NZ Funds
KiwiSaver Scheme

Statement of Investment Policy & Objectives

20 November 2026

NZFunds

Contents

1. Description 4
2. Investment overview 4
3. Investment structure 5
4. Investment approach 7
5. Investment process 9
6. Investment oversight 11
7. Investment policies 11
8. Market indices 12
9. SIPO review 12
10. Indices used 13

1. Description

The NZ Funds KiwiSaver Scheme (Scheme) is registered as a KiwiSaver Scheme under the Financial Markets Conduct Act 2013 (FMC Act).

The Manager of the Scheme is New Zealand Funds Management Limited (NZ Funds, our, us or we). The supervisor of the Scheme is The New Zealand Guardian Trust Company Limited (Supervisor).

The Scheme offers eight investment options:

- a stand alone passively managed Balanced Fund;
- five actively managed Strategies (Self Select);
    - Cash Strategy,
    - Income Strategy,
    - Defensive Growth Strategy,
    - Share Growth Strategy
    - Growth Plus Strategy, and
- two life cycle asset allocation options (Life Cycle)
    - Share Growth with Life Cycle, which includes the Income Strategy, Defensive Growth Strategy and Share Growth Strategy; and
    - Growth Plus with Life Cycle, which includes the Income Strategy, Defensive Growth Strategy and Growth Plus Strategy.

Investors and their advisers can choose their own allocation to one or more Strategies using the Self Select option.

The Life Cycle options automatically rebalance your investment across the relevant Strategies every year, according to your age.

More information on the investment options is included in the Scheme's Product Disclosure Statement (PDS) and Other Material Information (OMI) document, which are available at *www.nzfunds.co.nz* or the offer register at *disclose-register.companiesoffice.govt.nz*. These documents should be read together with this Statement of Investment Policy & Objectives (SIPO).

2. Investment overview

NZ Funds is a wealth management specialist. We define wealth management as helping New Zealanders achieve their investment goals.

We believe the most reliable way for New Zealanders to do this is through the integration of financial advice and investment management.

Our approach to wealth management aims to provide investors with a financial strategy to achieve their investment goals and access to financial advisers to help them make informed financial decisions.

The NZ Funds KiwiSaver Scheme offers both passive (the Balanced Fund) and active (the Strategies) options. We strongly recommend that investors discuss their specific circumstances with a financial adviser to ascertain which options are most appropriate for them.

Balanced Fund

The Balanced Fund is principally designed for people who are new to KiwiSaver and wish to build their confidence before investing in a more actively managed, higher growth orientated investment in order to seek to maximise their long-term wealth.

We use a passive investment approach when managing the Balanced Fund as we believe that this approach can help build the confidence of those new to KiwiSaver. Our passive approach allocates clients' funds using a combination of local and international indices.

Our passive approach allocates clients' funds based on an index or by taking a predominantly buy and hold approach to security ownership.

NZ Funds may also in its sole discretion, choose to deviate from an index based allocation in the Balanced Fund from time to time, for example, to ensure it meets the requirements of our responsible investment policy or for any other reason.

Strategies

Self Select and the two Life Cycle options are designed to provide Members with access to cash, shares, bonds, derivatives, alternative securities and other securities including specialist investment managers. Our goal is to ensure Members own a diversified portfolio of investments with downside mitigation where appropriate.

NZ Funds' active investment management approach seeks to maintain a balance between preserving Members' capital and growing their wealth over time in a way that is consistent with each Strategy's objective. It also seeks to ensure that over the economic cycle, Members are exposed to both actively and passively managed investments and are diversified across New Zealand and international investment markets.

Our active investment management approach means that the assets held by the Strategies may be quite different from those held under a passive investment management approach, and the nature and composition of those actively managed assets may change markedly over time.

In certain market environments, a passive approach may generate better investment returns than an active approach, and vice versa. The risk inherent in each style may also differ, depending on the investment techniques used and the stage of the economic cycle.

