

# NIKKO AM NZ INVESTMENT SCHEME

## Statement of Investment Policy and Objectives

13 September 2021

Issued by Nikko Asset Management  
New Zealand Limited

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## A. Description of the managed investment scheme

Nikko Asset Management New Zealand Limited (“Nikko AM NZ”, “we” or the “Manager”) is a wholly owned subsidiary of Nikko Asset Management Co., Ltd (“Nikko AM”), which is headquartered in Tokyo, Japan. Nikko AM is a dedicated global asset manager with investment professionals across the world’s major financial centres. As one of the largest investment managers in New Zealand, Nikko AM NZ provides investment management services for domestic assets through its Auckland-based investment team and has contracted offshore managers to manage global assets.

This Statement of Investment Policy and Objectives (“SIPO”) applies to the Nikko AM NZ Investment Scheme (the “Scheme”), a registered managed investment scheme. More information on the Scheme and the current version of this SIPO are available on the scheme register and the offer register on Disclose ([www.business.govt.nz/disclose](http://www.business.govt.nz/disclose)).

### Roles and Responsibilities

We are the Manager of the Scheme. Public Trust (the “Supervisor”) is the Supervisor of the Scheme. The roles and responsibilities of Nikko AM NZ and the Supervisor are set out in the Trust Deed for the Scheme (effective 1 July 2016) between the Supervisor and Nikko AM NZ which is available on the scheme register on Disclose ([www.business.govt.nz/disclose](http://www.business.govt.nz/disclose)).

Our Investment Committee is responsible for ensuring that the SIPO is adhered to.

### Funds

The Scheme offers sixteen (16) investment funds (“the Funds”):

Diversified Funds	Cash and Fixed Interest Funds	Equity Funds	Impact Funds
Nikko AM Conservative Fund	Nikko AM NZ Cash Fund	Nikko AM Core Equity Fund	Nikko AM Freedom Fund
Nikko AM Balanced Fund	Nikko AM NZ Bond Fund	Nikko AM Concentrated Equity Fund	
Nikko AM Growth Fund	Nikko AM NZ Corporate Bond Fund	Nikko AM Global Equity Unhedged Fund	
Nikko AM Income Fund	Nikko AM Global Bond Fund	Nikko AM Global Equity Hedged Fund	
		Nikko AM Global Shares Fund	
		Nikko AM Global Shares Hedged Fund	
		Nikko AM ARK Disruptive Innovation Fund	

### Effective Date

This SIPO takes effect 13 September 2021, replacing the SIPO dated 31 May 2021.

## B. Investment Philosophy

We believe that we can deliver strong and repeatable risk-adjusted returns for our investors because:

- Markets are not always efficient and indices are constrained therefore active investment management can discover and benefit from identified opportunities.
- Investments are best managed by sector specialists within a comprehensive risk management framework. Where appropriate this may involve selecting and overseeing global investment specialists.
- 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.
- Combining quality investment decision-making with patience and time will increase the probability of improving investor returns.
- Environmental, social and governance considerations (ESG) are key to creating future value for our clients. See section C for specific restrictions and how they are applied to our fund.

## C. ESG and Specific Restrictions

Environment, social and governance (ESG) considerations are embedded into all our decision making. In addition, we have defined specific restrictions, which limit investments based on certain criteria or activities.

A restriction does not necessarily mean a complete ban or exclusion. A summary of how restrictions are applied in each of the Nikko AM funds is included in this section.

The table below shows which restrictions apply to each fund in the Nikko AM Investment Scheme.

	Nikko ESG process applied	Primary Restrictions			Other Restrictions		
		Tobacco	Fossil Fuels	Controversial Weapons	Gambling	Adult entertainment	Alcohol
<b>Diversified Funds<sup>1</sup></b>							
Nikko AM Conservative Fund	YES	●	●	●	○	○	○
Nikko AM Balanced Fund	YES	◐	◐	●	○	○	○
Nikko AM Growth Fund	YES	◐	◐	●	○	○	○
Nikko AM Income Fund	YES	●	●	●	●	●	●
<b>Single Sector Funds</b>							
Nikko AM Core Equity	YES	●	●	●	○	○	○
Nikko AM Concentrated Equity	YES	●	●	●	○	○	○
Nikko AM Global Shares Fund	YES	●	●	●	●	●	●
Nikko AM Global Shares Hedged Fund	YES	●	●	●	●	●	●
Nikko AM ARK Disruptive Innovation Fund	No <sup>2</sup>	○	○	○	○	○	○
Nikko AM NZ Cash Fund	YES	●	●	●	●	●	●
Nikko AM NZ Bond Fund	YES	●	●	●	●	●	●
Nikko AM NZ Corporate Bond Fund	YES	●	●	●	●	●	●
Nikko AM Global Bond Fund	No <sup>2</sup>	●	●	●	○	○	○
<b>Other</b>							
Nikko AM Freedom Fund	YES	●	●	●	●	●	●

- Restriction in place for 100% of Fund
- ◐ Restrictions in place but not in all of the underlying funds
- No specific restriction in place. ESG process is still applied where applicable

<sup>1</sup> Restrictions from the underlying funds these Funds invest in will apply. Primary restriction apply to all of the underlying funds with the exception of ARK Disruptive Innovation Fund which has a 3% and 6% allocations in the Balanced and Growth funds respectively.

<sup>2</sup> These funds are not actively managed by Nikko AM. The underlying managers use their own ESG framework for investment decisions.

### Primary Restrictions

These restrictions apply to all funds in the Nikko AM Investment Scheme except the Nikko AM ARK Disruptive Innovation Fund.

- Tobacco: Companies with > 10% revenue from tobacco-related business activities.
- Fossil fuels: Companies with >10% revenue from the extraction of thermal coal and/or tar sands oil.<sup>1</sup>
- Controversial weapons/armaments: companies directly involved in the development and production (manufacture), sale or distribution of cluster munitions; anti-personnel mines; and biological, chemical or nuclear weapons.

<sup>1</sup> Applies to the Nikko AM Global Bond Fund from 1 October 2021

### Other Restrictions

These additional restrictions apply to the following funds: Nikko AM Income Fund, Global Shares Fund and Global Shares Hedged Fund, NZ Cash Fund, NZ Bond Fund, NZ Corporate Bond Fund and Nikko AM Freedom Fund

- Gambling: Companies with > 10% revenue from gambling-related business activities.
- Adult entertainment: Companies with > 10% revenue from adult entertainment- related business activities.
- Alcohol: Companies with > 10% revenue from alcohol-related business activities.

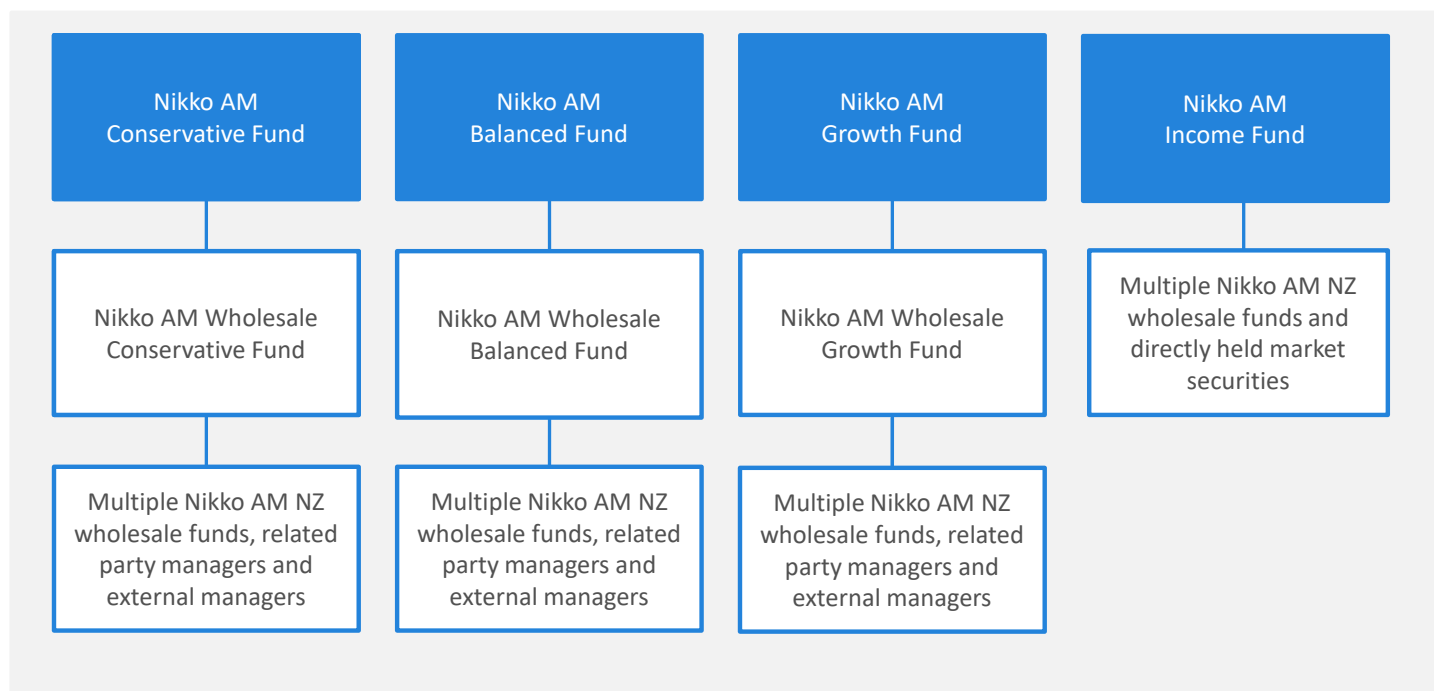
*The share of earnings will be assessed on semi-annual or annual financial disclosure basis.*

## D. Structure

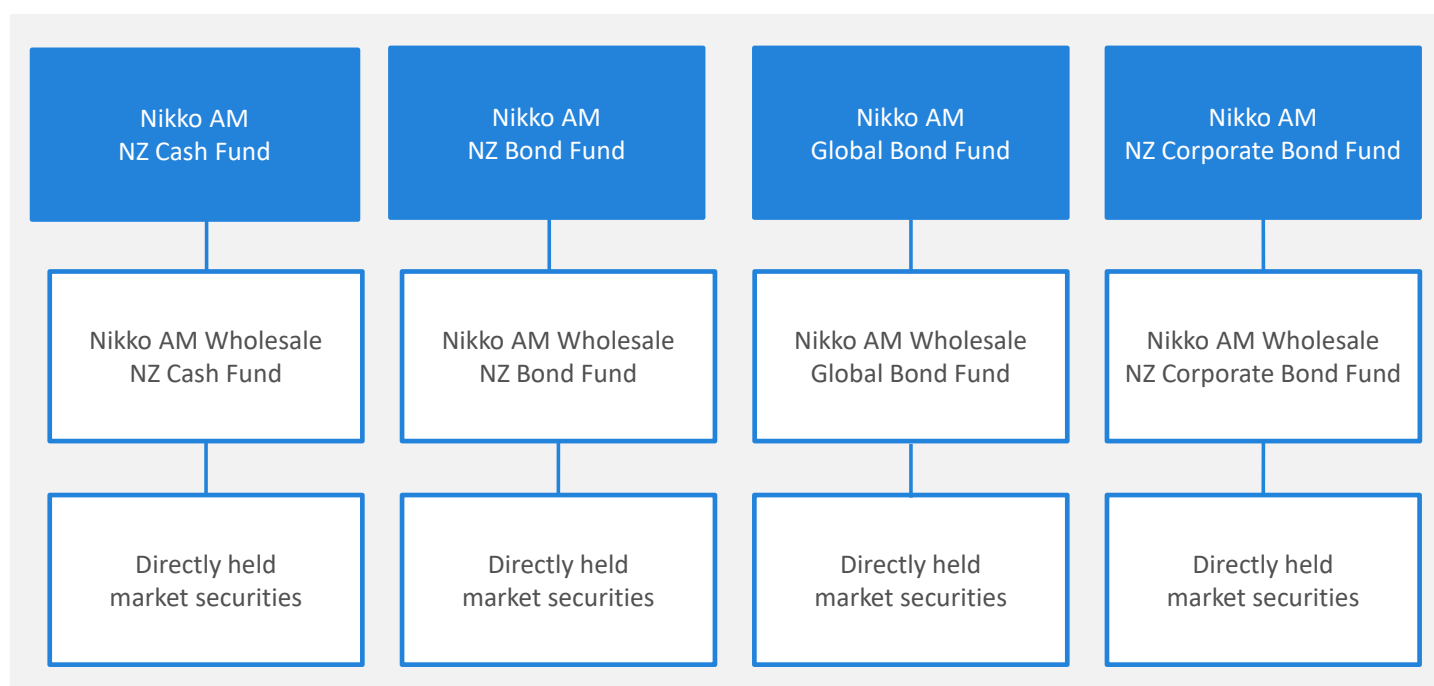
The Funds are independent of each other. The beneficial interest in the assets of each Fund is divided into units. On investment, an investor receives units in a Fund and each unit is of equal value to all other units in that Fund.

