager may arrange for moneys to be borrowed by directing the Supervisor to do so for any reason the Investment Manager deems necessary or desirable. The borrowing of principal is limited to 25% of the relevant Fund’s value unless otherwise agreed to in writing with the Supervisor.

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.

# 19

## Investment guidelines

### Investment concentration

The Manager and the Investment 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<sup>1</sup>, adhere to the following guidelines:

- a. Direct exposure to a single commonly recognised investment manager, excluding the Investment 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 Investment Manager, 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 any of:
  - 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); or

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

- d. 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<sup>2</sup>) is limited to 50% of the assets of a Fund.

For fixed interest assets, the Manager and the Investment 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 FMC Act.

# 20

## Investment cycle and rebalancing policy

Investor contributions are deposited into the Scheme subscription bank account. Contributions accumulate daily, and are then transferred to the relevant bank account for the Funds for investment during the weekly processing payments process (which may change) outlined in the product disclosure statement for the Funds (PDS).

Other investor requests (such as withdrawals, transfers and switches) are also actioned on the weekly cycle.

If requested, an investor's investment account is rebalanced, at the frequency option they choose, to ensure that it is aligned with the investor's current investment mandate for that investment account. Rebalancing includes rebalancing for market movements if an investor's investment mandate is split (e.g. 50% Conservative 50% Balanced) to return the investor's investment to that asset allocation. Rebalancing will also occur if an investor changes their investment mandate. More information is set out in the PDS.

1. As at the date of the SIPO the Supervisor has provided consent for the Scheme to invest up to 100% of the Scheme's assets in the Kiwi Wealth Growth Fund and the Kiwi Wealth Fixed Interest Fund, subject to meeting the target and range sector allocations for each of the Funds in the Scheme. The Supervisor is also the supervisor of the Kiwi Wealth Growth Fund and the Kiwi Wealth Fixed Interest Fund.

2. Same as footnote 1.

## Fund Rebalancing

Each of the Scheme's Funds is also rebalanced monthly to ensure each investment within the Fund is in line with current asset and security allocations. Changes to asset and security allocations may be made to Funds outside of the monthly investment cycle.

Rebalancing Rule	Frequency	Threshold
Shares and other growth assets – target asset allocation	Weekly	Transactions to rebalance the Funds will only be generated if total Growth assets are 0.5% or more under or overweight the target asset allocation.
Shares and other growth assets – security level	Monthly	Once a month a rebalance will be performed at the security level (in the underlying fund) to bring in line with model allocations (+/- 2%).
Shares and other growth assets – hedging	Monthly	The Funds' equity hedges will be rebalanced to target NZD positions.
Fixed Interest and Cash	Weekly	Transactions to rebalance the Funds will only be generated if total Fixed Interest and Cash assets are 0.5% or more under or overweight the target asset allocation.
Investment guideline breach	On-going	Regular compliance checks are made to ensure Fund positions are within the required investment guidelines, as specified in this SIPO.

## 21

### Responsible investment policy

The Investment Manager maintains a responsible investment policy with some exclusions and giving consideration to environmental, social and governance issues. The policy (which may be changed at any time) can be found on our website at the following address:

<https://www.kiwiwealth.co.nz/how-we-invest/investing-policies>

## 22

### Taxation

Each Fund in the Scheme is a Portfolio Investment Entity (PIE). The Funds pay tax calculated at the rate of the investor's elected prescribed investor rate. Details of the way the Funds calculate tax can be found at section 6 of the OMI which is available on the Scheme's offer register entry at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

Tax efficiency is taken into account by the Investment Manager and investment decisions include an assessment of after-tax returns.

## 23

### Review and amendment

This SIPO has been prepared and reviewed by the Manager with the Investment Manager, Operations, Product, Legal, and Risk and Compliance team involvement. The Supervisor of the Scheme has also been involved in the development, review and consent of the SIPO.

This SIPO, including the investment strategy for each Fund, is reviewed at least annually by the Manager and any changes must be reviewed and approved by the IGC and the Supervisor. The Manager will give investors at least two weeks' prior notice of any change to the asset allocation ranges.

An ad hoc review of the SIPO will be triggered where there is a proposed material change to the Funds which includes the nature or type of investments that may be made by the Scheme, if there are changes to be made to the benchmarks, asset allocation ranges or any of the investment policies of the Funds.

During a SIPO review the Manager will undertake consultation with the Investment Manager, Operations, Product, Legal, and Risk and Compliance teams. The Supervisor will also be consulted. The SIPO is signed off by the Investment Manager's CIO, General Manager Operations, General Manager Customer, Product and Innovation, and Legal before being approved by the IGC.

The next review of this SIPO is anticipated to be no later than 8 May 2019.

## 24

### Investment performance monitoring and reporting

Investment performance for the Scheme is monitored monthly by Risk and Compliance, and reviewed 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, IGC considers analysis and other performance reports provided to them. The IGC reports to the Board of the General Partner quarterly (see section 3 for details).

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

The Manager will provide Fund Updates quarterly (for the quarters ending 31 March, 30 June, 30 September, 31 December) for lodgement on the Scheme's offer register entry at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) within five working days of the Fund Update being made publicly available to investors.

