

NIKKO AM KIWISAVER SCHEME

Statement of Investment Policy and Objectives

1 February 2022

Issued by Nikko Asset Management
New Zealand Limited

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A. Description of the Nikko AM KiwiSaver 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 KiwiSaver 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).

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 3 January 2018) between the Supervisor and Nikko AM NZ which is available on the scheme register on Disclose (www.business.govt.nz/disclose).

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

Funds

The Scheme offers eight (8) investment funds (“the Funds”):

Diversified Funds	Cash and Fixed Interest Funds	Equity Funds
Conservative Fund	NZ Cash Fund	SRI Equity Fund
Balanced Fund	NZ Corporate Bond Fund	Global Shares Fund
Growth Fund		ARK Disruptive Innovation Fund

Effective Date

This SIPO takes effect from 1 February 2022, replacing the SIPO dated 27 September 2021.

B. Investment philosophy

We believe that we can deliver strong and repeatable risk-adjusted returns for our investors. This belief stems from our philosophy which is that:

- 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 KiwiSaver Scheme funds is included in this section.

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

	ESG process applied	Primary Restrictions			Other Restrictions		
		Tobacco	Fossil Fuels	Controversial Weapons	Gambling	Adult entertainment	Alcohol
Diversified Funds¹							
Conservative Fund	YES	●	●	●	◐	◐	◐
Balanced Fund	YES	◐	◐	●	◐	◐	◐
Growth Fund	YES	◐	◐	●	◐	◐	◐
Single Sector Funds							
SRI Equity Fund	YES	●	●	●	●	●	●
Global Shares Fund	YES	●	●	●	●	●	●
ARK Disruptive Innovation Fund	YES ²	○	○	●	○	○	○
NZ Cash Fund	YES	●	●	●	●	●	●
NZ Corporate Bond 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

¹ 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.

² This fund is not actively managed by Nikko AM. The underlying manager uses their own ESG framework for investment decisions.

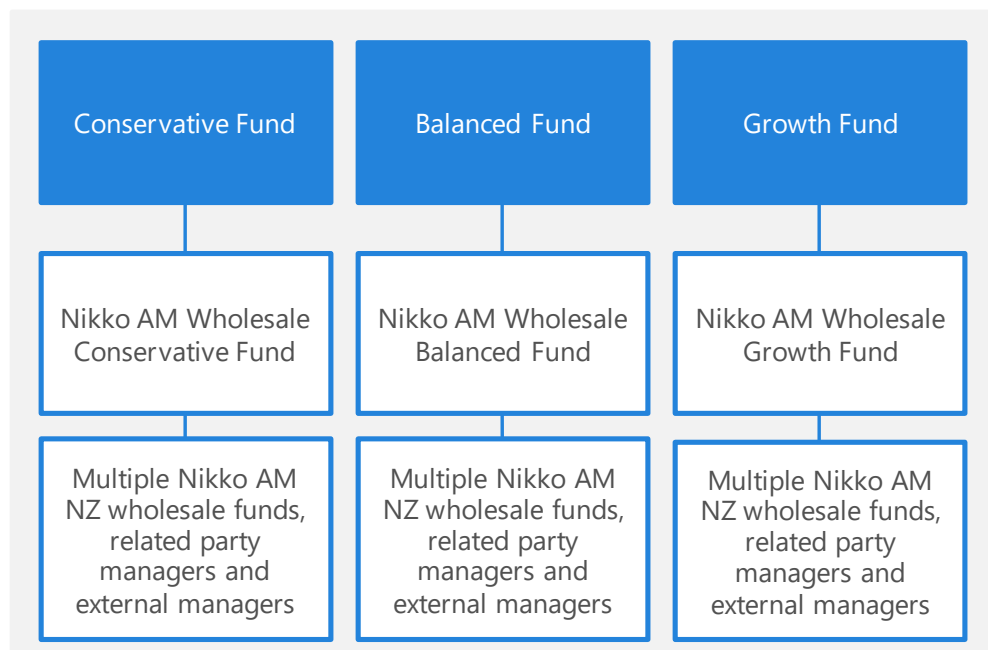
For more information on restrictions, exclusions and how these are applied and monitored by both Nikko AM NZ and our external and related party manager, refer to Appendix 1.