Each Fund's assets may be invested into other funds, wholesale funds in the Nikko AM NZ Wholesale Investment Scheme ("Wholesale Funds") managed by us, or in directly held market securities according to the investment strategy of the Fund. Direct investment into Wholesale Funds is available only to certain institutional investors. We outline the structure of each Fund below.

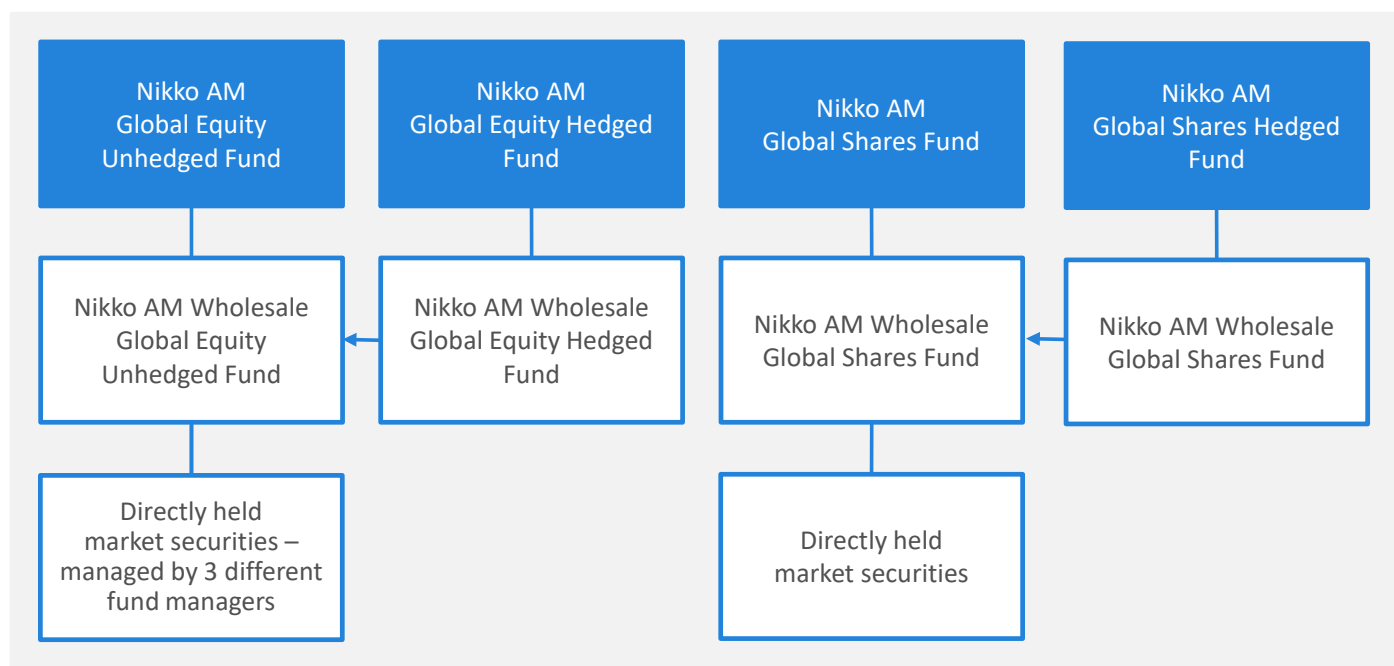
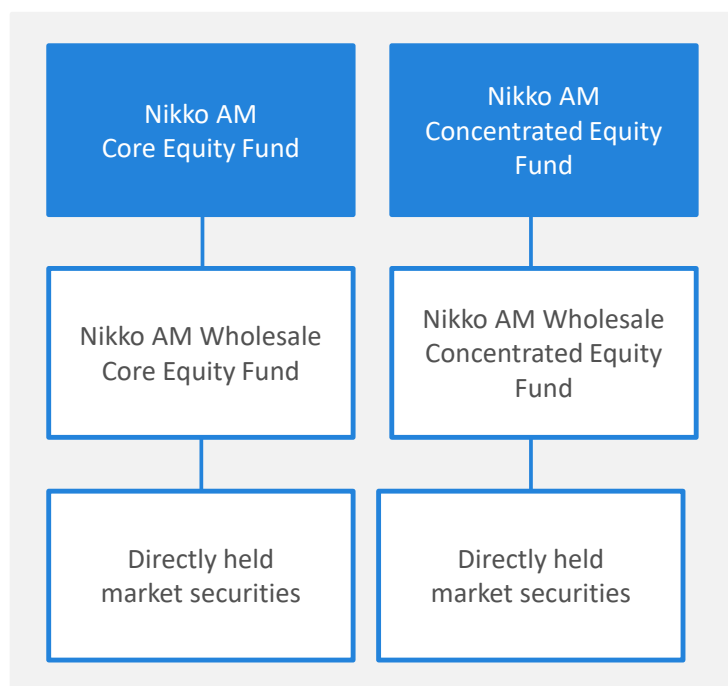
### Diversified Funds



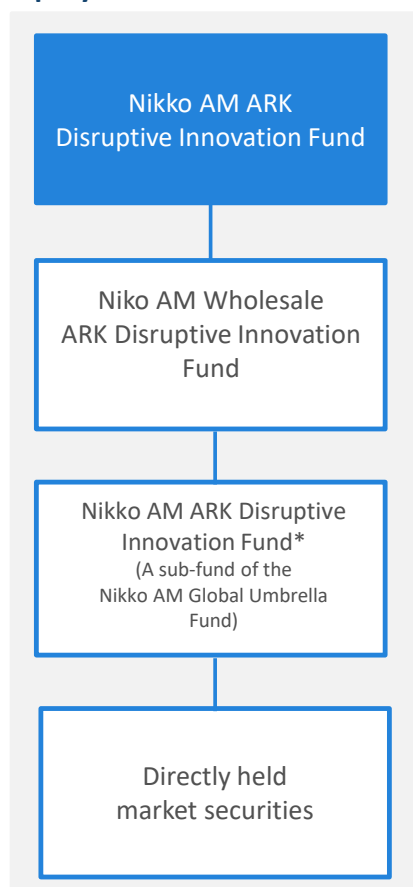
### Cash and Fixed Interest Funds



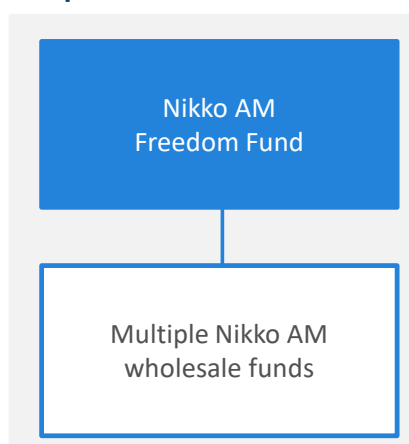
## Equity Funds



### Equity Funds cont.



### Impact Funds



\* Nikko AM Disruptive Innovation Fund is a sub-fund of the Nikko AM Global Umbrella Fund SICAV, domiciled and offered in Luxemburg under the European UCITS framework.

The Nikko AM Funds are all Portfolio Investment Entities (“PIE”). Our administration manager, BNP Paribas Fund Services Australasia Pty Limited (“BNP Paribas” or “Administration Manager”) is responsible for attributing each Fund its income or loss, expenses, and tax credits (if any) per unit daily to each investor in the proportion of units they hold and the number of units in the Fund. Tax is paid directly to Inland Revenue annually after 31 March by our registrar, MMC Limited (“MMC” or “Registrar”) by redeeming units or on redemption of units and is based on taxable income attributed to each investor at their prescribed investor rate (“PIR”) which they must provide to us.

If the investor invests through a PIP or other custodial service or a wrap account (“Custodial Service”), the PIP or the Custodial Service will hold the investor’s units in the Fund. Taxable income attributed to the PIP or the Custodial Service generally has tax deducted at 0% and the PIP or the Custodial Service is responsible for attributing tax to investors.

## E. Investment strategies and objectives

The investment strategies and objectives for the Funds are as follows. ESG and specific restrictions related to Responsible Investment are set out in Section C.

### Diversified Funds

#### Nikko AM Conservative Fund

##### Description of the Fund

This fund has a diversified portfolio which aims to preserve capital and achieve an investment return above bank deposit rates.

##### Investment Objective

The objective of this fund is to achieve a return which exceeds the weighted composite benchmark by 1.00% p.a. over a rolling three year period before fees, expenses and taxes.

##### Investment Strategy

This fund gains its investment exposure by investing through the Nikko AM Wholesale Conservative Fund into a range of actively managed funds to create a diversified portfolio with a focus on lower risk assets.

##### Benchmark

Composite of:

	Weight %
Bloomberg NZBond Bank Bill Index	15
Bloomberg NZBond Composite 0+ yr Index	17.5
Bloomberg NZBond Credit 0+ yr Index	17.5
Bloomberg Barclays Global Aggregate Index hedged into NZD	17.5
S&P/NZX 50 Index Gross with Imputation Index	8.5
S&P/NZX All Real Estate (Industry Group) Gross with Imputation Index	5
MSCI All Countries World Index (net dividends reinvested), expressed in NZD	7
MSCI All Countries World Index (net dividends reinvested) 139% gross hedged to NZD	7
Bloomberg NZBond Bank Bill Index + 3.0% p.a.	5

##### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale Conservative Fund which invests in cash and cash equivalents, New Zealand fixed interest, international fixed interest, Australasian equities, international equities, listed property and other (diversified hedge funds)	100	95.0 ⇄ 100.0
Cash on call for investor transactions	0	0.0 ⇄ 5.0

#### Nikko AM Wholesale Conservative Fund

##### Permitted Investments

The Permitted Investments of the Nikko AM Wholesale Conservative Fund are:

- Cash balances with brokers, agents or custodians (both local and overseas) pending investment or pending payment to the manager.
- Units, sub units or other interests in any managed investment scheme, mutual fund, group investment fund or similar entity in any part of the world.
- The investments set out in the Strategic Asset Allocation below.
- Any other investment agreed to by the Manager and Supervisor.



- Cash, including foreign currencies should be invested with organisations with a level of security equal to or better than a Standard & Poor's A1 short term or A long term rating or Moody's equivalent.

**ESG and specific restrictions – refer to section C**

**Strategic Asset Allocation of the Nikko AM Wholesale Conservative Fund**

	Further information on the underlying fund, including currency management	Target %	Range %	FMCR Asset Category <sup>1</sup>
Nikko AM Wholesale NZ Cash Fund	See page 18	15	10.0 ⇄ 20.0	Cash and cash equivalents
Nikko AM Wholesale NZ Bond Fund	See page 20	17.5	12.5 ⇄ 22.5	NZ fixed interest
Nikko AM Wholesale NZ Corporate Bond Fund	See page 22	17.5	12.5 ⇄ 22.5	NZ fixed interest
Nikko AM Wholesale Global Bond Fund	See page 24	17.5	12.5 ⇄ 22.5	International fixed interest
<b>TOTAL INCOME ASSETS:</b>		<b>67.5</b>		
Nikko AM Wholesale Core Equity Fund	See page 26	8.5	3.5 ⇄ 13.5	Australasian equities
Nikko AM Wholesale Property Fund	See page 14	5	0.0 ⇄ 10.0	Listed property
Nikko AM Wholesale Global Shares Fund	See page 30	7	2.0 ⇄ 12.0	International equities
Nikko AM Wholesale Global Shares Hedged Fund	See page 32	7	2.0 ⇄ 12.0	International equities
<b>TOTAL GROWTH ASSETS:</b>		<b>27.5</b>		
Nikko AM Wholesale Multi-Strategy Fund	See page 14	5	0.0 ⇄ 10.0	Other (interest in a diversified fund)
<b>TOTAL ALTERNATIVE ASSETS:</b>		<b>5</b>		

<sup>1</sup>The FMCR Asset Category is the asset category for the purposes of clause 1(4) of Schedule 4 to the Financial Markets Conduct Regulations 2014. Clause 1(4) sets out nine different asset categories, some of which overlap. We have categorised each fund to a single asset category, being the category that most closely aligns with the fund's underlying assets. This categorisation is used in our other disclosure documents when describing asset allocations.

