



1 July 2022

# **Statement of Investment Policy and Objectives**

**Lifetime Master Trust**

Prepared by Lifetime Trustee Limited.

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## SECTION 1

# Introduction

## Purpose

The purpose of this statement of investment policy and objectives (**SIPO**) is to document the investment objectives, investment strategy, performance monitoring criteria and the policies and constraints to be observed in the management of the Lifetime Master Trust (**the Scheme**).

This document forms part of the governance framework for the Scheme. It identifies the responsibilities of the parties involved in the management of the Scheme's assets.

## Responsibilities

Lifetime Trustee Limited (**LTL**) is the trustee and manager of the Scheme (**Trustee**) and is responsible for, amongst other things, the investment of the Scheme's assets.

The Trustee delegates certain of its manager functions to Lifetime Asset Management Limited (**Lifetime**) and to certain external parties in order to meet its responsibilities as manager of the Scheme. LTL is a subsidiary of Lifetime. Prior to the date of this SIPO, the Trustee delegated these functions to Fisher Funds Limited.

Lifetime is the Scheme's investment manager and investment consultant and provides investment advice to the Trustee.

Day-to-day investment management responsibilities have been delegated by Lifetime to the following underlying investment managers:

- ANZ New Zealand Investments Limited
- Russell Investment Group Limited
- Nikko Asset Management New Zealand Limited
- Milford Funds Limited

## Glossary

For an explanation of terms refer to the document entitled '**Lifetime Master Trust Glossary of terms**' available on the Disclose Register at **disclose-register.companiesoffice.govt.nz**.

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## SECTION 2

# Description of the Scheme

The Lifetime Master Trust is a registered restricted workplace savings scheme under the Financial Markets Conduct Act 2013 (**FMC Act**). It is a trust governed by a trust deed and is a defined contribution scheme.

As at the date of this SIPO, the Scheme offers members 23 investment funds including some single sector funds. These investment funds are managed by the four underlying investment managers:

- ANZ New Zealand Investments Limited (**ANZ**)

- ANZ Cash Fund
- ANZ Capital Stable Fund\*
- ANZ Conservative Fund
- ANZ Balanced Fund
- ANZ Growth Fund
- AMT NZ Bond Fund\*
- AMT International Bond Fund\*
- AMT Australasian Shares Fund\*
- AMT International Shares Fund\*
- AMT Australasian Property Fund\*

- Russell Investment Group Limited (**Russell**)

- Russell LifePoints® Conservative Fund
- Russell LifePoints® Moderate Fund
- Russell LifePoints® Balanced Fund
- Russell LifePoints® Growth Fund
- Russell LifePoints® Target Date 2015 Fund\*
- Russell LifePoints® Target Date 2025 Fund
- Russell LifePoints® Target Date 2035 Fund
- Russell LifePoints® Target Date 2045 Fund

- Nikko Asset Management New Zealand Limited (**Nikko**)

- Nikko Cash Fund
- Nikko Conservative Fund
- Nikko Balanced Fund
- Nikko Growth Fund

- Milford Funds Limited (**Milford**)

- Milford Active Growth Wholesale Fund

In the future the number of funds available is likely to reduce. There is no date currently planned for when this is likely to happen.

\* these investment funds are no longer available for members to select.

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## SECTION 3

# Investment objective

### Scheme objectives

The objective of the Scheme is to provide a range of investment funds for members to choose to meet their requirements and that are consistent with their risk/return requirements.

### Investment objectives

The investment objective for each investment fund is set out in schedules 1 to 5.

### Investment performance objectives

The investment performance objectives for each investment fund are set out in schedules 1 to 5.

Where the investment performance objectives include an objective to outperform the benchmark return, the benchmark return is calculated as the return before tax and fees that would have been earned had the assets of the investment fund been invested in line with the benchmark asset allocation and each asset class had earned the return of the relevant market index.

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## SECTION 4

# Investment philosophy

The Trustee's investment philosophy is framed by a set of fundamental beliefs:

- Effective governance is a necessary condition for investment success.
- Asset allocation is the key factor determining long term investment performance.
- Risk and return are inherently related in investing – generally, greater return requires greater risk.
- Diversification reduces risk.
- Asset markets can be inefficient and specialist active managers can generally add value over benchmarks.
- Taking account of environmental, social and corporate governance factors is a fundamental part of success in long term investing.

The investment philosophy of each underlying investment manager is set out in schedules 1 to 5.

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## SECTION 5

# Investment strategy

The Trustee currently seeks to offer a variety of investment funds, each utilising underlying investment managers, which cater to a diverse range of members with differing needs and objectives. Lifetime makes recommendations to the Trustee on the investment funds and the selection of underlying investment managers.

