

**Nikko AM Wholesale SRI Equity Fund**

From 1 January 2020

**Fund Purpose**

To provide 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 the Fund is to construct a portfolio of authorised investments that aims to outperform the Fund's benchmark return by 3.00% p.a. over a rolling three year period before fees and taxes.

**Benchmark**

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

**Strategic Asset Allocation**

	Target %	Range %
Australasian Equities and Listed Property	100	900⇄100.0
NZ Fixed Interest	0	0.0⇄5.0
Cash & cash equivalents	0	0.0⇄5.0

**SRI Investment Framework**

- Equity and debt securities issued by organisations where a share of their revenue 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.
- The share of earnings will be assessed on semi annual or annual financial disclosure basis.
- And other industry sectors as determined by the Manager.

**General 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.

**Authorised Investments**

The Authorised Investments of the 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.

**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%.



Noted by the Supervisor

## 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.

<b>Version Control</b>	<b>Reasons for Change</b>	<b>Author/Editor</b>	<b>Date</b>
Version 1.0	Commencement Mandate	Tyndall Operations	11 October 2008
Version 1.1	Formal review	Tyndall Operations	1 April 2011
Version 2.0	Formal review	Investment Committee	18 February 2014
Version 3.0	Name change	Investment Committee	12 September 2014
Version 4.0	Formal review	Investment Committee	17 March 2015
Version 4.1	Benchmark name change	Investment Committee	16 June 2015
Version 5.0	Formal review	Investment Committee	23 May 2016
Version 6.0	Formal review	CRD	20 February 2018
Version 7.0	SRI threshold for Fossil Fuels lowered	Investment Committee	12 December 2019