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.

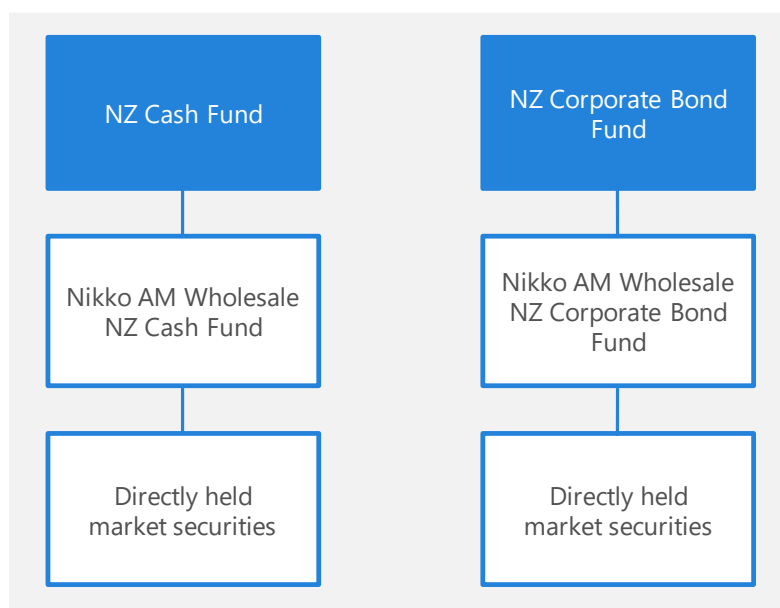
Each Fund's assets may be invested into other funds, wholesale funds in the Nikko AM NZ Wholesale Investment Scheme ("Wholesale Funds") managed by us, or in directly held market securities according to the investment strategy of the Fund. The Wholesale Funds are available only to certain institutional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