## Nikko AM Balanced Fund

### Description of the Fund

This fund has a diversified portfolio across income, growth and alternative assets which aims to generate a return while minimising potential losses.

### Investment Objective

The objective of this fund is to achieve a return which exceeds the weighted composite benchmark by 1.50% over a rolling three year period before fees, expenses and taxes.

### Investment Strategy

This fund gains its investment exposure by investing through the Nikko AM Wholesale Balanced Fund into a range of actively managed funds to create a diversified portfolio with a balanced mix of lower and higher risk assets.

### Benchmark

Composite of:

	Weight %
Bloomberg NZBond Composite 0+ yr Index	10
Bloomberg NZBond Credit 0+ yr Index	10
Bloomberg Barclays Global Aggregate Index 100% hedged into NZD	10
S&P/NZX 50 Index Gross with Imputation Index	13
RBNZ Official Cash Rate + 5.0% p.a.	8
S&P/NZX All Real Estate (Industry Group) Gross with Imputation Index	5
MSCI All Countries World Index (net dividends reinvested), expressed in NZD	13
MSCI All Countries World Index (net dividends reinvested) 139% gross hedged to NZD	13
Bloomberg NZBond Bank Bill Index + 4.0% p.a.	5
Bloomberg NZBond Bank Bill Index + 3.0% p.a.	10
NASDAQ-100 Notional Net Total Return Index in NZD	3

### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale Balanced Fund which invests in cash and cash equivalents, New Zealand fixed interest, international fixed interest, Australasian equities, international equities, listed property and other (diversified hedge funds and sells options)	100	95.0↔100.0
Cash on call for investor transactions	0	0.0↔5.0

## Nikko AM Wholesale Balanced Fund

### Permitted Investments

The Permitted Investments of the Nikko AM Wholesale Balanced Fund are:

- Cash balances with brokers, agents or custodians (both local and overseas) pending investment or pending payment to the manager.
- Units, sub units or other interests in any managed investment scheme, mutual fund, group investment fund or similar entity in any part of the world.
- The investments set out in the Strategic Asset Allocation below.
- Any other investment agreed to by the Manager and Supervisor.
- Cash, including foreign currencies should be invested with organisations with a level of security equal to or better than a Standard & Poor's A1 short term or A long term rating or Moody's equivalent.

### ESG and specific restrictions – refer to section C

## Strategic Asset Allocation of the Nikko AM Wholesale Balanced Fund

	Further information on the underlying fund, including currency management	Target %	Range %	FMCR Asset Categorisation <sup>1</sup>
Nikko AM Wholesale NZ Cash Fund	See page 18	0	0.0⇔5.0	Cash and cash equivalents
Nikko AM Wholesale NZ Bond Fund	See page 20	10	5.0⇔15.0	NZ fixed interest
Nikko AM Wholesale NZ Corporate Bond Fund	See page 22	10	5.0⇔15.0	NZ fixed interest
Nikko AM Wholesale Global Bond Fund	See page 24	10	5.0⇔15.0	International fixed interest
<b>TOTAL INCOME ASSETS:</b>		<b>30</b>		
Nikko AM Wholesale Core Equity Fund	See page 26	13	8.0⇔18.0	Australasian equities
Nikko AM Wholesale Concentrated Equity Fund	See page 28	8	3.0⇔13.0	Australasian equities
Nikko AM Wholesale Property Fund	See page 14	5	0.0⇔10.0	Listed property
Nikko AM Wholesale Global Shares Fund	See page 30	13	8.00⇔18.00	International equities
Nikko AM Wholesale Global Shares Hedged Fund	See page 32	13	8.00⇔18.00	International equities
Nikko AM Wholesale ARK Disruptive Innovation Fund	See page 35	3	0.0⇔8.0	International equities
<b>TOTAL GROWTH ASSETS:</b>		<b>55</b>		
Nikko AM Wholesale Option Fund	See page 15	5	0.0⇔10.0	Other (undertakes leveraged trading strategies)
Nikko AM Wholesale Multi-Strategy Fund	See page 14	10	5.0⇔15.0	Other (interest in a diversified fund)
<b>TOTAL ALTERNATIVE ASSETS:</b>		<b>15</b>		

<sup>1</sup>The FMCR Asset Category is the asset category for the purposes of clause 1(4) of Schedule 4 to the Financial Markets Conduct Regulations 2014. Clause 1(4) sets out nine different asset categories, some of which overlap. We have categorised each fund to a single asset category, being the category that most closely aligns with the fund's underlying assets. This categorisation is used in our other disclosure documents when describing asset allocations.

## Nikko AM Growth Fund

### Description of the Fund

This fund has a diversified portfolio of predominately growth assets to deliver growth in capital value over the long term.

### Investment Objective

The objective of this fund is to achieve a return which exceeds the weighted composite benchmark by 2.00% over a rolling three year period before fees, expenses and taxes.

### Investment Strategy

This fund gains its investment exposure by investing through the Nikko AM Wholesale Growth Fund into a range of actively managed funds to create a diversified portfolio with a focus on higher risk assets.

### Benchmark

Composite of:

	Weight %
Bloomberg NZBond Credit 0+ yr Index	6
Bloomberg Barclays Global Aggregate Index hedged into NZD	6
S&P/NZX 50 Index Gross with Imputation Index	20
RBNZ Official Cash Rate + 5.0% p.a.	14
MSCI All Countries World Index (net dividends reinvested), expressed in NZD	19
MSCI All Countries World Index (net dividends reinvested) 139% gross hedged to NZD	19
Bloomberg NZBond Bank Bill Index +4.0% p.a.	5
Bloomberg NZBond Bank Bill Index + 3.0% p.a.	5
NASDAQ-100 Notional Net Total Return Index in NZD	6

### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale Growth Fund which invests in cash and cash equivalents, New Zealand fixed interest, international fixed interest, Australasian equities, international equities, listed property and other (diversified hedge funds and sells options)	100	95.0↔100.0
Cash on call for investor transactions	0	0.0↔5.0

## Nikko AM Wholesale Growth Fund

### Permitted Investments

The Permitted Investments of the Nikko AM Wholesale Growth Fund are:

- Cash balances with brokers, agents or custodians (both local and overseas) pending investment or pending payment to the manager.
- Units, sub units or other interests in any managed investment scheme, mutual fund, group investment fund or similar entity in any part of the world.
- The investments set out in the Strategic Asset Allocation below.
- Any other investment agreed to by the Manager and Supervisor.
- Cash, including foreign currencies should be invested with organisations with a level of security equal to or better than a Standard & Poor's A1 short term or A long term rating or Moody's equivalent.

### ESG and specific restrictions – refer to section C

## Strategic Asset Allocation of the Nikko AM Wholesale Growth Fund

	Further information on the underlying fund, including currency management	Target %	Range %	FMCRA Asset Categorisation <sup>1</sup>
Nikko AM Wholesale NZ Cash Fund	See page 18	0	0.0⇔5.0	Cash and cash equivalents
Nikko AM Wholesale NZ Corporate Bond Fund	See page 22	6	1.0⇔11.0	NZ fixed interest
Nikko AM Wholesale Global Bond Fund	See page 24	6	1.0⇔11.0	International fixed interest
<b>TOTAL INCOME ASSETS:</b>		<b>12</b>		
Nikko AM Wholesale Core Equity Fund	See page 26	20	15.0⇔25.0	Australasian equities
Nikko AM Wholesale Concentrated Equity Fund	See page 28	14	9.0⇔19.0	Australasian equities
Nikko AM Wholesale Global Shares Fund	See page 30	19	14.0⇔24.0	International equities
Nikko AM Wholesale Global Shares Hedged Fund	See page 32	19	14.0⇔24.0	International equities
Nikko AM ARK Disruptive Innovation Fund	See page 35	6	1.0⇔11.0	International equities
<b>TOTAL GROWTH ASSETS:</b>		<b>78</b>		
Nikko AM Wholesale Option Fund	See page 15	5	0.0⇔10.0	Other (undertakes leveraged trading strategies)
Nikko AM Wholesale Multi-Strategy Fund	See page 14	5	0.0⇔10.0	Other (interest in a diversified fund)
<b>TOTAL ALTERNATIVE ASSETS:</b>		<b>10</b>		

<sup>1</sup>The FMCRA Asset Category is the asset category for the purposes of clause 1(4) of Schedule 4 to the Financial Markets Conduct Regulations 2014. Clause 1(4) sets out nine different asset categories, some of which overlap. We have categorised each fund to a single asset category, being the category that most closely aligns with the fund's underlying assets. This categorisation is used in our other disclosure documents when describing asset allocations.

## Other Nikko AM Wholesale Funds invested in by the Diversified Funds

The Conservative, Balanced and Growth Funds may invest in the following funds, which are not available as sector funds within the Nikko AM Investment Scheme.

### Nikko AM Wholesale Property Fund

The Property Fund provides investors with exposure to New Zealand listed property securities and, on an opportunistic basis, Australian listed property securities. New Zealand holdings are limited to members of the S&P/NZX All Real Estate Industry Group and securities issued by members of the index. Also allowed under the Investment Mandate are securities where investment property makes up more than 50% of total assets, or where income derived from property assets makes up more than 50% of total income. Australian listed property exposure is limited to 30% of the fund while cash can be no more than 10%.

#### Specific Restrictions

- Controversial weapons/armaments: companies directly involved in the development and production (manufacture), sale or distribution of cluster munitions; anti-personnel mines; and biological, chemical or nuclear weapons.
- Fossil fuels: Companies with >10% revenue from the extraction of thermal coal and/or tar sands oil.
- Tobacco: Companies with > 10% revenue from tobacco-related business activities.

#### Currency Management

Foreign currency exposures created as a consequence of capital markets investment may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%.

### Nikko AM Wholesale Multi-Strategy Fund

This fund invests in the JPMorgan Funds - Multi-Manager Alternatives Fund (the **underlying fund**) which is managed by J.P Morgan Alternative Asset Management, Inc. ("JPMAAM").

The underlying fund is a Luxembourg based UCITS fund (a type of pooled investment vehicle domiciled in the European Union) that invests with approximately ten underlying strategies managed by fund managers not related to JPMAAM. The strategies cover a range of non-traditional investments designed to produce a consistent return stream in a variety of investment environments. Although each underlying strategy in its own right may have various levels of volatility, the strategies are carefully selected and monitored by JPMAAM to ensure that the overall risk profile of the MMAF has a risk level that is generally lower than that of the individual strategies, and performance is not aligned to traditional equity or fixed-income markets.

The various strategies that the MMAF invests in include strategies such as borrowing to sell stocks whose prices are expected to fall, credit trading, hedging interest rate variations from similar issues of US Treasury bonds. The above strategies are listed as examples. The MMAF may invest in a range of other investment strategies.

These strategies do not usually depend on the level of interest rates or on how equity markets are performing, and some strategies may actually benefit if traditional asset classes are underperforming.

This is a core alternative solution designed to diversify a portfolio, has reduced sensitivity to traditional market risks, and enhances diversification within liquid alternatives.

#### Specific Restrictions

The fund excludes investment in controversial weapons and oil sands and has revenue-based exclusions in the following:

- Alcohol
- Tobacco / Cannabis
- Gaming
- Fossil fuels (coal, oil, gas)
- Power generation: Coal
- Power generation: Oil & Gas
- Nuclear power generation
- Pornography

Investments levels may vary depending on whether the company is a producer, distributor or service provider.

#### Currency Management

JPMAAM is responsible for hedging foreign currency exposures to NZD and has developed New Zealand dollar share classes for the JPMMMA Fund.

## Nikko AM Wholesale Option Fund

This fund invests in cash and fixed interest investments and undertakes a leveraged trading strategy based on selling options over global government bonds.

The fund's investment strategy seeks investment returns from two sources:

Income received from selling short term options to financial institutions. Options are sold on long term bonds issued by Governments with a minimum credit rating of AA-

Interest income on bank deposits and fixed interest securities. The Nikko AM Wholesale Option Fund aims to be invested in securities issued by New Zealand registered banks, with a maximum maturity of three years and one month.