The following criteria are considered when assessing or reviewing an underlying investment manager:

- Organisational and business strength and stability
- Investment staff resourcing, skill and stability
- Investment philosophy and process, including research, portfolio construction and implementation
- Risk management
- Environmental, social and governance (ESG) policies and processes
- Performance analysis
- Operational due diligence
- Terms and conditions, including fee scales and client servicing arrangements

With operational due diligence, an assessment is made of the underlying investment manager's operations and control infrastructure in the context of its size, business complexity, and asset class exposure.

Should the Trustee decide to review the strategy of an investment fund, this may lead to a change in underlying investment manager, asset allocation or the investment fund's investments. This may mean the investment fund's investment strategy, and possibly underlying investment manager, temporarily differs from that stated in the SIPO during the transition to the revised arrangement.

The Trustee may review an investment fund's strategy if the underlying investment manager makes a change to the strategy of an underlying fund. This may result in a change to the benchmark asset allocations and permitted ranges to reflect the change made by the underlying manager.

## Investment strategies

Investment strategies for each investment fund, including benchmark asset allocations (also referred to as target mix) and benchmark asset allocation ranges are set out in schedules 1 to 5.

## Permitted investments

Underlying investment managers used by the Scheme may invest in a broad range of shares, fixed interest investments, listed property trusts, cash instruments and in managed funds. Securities held by underlying investment managers may be listed or unlisted. Underlying investment managers may borrow, short-sell securities and use derivatives.

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## SECTION 6

# Investment policies

## Rebalancing policy

The rebalancing policies for each investment fund are set out in schedules 1 to 5.

## Hedging policy

Currency exposure can increase volatility in asset class performance and this is not considered desirable in all asset classes. Therefore the international property, listed infrastructure and international fixed interest portfolios will be managed to a 100% hedged benchmark at all times. However, the underlying investment managers are permitted to take currency risk within the international fixed interest portfolios in order to seek to outperform the benchmark.

Within an international share portfolio, currency exposure is desirable as it adds diversification and can be a source of additional return. However, for New Zealand based investors there may be a premium to be earned by hedging currency exposure as a result of interest rate differentials over the medium to long term. Therefore the Trustee has determined that the benchmark position for international shares is to be 50% hedged. However, the currency exposure within each investment fund will reflect the hedging policy of the underlying funds selected by the Trustee.

Further details of the hedging for each investment fund are set out in schedules 1 to 5.

## Tactical asset allocation policy

The tactical asset allocation policies for each investment fund are set out in schedules 1 to 5.

## Liquidity and cash management policy

Within each investment fund, the Trustee aims to ensure sufficient assets are held in readily marketable securities (cash and listed securities) so that there is adequate liquidity to meet benefit payments as they fall due.

Each investment fund may hold a small amount of cash for investor transactions and operational purposes. This is in addition to the permitted investments invested in by the underlying investment manager.

## Market risk management policy

Market risk is managed by selecting and monitoring underlying funds assessed as consistent with the investment strategy of the investment fund and the investment fund benchmark, and invested within the permitted ranges.

## Credit risk management policy

Underlying investment managers responsible for fixed interest investments are required to hold diversified portfolios. The underlying investment managers must provide the Trustee with a current list of the restrictions that apply to the management of fixed interest portfolios, including the permitted allocation to sub-investment grade or unrated securities.

## Conflicts of interest/related parties

The Scheme uses a related party to provide investment management and investment consulting services, namely Lifetime Asset Management Limited. Related party services are provided on arm's length commercial terms in accordance with the rules on related party transactions that apply to managed investment schemes under the FMC Act.

## Responsible investment policy

The Trustee believes that over the long term, companies with strong environmental, social and governance (ESG) practices should deliver stronger risk-adjusted returns than those without. In selecting an underlying investment manager, one of the selection criteria is the manager's ESG practices.

The Trustee, Lifetime and the underlying investment managers generally seek out companies with good ESG practices, to provide scheme members with investment funds that meet members' needs and expectations.

The Trustee currently offers a variety of investment options to the Scheme's members, using underlying investment managers with differing approaches to responsible investing. All underlying investment managers are required to incorporate ESG principles into their company analysis and the Trustee encourages them to actively engage with companies on ESG issues.

## SECTION 7

# Performance and compliance monitoring

## Performance monitoring

The performance of the investment funds towards their long term objectives and the underlying investment managers against their performance targets is monitored quarterly by the investment consultant. The underlying investment managers are required to report on the following areas:

- The investment performance of the investment funds relative to their long term investment objectives.
- The investment performance of the underlying investment manager against the benchmark of the investment fund.
- Any other information that would assist the Trustee in further understanding the performance of the investment funds or the underlying investment manager.

