

Fund Purpose

The Fund aims to provide investors with regular income by constructing an actively managed investment portfolio of Authorised Investments, with the potential for capital gain from global fixed interest markets.

Investment Objective

The objective of the Fund is to construct a portfolio of Authorised Investments that outperform the Fund's benchmark return by 1.00% p.a. over a rolling three year period before fees.

Benchmark

Bloomberg Barclays Global Aggregate Index, hedged into NZD.

Strategic Asset Allocation

100% Global Fixed Interest and Cash securities.

Authorised Investments

The Authorised Investments of the 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 Time Deposits, Treasury Bills, Bank Acceptance securities, Collateralised Obligations, Commercial Paper, Repurchase Agreements and Money Market funds).
 - Spot and forward currency contracts.
 - Mortgage Backed Security To Be Announced securities.
 - Private placements.
 - Rule 114A securities.
 - Reg S securities.
 - Structured securities (including but not limited to collateralised debt obligations, collateralised loan obligations and credit-linked notes)
 - Build-America-Bonds.
 - Hybrid securities and preferred stock.
 - Emerging market debt securities, including external debt and local currency debt (currency hedged).
- 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.
- The Manager is not permitted to purchase investments in tobacco manufacturers.
- The Manager is not permitted to purchase investments in any entity identified as being involved in 'controversial weapons'.
- Active currency management is not permitted.

Approved by the Supervisor

Social and Responsible Investing (SRI) Restrictions

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

- 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.

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

And other industry sectors as determined by the Manager.

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%.

Portfolio Management

The Fund is permitted to maintain an overdraft with a registered bank in order to provide liquidity to fund redemptions and facilitate settlements for the Fund.

The Manager shall not be deemed to have breached the Investment Mandate if any of the mandated minimum or maximum ranges are exceeded as the result of:

- the value of any asset changing solely as a result of market movements,
- contributions to or withdrawals from the Fund; or
- a change in the nature of any investment (whether through change in business activity or credit rating).

This is conditional upon the Manager within five business days of being aware of the range being exceeded, re-weighting the portfolio to be within the mandated ranges, unless the Supervisor otherwise agrees in writing.

Version Control	Reasons for Change	Author/Editor	Date
Version 1.0	Commencement mandate		1 December 2007
Version 1.1	Index to Barclays Capital Global Aggregate		1 December 2008
Version 2.0	Delegation to Goldman Sachs Asset Management Australia Pty Limited	Investment Committee	1 June 2012
Version 2.1	Formal review	Investment Committee	18 February 2014
Version 2.2	Duration bands to +/-2.5 years	Investment Committee	22 April 2014
Version 3.0	Name change	Investment Committee	12 September 2014
Version 4.0	Formal review	Investment Committee	17 March 2015
Version 5.0	Formal review	Investment Committee	23 May 2016
Version 6.0	Add Restrictions	Investment Committee	11 Dec 2018
Version 7.0	Add SRI Restrictions Tobacco, Fossil Fuels and Controv weapons	Investment Committee	30 August 2021
Version 8.0	Clarify Restrictions	Compliance Department	8 October 2021