The fund sells options on Government bonds. Typically, the total face value of the options will be greater than the value of the overall fund (known as leverage). For every \$1 in the fund, up to \$6 of call options and \$6 of put options can be sold. The options are sold in pairs, each comprising a call and a put option with the same expiry date. Accordingly, the effective leverage of the fund is 6 times the value of the fund.

### Specific Restrictions

- Adult entertainment: Companies with > 10% revenue from adult entertainment- related business activities.
- Alcohol: Companies with > 10% revenue from alcohol-related business activities.
- Controversial weapons/armaments: companies directly involved in the development and production (manufacture), sale or distribution of cluster munitions; anti-personnel mines; and biological, chemical or nuclear weapons.
- Fossil fuels: Companies with >10% revenue from the extraction of thermal coal and/or tar sands oil.
- Gambling: Companies with > 10% revenue from gambling-related business activities.
- Tobacco: Companies with > 10% revenue from tobacco-related business activities.
- And other industry sectors as determined by the Manager

\*The share of earnings will be assessed on semi-annual or annual financial disclosure basis.

### Currency Management

The Nikko AM Wholesale Option Fund hedges any foreign currency cash holdings to the NZD with an operational range of 98.5% to 101.5%.

## Nikko AM Income Fund

### Description of the Fund

This fund aims to provide investors with regular income from an actively managed investment portfolio while protecting the capital value of investors' funds.

### Investment Objective

The objective of the Fund is to construct a portfolio of Authorised Investments that outperform the Fund's benchmark return over a rolling three year period before fees and taxes.

### Investment Strategy

This fund gains its investment exposure by investing in accordance with the strategic asset allocation below.

### Benchmark

RBNZ Official Cash Rate +3.00% p.a.

### Strategic Asset Allocation

	Target %	Range %
New Zealand fixed interest (including Kauri bonds)	62.5	0⇔90
Australasian equities and Listed Property (including Preference Shares)	30	0⇔40
Nikko AM Wholesale Option Fund	7.5	0⇔15
Other International fixed interest	0	0⇔20
Cash and cash equivalents	0	0⇔100

This strategic asset allocation is actively managed within the ranges.

### Permitted Investments

The Permitted Investments of the Fund are:

- Cash balances with brokers, agents or custodians (local and overseas) pending investment or pending payment to the manager.
- Cash and deposits with, or debt securities issued or guaranteed by:
  - The New Zealand government, government department, or any debt obligation guaranteed by the New Zealand government.
  - The NZ Local Government Funding Authority (LGFA).
  - Any debt security listed on any recognised securities exchange or traded in secondary markets.
  - Any New Zealand local authority.
  - Any New Zealand registered bank or equivalent institution in any other country issuing NZ dollar debt.
  - Kauri bonds.
  - Corporations incorporated, constituted or registered in New Zealand.
  - Corporations incorporated, or registered outside New Zealand, issuing New Zealand dollar denominated debt. (deemed to be New Zealand fixed interest for Strategic Asset Allocation purposes)
- Private placements and syndications of debt, loans, equity and property securities. These may or may not be listed or tradeable.
- Any equity security listed or contemplated to be listed on any New Zealand or Australian recognised securities exchange.
- Underwriting and sub underwriting contracts for issues of permitted debt securities and equity securities.
- Any right, option, or obligation to acquire or dispose of any equity or debt security including without limitation, warrants, convertibles, preferred stock, hybrids and stapled securities.
- Derivative Instruments, including Futures, Swaps, Interest rate agreements; Forward rate agreements; Options (either exchange traded or over-the-counter); Forward foreign exchange contracts, Repurchase agreements. The use of derivatives is limited to contracts related to Authorised Investments.
- Units in Nikko AM NZ Corporate Bond Fund.
- Units in Nikko AM Wholesale Option Fund
- Products investing in the above underlying investments, including products managed by the Manager or a related body corporate of the Manager.
- Any other investment agreed to by the Manager and Supervisor.



## Restrictions

- Maximum fund exposure to an individual equity is 5%
- Where an entity issues both debt and equity the equity exposure is permitted to be added to the permitted debt exposure.
- Derivative counterparties listed in the Nikko AM NZ Approved Counterparty List.
- Any equity security that transfers listing to an exchange other than New Zealand or Australia is to be divested within one month following the date of transfer, unless approval to continue to hold the security is granted by the Supervisor.

## ESG and specific restrictions – refer to section C

### Credit Ratings Exposures

	Maximum Exposures per Issuer <sup>1</sup> %
AAA	20
AA- to AA+	15
A- to A+	12.5
BBB- to BBB+	10
Unrated to BB+	5

- The ratings referred to in this SIPO are the long term credit ratings of Standard & Poor's. An equivalent short term rating, or an equivalent rating from a recognised rating agency is permitted.
- Credit rating and equity exposures are expressed as a percentage of the total fund.
- If an issue does not have a credit rating, the credit rating of the issuer or deposit taker applies.
- If an issuer or issue is guaranteed by another party the higher of the ratings applies.

<sup>1</sup> Does not apply to NZ Government, Government Departments and LGFA.

### Sector Limits

	Target %	Maximum %
Nikko AM Wholesale NZ Corporate Bond Fund	15	30
Nikko AM Wholesale Option Fund	7.5	15
NZ and Australian Investment grade debt and loans	17.5	60
NZ and Australian Equity and Property securities	20	30
NZ and Australian Convertibles and Preference Shares	15	20
NZ and Australian MBS and ABS	10	20
Un-rated and sub-investment grade debt and loans	15	20
NZ and Australian Government or Government Department debt, LGFA and NZ Local Authority	0	100
Other International Fixed Income	0	20
Cash and Deposits	0	100

### Currency Management

Foreign currency exposures created as a consequence of capital markets investment may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%.

## Sector Funds

### Nikko AM NZ Cash Fund

#### Description of the Fund

This fund aims to provide investors with regular income by constructing an actively managed investment portfolio of short-term deposits and bonds whilst preserving capital value.

#### Investment Objective

The objective of this fund is to outperform the benchmark by 0.20% p.a. over a rolling three year period before fees, expenses and taxes.

#### Investment Strategy

This fund gains its investment exposure by investing into the Nikko AM Wholesale NZ Cash Fund in accordance with the strategic asset allocation below. The Nikko AM Wholesale NZ Cash Fund is managed by the Nikko AM NZ Fixed Income team.

#### Benchmark

Bloomberg NZBond Bank Bill Index

#### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale NZ Cash Fund which targets investment in cash and cash equivalents, and New Zealand fixed interest	100	95.0 ⇄ 100.0
Cash on call for investor transactions	0	0.0 ⇄ 5.0

### Nikko AM Wholesale NZ Cash Fund

#### Permitted Investments

The permitted investments of the Nikko AM Wholesale NZ Cash Fund are:

- Cash balances with brokers, agents or custodians (local and overseas) pending investment or pending payment to the manager.
- Cash and deposits with, or debt securities issued or guaranteed by:
  - Any New Zealand registered bank with a minimum credit rating of A1 short term or A long term (Standard & Poor's) or equivalent as issued by a recognised rating agency.
  - The New Zealand government and government departments or any debt obligation guaranteed by the New Zealand government.
  - Any New Zealand local authority, including the Local Government Funding Agency, with a minimum credit rating of A1 short term or A long term (Standard & Poor's) or equivalent as issued by a recognised rating agency.
  - Corporations incorporated, constituted or registered either in New Zealand or overseas and which have a minimum credit rating of A1 short term or A long term (Standard & Poor's) or equivalent as issued by a recognised rating agency and issue NZ dollar debt securities.
- Debt securities may be in fixed rate or floating rate format.
- Derivative Instruments are limited to contracts related to permitted investments.
- Any other investment agreed to by the Manager and Supervisor.

## Restrictions

	Limitation/Restriction
Interest rate exposure for any security	Maximum 365 days (note floating rate security limits below)
Single issuer exposure	Maximum 25% of the Nikko AM Wholesale NZ Cash Fund value
Maturity date of floating rate securities	Maximum 3 years and one month
Exposure to floating rate securities	Maximum 40% of the Nikko AM Wholesale NZ Cash Fund value
Derivative counterparties	Derivatives can only be transacted with parties listed on the Nikko AM NZ Approved Counterparties List
Investment in any managed investment scheme that is not a PIE	Prohibited

## ESG and specific restrictions – refer to section C

### Currency Management

All Investments will be in New Zealand dollars.

## Nikko AM NZ Bond Fund

### Description of the Fund

This fund aims to provide investors with regular income by constructing an actively managed investment portfolio of New Zealand bonds, deposits and cash with the potential for capital gain from New Zealand dollar fixed interest markets.

### Investment Objective

The objective of this fund is to outperform the benchmark by 0.6% p.a. over a rolling three year period before fees, expenses and taxes.

### Investment Strategy

This fund gains its investment exposure by investing into the Nikko AM Wholesale NZ Bond Fund in accordance with the strategic asset allocation below. The Nikko AM Wholesale NZ Bond Fund is managed by the Nikko AM NZ Fixed Income team.

### Benchmark

Bloomberg NZBond Composite 0+ Yr Index

### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale NZ Bond Fund which targets investment in cash and cash equivalents, and New Zealand fixed interest	100	95.0 ⇄ 100.0
Cash on call for investor transactions	0	0.0 ⇄ 5.0

### Nikko AM Wholesale NZ Bond Fund

#### Permitted Investments

The permitted investments of the Nikko AM Wholesale NZ Bond Fund are:

- Cash balances with brokers, agents or custodians (local and overseas) pending investment or pending payment to the Manager.
- Cash and deposits with, or debt securities issued or guaranteed by:
  - The New Zealand government, government department or any debt obligation guaranteed by the New Zealand government.
  - Any foreign government (including central and local government) or any state of a foreign nation or any political subdivision or agency of such government or state or any supranational issuing New Zealand dollar denominated debt.
  - Any New Zealand local authority.
  - Any New Zealand registered bank or equivalent institution in any other country issuing NZD debt.
  - Kauri bonds.
  - Corporations incorporated, constituted or registered in New Zealand issuing New Zealand dollar debt.
  - Corporations incorporated, or registered outside New Zealand, issuing New Zealand dollar denominated debt.
- Derivative Instruments, including futures, swaps, interest rate agreements; forward rate agreements; options (either exchange traded or over-the-counter); forward foreign exchange contracts, repurchase agreements. The use of derivatives is limited to contracts related to permitted investments.
- Products investing in the above underlying investments, including products managed by the Manager or a related body corporate of the Manager.
- Any other investment agreed to by the Manager and Supervisor.

## Restrictions

	Limitation/Restriction
Portfolio duration (modified) range	±1.5 years around benchmark duration
Exposure to assets rated A- or better	Minimum of 95% of the Nikko AM Wholesale NZ Bond Fund value
Securities issued or guaranteed by the New Zealand Government or securities accepted by the Reserve Bank of New Zealand's Overnight Reverse Repo Facility	Minimum of 25% of the Nikko AM Wholesale NZ Bond Fund value
Securities <sup>2</sup> with a credit rating equal to or higher than New Zealand Government as measured by Standard & Poor's or equivalent recognised rating agency	Minimum of 50% of the Nikko AM Wholesale NZ Bond Fund value
New Zealand Local Government Funding Agency (LGFA) securities	Maximum of 15% of the Nikko AM Wholesale NZ Bond Fund value
Kauri bonds, supra-nationals, foreign government and government agency securities	Maximum of 30% of the Nikko AM Wholesale NZ Bond Fund value
All issuers (except the New Zealand government and LGFA)	Maximum of 10% of the Nikko AM Wholesale NZ Bond Fund value per issuer
Cash and cash equivalent investments counterparty/issuer credit rating	Equal to or better than a Standard & Poor's A1 short term or A long term rating or Moody's equivalent rating
Derivative counterparties	Derivatives can only be transacted with parties listed on the Nikko AM NZ Approved Counterparties List
The nominal face value of all derivative instruments	Maximum 40% of the market value of the Nikko AM Wholesale NZ Bond Fund value
Sub-investment grade debt	Prohibited <sup>3</sup>
Investment in any managed investment scheme that is not a PIE	Prohibited

<sup>2</sup>If an issue does not have a credit rating, the credit rating of the issuer or deposit taker may apply.

<sup>3</sup>In the event of a credit rating downgrade below investment grade, the manager may remain invested up to 5% of the value of the Nikko AM Wholesale NZ Bond Fund.

## ESG and specific restrictions – refer to section C

### Currency Management

All Investments will be in New Zealand dollars.