Diversified Funds

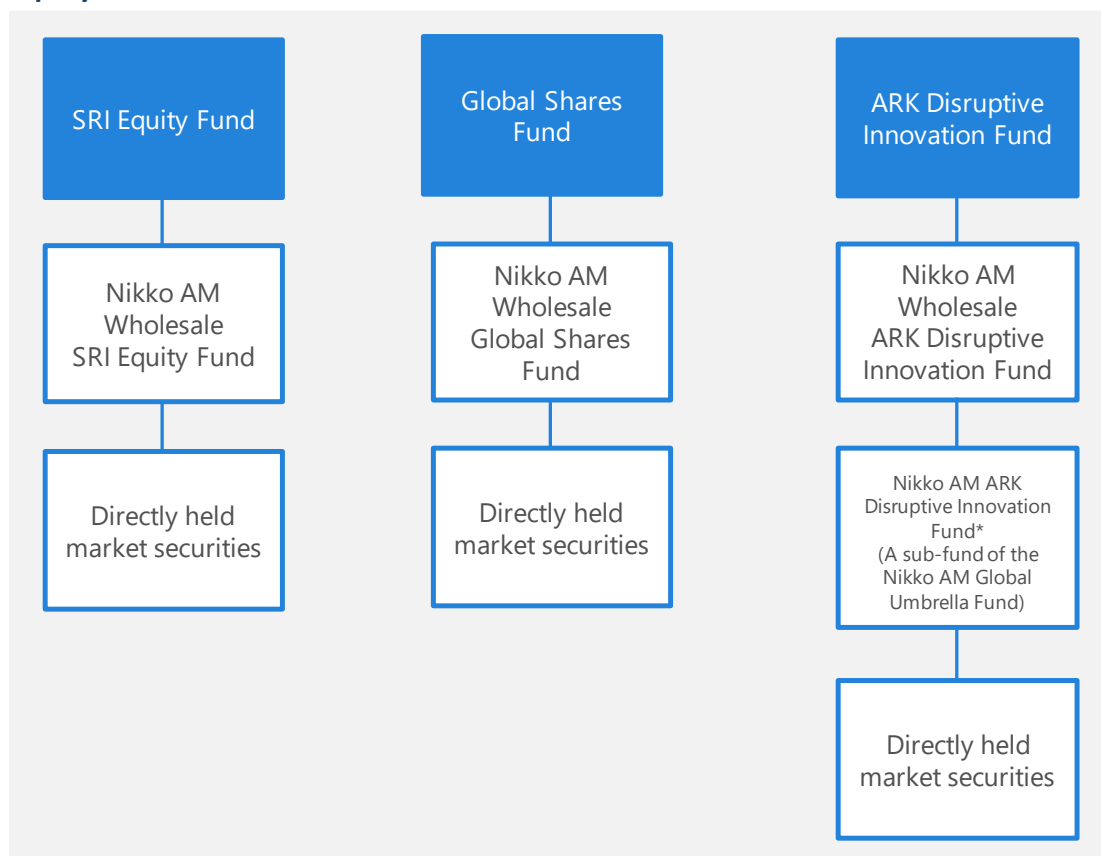


Single Sector Funds

Cash and Fixed Interest Funds



Equity 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 Scheme is a Portfolio Investment Entity (“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.

E. Investment strategies and objectives

The investment strategies and objectives for the Funds are as follows:

Diversified Funds

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 I 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 ¹
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 13	17.5	12.5-22.5	NZ fixed interest
Nikko AM Wholesale NZ Corporate Bond Fund	See page 20	17.5	12.5-22.5	NZ fixed interest
Nikko AM Wholesale Global Bond Fund	See page 14	17.5	12.5-22.5	International fixed interest
TOTAL INCOME ASSETS:		67.5		
Nikko AM Wholesale Core Equity Fund	See page 22	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 24	7	2.0-12.0	International equities
Nikko AM Wholesale Global Shares Hedged Fund	See page 15	7	2.0-12.0	International equities
TOTAL GROWTH ASSETS:		27.5		
Nikko AM Wholesale Multi-Strategy Fund	See page 16	5	0.0-10.0	Other – diversified hedge funds
TOTAL ALTERNATIVE ASSETS:		5		

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.

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 I 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 %	FMCZ Asset Categorisation ¹
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 13	10	5.0-15.0	NZ fixed interest
Nikko AM Wholesale NZ Corporate Bond Fund	See page 20	10	5.0-15.0	NZ fixed interest
Nikko AM Wholesale Global Bond Fund	See page 14	10	5.0-15.0	International fixed interest
TOTAL INCOME ASSETS:		30		
Nikko AM Wholesale Core Equity Fund	See page 22	13	8.0-18.0	Australasian equities
Nikko AM Wholesale Concentrated Equity Fund	See page 15	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 24	13	8.0-18.0	International equities
Nikko AM Wholesale Global Shares Hedged Fund	See page 15	13	8.0-18.0	International equities
Nikko AM ARK Disruptive Innovation Fund	See page 26	3	0.0-8.0	International equities
TOTAL GROWTH ASSETS:		55		
Nikko AM Wholesale Option Fund	See page 17	5	5.0-15.0	Other - sells options
Nikko AM Wholesale Multi-Strategy Fund	See page 16	10	5.0-15.0	Other – diversified hedge funds
TOTAL ALTERNATIVE ASSETS:		15		

The FMCZ 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.

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.