## Investment performance objectives - sectors

As part of the overall understanding of performance, monitoring of individual asset classes is also undertaken. The individual asset classes are monitored against the following targets and market indices.

Sector	Target	Market index
Cash and cash equivalents	0.2% p.a. above market index	S&P/NZX Bank Bills 90-Day Index
NZ fixed interest	0.8% p.a. above market index	S&P/NZX NZ Government Bond Index
International fixed interest	0.8% p.a. above market index	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Australasian shares	2.0% p.a. above market index	S&P/NZX 50 Index
International shares	1.0% p.a. above market index	MSCI All Countries World Index, 50% hedged to NZ\$
Australasian property	Above market index	S&P/NZX All Real Estate Index
International property	Above market index	FTSE EPRA/NAREIT Developed Rental Index 100% hedged to NZ\$
Listed infrastructure	Above market index	FTSE Global Core Infrastructure 50/50 Index net TR (100% hedged to NZ\$)
Alternatives	Above market index	S&P/NZX Bank Bills 90-Day Index +3.25%

The above targets and market indices may differ from those used by the underlying investment manager, as consistent performance objectives are applied across the managers.

Returns achieved by the underlying investment manager will be compared with those achieved by a suitable peer group, such as a group of comparable professional investment managers.



## Compliance monitoring

The Trustee has overall responsibility for ensuring a SIPO is in place and complied with. Lifetime monitors underlying investment manager compliance with the SIPO.

The Trustee will notify the FMA of any limit breaks in accordance with the requirements of the FMC Act.

The underlying investment managers will:

- confirm monthly whether there have been any breaches of their internal investment guidelines.
- report any material breaches of their SIPOs or investment management agreement, unit pricing errors or counterparty issues as soon as they become aware of them or within the timeframe specified in the agreement Lifetime has in place with the underlying manager.
- have internal policies and controls in place to address operational risks.
- have appropriate custodial arrangements in place which are separated from the investment functions.
- provide a list of authorised investments or mandate details for each investment fund and notify the Trustee in writing as soon as practicable if this list changes.

- provide the latest product specifications and investment strategy mandates.
- provide control audit reports for the underlying investment manager or their administrator when available.

Lifetime will:

- report performance against the SIPO to the Trustee on a regular basis.
- report any breaches of this SIPO to the Trustee as soon as Lifetime becomes aware of them.
- conduct annual due diligence on each underlying investment manager and present the results to the Trustee.
- conduct regular meetings with each underlying investment manager and provide monitoring reports to the Trustee.
- report any proposed changes to the SIPO or non-compliance with the SIPO to the Trustee.
- ensure there is an up to date agreement in place with each underlying investment manager which is consistent with the SIPO.

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## SECTION 8

# Investment strategy review

The benchmark asset allocations and the overall investment strategy will be formally reviewed at least once every three years to ensure that they remain appropriate for meeting the investment objectives.

An ad hoc review may be initiated if the Trustee deems it to be appropriate, based upon advice from Lifetime.

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## SECTION 9

# SIPO review

This SIPO will be reviewed at least annually. An ad hoc review may be initiated if the Trustee deems it to be appropriate as a result of factors such as changes in investment strategy or investment policies.

The Trustee is responsible for the SIPO and for ensuring that the SIPO is adhered to.

Lifetime is responsible for managing the SIPO review process. The reviews will take into account all matters Lifetime considers relevant at their discretion, including

whether any changes are needed to the investment strategy, the underlying investment managers or to investment policies. The reviews will also take into account the legislative requirements and the Financial Markets Authority's SIPO guidelines applicable at the time.

The current version of the SIPO is available on the schemes register on the Disclose Register at [disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz).



## SCHEDULE 1

# ANZ investment funds

## ANZ's investment philosophy

ANZ implements an active investment philosophy that is distinct from the Trustee's investment philosophy described in section 4. ANZ has an investment philosophy based on eight key beliefs. ANZ believes:

1. long-term investors outperform short-term investors,
2. the target investment mix of a fund is the primary driver of investment risk and return,
3. a well-diversified portfolio providing exposure to a carefully selected mix of asset classes is necessary for investors to meet their investment goals,
4. markets are not perfectly efficient, leading to opportunities for active management,
5. active management can add value both at the asset allocation and investment selection levels,
6. in the value of quality, simplicity and transparency when selecting investments,
7. in the importance of strong governance and efficient portfolio management and implementation, and
8. in the integration of environmental, social and governance (ESG) factors into ANZ's investment management processes because ANZ believes that these factors are some of the drivers of long-term investment risks and returns.