## Nikko AM NZ Corporate Bond Fund

### Description of the Fund

This fund is designed to provide regular income by constructing an actively managed investment portfolio of New Zealand bonds, deposits and cash, while protecting the capital value of investors' funds.

### Investment Objective

The objective of this fund is to outperform the benchmark by 0.70% p.a. over a rolling three year period before fees, expenses and taxes.

### Investment Strategy

This fund gains its investment exposure by investing into the Nikko AM Wholesale NZ Corporate Bond Fund in accordance with the strategic asset allocation below. The Nikko AM Wholesale NZ Corporate Bond Fund is managed by the Nikko AM NZ Fixed Income team.

### Benchmark

Bloomberg NZBond Credit 0+ Yr Index

### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale NZ Corporate Bond Fund which targets investment in New Zealand fixed interest	100	95.0↔100.0
Cash on call for investor transactions	0	0.0↔5.0

## Nikko AM Wholesale NZ Corporate Bond Fund

### Permitted Investments

The permitted investments of the Nikko AM Wholesale NZ Corporate Bond Fund are:

- Cash balances with brokers, agents or custodians (local and overseas) pending investment or pending payment to the manager.
- Cash and deposits with, or debt securities issued or guaranteed by:
  - The New Zealand government, government department, or any debt obligation guaranteed by the New Zealand government;  
The NZ Local Government Funding Agency (LGFA);
  - Any New Zealand local authority;
  - Any New Zealand registered bank or equivalent institution in any other country issuing NZ dollar debt;
  - Investment in collective investment vehicles that meet or exceed in part or in full the objectives and risk characteristics of the Nikko AM NZ Corporate Bond Fund;
  - Kauri bonds;
  - Corporations incorporated, constituted or registered in New Zealand;
  - Corporations incorporated, or registered outside New Zealand, issuing New Zealand dollar denominated debt (deemed to be New Zealand fixed interest for Strategic Asset Allocation purposes)
- Any debt security listed on any recognised securities exchange or traded in secondary markets.
- Any equity security listed on any recognised securities exchange with a fixed dividend stream and a fixed redemption date.
- Underwriting and sub-underwriting contracts for issues of permitted debt securities and equity securities.
- Derivative instruments, including Futures, Swaps, Interest rate agreements, forward rate agreements, options (either exchange traded or over-the-counter), forward foreign exchange contracts, repurchase agreements. The use of derivatives is limited to contracts relating to the Permitted Investments.
- Products investing in the above underlying investments, including products managed by the Manager or a related body corporate of the Manager.
- Any other investment agreed to by the Manager and the Supervisor.

## Restrictions

	Limitation/Restriction
Portfolio duration (modified) range	±2.5 years around index duration.
Sub-investment grade debt	Prohibited <sup>1</sup>
Investment in any managed investment scheme that is not a PIE	Prohibited

<sup>1</sup>In the event of a credit rating downgrade below investment grade the manager may remain invested.

## ESG and specific restrictions – refer to section C

### Credit Ratings Exposures

All investments are required to have an ‘investment grade credit rating’ or capital guaranteed by an investment grade entity.

	Fund Exposures %	Maximum Exposures per Issuer <sup>2</sup> %
AAA	0.0 ⇄ 100	15
AA- to AA+	0.0 ⇄ 100	10
A- to A+	0.0 ⇄ 80	7.5
BBB- to BBB+	0.0 ⇄ 30	5

<sup>2</sup>The issuer limits for NZ Government, Government Department or Government Guaranteed sectors are 100%, and for LGFA is 20%.

- The ratings referred to in this SIPO are the long term credit ratings of Standard & Poor’s. An equivalent short term rating, or an equivalent rating from a recognised rating agency is permitted.
- Credit rating and equity exposures are expressed as a percentage of the total fund.
- If an issue does not have a credit rating, the credit rating of the issuer or deposit taker applies.
- If an issuer or issue is guaranteed by another party the higher of the ratings applies.

### Sector Limits

	Maximum %
NZ Government, Government Department or Government Guaranteed	100
NZ Corporate and Bank Debt	100
NZ Local Authority (including LGFA)	60
NZD Kauri Bonds	40
Offshore issued NZ Corporate Debt Hedged to NZD	20
NZ Mortgage Backed and Asset Backed Securities	20

### Currency Management

Foreign currency exposures created as a consequence of capital markets investment are hedged to NZD within an operational range of 97.5% to 102.5%. Currency hedging contracts are held in the Nikko AM Wholesale NZ Corporate Bond Fund.

## Nikko AM Global Bond Fund

### Description of the Fund

This fund aims to provide investors with regular income by constructing an actively managed investment portfolio of permitted investments, with the potential for capital gain from global fixed interest markets.

### Investment Objective

The objective of this fund is to outperform the benchmark by 1.00% p.a. over a rolling three year period before fees, expenses and taxes.

### Investment Strategy

This fund gains its investment exposure by investing into the Nikko AM Wholesale Global Bond Fund in accordance with the strategic asset allocation below. The appointed global manager (Goldman Sachs Asset Management) is responsible for the investment management of the assets of the Nikko AM Wholesale Global Bond Fund ("the Portfolio").

### Benchmark

Bloomberg Barclays Global Aggregate Index, hedged into NZD

### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale Global Bond Fund which targets investment in cash and cash equivalents and international fixed interest	100	95.0↔100.0
Cash on call for investor transactions	0	0.0↔5.0

## Nikko AM Wholesale Global Bond Fund

### Permitted Investments

The permitted investments of the Nikko AM Wholesale Global Bond Fund are:

- Cash balances with brokers, agents or custodians (local and overseas) pending investment or pending payment to the Manager.
- Fixed rate, variable rate and floating rate securities issued or guaranteed by Treasuries, Government-Related organisations, Corporations and Securitised issuers. Government guaranteed securities shall be classified as Government agency obligations.
- Money market investments (including but not limited to Term Deposits, Treasury Bills, Bank Acceptance securities, Collateralised Obligations, Commercial Paper, Repurchase Agreements and Money Market funds).
- Affiliated mutual funds for cash management and asset allocations to specific sectors on the bond market. In the event of conflict between the investment guidelines herein and those of an affiliated mutual fund, those of the affiliated mutual fund shall prevail.
- Derivative instruments including futures (including but not limited to money market futures and government bond futures), swaps (including but not limited to interest rate swaps, inflation-linked swaps, credit default swaps (which in turn include single-name, basket and tranching credit default swaps) and total return swaps), FRAs and options (including but not limited to exchange traded and OTC options on all securities, currencies and derivative instruments as above). For the avoidance of doubt the net aggregate notional market value of derivative holdings may exceed 100%.
- Any other investment agreed to by the Manager and Supervisor.

### Restrictions

- The weighted average modified duration of the Portfolio shall be within +/- 2.5 years of the weighted average modified duration of the Benchmark. Net long and short interest rate and market value exposures of individual countries is permitted. In managing the interest rate risk of the portfolio, the contribution to portfolio duration from derivatives must be combined with the contribution to portfolio duration from all other investments.
- Maximum 5% aggregate exposure to bonds, net of single-name credit default swap exposure, of any one corporate issuer.
- All short term rated money market investments must be rated A2/P2/F2 or better by Standard & Poor's, Moody's and/or Fitch.
- All long term rated securities must be rated BBB- or higher by Standard & Poor's, Moody's and/or Fitch.
- In the event that a security is downgraded below its minimum permissible credit quality, the Manager is permitted to retain such downgraded holdings up to a maximum aggregate exposure of 2%. In the event that the aggregate exposure should exceed 2%, the Manager shall determine an appropriate course of action within 20 business days.



- Unrated securities are permissible if in the opinion of the Manager the credit quality of the security is equal to or better than minimum permissible credit quality.
- In the case of split ratings the higher/highest rating shall apply.
- The contribution to portfolio risk from derivatives, when combined with the contribution to portfolio risk from all other investments, must not breach these restrictions.
- Active currency management strategies are not permitted.

**ESG and specific restrictions – refer to section C**

**Currency Management**

Foreign currency exposures created as a consequence of capital markets investment remain hedged to NZD within an operational range of 98.5% to 101.5%. Currency hedging contracts are held in the Nikko AM Wholesale Global Bond Fund.

## Nikko AM Core Equity Fund

### Description of the Fund

This fund aims to provide investors with an exposure to New Zealand and Australian equity markets from an actively managed investment portfolio with potential for growth of income and capital.

### Investment Objective

The objective of this fund is to outperform the benchmark by 3.00% p.a. over a rolling three year period before fees, expenses and taxes.

### Investment Strategy

This fund gains its investment exposure by investing into the Nikko AM Wholesale Core Equity Fund in accordance with the strategic asset allocation below. The Nikko AM Wholesale Core Equity Fund is managed by the Nikko AM NZ Equity team.

### Benchmark

S&P/NZX 50 Index Gross (with Imputation credits)

### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale Core Equity Fund which targets investment in Australasian equities	100	95.0↔100.0
Cash on call for investor transactions	0	0.0↔5.0

### Nikko AM Wholesale Core Equity Fund

#### Permitted Investments

The permitted investments of the Nikko AM Wholesale Core Equity Fund are:

- Any equity or debt security listed or contemplated to be listed on any New Zealand or Australian recognised securities exchange.
- Any right, option or obligation to acquire or dispose of any equity or debt security.
- Cash, including foreign currencies held by the Custodian appointed by the Supervisor.
- Cash, including foreign currencies invested with organisations attracting an S&P short term rating equal to or better than A-1 or Moody's equivalent rating.
- Derivative Instruments, including Futures, Options (either exchange traded or over-the-counter) and Forward Foreign Exchange contracts. The use of derivatives is limited to contracts related to permitted investments.
- Any other investment agreed to by the Manager and Supervisor.

#### Restrictions

- Short sales of investments is not permitted.
- Maximum of 20% Australian listed securities that are not listed on the NZ Stock Exchange.
- For any security that is a member of the S&P/NZX 50 Index, the maximum weight permissible is the index weight +6%. There is no requirement on the Manager to hold any security at a minimum weight.
- For any security that is not a member of the S&P/NZX50 Index and is listed on any New Zealand or Australian exchange, the maximum weight permissible is 6% of the value of the Nikko AM Wholesale Core Equity Fund.
- Derivatives can only be transacted with counterparties listed in the Nikko AM NZ Approved Counterparties List.
- Any equity security that transfers listing to an exchange other than New Zealand or Australia is to be divested within one month following the date of transfer, unless approval to continue to hold the security is granted by the Supervisor.
- Any derivative instruments must be covered by cash or stock.
- Investment prohibited in any managed investment scheme that is not a PIE.

#### ESG and specific restrictions – refer to section C

**Currency Management**

Foreign currency exposures created as a consequence of capital markets investment may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%. Currency hedging contracts are held in the Nikko AM Wholesale Core Equity Fund.

## Nikko AM Concentrated Equity Fund

### Description of the Fund

This fund aims to provide investors with a concentrated exposure to New Zealand and Australian equity markets from an actively managed investment portfolio.

### Investment Objective

The objective of the fund is to outperform the benchmark over a rolling three year period before fees, expenses and taxes.

### Investment Strategy

This fund gains its investment exposure by investing into the Nikko AM Wholesale Concentrated Equity Fund in accordance with the strategic asset allocation below. The Nikko AM Wholesale Concentrated Equity Fund is managed by the Nikko AM NZ Equity team.

### Benchmark

RBNZ Official Cash Rate plus 5% per annum

### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale Concentrated Equity Fund which targets investment in Australasian equities.	100	95.0↔100.0
Cash on call for investor transactions	0	0.0↔5.0

## Nikko AM Wholesale Concentrated Equity Fund

### Permitted Investments

The Permitted Investments of the Nikko AM Wholesale Concentrated Equity Fund are:

- Any equity or debt security listed or contemplated to be listed on any New Zealand or Australian recognised securities exchange.
- Any right, option or obligation to acquire or dispose of any equity or debt security.
- Cash, including foreign currencies held by the Custodian appointed by the Supervisor.
- Cash, including foreign currencies invested with organisations attracting an S&P short term rating equal to or better than A-1 or Moody's equivalent rating.
- Derivative Instruments, including Futures, Options (either exchange traded or over-the-counter) and Forward Foreign Exchange contracts. The use of derivatives is limited to contracts related to permitted investments.
- Any other investment agreed to by the Manager and Supervisor.