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
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 20	6	1.0-11.0	NZ fixed interest
Nikko AM Wholesale Global Bond Fund	See page 14	6	1.0-11.0	International fixed interest
TOTAL INCOME ASSETS:		12		
Nikko AM Wholesale Core Equity Fund	See page 22	20	15.0-25.0	Australasian equities
Nikko AM Wholesale Concentrated Equity Fund	See page 15	14	9.0-9.0	Australasian equities
Nikko AM Wholesale Global Shares Fund	See page 24	19	14.0-24.0	International equities
Nikko AM Wholesale Global Shares Hedged Fund	See page 15	19	14.0-24.0	International equities
Nikko AM ARK Disruptive Innovation Fund	See page 26	6	1.0-11.0	International equities
TOTAL GROWTH ASSETS:		78		
Nikko AM Wholesale Option Fund	See page 17	5	5.0-15.0	Other - sells options
Nikko AM Wholesale Multi-Strategy Fund	See page 16	5	0.0-10.0	Other – diversified hedge funds
TOTAL ALTERNATIVE ASSETS:		10		

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 Diversified Funds may invest in the following funds, which are not available as sector funds within the Nikko AM KiwiSaver Scheme.

Nikko AM Wholesale NZ Bond Fund

The NZ Bond Fund provides 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.

The fund can invest in Cash, deposits and debt securities issued or guaranteed by NZ Government, government departments, any foreign government (including central and local government) issuing New Zealand dollar denominated debt, any New Zealand local authority, New Zealand registered bank or equivalent institution in any other country issuing NZD debt, Kauri bonds, NZ Corporations incorporated, constituted or registered in New Zealand issuing New Zealand dollar debt and Corporations incorporated, or registered outside New Zealand, issuing New Zealand dollar denominated debt.

The portfolio must hold a minimum of 95% of the funds value in bonds that are rated A- or better.

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

All Investments will be in New Zealand dollars.

Nikko AM Wholesale Global Bond Fund

The fund provides investors with regular income by constructing an actively managed investment portfolio with the potential for capital gain from global fixed interest markets.

The fund can invest in 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, Money market investments, affiliated mutual funds for cash management and asset allocations to specific sections of the bond market, 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, total return swaps), FRAs and options, and any other investment agreed to by the Manager and the Supervisor.

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.¹
- Tobacco: Companies with > 10% revenue from tobacco-related business activities.

¹ Applies from 1 October 2021

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 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 Concentrated Equity Fund

The Concentrated Fund provides investors exposure to a concentrated portfolio of New Zealand and Australian equities.

The fund is a collection of high conviction investment ideas plus any trading opportunities that arise. Equity investments are not constrained by size, style, sector or index composition. Portfolio turnover is likely to be high by both industry standards and compared to the Nikko AM Wholesale Core Equity Fund. At times the Fund's cash holdings, or cash equivalents, may be a significant portion of total assets.

No share holding will represent more than 20% of the total Fund investment value.

The fund can invest in any equity or debt security listed on any New Zealand or Australian recognised securities exchange, or any right or option to acquire or take up these types of securities, cash included foreign currencies, derivative instruments including Futures, Options and Forward Foreign Exchange contracts and any other investments agreed to by the Manager and Supervisor.

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%. Currency hedging contracts are held in the Nikko AM Wholesale Concentrated Equity Fund.

Nikko AM Wholesale Global Shares Hedged Fund

Also see page 24, Nikko AM Wholesale Global Shares Fund

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth with currency exposure created as a consequence of global equity investment hedged to NZD.

Specific Restrictions

- Companies directly involved in the development and manufacture, sale or distribution of anti-personnel mines, and biological, chemical or nuclear weapons.

Equity securities issued by organisations where a share of their revenue from the following industries are prohibited:-

- Adult entertainment: Companies with greater than 10% revenue from adult entertainment related business activities.
- Alcohol: Companies with greater than 10% revenue from alcohol-related business activities.
- Fossil fuels: Companies with greater than 10% revenue from the extraction of thermal coal and/or tar sands oil.
- Gambling: Companies with greater than 10% revenue from gambling-related business activities.

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

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 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 MMAF.

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- and from 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%.

Cash and Fixed Interest Funds

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 Authority, 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.

NZ Corporate Bond Fund

Description of the Fund

This fund is designed to provide regular income by constructing an actively managed investment portfolio of predominately 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, effective 1 January 2019

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

Portfolio duration (modified) range of ± 2.5 years around index duration.

Purchase of sub investment grade debt is prohibited, but in the event of a credit rating downgrade below investment grade the manager may remain invested.