NZ Funds believes that an active investment management approach enables us to invest across a broader range of assets and investment styles than a passive approach. It also enables us to position the Strategies quite differently to the broader market, both in terms of seeking to capture the upside and in seeking to mitigate risk.

We invest predominantly in instruments with known liquidity, enabling us to increase or reduce position sizes efficiently. We also employ a number of different techniques that seek to limit the extent to which the Strategies may endure losses.

As a consequence of our active investment management approach, the Strategies will regularly exhibit investment performance characteristics that are quite different to the passive market indices the Strategies are benchmarked against and those of the passively managed Balanced Fund. We expect that those different performance characteristics will be evident during both rising and falling markets.

3. Investment structure

Balanced Fund objectives

The Balanced Fund is designed to primarily track a balanced mix of shares and bonds selected with reference to asset class indices.

Strategy objectives

The Strategies are designed and managed to seek to meet investor orientated objectives rather than to solely meet or exceed the returns of a single asset class index, such as New Zealand bonds or global shares.

The exception is the Cash Strategy which predominantly invests in bank bills and is designed to primarily provide exposure to a diversified portfolio of three-month bank bills issued by New Zealand trading banks.

Authorised asset class limits

The authorised asset classes for the Balanced Fund and each Strategy are the types of assets that the Balanced Fund or Strategy are permitted to invest in.

The authorised asset classes are those used in the Financial Markets Conduct Regulations 2014 (Regulations), with the exception of 'Alternative Securities' which is included in the 'Other' category for the purposes of the Regulations.

We have developed authorised asset class limits which are used in the oversight of the Balanced Fund and the Strategies. The authorised asset class limits are the maximum exposure that the Balanced Fund or a Strategy may have to an authorised asset class.

The authorised asset class limits are shown in the table on pages 6 and 7. The authorised asset class limits are based on the New Zealand dollar equivalent invested in each authorised asset class.

Futures and options can be used by the Balanced Fund and the Strategies to gain exposure to an authorised asset class. Where this occurs, the value of the futures and options are included in the asset allocation.

In the authorised asset class limits for the Defensive Growth Strategy, Share Growth Strategy and Growth Plus Strategy, we treat Australasian equities, international equities and listed property as a single asset class for which the combined exposure should not exceed 300% for the Defensive Growth Strategy and Share Growth Strategy and 400% for the Growth Plus Strategy.

Book value is used to measure the value of derivatives, except for equity index futures, commodity futures, options, crypto asset futures and certain swaps, where full notional value (face value) of the contract may be used.

NZ Funds' active investment management approach, use of derivatives in the Strategies and market movements may result in the proportion invested in an authorised asset class exceeding the guidelines shown in the table from time to time.

The authorised asset class limits are calculated on an absolute basis. This means that we do not differentiate between long exposures (which profit from a rise in price) and short exposures (which profit from a fall in price). Authorised asset class limits are calculated by adding all long and short exposures together.

For example, if a Strategy was 100% long equity index futures and at the same time was 100% short the same equity index futures, it would be stable irrespective of whether the market rose or fell as the long exposure would offset the short exposure.

However, for the purposes of determining the exposure for the authorised asset class limits, the two exposures would be added together giving an exposure of 200% (being the sum of the long and short positions).

The exceeding of an authorised asset class limit or the purchasing of an unauthorised asset class constitutes a SIPO limit break.

Guideline ranges

We maintain internal investment guidelines which are used in the oversight of the Balanced Fund and the Strategies. These guidelines are designed to ensure the Balanced Fund and the Strategies invest in accordance with their investment objective and timeframe.

The guidelines set out the ranges within which the Balanced Fund or each Strategy will usually (but not always) invest in each authorised asset class, and also address other investment matters such as the ability of a Strategy to use leverage and the level of liquidity that the Balanced Fund or a Strategy will target.

The internal investment guidelines can be exceeded from time to time over the course of an economic cycle.