### Restrictions

- Short selling up to a maximum of 10% of the gross asset value of the Nikko AM Wholesale Concentrated Equity Fund prior to implementation. Any short positions must be covered by cash.
- Maximum of 20% of the portfolio value to any single security.
- Derivatives can only be transacted with counterparties listed in the Nikko AM NZ Approved Counterparty list
- Investment prohibited in any managed investment scheme that is not a PIE.
- Any equity security that transfers listing to an exchange other than New Zealand or Australia is to be divested within one month following the date of transfer, unless approval to continue to hold the security is granted by the Supervisor.
- Other than borrowed stock and the overdraft facility borrowing is not permitted.
- Any derivative instruments must be covered by cash or stock.

### ESG and specific restrictions – refer to section C

**Currency Management**

Foreign currency exposures created as a consequence of capital markets investment may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%. Currency hedging contracts are held in the Nikko AM Wholesale Concentrated Equity Fund.

## Nikko AM Global Shares Fund

### Description of the Fund

This fund aims to provide investors with a relatively concentrated actively managed investment portfolio of global equities to achieve long term capital growth.

### Investment Objective

The objective of this fund is to outperform the benchmark by 3.00% per annum over a rolling three year period before fees, expenses and taxes.

### Investment Strategy

This fund gains its investment exposure by investing into the Nikko AM Wholesale Global Shares Fund in accordance with the strategic asset allocation below.

For the Nikko AM Wholesale Global Shares Fund we utilise a global equity strategy managed by a specialist team in Nikko Asset Management Europe, based in Edinburgh, Scotland. As the appointed global manager, Nikko Asset Management Europe are responsible for the investment management of the assets.

### Benchmark

MSCI ACWI with net dividends reinvested, expressed in NZD (unhedged)

### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale Global Shares Fund which targets investment in international equities	100	95.0↔100.0
Cash on call for investor transactions	0	0.0↔5.0

## Nikko AM Wholesale Global Shares Fund

### Permitted Investments

The Permitted Investments of the Nikko AM Wholesale Global Shares Fund are:

- Any equity security listed or contemplated to be listed on any recognised securities exchanges in the MSCI ACWI member countries.
- Any right or option to acquire or take up any security.
- Cash, including foreign currencies held by the Custodian appointed by the Supervisor.
- Cash balances with brokers, agents or custodians (both local and overseas) pending investment or pending payment to the manager.
- Futures agreements, options (either exchange traded or over-the-counter) and forward foreign exchange contracts.
- Any other investment agreed to by the Manager and Supervisor.

### Restrictions

- Short Selling and purchasing of securities on margin is not permitted.
- Maximum of 5% of the total shares on issue by any single issuer.
- Maximum of 10% of the Nikko AM Wholesale Global Shares Fund value to any single issuer.
- Cash up to 10% of the Nikko AM Wholesale Global Shares Fund value.
- The aggregate exposure to securities in emerging markets as defined by MSCI should not exceed the Benchmark emerging market weight +10%, of the fund's assets.
- Derivatives can only be transacted with counterparties listed in the Nikko AM Global Approved Counterparty list.
- Investment prohibited in any managed investment scheme that is not a PIE, this includes Exchange Traded Funds and Master Limited Partnerships, however Real Estate Investment Trusts are permitted as authorised investments.

**ESG and specific restrictions – refer to section C**

**Currency Management**

Foreign currency exposures created as a consequence of capital markets investment remain unhedged to NZD.

## Nikko AM Global Shares Hedged Fund

### Description of the Fund

This fund aims to provide investors with a relatively concentrated actively managed investment portfolio of global equities to achieve long term capital growth. Currency exposures created as a consequence of global equity investment are gross hedged 139% to the NZD.

### Investment Objective

The objective of this fund is to outperform the benchmark by 3.00% per annum over a rolling three year period before fees, expenses and taxes.

### Investment Strategy

This fund gains its investment exposure by investing into the Nikko AM Wholesale Global Shares Fund via the Nikko AM Wholesale Global Shares Hedged Fund in accordance with the strategic asset allocation below.

For the Nikko AM Wholesale Global Shares Fund we utilise a global equity strategy managed by a specialist team in Nikko Asset Management Europe, based in Edinburgh, Scotland. As the appointed global manager, Nikko Asset Management Europe are responsible for the investment management of the assets.

### Benchmark

MSCI All Countries World Index (net dividends reinvested), gross hedged 139% to NZD

### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale Global Shares Hedged Fund, which targets investment in, via the Nikko AM Wholesale Global Shares Fund, international equities.	100	95.0↔100.0
Cash on call for investor transactions	0	0.0↔5.0

## Nikko AM Wholesale Global Shares Hedged Fund

### Permitted Investments

The Permitted Investments of the Nikko AM Wholesale Global Shares Hedged Fund are:

- Nikko AM Wholesale Global Shares Fund.
- Any equity security listed on any recognised securities exchange.
- Any right or option to acquire or take up any equity security or debt security.
- Cash, including foreign currencies held by the Custodian appointed by the Supervisor.
- Futures agreements, options, foreign exchange contracts as related to the permitted investments.
- Any other investment agreed to by the Manager and the Supervisor.

### Restrictions

- Investment prohibited in managed funds that are not a PIE.
- Derivatives can only be transacted with counterparties listed in the Nikko AM NZ Approved Counterparty List.

### ESG and specific restrictions – refer to section C

### Currency Management

Foreign currency exposures created as a consequence of capital markets investment are gross hedged at 139% to NZD. The permitted operational hedging range is 134% – 144%.



## Nikko AM Global Equity Unhedged Fund

### Description of the Fund

This fund aims to provide investors with long term growth from an actively managed investment portfolio selected from global equity markets.

### Investment Objective

The objective of this fund is to outperform the benchmark by 3.00% p.a. over a rolling three year period before fees, expenses and taxes.

### Investment Strategy

This fund gains its investment exposure by investing into the Nikko AM Wholesale Global Equity Unhedged Fund in accordance with the strategic asset allocation below.

For the Nikko AM Wholesale Global Equity Unhedged Fund we utilise a multi-manager global equity strategy managed by a specialist team based in Sydney and Singapore. Investment personnel from Nikko AM Australia, Singapore and New Zealand are responsible for the ongoing selection, monitoring and review of all underlying investment managers. The appointed global managers (currently WCM Investment Management, Royal London Asset Management and Nikko Asset Management Europe Ltd) are responsible for the investment management of the assets.

### Benchmark

MSCI All Countries World Index (net dividends reinvested), expressed in NZD (unhedged)

### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale Global Equity Unhedged Fund which targets investment in international equities.	100	95.0 ⇄ 100.0
Cash on call for investor transactions	0	0.0 ⇄ 5.0

## Nikko AM Wholesale Global Equity Unhedged Fund

### Permitted Investments

The Permitted Investments of the Nikko AM Wholesale Global Equity Unhedged Fund are:

- Any equity security listed on any recognised securities exchange.
- Any debt security listed on any recognised securities exchange or traded in secondary markets.
- Any right or option to acquire or take up any equity security or debt security.
- Cash, including foreign currencies held by the Custodian appointed by the Supervisor.
- Cash, including foreign currencies invested with organisations attracting a S&P short term rating equal to or better than A-1 or Moody's equivalent rating.
- Futures agreements, foreign exchange contracts related to permitted investments.

### Restrictions

- Derivatives can only be transacted with counterparties listed in the Nikko AM NZ Approved Counterparty List.
- Investment prohibited in managed funds that are not a PIE without Nikko AM NZ's prior written consent.

### ESG and specific restrictions – refer to section C

### Currency Management

All currency exposures created as a consequence of global equity market investment remain unhedged to NZD.

## Nikko AM Global Equity Hedged Fund

### Description of the Fund

This fund aims to provide investors with long term growth from an actively managed investment portfolio selected from global equity markets. Currency exposures created as a consequence of global equity investment are gross hedged 139% to the NZD.

### Investment Objective

The objective of this fund is to outperform the benchmark by 3.00% p.a. over a rolling three year period before fees, expenses and taxes.

### Investment Strategy

This fund gains its investment exposure by investing into the Nikko AM Wholesale Global Equity Unhedged Fund via the Nikko AM Wholesale Global Equity Hedged Fund in accordance with the strategic asset allocation below.

For the Nikko AM Wholesale Global Equity Unhedged Fund we utilise a multi-manager global equity strategy managed by a specialist team based in Sydney and Singapore. Investment personnel from Nikko AM Australia, Singapore and New Zealand are responsible for the ongoing selection, monitoring and review of all underlying investment managers. The appointed global managers (currently WCM Investment Management, Royal London Asset Management and Nikko Asset Management Europe Ltd) are responsible for the investment management of the assets.

### Benchmark

MSCI All Countries World Index (net dividends reinvested), gross hedged 139% to NZD

### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale Global Equity Hedged Fund, which targets investment in, via the Nikko AM Wholesale Global Equity Unhedged Fund, international equities.	100	95.0 ⇄ 100.0
Cash on call for investor transactions	0	0.0 ⇄ 5.0

## Nikko AM Wholesale Global Equity Hedged Fund

### Permitted Investments

The Permitted Investments of the Nikko AM Wholesale Global Equity Hedged Fund are:

- Nikko AM Wholesale Global Equity Unhedged Fund.
- Any equity security listed on any recognised securities exchange.
- Any debt security listed on any recognised securities exchange or traded in secondary markets.
- Any right or option to acquire or take up any equity security or debt security.
- Cash, including foreign currencies held by the Custodian appointed by the Supervisor.
- Cash, including foreign currencies invested with organisations attracting a S&P short term rating equal to or better than A-1 or Moody's equivalent rating.
- Futures agreements, foreign exchange contracts as related to the permitted investments.

### Restrictions

- Investment prohibited in managed funds that are not a PIE without Nikko AM NZ's prior written consent.
- Derivatives can only be transacted with counterparties listed in the Nikko AM NZ Approved Counterparty List.

### ESG and specific restrictions – refer to section C

### Currency Management

Foreign currency exposures created as a consequence of capital markets investment are gross hedged at 139% to NZD. The permitted operational hedging range is 134% – 144%.

## Nikko AM ARK Disruptive Innovation Fund

### Description of the Fund

Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs. The Fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies.

### Investment Objective

The objective of the fund is to outperform the benchmark over a rolling five year period before fees, expenses and taxes.

### Investment Strategy

The fund invests in the Nikko AM Wholesale ARK Disruptive Innovation Fund. The wholesale fund gains its investment exposure by investing in the Nikko AM ARK Disruptive Innovation Fund (the **Underlying Fund**), a sub-fund of the Nikko AM Global Umbrella Fund, an open-ended investment company established under Luxembourg law as a société d'investissement à capital variable (SICAV). The Underlying Fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors, economies, geographies and companies.

### Benchmark

Absolute return of 10% per annum

### Strategic Asset Allocation

	Target %	Range %
Nikko AM Wholesale ARK Disruptive Innovation Fund which invests in the Underlying Fund, which targets investment in international equities	100	90.0⇔100.0
Cash on call for investor transactions	0	0.0⇔10.0

## Nikko AM Wholesale ARK Disruptive Innovation Fund

### Permitted Investments

Equities of public corporations including:

- Listed Ordinary and full paid
- Listed and Unlisted Investment trusts. This excludes real estate investment trusts.
- Listed Depository receipts including American Depository Receipts, Global Depository Receipts and European Depository Receipts

Cash including cash equivalents but excluding "other cash instruments":

### Prohibited Investments

- Assets not in compliance with UCITS guidelines for Undertakings for Collective Investments (UCIs) are prohibited
- Crypto currency

### ESG and specific restrictions – refer to section C

### Currency Management

Foreign currency exposures created as a consequence of capital markets investment remain unhedged to NZD.

## Impact Funds

### Nikko AM Freedom Fund

#### Description of the Fund

To provide an income stream for charitable purposes working in the area of human trafficking and modern slavery. Investors do not receive any financial returns but are able to access their capital when required.

#### Investment Objective

The objective of the Fund is to construct a portfolio of Authorised Investments that generate a modest level of income without incurring material risk of capital losses.

#### Investment Strategy

This fund gains its investment exposure by investing in accordance with the strategic asset allocation below.

#### Benchmark

RBNZ Official Cash Rate +1.5%

#### Strategic Asset Allocation

	Target %	Range %
New Zealand fixed interest (including Kauri bonds)	45	35 ⇄ 55
Cash and cash equivalents	45	35 ⇄ 55
Australasian equities and Listed property	10	0 ⇄ 20

This strategic asset allocation is actively managed within the ranges.