## ANZ Cash Fund

### Investment objective

To produce returns higher than bank deposits by investing in cash and short term fixed interest investments, with a very low level of risk.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.2% p.a., calculated over rolling 12-month periods.
- Fund return net of fees, expenses and tax (at the highest prescribed investor rate (PIR)) to exceed the median cash manager for KiwiSaver schemes, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests 100% into the ANZ Wholesale Cash Fund. Subject to the considerations set out in section 5, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range
Cash and cash equivalents	100.0	100.0
Total income	100.0	100.0

## ANZ Capital Stable Fund

### Investment objective

To produce returns higher than bank deposits by investing in cash and fixed interest investments, with a low level of risk.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.2% p.a., calculated over rolling 12-month periods.
- Fund return net of fees, expenses and tax (at the highest PIR) to exceed the median cash manager for KiwiSaver schemes, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests into single-sector funds managed by ANZ. Subject to the considerations set out in section 5, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range
Cash and cash equivalents	40.0	37.0 – 43.0
NZ fixed interest	30.0	27.0 – 33.0
International fixed interest	30.0	27.0 – 33.0
Total income	100.0	100.0

## ANZ Conservative Fund

### Investment objective

To produce returns over time in excess of inflation with a low to medium level of risk by investing mostly in income assets with only a modest allocation to growth assets.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.2% p.a., calculated over rolling three-year periods.
- Fund return net of all fees, expenses and tax (at the highest PIR) to exceed the median conservative manager for KiwiSaver schemes, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests 100% into the ANZ Wholesale Conservative Fund. Subject to the considerations set out in section 5, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range
Cash and cash equivalents	20.0	0.0 – 40.0
NZ fixed interest	15.0	0.0 – 30.0
International fixed interest	45.0	30.0 – 60.0
Total income	80.0	70.0 – 95.0
Australasian shares	3.5	0.0 – 18.5
International shares	13.5	0.0 – 28.5
Listed property	2.25	0.0 – 9.0
Alternatives	0.0	0.0 – 8.0
Listed infrastructure	0.75	0.0 – 5.8
Total growth	20.0	5.0 – 35.0

## ANZ Balanced Fund

### Investment objective

To produce returns over time in excess of inflation with a medium to high level of risk by investing with a higher allocation to growth assets than income assets.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.4% p.a., calculated over rolling three-year periods.
- Fund return net of all fees, expenses and tax (at the highest PIR) to exceed the median balanced manager for KiwiSaver schemes, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the fund targets investing 66.66% into the ANZ Wholesale Balanced Fund and 33.34% into the ANZ Wholesale Growth Fund. Subject to the considerations set out in section 5, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range
Cash and cash equivalents	8.0	0.0 – 28.0
NZ fixed interest	8.3	0.0 – 28.0
International fixed interest	23.7	9.7 – 40.3
Total income	40.0	23.3 – 56.7
Australasian shares	11.3	0.0 – 28.0
International shares	39.4	22.7 – 56.0
Listed property	7.0	0.0 – 17.0
Listed infrastructure	2.3	0.0 – 9.3
Alternatives	0.0	0.0 – 13.0
Total growth	60.0	43.3 – 76.7

## ANZ Growth Fund

### Investment objective

To produce returns over the long term well in excess of inflation with a medium to high level of risk by investing mostly in growth assets with only a modest allocation to income assets.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.5% p.a., calculated over rolling three-year periods.
- Fund return net of all fees, expenses and tax (at the highest PIR) to exceed the median growth manager for KiwiSaver schemes, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO, the investment fund invests 100% into the ANZ Wholesale Growth Fund. Subject to the considerations set out in section 5, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range
Cash and cash equivalents	4.0	0.0 – 24.0
NZ fixed interest	4.0	0.0 – 24.0
International fixed interest	12.0	0.0 – 32.0
Total income	20.0	0.0 – 40.0
Australasian shares	15.0	0.0 – 35.0
International shares	53.0	33.0 – 73.0
Listed property	9.0	0.0 – 19.0
Alternatives	0.0	0.0 – 15.0
Listed infrastructure	3.0	0.0 – 12.0
Total growth	80.0	60.0 – 100.0

## Borrowing

Borrowing is permitted in the underlying funds, but the underlying manager does not intend to borrow money for the funds, other than short-term settlement-related overdrafts.

## Hedging policy

The underlying investment manager may aim to add value by tactically adjusting the strategic hedging level on international shares above or below the benchmark of 50% depending on their view of how the New Zealand dollar will perform.