Where the upper percentage of a guideline range exceeds 100% this indicates that NZ Funds expects to regularly use derivatives to create leverage to increase the exposure to an authorised asset class beyond 100%. Showing a target investment mix of 100% or less for an authorised asset class does not mean derivatives will not be used or 100% will not be exceeded, except in the case of the Balanced Fund and the Cash Strategy which do not use leverage.

The investment guideline ranges are calculated on an absolute basis. This means that we do not differentiate between long exposures (which profit from a rise in price) and short exposures (which profit from a fall in price). The Cash Strategy and Balanced Fund do not use derivatives to create leverage.

Exceeding an investment guideline, or a deviation from the target investment mix for the Balanced Fund or a Strategy, does not amount to a SIPO limit break.

Target investment mix

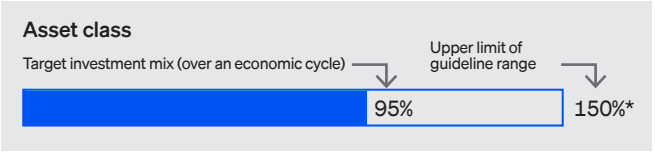
The target investment mix (being the dark coloured portion of the guideline range for each asset class shown in the table on pages 6 and 7) is the expected target asset allocation for the Balanced Fund and each Strategy over an economic cycle and is derived from our internal reference portfolios which are used to benchmark long term investment performance.

The target investment mix shown for the Balanced Fund and each Strategy is anticipated only and the actual asset allocation is expected to vary over the course of an economic cycle.

Deviating from the target investment mix for the Balanced Fund or a Strategy does not amount to a SIPO limit break.

Investment options

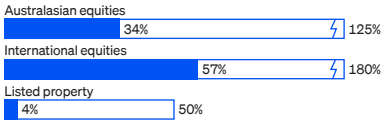
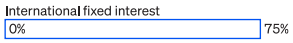
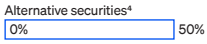
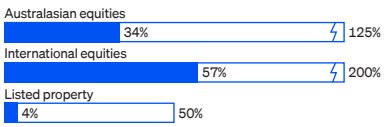
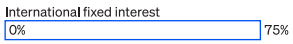
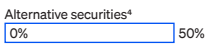
The table on pages 6 and 7 sets out the investment objective and strategy, authorised asset classes, authorised asset class limits, guideline ranges, target investment mix, and minimum suggested investment timeframe for the Balanced Fund and each Strategy.



* Numbers exceeding 100% illustrate use of leverage via derivatives.

Strategy	Objective	Strategy Summary	Authorised asset class limits	Guideline ranges and target investment mix [1]	Minimum suggested timeframe
Balanced Fund	To provide an entry level option, which uses a passive investment approach to gain exposure to a balanced mix of income and growth assets	Anticipated to mainly own New Zealand, Australian and international bonds and shares over the minimum suggested timeframe.	Cash and cash equivalents [2]: 0-100%	Cash and cash equivalents 5% 60%	5 years+
			New Zealand fixed interest: 0-100%	New Zealand fixed interest 11% 60%	
			International fixed interest: 0-100%	International fixed interest 34% 60%	
			Australasian equities: 0-100%	Australasian equities 25% 60%	
			International equities: 0-100%	International equities 25% 60%	
			Listed property: 0-100%	Listed property 0% 60%	
Cash Strategy	To provide a source of capital	Anticipated to mainly own and trade cash and cash equivalents and other authorised asset classes over the minimum suggested timeframe.	Cash and cash equivalents [2]: 0-100%	Cash and cash equivalents 100%	1 month+
			New Zealand fixed interest: 0-100%	New Zealand fixed interest 0%	
			International fixed interest: 0-100%	International fixed interest: 0%	
Income Strategy	To generate income by investing in income assets and other authorised assets with active management	Anticipated to mainly own and trade New Zealand, Australian and international bonds, and other authorised asset classes over the minimum suggested timeframe.	Cash and cash equivalents [2]: 0-100%	Cash and cash equivalents 8% 100%	2 years+
			New Zealand fixed interest: 0-100%	New Zealand fixed interest 45% 100%	
			International fixed interest: 0-125%	International fixed interest 47% 100%	
			Alternative Securities [4]: 0-50%	Alternative securities [4] 0% 50%	
Defensive Growth Strategy	To mitigate the impact of inflation on your investment over the medium and/or long term with active management	Anticipated to mainly own and trade New Zealand, Australian and international shares, and other authorised asset classes over the minimum suggested timeframe.	Cash and cash equivalents [2]: 0-100%	Cash and cash equivalents 2% 50%	5 years+
			New Zealand fixed interest: 0-100%	New Zealand fixed interest 4% 50%	
			International fixed interest: 0-100%	International fixed interest 4% 50%	
			Equities [3]: 0-300%	Australasian equities 40% 125% International equities 28% 125% Listed property 22% 125%	
			Alternative Securities [4]: 0-100%	Alternative Securities [4] 0% 50%	