Investment prohibited in any managed investment scheme that is not a portfolio investment entity.

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* %
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

* The issuer limits for NZ Government, Government Department or Government Guaranteed sectors are 100%, and for LGFA is 20%.

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

Credit Ratings

- 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.
- Unrated debt issued by NZ Local Authorities that is secured by rates will be rated by the Portfolio Manager but will not be rated higher than 'A' credit rating.
- If an issue does not have a credit rating, the credit rating of the issuer or deposit taker may apply.
- Derivative counterparties listed in the Nikko AM NZ Approved Counterparty List.
- Security lending permitted with 'A' rated counterparties.

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.

Equity Funds

SRI 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. The Fund will exclude certain securities under a socially responsible investment framework.

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 SRI Equity Fund in accordance with the strategic asset allocation below. The Nikko AM Wholesale SRI 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 SRI Equity Fund which targets investment in Australasian equities and listed property	100	95.0-100.0
New Zealand fixed interest	0	0.0-5.0
Cash and cash equivalents	0	0.0-5.0

Nikko AM Wholesale SRI Equity Fund

Permitted Investments

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

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.
- 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 portfolio investment entity for the purposes of Sn HM 2 of the Income Tax Act 2007.

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.

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% 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	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

- Investment prohibited in any security that conducts activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009.
- 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.

ARK Disruptive Innovation Fund

Description of the Fund

This fund provides exposure to global shares that are relevant to the investment theme of disruptive innovation.

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 gains its investment exposure by investing in the Nikko AM Wholesale ARK Disruptive Fund Innovation Fund which invests in the ARK Disruptive Fund 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	0-10.0

Nikko AM Wholesale ARK Disruptive Innovation Fund

Permitted Investments

Equities of public corporations including:

- Listed Ordinary and fully 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":

Restrictions

- 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.

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).

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.

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).

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)

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 an external investment manager to manage the underlying assets for the Nikko AM Wholesale Global Bond Fund. We appointed the external investment manager 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).

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 Investment Committee, the Investment Committee 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) and on our website: 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.

K. Appendix 1 - Responsible Investing – additional information

Responsible investing is an important component of the decision making in all our funds. Nikko AM believes that good portfolio management requires analysts and portfolio managers to understand the influence of these factors on price and business sustainability, and therefore investors.

Nikko AM has in place a set of specific restrictions and exclusions which are described below.

This appendix sets out in more detail how the specific restrictions apply and how they are monitored for compliance.

Definitions of Restrictions

These restrictions cover areas that are intended to be consistent across all portfolios over which Nikko AM has control. This control is either due to the portfolios being managed by Nikko AM employees, or are mandates that can be amended unilaterally by Nikko AM.

Exclusions for the following funds whose mandates not controlled by Nikko AM NZ are covered separately:

- Nikko AM Wholesale Multi-strategy Fund page 16
- Nikko AM Wholesale ARK Disruptive Innovation Fund section C

Further information on exclusions for funds which the diversified funds invest in but are not available as single sector funds can be found on page 13.

	Tobacco¹	Fossil Fuels	Controversial Weapons	Gambling	Adult Entertainment	Alcohol
Nikko AM Wholesale Cash Fund	Companies with > 10% revenue from tobacco- related business activities	Companies with >10% revenue from the extraction of thermal coal and/or tar sands oil.	Companies directly involved in the development and production (manufacture), sale or distribution of cluster munitions; anti-personnel mines; and biological, chemical or nuclear weapons.	Companies with > 10% revenue from gambling related business activities.	Companies with > 10% revenue from adult entertainment-related business activities.	Companies with > 10% revenue from alcohol related business activities.
Nikko AM Wholesale NZ Bond Fund	Companies with > 10% revenue from tobacco- related business activities	Companies with >10% revenue from the extraction of thermal coal and/or tar sands oil.	Companies directly involved in the development and production (manufacture), sale or distribution of cluster munitions; anti-personnel mines; and biological, chemical or nuclear weapons.	Companies with > 10% revenue from gambling related business activities.	: Companies with > 10% revenue from adult entertainment-related business activities.	Companies with > 10% revenue from alcohol related business activities.
Nikko AM Wholesale Corporate Bond Fund	Companies with > 10% revenue from tobacco- related business activities	Companies with >10% revenue from the extraction of thermal coal and/or tar sands oil.	Companies directly involved in the development and production (manufacture), sale or distribution of cluster munitions; anti-personnel mines; and biological, chemical or nuclear weapons.	Companies with > 10% revenue from gambling related business activities.	: Companies with > 10% revenue from adult entertainment-related business activities.	Companies with > 10% revenue from alcohol related business activities.
Nikko AM Wholesale Core Equity Fund	Companies with > 10% revenue from tobacco- related business activities	Companies with >10% revenue from the extraction of	Companies directly involved in the development and production			