## Rebalancing policy

For the ANZ Capital Stable Fund, sector weightings and cash flows are monitored daily by ANZ and the investment fund is rebalanced back to benchmark if the actual asset allocation differs from the benchmark asset allocation by more than 1.5% at the sector level. All sectors are rebalanced back to the middle of the range.

The Trustee has delegated rebalancing of the underlying funds of the ANZ Conservative, Balanced and Growth Funds to ANZ. For the ANZ Balanced Fund, the investment target of 66.66% in the ANZ Wholesale Balanced Fund and 33.34% into the ANZ Wholesale Growth Fund is monitored daily by ANZ and the fund is generally rebalanced back to this target if the actual allocation to the ANZ Wholesale Balanced Fund differs from the target allocation by more than 1.5%.

## Tactical asset allocation policy

Tactical asset allocation is not undertaken in the ANZ Cash and Capital Stable Funds.

For the ANZ Conservative, Balanced and Growth Funds, the underlying investment manager is empowered to make tactical asset allocation decisions within the trading ranges for the underlying funds in which the fund is invested. The underlying investment manager will make these investment decisions on an active and continuous basis to seek to improve the risk-adjusted returns of the funds.



## SCHEDULE 2

# Nikko investment funds

## Nikko's investment philosophy

Nikko implements an active investment philosophy that is distinct from the Trustee's investment philosophy described in section 4. Nikko believes that it can deliver strong and repeatable risk-adjusted returns. This belief stems from Nikko's philosophy which is that:

1. Markets are not always efficient and indices are constrained therefore active investment management can discover and benefit from identified opportunities.
2. Investments are best managed by sector specialists within a comprehensive risk management framework. Where appropriate this may involve selecting and overseeing global investment specialists.
3. Asset allocation is a key driver of overall portfolio return. Diversification both within and across investment sectors helps to reduce risk and grow wealth over the long term.
4. Combining quality investment decision-making with patience and time will increase the probability of improving investor returns.
5. Environmental, social and governance considerations (ESG) are key to creating future value for clients.

## Nikko Cash Fund

### Investment objective

To produce returns higher than bank deposits by investing in cash and fixed interest investments, with a very low level of risk.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.2% p.a., calculated over rolling 12-month periods.
- Fund return net of fees, expenses and tax (at the highest PIR) to exceed the median cash manager for KiwiSaver schemes, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests 100% into the Nikko AM Wholesale Cash Fund. Subject to the considerations set out in section 5, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range
Cash, cash equivalents and NZ fixed interest	100.0	100.0
Total income	100.0	100.0

## Nikko Conservative Fund

### Investment objective

To produce returns over time in excess of inflation with a low to medium level of risk by investing mostly in income assets with only a modest allocation to growth assets.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.2% p.a., calculated over rolling three-year periods.
- Fund return net of all fees, expenses and tax (at the highest PIR) to exceed the median conservative manager for KiwiSaver schemes, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO, the investment fund invests into single-sector funds managed by Nikko.

Subject to the considerations set out in section 5, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range
Cash and cash equivalents	40.0	35.0 – 45.0
NZ fixed interest	20.0	15.0 – 25.0
International fixed interest	20.0	15.0 – 25.0
Total income	80.0	70.0 – 90.0
Listed property	10.0	5.0 – 15.0
Alternatives	10.0	5.0 – 15.0
Total growth	20.0	10.0 – 30.0

## Nikko Balanced Fund

### Investment objective

To produce returns over time in excess of inflation with a medium to high level of risk by investing with a higher allocation to growth assets than income assets.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.4% p.a., calculated over rolling three-year periods.
- Fund return net of all fees, expenses and tax (at the highest PIR) to exceed the median balanced manager for KiwiSaver schemes, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests 100% into the Nikko AM Wholesale Balanced Fund. Subject to the considerations set out in section 5, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range
Cash and cash equivalents	0.0	0.0 – 10.0
NZ fixed interest	20.0	10.0 – 30.0
International fixed interest	10.0	0.0 – 20.0
Total income	30.0	15.0 – 45.0
Australasian shares	21.0	11.0 – 31.0
International shares	29.0	16.0 – 42.0
Listed property	5.0	0.0 – 15.0
Alternatives	15.0	5.0 – 25.0
Total growth	70.0	55.0 – 85.0

## Nikko Growth Fund

### Investment objective

To produce returns over the long term well in excess of inflation with a medium to high level of risk by investing mostly in growth assets with only a modest allocation to income assets.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.5% p.a., calculated over rolling three-year periods.
- Fund return net of all fees, expenses and tax (at the highest PIR) to exceed the median growth manager for KiwiSaver schemes, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests 100% into the Nikko AM Wholesale Growth Fund. Subject to the considerations set out in section 5, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range
Cash and cash equivalents	0.0	0.0 – 10.0
NZ fixed interest	6.0	0.0 – 16.0
International fixed interest	6.0	0.0 – 16.0
Total income	12.0	0.0 – 37.0
Australasian shares	34.0	24.0 – 44.0
International shares	44.0	29.0 – 59.0
Alternatives	10.0	0.0 – 20.0
Total growth	88.0	63.0 – 100.0

## Borrowing

Borrowing is permitted in the underlying funds, but is restricted to borrowed stock and overdraft facilities.