1. Where the upper limit of a band exceeds 100% this indicates that NZ Funds expects to regularly use leverage (via derivatives and/or other instruments). Showing a target investment mix of 100% or less for an authorised asset class does not mean leverage will not be used. Monthly updates of the actual investments held by each Strategy and the Balanced Fund are available on the Performance page of our website at *www.nzfunds.co.nz*. 2. Cash holdings below 0% are not a SIPO limit break if caused by ongoing operational agreements with service providers such as overdraft facilities and creditor relationships. 3. Equities includes Australasian equities, International equities and Listed property. 4. Alternative securities are investments not usually accessed by retail investors, for example hedge funds.

Strategy	Objective	Strategy Summary	Authorised asset class limits	Guideline ranges and target investment mix [1]	Minimum suggested timeframe
Share Growth Strategy	To grow your investment over the long term by investing in shares and other authorised assets with active management	Anticipated to mainly own and trade New Zealand, Australian and international shares with downside mitigation over the minimum suggested timeframe.	Cash and cash equivalents [2]: 0-100%		10 years+
			Equities [3]: 0-300%		
			New Zealand fixed interest: 0-100%		
			International fixed interest: 0-100%		
			Alternative Securities [4]: 0-100%		
Growth Plus Strategy	To grow your investment over the long term by investing in growth assets and other authorised assets with active management	Anticipated to mainly own and trade New Zealand, Australian and international shares and other authorised asset classes including commodities with downside mitigation over the minimum suggested timeframe.	Cash and cash equivalents [2]: 0-100%		10 years+
			Equities [3]: 0-400%		
			New Zealand fixed interest: 0-100%		
			International fixed interest: 0-100%		
			Commodities: 0-150%		
			Alternative Securities [4]: 0-150%		

Wholesale investment structure

The Balanced Fund and the Strategies currently primarily invest in a series of wholesale trusts managed by NZ Funds which hold investments. The investments of the applicable wholesale trust may include directly held securities and/or investments in funds managed by NZ Funds or specialist investment managers chosen by NZ Funds and will only include permitted investments of the Balanced Fund or applicable Strategy.

The wholesale trust investment structure provides operational and administrative efficiencies. This investment structure means that the Balanced Fund's or a Strategy's investments will mainly be held at the wholesale trust level, having regard to the Balanced Fund's or the Strategy's objective and timeframe.

Subject to any limits imposed by their authorised asset classes, the Balanced Fund and the Strategies may also invest directly in cash and cash equivalents, shares, bonds, derivatives and other assets.

4. Investment approach

Strategies

Active management

NZ Funds takes an active approach to managing each Strategy. Our active investment management approach is designed to enable us to better meet the investor-orientated objectives of each Strategy and to take advantage of investment opportunities as they arise.

NZ Funds' active investment management approach means that we make ongoing investment decisions, search for emerging opportunities, buy or sell securities when we deem appropriate, and use sophisticated investment instruments and techniques (used by other managers who manage money in similar ways to us) in seeking to achieve the investment objective of each Strategy.