## 25

### SIPO Compliance and Review

Scheme compliance to the asset allocation ranges in Appendix 1 is monitored monthly by Risk and Compliance, which provides an assurance function. Monthly and quarterly compliance reports for the Scheme are reviewed by relevant business teams and submitted to the Supervisor.

Additionally, Scheme compliance is a standing agenda item for IGC meetings. Information is presented at IGC meetings demonstrating whether the Funds are in compliance with guidelines and investment objectives stated in this SIPO.

# 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 investment.

<b>Investment Objective</b>	To exceed over the relevant timeframe the returns you would receive from investing 85% of your funds in cash and New Zealand fixed interest assets and 15% in global shares.
<b>Benchmark</b>	42.5% S&P/NZX 90 Day Bank Bill Index, 42.5% S&P/NZX NZ Government Bond Index, 10% MSCI All Country World Index, 5% MSCI All Country World Index 100% Hedged to NZD Index.
<b>NZD Exposure</b>	Typical exposure is around 90%.
<b>Permitted investments (subject to the applicable asset group descriptions in section 10 and investment concentration guidelines in section 19)</b>	<p>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).</p> <p>Cash may be held for transactional purposes.</p> <p>Details of the Fund's top 10 underlying investments can be found in the latest fund update, which (once available) will be able to be found at <a href="http://www.kiwiwealth.co.nz/managedfunds">www.kiwiwealth.co.nz/managedfunds</a> or on the Disclose website at <a href="http://www.disclose-register.companiesoffice.govt.nz">www.disclose-register.companiesoffice.govt.nz</a>.</p>
<b>Current Investments</b>	<p>Kiwi Wealth Growth Fund</p> <p>Kiwi Wealth Fixed Interest Fund</p> <p>Forward foreign exchange contracts</p>

### Conservative Fund asset group target allocation and ranges

Asset group	Lower limit		Upper limit	Target
Cash	0%	80%*	100%	7.5%
Fixed Interest	0%		100%	75%
Shares and other growth assets	0%		20%	17.5%

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

See section 10 of this SIPO for a description of each asset group.

## 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 investment.

<b>Investment Objective</b>	To exceed over the relevant timeframe the returns you would receive from investing 45% of your funds in cash and New Zealand fixed interest assets and 55% in global shares.
<b>Benchmark</b>	22.5% S&P/NZX 90 Day Bank Bill Index, 22.5% S&P/NZX NZ Government Bond Index, 20% MSCI All Country World Index, 35% MSCI All Country World Index 100% Hedged to NZD Index.
<b>NZD Exposure</b>	Typical exposure is around 80%.
<b>Permitted investments (subject to the applicable asset group descriptions in section 10 and investment concentration guidelines in section 19)</b>	<p>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).</p> <p>Cash may be held for transactional purposes.</p> <p>Details of the Fund's top 10 underlying investments can be found in the latest fund update, which (once available) will be able to be found at <a href="http://www.kiwiwealth.co.nz/managedfunds">www.kiwiwealth.co.nz/managedfunds</a> or on the Disclose website at <a href="http://www.disclose-register.companiesoffice.govt.nz">www.disclose-register.companiesoffice.govt.nz</a>.</p>
<b>Current Investments</b>	<p>Kiwi Wealth Growth Fund</p> <p>Kiwi Wealth Fixed Interest Fund</p> <p>Forward foreign exchange contracts</p>

### Balanced Fund asset group target allocation and ranges

Asset group	Lower limit		Upper limit	Target
Cash	0%	30%*	100%	5%
Fixed Interest	0%		100%	40%
Shares and other growth assets	0%		70%	55%

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

See section 10 of this SIPO for a description of each asset group.

## 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 investment.

<b>Investment Objective</b>	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 cash and New Zealand fixed interest assets.
<b>Benchmark</b>	7.5% S&P/NZX 90 Day Bank Bill Index, 7.5% S&P/NZX NZ Government Bond Index, 30% MSCI All Country World Index, 55% MSCI All Country World Index 100% Hedged to NZD Index.
<b>NZD Exposure</b>	Typical exposure is around 70%.
<b>Permitted investments (subject to the applicable asset group descriptions in section 10 and investment concentration guidelines in section 19)</b>	<p>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).</p> <p>Cash may be held for transactional purposes.</p> <p>Details of the Fund's top 10 underlying investments can be found in the latest fund update, which (once available) will be able to be found at <a href="http://www.kiwiwealth.co.nz/managedfunds">www.kiwiwealth.co.nz/managedfunds</a> or on the Disclose website at <a href="http://www.disclose-register.companiesoffice.govt.nz">www.disclose-register.companiesoffice.govt.nz</a>.</p>
<b>Current Investments</b>	<p>Kiwi Wealth Growth Fund</p> <p>Kiwi Wealth Fixed Interest Fund</p> <p>Forward foreign exchange contracts</p>

### Growth Fund asset group target allocation and ranges

Asset group	Lower limit	Upper limit	Target
Cash	0%	100%	75%
Fixed Interest	0%	100%	75%
Shares and other growth assets	0%	100%	85%

See section 10 of this SIPO for a description of each asset group.

**Kiwi  
Wealth.**

**Kiwi Wealth  
Managed Funds**

Kiwi Wealth Managed Funds

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