## Hedging policy

The underlying investment manager may aim to add value by tactically adjusting the strategic hedging level on international shares above or below the benchmark of 50% depending on their view of how the New Zealand dollar will perform.

## Rebalancing policy

For the Nikko Conservative Fund, Nikko rebalances back to benchmark if the actual asset allocation differs from the benchmark asset allocation by more than 4.0% at the sector level.

The Trustee has delegated rebalancing of the underlying funds of the Nikko Balanced Fund and Nikko Growth Fund to Nikko.

## Tactical asset allocation policy

Tactical asset allocation is not undertaken in the Nikko Cash and Conservative Funds.

For the Nikko Balanced and Growth Funds, although the underlying investment manager is empowered to make tactical asset allocation decisions, it has not historically done so. Any tactical asset allocation undertaken would be within the permitted ranges of the underlying fund and made on an active and continuous basis to seek to improve the risk-adjusted returns of the fund.

## SCHEDULE 3

# Russell investment funds

## Russell's investment philosophy

Russell implements an active investment philosophy that is distinct from the Trustee's investment philosophy described in section 4. Russell aims to bring together the world's leading investment managers and strategies, in an agile and diversified portfolio, designed to help achieve the investment objectives. Russell does not seek to adjust the target mix between asset classes used in the Investment Funds.

The underlying investments are managed using Russell's open architecture investment selection process, scouring the globe for the most suitable investment opportunities, wherever they reside. Russell believes that careful blending of complementary managers and strategies diversifies portfolio risk by relying on differentiated sources of returns. This includes the use of direct investment strategies managed by Russell that deliver precise and flexible factor exposures to manage the portfolio's overall risks.

## Russell LifePoints® Conservative Fund

### Investment objective

To produce returns over time in excess of inflation with a low to medium level of risk by investing mostly in income assets with only a modest allocation to growth assets.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.2% p.a., calculated over rolling three-year periods.
- Fund return net of fees, expenses and tax (at the highest PIR) to exceed the median conservative manager for KiwiSaver schemes, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests into single-sector funds managed by Russell. Subject to the considerations set out in section 5, the benchmark asset allocation and ranges are as shown in the table below:

Sector	Target mix	Permitted range
NZ fixed interest	16.0	11.0 – 21.0
International fixed interest	64.0	59.0 – 69.0
Total income	80.0	70.0 – 90.0
Australasian shares	6.0	1.0 – 11.0
International shares	14.0	9.0 – 19.0
Total growth	20.0	10.0 – 30.0

## Russell LifePoints® Moderate Fund

### Investment objective

To produce returns over time in excess of inflation with a low to medium level of risk by investing with a higher allocation to income assets than growth assets.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.3% p.a., calculated over rolling three-year periods.
- Fund return net of fees, expenses and tax (at the highest PIR) to exceed the median moderate manager for KiwiSaver schemes, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests into single-sector funds managed by Russell. Subject to the considerations set out in section 5, the benchmark asset allocation and ranges are as shown in the table below:

Sector	Target mix	Permitted range
NZ fixed interest	12.0	7.0 – 17.0
International fixed interest	48.0	43.0 – 53.0
Total income	60.0	50.0 – 70.0
Australasian shares	14.0	9.0 – 19.0
International shares	26.0	21.0 – 31.0
Total growth	40.0	30.0 – 50.0

## Russell LifePoints® Balanced Fund

### Investment objective

To produce returns over time in excess of inflation with a medium to high level of risk by investing with a higher allocation to growth assets than income assets.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.4% p.a., calculated over rolling three-year periods.
- Fund return net of fees, expenses and tax (at the highest PIR) to exceed the median balanced manager for KiwiSaver schemes, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests into single-sector funds managed by Russell. Subject to the considerations set out in section 5, the benchmark asset allocation and ranges are as shown in the table below:

Sector	Target mix	Permitted range
NZ fixed interest	8.0	3.0 – 13.0
International fixed interest	32.0	27.0 – 37.0
Total income	40.0	30.0 – 50.0
Australasian shares	20.0	15.0 – 25.0
International shares	40.0	35.0 – 45.0
Total growth	60.0	50.0 – 70.0