		thermal coal and/or tar sands oil.	(manufacture), sale or distribution of cluster munitions; anti-personnel mines; and biological, chemical or nuclear weapons.			
Nikko AM Wholesale SRI Equity Fund	Companies with > 10% revenue from tobacco- related business activities	Companies with >10% revenue from the extraction of thermal coal and/or tar sands oil.	Companies directly involved in the development and production (manufacture), sale or distribution of cluster munitions; anti-personnel mines; and biological, chemical or nuclear weapons.	Companies with > 10% revenue from gambling related business activities.	: Companies with > 10% revenue from adult entertainment-related business activities.	Companies with > 10% revenue from alcohol related business activities.

¹ For domestic sectors, the universe of stocks and securities available for investment does not currently include any companies that fall within the tobacco sub-industry definition. Accordingly, Nikko AM has determined that tobacco exposure will instead be measured by the level of income that can be directly attributed to tobacco products, and that any company with income from tobacco products exceeding 10% of gross revenues will be excluded.

How restrictions are applied

For the domestic sectors which are managed internally by Nikko AM NZ, restrictions are monitored directly by the portfolio managers and analysts. Publicly available data may be limited and, in some instances, companies are not required to disclose information. For domestic sectors, portfolio managers engage directly on a periodic bases to get additional information. Restriction monitoring is then updated on an ongoing basis as new information becomes available.

The Nikko AM Global Shares Funds are managed by a related party manager, and the Global Bond Fund by an external manager. Restrictions, which may result in specific exclusions, are monitored using 3rd party vendors appointed by the managers of these funds. These vendors may change from time to time. Due to the timing and availability of data, it may not always be possible to identify in a timely fashion which company/companies should be included in this exclusion list, and that based on different sources of data, different vendors could provide different exclusion lists at any point in time. It is not considered a breach of mandate or this SIPO if the vendor engaged in monitoring this restriction reaches a different conclusion on any particular company to another vendor, and it is acknowledged that differences in research opinion will occur from time to time.

The restrictions and monitoring of activity does not apply to:

- Securities issued by governments who may be involved in and/or have revenue sources from the industries described below. However, Nikko AM NZ has internal controls reasonably designed to ensure compliance with applicable economic sanctions and trade embargo regulations. Nikko AM NZ periodically confirms with its Delegated Managers their compliance arrangements to manage applicable sanctions obligations
- Second order factors refer to activities undertaken by companies which are not considered part of their primary business activity for example, if we held shares in a company that owns buildings and their tenants sell alcohol and tobacco products; or if we held shares in a freight company whose clients require them to transport restricted items, these would not be included in the assessment of restrictions of our funds

Restriction Monitoring

Revenue thresholds will be reviewed periodically for relevant mandate compliance based on available information. The review will occur no less than annually. Where information cannot be obtained, the manager will determine the suitability of the investment in the context of the mandate guidelines. In addition, if we become aware of a company's position changing between assessments and the manager has exposure to that company, required sales will be made in a reasonable period of time (typically within 1 month) . Such exposure shall also not be considered a breach of this SIPO.