#### Sector Limits

	Further information on the underlying fund, including currency management	Target %	Maximum %	FMCR Asset Category <sup>1</sup>
Nikko AM Wholesale NZ Cash Fund	See page 18	45	55	Cash and cash equivalents
Nikko AM Wholesale NZ Corporate Bond Fund	See page 22	45	55	NZ fixed interest
Nikko AM Wholesale SRI Equity Fund	See page 37	10	20	Australasian equities
Nikko AM Wholesale NZ Bond Fund	See page 20	0	55	NZ fixed interest
Nikko AM Wholesale Property Fund	See page 14	0	20	Listed property
Cash and deposits		0	55	Cash and cash equivalents

This strategic asset allocation is actively managed within the ranges.

#### Permitted investments

- Cash balances with brokers, agents or custodians (local and overseas) pending investment or pending payment to the manager.
- Units in the following Nikko AM Wholesale Funds:
  - NZ Cash Fund
  - NZ Bond Fund
  - NZ Corporate Bond Fund.
  - SRI Equity Fund
  - Property Fund
- Products investing in the above underlying investments, including products managed by the Manager or a related body corporate of the Manager.
- Any other investment agreed to by the Manager and Supervisor.

#### ESG and specific restrictions – refer to section C

## Other Nikko AM Wholesale Funds invested in by the Freedom Fund

The Fund may invest in the following fund, which is not available as a sector fund within the Nikko AM Investment Scheme.

### Nikko AM Wholesale SRI Equity Fund

#### Permitted Investments

- Any equity or debt security listed on any New Zealand or Australian recognised securities exchange.
- Any right, option or obligation to acquire or dispose of any equity or debt security including without limitation, warrants, convertibles, preferred stock, hybrids and stapled securities. Cash, including foreign currencies held by the Custodian appointed by the Supervisor. Cash, including foreign currencies invested with organisations attracting an S&P short term rating equal to or better than A-1 or Moody's equivalent rating.
- Derivative Instruments, including Futures, Options (either exchange traded or over-the-counter); including Futures and Options on NZX and ASX Indices; Forward Foreign Exchange contracts.
- Any other investment agreed to by the Manager and Supervisor.

#### Restrictions

- Short sales of investments is not permitted.
- Maximum of 20% Australian listed securities that are not listed on the NZ Stock Exchange.
- Any security that is a member of the S&P/NZX 50 Index, the maximum portfolio weight permissible is the index weight +6%. There is no requirement on the Manager to hold any security at a minimum weight.
- Any security that is not a member of the S&P/NZX50 Index and is listed on any New Zealand or Australian exchange the maximum weight permissible is 6% of the value of the portfolio.
- Any equity security that transfers listing to an exchange other than New Zealand or Australia is to be divested within one month following the date of transfer, unless approval to continue to hold the security is granted by the Supervisor.
- Other than the overdraft facility, borrowing nor is not permitted.
- Any derivative instruments must be covered by cash or stock.
- Derivatives can only be transacted with counterparties listed in the Nikko AM NZ Approved Counterparty List.
- The use of derivatives is limited to contracts related to Authorised Investments.
- Investment prohibited in any managed investment scheme that is not a portfolio investment entity for the purposes of Sn HM 2 of the Income Tax Act 2007

### Social and Responsible Investing (SRI) Restrictions

Securities described under 'Authorised Investments' that are issued by organisations where a share of their revenue is from the following industries are prohibited:

- Adult entertainment: Companies with > 10% revenue from adult entertainment- related business activities.
- Alcohol: Companies with > 10% revenue from alcohol-related business activities.
- Controversial weapons/armaments: companies directly involved in the development and production (manufacture), sale or distribution of cluster munitions; anti-personnel mines; and biological, chemical or nuclear weapons.
- Fossil fuels: Companies with >10% revenue from the extraction of thermal coal and/or tar sands oil.
- Gambling: Companies with > 10% revenue from gambling-related business activities.
- Tobacco: Companies with > 10% revenue from tobacco-related business activities.
- And other industry sectors as determined by the Manager

\*The share of earnings will be assessed on semi-annual or annual financial disclosure basis.

### Currency Management

Foreign currency exposures created as a consequence of capital markets investment may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%.

## F. Additional investment policies

### Incident Management

All incidents, that may include operational error, system or vendor failure are recorded and reported to management immediately. These are reviewed and escalated appropriately including regulatory disclosure if required. Incidents and errors are recorded internally through the Group Operational Risk Portal (ORP). Operational risk management and incident management policies are in place.

### Rebalancing

We have a Nikko AM NZ Rebalancing Policy, which sets out how we undertake rebalancing. We have determined for each Fund in the investment strategy an appropriate strategic asset allocation and permitted investment ranges. Actual asset allocations will vary with market movements, market transactions and investor transactions.

The investment strategies for the Funds may consist of an asset allocation to other funds managed by us and cash pending investment or held for investor transactions. We review all cash balances daily to ensure they are within the investment strategy investment ranges.

We will rebalance as required to keep the Funds within the approved investment ranges. Transactions will be processed as soon as practicable subject to liquidity and market settlement conventions. To minimise the number of actual rebalancing transactions required by market movements, we use investor cash flows to maintain the asset allocation within the permitted investment ranges.

### Currency Management and Hedging

Each Fund has different parameters regarding the ability to hold assets denominated in foreign currency. Any requirement or permission to hedge foreign currency exposure back to New Zealand Dollars has been defined within the investment strategy for each Fund.

Our Currency Risk Management Policy sets out:

- How our hedging exposure strategy is established and implemented;
- The parameters that we adhere to; and
- Monitoring of compliance with the investment strategy of each Fund.

A copy of our Currency Risk Management Policy is available on Disclose ([www.business.govt.nz/disclose](http://www.business.govt.nz/disclose)).

### Liquidity and Cash Flow Management

We have determined for each Fund an appropriate level of liquidity, including cash and exposure to liquid securities. This is defined within each Fund's investment strategy. We monitor the cash balances of the Funds daily and transact if necessary to ensure sufficient liquidity for investor transactions and any Fund expenses.

Further information on deferral and suspension of cash flow requests is contained in our Other Material Information which is available on Disclose ([www.business.govt.nz/disclose](http://www.business.govt.nz/disclose)).

## Conflict of Interest(s) and Conduct Policies

We operate within a strong governance framework and consider our fiduciary responsibilities of upmost importance. Nikko AM provides global resources, delivering systems, policies and procedures, while the New Zealand business is overseen by an experienced Board, Investment Committee and Compliance, Risk & Disclosure Committee.

We have created a compliance program to manage conflicts of interest and conduct which is continually updated to reflect the developing regulatory and compliance landscape.

In addition to our Compliance Programme, we have adopted, and fully endorse, the Nikko AM “Code of Ethics and Business Standards” (the “Code”). All Nikko AM NZ employees have signed acceptance of Nikko AM’s ethics and business standards as outlined in the Code and are required to reaffirm this acceptance annually.

### Types of Potential Conflict of Interest Transactions

If an investor’s interests are likely to be unduly prejudiced due to a service agreement between Nikko AM NZ and other companies within the Nikko Asset Management Group, or due to any of the types of transactions listed below, such transaction will be identified and necessary measures will be taken (including restricting or monitoring the transaction) so that the investor’s interests are not unduly prejudiced.

The following types of transactions may be monitored and restricted to ensure that no conflicts of interest arise that unduly prejudice the interests of investors:

(1) transactions (excluding those that are categorised under the types below at (2) and (3)) that may cause a conflict of interest because they are subject to a law or regulation, a duty of loyalty, rules of conduct, prohibited acts, preventive measures against adverse effects and other similar rules.

(2) transactions such as an asset liquidation scheme, that may cause, as a result of a joint involvement by Nikko AM NZ and any of the Nikko Asset Management Group companies, a conflict of interest between investors or between an investor and Nikko AM NZ or any of the Nikko Asset Management Group companies.

(3) Other transactions similar to those above that need to be subject to control.

Nikko AM NZ will follow the instructions of and make the relevant changes upon receiving communication from the Legal and Compliance Department of Nikko Asset Management Group and notify the persons affected.

### Conflict of Interest Policies

We consider potential conflicts of interest and provide guidelines on how they will be addressed. Potential conflicts include personal holdings, trading by close relatives, the impact on trading activity of incentive-based conflicts such as performance fees, and extensive trading around performance reporting dates, such as portfolio pumping or window dressing. Another potential conflict is communicating with the media about specific securities or sectors. The commentary itself, as well as trading activity shortly beforehand or afterwards is monitored and assessed within the risk and compliance framework.

We have a comprehensive suite of operational and conflicts management policies.

### Framework Overview

Senior Management supports a culture of compliance. Employees are trained and supported to adhere to all internal and external obligations. We employ locally a Head of Compliance and General Counsel to ensure the appropriate business controls and obligations are adhered to. Business functions are audited annually by the parent’s internal audit function, with KPMG providing external audit services. The Compliance Risk and Disclosure Committee consists of the Heads of Departments including Head of Compliance and the Managing Director and meets quarterly to review compliance and risk issues.

### Personal Account Dealing

All staff are required to report their personal holdings and submit declarations annually in respect of any accounts. Personal trades, including those of close relatives, are monitored and pre-approved to ensure individuals are not benefitting from non-public information, or taking advantage of pending trade activity by the Manager. Personal trading without prior written approval from compliance is prohibited pursuant to the Nikko AM Personal Trading Policy.

### Insider Trading

We have clearly established policies relating to both insider information and potential insider information. This includes global and local policies and procedures. Training on insider information including more subtle examples relating to confidential information is provided to all staff and satisfactory understanding (via testing) and completion of the training is monitored.

We operate a Whistleblowing Policy. Senior Management and employees are aware of the potential reputational and financial damage of misconduct and must disclose misconduct.

### Restricted Lists

An up-to-date list of securities with trading restrictions is maintained by Nikko AM and circulated as necessary. Relevant securities are 'flagged' in the Bloomberg Decision Support system effectively rendering securities as untradeable.

### Segregation of Duties

Roles and responsibilities, locations, and reporting lines of different functions are designed to enable robust checks and balances through segregation of duties. This includes:

- Roles and responsibilities, and reporting lines, are designed to minimise the risk of collusion or conflicts of interest.
- There is separation of reporting lines to remove real or perceived conflict of interest.
- Administration services including middle office and back office have been delegated to BNP Paribas. Unit registry has been delegated to MMC Limited. These relationships are managed by the Head of Product and Operations NZ.
- NZ Compliance has oversight of portfolio activities and a functional reporting line to the NZ Managing Director and Group Head of Compliance.
- The Nikko AM Risk Management Group function based in Tokyo has portfolio access and oversight.

### Investment Risk

Investment Risk is monitored independently by the Nikko Group Risk Team in conjunction with the NZ office. The Group office has full oversight of trades and portfolio positions to assess investment risk. The Group Market/Credit/Liquidity and Risk Management Policy sets out the management of these risks.

### Trade Allocation and Trade Execution

In determining the execution and allocation of trades, we have a duty to act in the best interests of all investors. The following controls are in place to monitor the guiding principle.

#### Execution

We have a fiduciary duty to prioritise the interests of investors over the interests of our own, our employees or any third party and to aim to achieve the "best possible result" for investors, consistent with any relevant constraints, such as investment strategy restrictions and applicable laws and regulations.

The best possible result is the most favourable overall result for the investor under the circumstances, giving regard to the following execution factors: price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

#### Allocation

When determining the allocation of trades, the Manager will act in the best interests of investors with no Fund receiving preferred trade allocation over another Fund. The method of allocating trades will be based on the following controls:

- A high level of transparency with all trades observable by investment teams, Operations and Compliance;
- Restrictions within the investment strategy for each Fund;
- A maker-checker policy operates at a pre-trade level;
- Our trade system includes modules for the monitoring of trade allocation and execution details.

### Proxy Voting

Where capital market securities are held by the Funds or the Wholesale Funds, we may have the right to vote on shareholder resolutions. We exercise voting rights where available solely for the benefit of investors. Where we appoint an investment manager for a fund, we also outsource voting to that investment manager. We do not vote for the benefit of ourselves or third parties. The Nikko AM Domestic Equities Corporate Governance Policy covers the requirements of the Nikko AM NZ Equity team to consider and vote on resolutions.

A copy of this policy is available on Disclose ([www.business.govt.nz/disclose](http://www.business.govt.nz/disclose)).