## Russell LifePoints® Growth Fund

### Investment objective

To produce returns over the long term well in excess of inflation with a medium to high level of risk by investing mostly in growth assets with only a modest allocation to income assets.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.5% p.a., calculated over rolling three-year periods.
- Fund return net of fees, expenses and tax (at the highest PIR) to exceed the median growth manager for KiwiSaver schemes, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests into single-sector funds managed by Russell. Subject to the considerations set out in section 5, the benchmark asset allocation and ranges are as shown in the table below:

Sector	Target mix	Permitted range
NZ fixed interest	5.0	0.0 – 10.0
International fixed interest	20.0	15.0 – 25.0
Total income	25.0	15.0 – 35.0
Australasian shares	25.0	20.0 – 30.0
International shares	50.0	45.0 – 55.0
Total growth	75.0	65.0 – 85.0

## Russell LifePoints® Target Date funds

The Target Date funds are a series of diversified portfolios designed to simplify the asset allocation process for members over time. The date in each fund name represents the approximate retirement year. Each fund invests in a mix of growth and income assets with the allocation to income assets increasing progressively until it reaches 80% in the target date year.

The target mixes of the Target Date funds are reviewed annually.

### Investment objective for each fund

To provide returns over time in excess of inflation and capital growth and income consistent with its current asset allocation.

### Investment performance objective for each fund

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least a target rate consistent with its current asset allocation, calculated over rolling three-year periods.

The current target rates for each fund are:

	Target Date 2015	Target Date 2025	Target Date 2035	Target Date 2045
Target rate in excess of benchmark return	0.2% p.a.	0.3% p.a.	0.4% p.a.	0.5% p.a.

### Investment strategy for each fund

At the date of this SIPO each of the Target Date funds invest into single-sector funds managed by Russell. At the date of this SIPO, the benchmark asset allocation of each fund, subject to the considerations set out in section 5, is:

Sector	Target Date 2015	Target Date 2025	Target Date 2035	Target Date 2045
NZ fixed interest	16.0	14.5	10.5	7.0
International fixed interest	64.0	57.5	41.5	27.0
Total income	80.0	72.0	52.0	34.0
Australasian shares	6.0	9.0	16.0	22.0
International shares	14.0	19.0	32.0	44.0
Total growth	20.0	28.0	48.0	66.0

The permitted range for each sector is +/- 5% to the sector weight.

## Hedging policy

The Trustee generally aims to maintain the target hedging of 100% for international fixed interest and 50% for international equities. However, the Trustee and/or underlying investment manager may aim to add value by tactically adjusting the strategic hedging level on international shares above or below the benchmark of 50% depending on their view of how the New Zealand dollar will perform.

## Rebalancing policy

The Trustee has delegated rebalancing of the underlying funds of each Russell investment fund to Fisher Funds, who acts in accordance with the rebalancing policy of the Trustee. Investment funds are reviewed for rebalancing when the actual asset allocation differs from the target mix or current tactical asset allocation by more than 1.5% at the sector level. The Trustee, or its delegate, will have regard to factors such as transaction costs and market trends when considering whether a rebalancing is appropriate.

## Tactical asset allocation policy

The Trustee is empowered to make tactical asset allocation decisions within the respective permitted ranges set out above. If the Trustee makes tactical asset allocation decisions, it will do so in order to seek to improve the risk-adjusted returns of the fund.

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## SCHEDULE 4

# Milford investment funds

## Milford's investment philosophy

Milford implements an active investment philosophy that is distinct from the Trustee's investment philosophy described in section 4. Milford states it believes investment markets are in a state of constant change, and clients' interests are best looked after by taking an active approach to investing. They believe this allows Milford to take advantage of investment opportunities as they arise and manage risk along the way.

The key principles that underpin Milford's philosophy are:

1. Milford adopts an active portfolio management approach.
2. Milford aims to take advantage of investment opportunities as they arise and seek to minimise downside risk when markets are less favourable.
3. Milford seeks to manage both growth and risk and aims to proactively alter the investment strategy if its view of the market, a company's management, or trading conditions changes.
4. Milford views itself as a responsible investor and through active engagement has an ability and capacity to influence company policies and use its voice as an engaged shareholder to drive positive change.
5. Milford believes in the value of doing its own investment research and states it is committed to conduct regular company visits.
6. Milford seeks to understand the changes in the local and global economic environments and how these changes are likely to impact the markets in which it invests.
7. Milford seeks to manage risk through appropriate portfolio diversification.