Nikko AM will not be deemed in breach of any obligation in regard to these restrictions and shall incur no liability for losses resulting from the acts or omissions of any third-party monitoring vendor. Omissions include but are not limited to new issues or new issuers to which vendors would not yet have data mapped at a security level. The Manager will make reasonable efforts to map vendor data to new issues, but there may be instances in which vendors ultimately map their data in a manner that would result in a breach. Such an event will not be deemed a violation and the Manager will bring the portfolio into compliance similar to other instances that would be considered a passive breach. While gathering their data, vendors may assume certain value judgements (e.g., regarding the adequacy of a company's program for addressing a specific issue). The Manager does not verify those judgements, nor quantify their impact upon our analysis. These specific third-party monitoring vendors, categories, and/or thresholds may be amended or altered over time.

Version Control	Reasons for Change	Author/Editor	Date
Inaugural SIPO	Formal adoption	Nikko AM NZ Compliance, Risk and Disclosure Committee	3 April 2018
SIPO v2	Change of SAAs	Nikko AM NZ Compliance, Risk and Disclosure Committee	31 May 2018
SIPO v3	<ul style="list-style-type: none"> - Remove reference to Global Equity Hedged and Unhedged funds in Growth Fund, Balanced Fund and Conservative Fund. - Change of composite benchmark for Nikko AM Conservative Fund, Nikko AM Balanced Fund, Nikko AM Growth Fund. - Change of benchmark and Objective for NZ Bond Fund - Change of benchmark and Objective for NZ Corporate Bond Fund - Additional specific restrictions for Global Shares Fund - Additional specific restrictions for Global Bond Fund 	Nikko AM NZ Compliance, Risk and Disclosure Committee	24 January 2019
SIPO v4	<ul style="list-style-type: none"> - SAA change – for Nikko AM Wholesale Conservative Fund, Nikko AM Wholesale Balanced Fund, Nikko AM Wholesale Growth Fund. - Change of composite benchmark for Conservative Fund, Balanced Fund, Growth Fund. 	Nikko AM NZ Compliance, Risk and Disclosure Committee	10 May 2019
SIPO v5	<ul style="list-style-type: none"> - Formatting changes to improve readability - Update statement regarding registry applying and paying PIE tax at an investor level 	Nikko AM NZ Compliance, Risk and Disclosure Committee	30 August 2019
SIPO v6	<ul style="list-style-type: none"> - Fossil fuel threshold restriction updated for Global Shares and Global Shares Hedged 	Nikko AM NZ Compliance, Risk and Disclosure Committee	17 December 2019
SIPO v7	<ul style="list-style-type: none"> - SAA change – for Nikko AM Wholesale Balanced Fund, Nikko AM Wholesale Growth Fund. - Change of composite benchmark for Balanced Fund, Growth Fund. 	Nikko AM NZ Compliance, Risk and Disclosure Committee	8 April 2020
SIPO v8	<ul style="list-style-type: none"> - SRI restrictions added for NZ Bond Fund, Corporate Bond Fund and Cash Fund 	Nikko AM Compliance, Risk and Disclosure Committee	26 May 2020
SIPO v9	<ul style="list-style-type: none"> - Addition of ARK Disruptive Innovation Fund - SAA change – for Nikko AM Wholesale Conservative Fund, Nikko AM Wholesale Balanced Fund, Nikko AM Wholesale Growth Fund. - Change of composite benchmark for Conservative, Balanced Fund, Growth Fund. 	Nikko AM Compliance, Risk and Disclosure Committee	7 September 2020
SIPO v10	<ul style="list-style-type: none"> - Benchmark change for Nikko AM Wholesale Multi-Strategy Fund - 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 - Removal of reference to the Option Fund 	Nikko AM Compliance, Risk and Disclosure Committee	31 May 2021
SIPO v11	<ul style="list-style-type: none"> - Addition of Section C for ESG and Specific restrictions, adds specific restriction to Core Equity, Concentrated Equity and Global Bond Funds. 	Nikko AM NZ Investment Committee	29 July 2021

SIPO v12

- Addition of Appendix 1 – further information
- New SRI Equity Fund

Nikko AM Compliance, Risk and Disclosure Committee

14 December 2021