## Leverage and Borrowing

The Funds are permitted to maintain an overdraft with a registered bank in order to provide liquidity to fund redemptions and facilitate settlements. Other than the overdraft facility, no borrowing or leverage is permitted by the Funds except where expressly permitted. Current permissions include:

- The Nikko AM Wholesale Option Fund is permitted to utilise leverage.
- The Nikko AM Wholesale Concentrated Equity Fund is permitted to utilise short-selling.
- The Nikko AM Wholesale Conservative Fund, Nikko AM Wholesale Balanced Fund and Nikko AM Wholesale Growth Fund, each invest in the JPMorgan Funds - Multi-Manager Alternative Fund where the underlying strategies may utilise leverage, borrowing and short-selling.
- The Nikko AM Wholesale Conservative Fund, Nikko AM Wholesale Balanced Fund and Nikko AM Wholesale Growth Fund each invest in the Nikko AM Wholesale Option Fund which is permitted to utilise leverage.

## Derivatives

We seek to use derivatives to manage risk and to obtain exposures authorised by, and appropriate to, the overall investment objectives and strategy of each Fund and Wholesale Fund. The use of any instrument (physical and/or derivative) is undertaken in accordance with the objectives and constraints stipulated in the applicable governing documents.

We have developed a Derivative Risk Statement (“DRS”) that applies to the Funds and Wholesale Funds for which we act as investment manager. The objective of the DRS is to summarise the policies and practices that we have in place relating to the use of derivatives, the controls on their use and the processes for assessing compliance with those controls. The policies and controls are intended to ensure proper and controlled use of derivatives. Derivatives are not considered in isolation but as part of overall investment management strategies implemented by us.

## Pricing and Valuation

We have delegated certain administration functions to BNP Paribas.

This delegation includes the calculation of daily unit pricing for the Funds and is governed by our Product Unit Pricing and Registry Policy. This policy describes how we manage our unit pricing and registry maintenance and recording obligations.

Prices of capital market securities to determine the net asset value of each Fund is provided by BNP Paribas through their data pricing providers. This ensures that pricing is undertaken by an independent third party. BNP Paribas maintain a Securities Pricing Policy which governs their approach to securities valuation.

A copy of our Product Unit Pricing and Registry Policy is available on Disclose ([www.business.govt.nz/disclose](http://www.business.govt.nz/disclose))

## Selection and review of external investment managers

We provide investment management services for domestic assets through our Auckland-based investment team. As Manager of the Wholesale Funds we have contracted external investment managers to manage the underlying assets for the Nikko AM Wholesale Global Bond Fund, Nikko AM Wholesale Global Equity Hedged Fund and Nikko AM Wholesale Global Equity Unhedged Fund. We appoint external investment managers after a market search and selection process.

Our Investment Committee has responsibility for the delegation of investment management to specialist offshore managers. Appointment of an external manager will be noted in the investment strategy of each Fund.

Our search and selection process of external managers involves an evaluation with emphasis on:

- Assessment of investment content: research on philosophy, people, process;
- Initial feasibility assessment: collection of information on fees, legal and marketing matters;
- Initial operational assessment: collection of information on operational issues;
- Interviews and assessment of Request for Proposal responses from selected potential managers;
- On-site due diligence exercise for selected potential managers.

Our Investment Committee monitors each delegated manager’s investment performance. This includes portfolio investment return and risk assessment relative to performance objectives and review of market commentary and portfolio activity.

A copy of our Delegated Investment Managers Policy is available on Disclose ([www.business.govt.nz/disclose](http://www.business.govt.nz/disclose)).

## G. Limit breaks

### Limit break identification

SIPO limits are monitored at both pre-trade and end of day monitoring times for the Funds by separate rules-based checking software. Any potential limit breaks are reported on an exceptions basis in a follow up file for investigation by appropriately skilled personnel. Careful distinction is made to separate identified limit breaks occurring as a result of investment /divestment of investor cash flows versus those that are valid limit breaks caused by capital market changes or portfolio manager activity.

If the position requires amendment, the compliance function will proceed to remedy the position by raising the issue with the portfolio manager who will then trade to the mandated requirement. Authority to instruct remediation resides with the compliance function. The compliance function utilises a register detailing each proven notification raised by the rules-based checking software and the remedial action taken.

Judgement for materiality of the limit break resides with the compliance function who will generally consider:

- the cause of the limit break: either human error, system error or capital market event;
- the economic impact on the investor, whether accretive or causing loss; and
- the frequency of the identified limit break type.

### Limit break reporting

Under section 167(1) of the Financial Markets Conduct Act 2013, a “limit break” is “a material breach of any limits on” the SIPO. Limit breaks are reported to the Supervisor as follows:

- (a) if a limit break is not corrected within 5 working days after we become aware of it, as soon as practicable after expiry of the 5 working day period; and
- (b) all limit breaks (regardless of whether they have been corrected or not), each quarter.

### Portfolio Management

The Funds and Wholesale Funds are permitted to maintain an overdraft with a registered bank in order to provide liquidity to fund redemptions and facilitate settlements.

## H. Performance monitoring

Performance is monitored daily by us and measured independently by BNP Paribas monthly.

Each Fund's performance is summarised and tabled for discussion and comment at our Investment Committee meetings, held quarterly. Each measurement period (last three months, last year, last three years, last five years) includes the actual Fund performance, the agreed benchmark performance, and the excess return over benchmark, and volatility in the instance of the last five years measurement.

Investment performance objectives are set as an acceptable margin of absolute performance above recognised capital markets indices. Progress towards achieving investment performance objectives is generally measured over a rolling three year period before fees, expenses and taxes.

## I. Investment strategy and SIPO review process

This SIPO is reviewed in full at least annually. Review, currency and adoption of the SIPO are the responsibility of our Investment Committee, which is governed by our Investment Committee Charter (available on request).

When the SIPO is reviewed annually by the Compliance, Risk and Disclosure Committee (CRD), the CRD will take into account the investment strategy and objectives of each Fund (listed in this SIPO under section "D. Investment strategies and objectives") and other matters including, but not limited to, relevant new standards or legislation and any material changes in market conditions. Significant changes may invoke an ad hoc review out of the annual cycle.

All amendments will be made in accordance with the Trust Deed and relevant law.

The strategic asset allocations for all Funds are reviewed at least annually.

Compliance with the SIPO is monitored both pre and post trade on a continuous basis, by automated systems (Bloomberg AIM).

The Manager may amend or replace this SIPO only after having given reasonable prior written notice to and in consultation with the Supervisor.

The most current version of the SIPO is available on Disclose ([www.business.govt.nz/disclose](http://www.business.govt.nz/disclose)) and on our website: [www.nikkoam.co.nz](http://www.nikkoam.co.nz).

## J. Glossary

BNP Paribas	BNP Paribas Fund Services Australasia Pty Limited, our Administrator.
Business day	A day, other than a Saturday or Sunday, on which banks are open for business in Auckland and/or Wellington, New Zealand.
Debt and Debt securities	Cash and debt securities including government and corporate debt issues typically characterised by a notional amount (amount borrowed), interest rate and maturity/renewal date.
Kauri bond	A bond denominated in New Zealand dollars that is issued by a foreign issuer.
Nikko AM NZ Approved Counterparties List	A list approved by the Nikko AM NZ Investment Committee that details the approved counterparties for trading. This list is available from Nikko AM NZ on request.
PIE	Portfolio Investment Entity as defined in section YA 1 of the Income Tax Act 2007.
PIR	Portfolio Investor Rate as defined in section YA 1 of the Income Tax Act 2007.

Version Control	Reasons for Change	Author/Editor	Date
Inaugural SIPO	Formal adoption for “opt in”	Nikko AM NZ Compliance, Risk and Disclosure Committee	16 June 2016
SIPO v2	Removal of fund in wind up	Nikko AM NZ Compliance, Risk and Disclosure Committee	1 March 2017
SIPO v3	Addition of Nikko AM Global Shares Fund	Nikko AM NZ Compliance, Risk and Disclosure Committee	3 August 2017
SIPO v4	Changes for Nikko AM Wholesale NZ Corporate Bond launch	Nikko AM NZ Compliance, Risk and Disclosure Committee	29 September 2017
SIPO v5	Change of Income Fund benchmark	Nikko AM NZ Compliance, Risk and Disclosure Committee	23 November 2017
SIPO v6	Full review, and launch of Nikko AM Option Fund, Nikko AM Conservative Fund, Nikko AM Balanced Fund, Nikko AM Growth Fund	Nikko AM NZ Compliance, Risk and Disclosure Committee	3 April 2018
SIPO v7	Change of SAAs	Nikko AM NZ Compliance, Risk and Disclosure Committee	31 May 2018
SIPO v8	<ul style="list-style-type: none"> <li>- Remove reference to Nikko AM Retail Multi-Strategy Fund</li> <li>- Remove reference to Global Equity Hedged and Unhedged funds in Growth Fund, Balanced Fund and Conservative Fund.</li> <li>- Change of composite benchmark for Nikko AM Conservative Fund, Nikko AM Balanced Fund, Nikko AM Growth Fund.</li> <li>- Change of benchmark and Objective for NZ Bond Fund</li> <li>- Change of benchmark and Objective for NZ Corporate Bond Fund</li> <li>- Additional specific restrictions for Global Shares Fund</li> <li>- Additional specific restrictions for Global Bond Fund</li> </ul>	Nikko AM NZ Compliance, Risk and Disclosure Committee	24 January 2019
SIPO v9	<ul style="list-style-type: none"> <li>- Addition of Nikko AM Global Shares Hedged Fund</li> <li>- SAA change – for Nikko AM Wholesale Conservative Fund, Nikko AM Wholesale Balanced Fund, Nikko AM Wholesale Growth Fund.</li> <li>- Change of composite benchmark for Conservative Fund, Balanced Fund and Growth Fund.</li> </ul>	Nikko AM NZ Compliance, Risk and Disclosure Committee	10 May 2019
SIPO v10	<ul style="list-style-type: none"> <li>- Addition of the Nikko AM Disruptive Innovation Fund</li> </ul>	Nikko AM NZ Compliance, Risk and Disclosure Committee	3 September 2019
SIPO v11	<ul style="list-style-type: none"> <li>- Change of investment objective for the Income Fund</li> <li>- Fossil fuel threshold restriction updated for Global Shares and Global Shares Hedged</li> </ul>	Nikko AM NZ Compliance, Risk and Disclosure Committee	17 December 2019
SIPO v 12	<ul style="list-style-type: none"> <li>- SAA change – for Nikko AM Wholesale Balanced Fund, Nikko AM Wholesale Growth Fund.</li> <li>- Change of composite benchmark for Balanced Fund and Growth Fund.</li> <li>- Update benchmark ARK Disruptive Innovation Fund.</li> </ul>	Nikko AM NZ Compliance, Risk and Disclosure Committee	8 April 2020

SIPO v13	<ul style="list-style-type: none"> <li>- Nikko AM Income Fund – new SAA, benchmark, investment objective.</li> <li>- SRI restrictions added – Cash, Corporate Bond and NZ Bond Funds.</li> <li>- Manager change – Global Equity and Global Equity Hedged Funds.</li> </ul>	Nikko AM NZ Compliance, Risk and Disclosure Committee	26 May 2020
SIPO v14	<ul style="list-style-type: none"> <li>- SAA change – for Nikko AM Wholesale Conservative Fund, Nikko AM Wholesale Balanced Fund, Nikko AM Wholesale Growth Fund.</li> <li>- Change of composite benchmark for Conservative Fund, Balanced Fund and Growth Fund.</li> <li>- Update as Nikko AM ARK Disruptive Innovation Fund now invests in the Wholesale version of the fund, rather than direct in UCITS</li> </ul>	Nikko AM NZ Investment Committee	7 September 2020
SIPO v15	<ul style="list-style-type: none"> <li>- Benchmark change for Nikko AM Wholesale Multi-Strategy Fund</li> <li>- Nikko AM Wholesale Conservative, Balanced and Growth Funds now invest in the Nikko AM Wholesale Multi-Strategy Fund, rather than direct in the JPMAMM UCITS fund</li> <li>- Removal of reference to Nikko AM Option Fund</li> </ul>	Nikko AM NZ Investment Committee	31 May 2021
SIPO v16	<ul style="list-style-type: none"> <li>- Addition of Nikko AM Freedom Fund</li> <li>- Addition of Section C for ESG and Specific restrictions, adds specific restriction to Core Equity, Concentrated Equity and Global Bond Funds.</li> </ul>	Nikko AM NZ Investment Committee	29 July 2021