## Milford Active Growth Wholesale Fund

### Investment objective

To produce returns over the long term well in excess of inflation by investing primarily in shares, with a moderate allocation to fixed interest securities and cash.

### Investment performance objectives

- Fund return net of investment fees, but before tax and the performance fee, to exceed 10% p.a., calculated over rolling five-year periods.

### Investment strategy

At the date of this SIPO the fund invests 100% into the Milford Active Growth Fund. Subject to the considerations set out in section 5, the target mix and ranges are:

Sector	Target mix	Permitted range
Cash and cash equivalents	6	0 – 70
NZ fixed interest	2	0 – 70
International fixed interest	14	-10 – 50
Income assets	22	0 – 80
Australasian shares	38	10 – 100
International shares	40	0 – 60
Listed property	0	0 – 20
Unlisted property	0	0 – 15
Commodities	0	-10 – 10
Other	0	-20 – 20
Growth assets	78	20 – 100

The underlying fund may borrow up to 25% of the net asset value of the underlying fund, may short-sell securities, use derivatives and utilise active currency management.

## Hedging policy

The neutral exposure to foreign currency is 16% at the portfolio level, with an allowable range of -10% to +50%. The underlying investment manager engages in active currency management aiming to control risk and add value, based on their view of how the New Zealand dollar will perform. The underlying investment manager may therefore take active currency positions around the neutral position to reflect their views on key drivers for the currency.

## Rebalancing policy

The underlying investment manager of the Milford Active Growth Wholesale Fund does not automatically rebalance asset classes to targets. However, the underlying investment manager actively reviews positions in light of asset class targets and targets are periodically reviewed as part of the underlying investment manager's SIPO review process.

## Tactical asset allocation policy

The underlying investment manager of the Milford Active Growth Wholesale Fund is empowered to make tactical asset allocation decisions within the permitted ranges outlined for the fund. The underlying investment manager will make these investment decisions on an active and continuous basis to seek to improve the risk-adjusted returns of the fund.

## SCHEDULE 5

# Other investment funds

These other investment funds are all managed by ANZ and are no longer available for members to select. ANZ's investment philosophy is set out in schedule 1.

## AMT NZ Bond Fund

### Investment objective

To primarily preserve capital with some capital growth through diversified exposure to New Zealand fixed interest securities.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.8% p.a., calculated over rolling three-year periods.
- Fund return gross of fees, expenses and tax to exceed the median NZ fixed interest fund from the Aon Investment Update, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests 100% into the ANZ Wholesale New Zealand Fixed Interest Fund. Subject to the considerations set out in section 5, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range
NZ fixed interest	100.0	100.0
Total income	100.0	100.0

## AMT International Bond Fund

### Investment objective

To primarily preserve capital with some capital growth through diversified exposure to international fixed interest securities.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.8% p.a., calculated over rolling three-year periods.
- Fund return gross of fees, expenses and tax to exceed the median international fixed interest fund from the Aon Investment Update, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests 100% into the ANZ Wholesale International Aggregate Bond Fund. Subject to the considerations set out in section 5, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range
International fixed interest	100.0	100.0
Total income	100.0	100.0

## AMT Australasian Shares Fund

### Investment objective

To provide long term capital growth through diversified exposure to New Zealand and Australian shares.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 2.0% p.a., calculated over rolling three-year periods.
- Fund return gross of fees, expenses and tax to exceed the median Australasian shares fund from the Aon Investment Update, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests 100% into the ANZ Wholesale Australasian Share Fund. Subject to the considerations set out in section 5, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range
Australasian shares	100.0	100.0
Total growth	100.0	100.0



## AMT International Shares Fund

### Investment objective

To provide long term capital growth through diversified exposure to international shares.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 1.0% p.a., calculated over rolling three-year periods.
- Fund return gross of fees, expenses and tax to exceed the median international shares fund from the Aon Investment Update, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests 100% into the ANZ Wholesale International Share Fund. Subject to the considerations set out in section 5, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range
International shares	100.0	100.0
Total growth	100.0	100.0

## AMT Australasian Property Fund

### Investment objective

To provide long term capital growth through diversified exposure to New Zealand and Australian listed property shares.

### Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return calculated over rolling three-year periods.
- Fund return gross of fees, expenses and tax to exceed the median Australasian property fund from the Aon Investment Update, calculated over rolling three-year periods.

### Investment strategy

At the date of this SIPO the investment fund invests 100% into the ANZ Wholesale Properties Securities Fund. Subject to the considerations set out in section 5, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range
Australasian property	100.0	100.0
Total growth	100.0	100.0



## Contact us

Our helpdesk staff are available to assist you with any queries. Please note that our contact centre staff are not able to provide you with financial advice.

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