1. Where the upper limit of a band exceeds 100% this indicates that NZ Funds expects to regularly use leverage (via derivatives and/or other instruments). Showing a target investment mix of 100% or less for an authorised asset class does not mean leverage will not be used. Monthly updates of the actual investments held by each Strategy and the Balanced Fund are available on the Performance page of our website at *www.nzfunds.co.nz*. 2. Cash holdings below 0% are not a SIPO limit break if caused by ongoing operational agreements with service providers such as overdraft facilities and creditor relationships. 3. Equities includes Australasian equities, International equities and Listed property. 4. Alternative securities are investments not usually accessed by retail investors, for example hedge funds.

As part of our investment approach we use active-quant investment management in managing components of the Defensive Growth Strategy. Active-quant means we select companies from the sectors that are the focus of the Defensive Growth Strategy and then use a quantitative screen to determine their portfolio weight and liquidity. This approach is active to the extent that the criteria we screen for can be varied over the course of the economic cycle to emphasise different attributes in the Defensive Growth Strategy.

As part of our active-quant approach we regularly review and if necessary rebalance the securities in each Strategy to their determined portfolio weight. We may also adjust the target investment mix of a Strategy from time to time.

Subject to any limits imposed by their authorised asset classes the Strategies may also hold an allocation to a wide range of assets, derivatives and specialist investment managers designed to mitigate the downside and capture the upside.

Dynamic allocations

As part of our active management approach, each Strategy's asset allocation is dynamic (able to change over time) rather than static (a fixed allocation over time).

Each Strategy has a target investment mix which represents the long term target asset allocation for that Strategy. NZ Funds considers variances from the target investment mix should opportunities present to enhance returns or mitigate downside over the short to medium term.

NZ Funds regularly reviews the target investment mix for each of the Strategies to ensure that they continue to be consistent with the long term investor-orientated objectives of each Strategy.

NZ Funds' Investment team selects each Strategy's asset allocation at any time based on their investment knowledge and research, and considering each Strategy's investment objective and timeframe.

Cash, securities, currencies, commodities, alternative securities, derivatives and specialist investment managers can be used (where included in the authorised asset class for a Strategy) to achieve a desired asset allocation.

The way we implement our active approach may change over time as, for example, the nature of the investment opportunities we see changes. This may result in the Strategies being constructed with different combinations of investments. To allow these changes to occur, each Strategy has a wide mandate.

Active risks

NZ Funds' active investment management approach and wide mandates mean an investment in the Scheme is subject to different risks (which may be considered higher risks) than a non-active (or passive) management approach. As a result, our active management approach may cause the returns and capital stability of a Strategy to vary significantly from the returns and capital stability of the underlying asset classes used.

Wide mandates

All Strategies (except the Cash Strategy) have wide investment mandates. This means that while there are long-term target asset allocations for each Strategy, in managing the Strategies, NZ Funds can take a wide range of actions and provided it remains within the authorised asset class limits, is not constrained by a benchmark or target. The actions we may take include (but are not limited to):

- altering the proportion invested in each security or asset class;
- altering the manner in which a Strategy is exposed to each security or asset class;
- investing directly or indirectly;
- using derivatives and leverage;
- using collective investment vehicles;
- using specialist investment managers (including hedge funds);
- using commodities and alternative assets (including digital assets, such as cryptocurrencies);
- taking foreign currency positions;
- applying hedging; or
- taking short positions.

The Cash Strategy predominantly invests in a diversified portfolio of bank bills issued by New Zealand trading banks.

Investment managers

NZ Funds may select specialist investment managers (including hedge funds) where we consider that the manager's investment approach will help meet the objectives of each Strategy. Specialist investment managers can complement our own investment skills and can provide Members with access to diverse investment approaches.

The appointment of specialist investment managers is subject to due diligence and an approval process. Specialist investment managers are subject to monitoring and review which may include consideration of their performance, portfolio composition, and statistical measures of effectiveness.

The specialist investment managers may change over time as part of our active investment management approach. Please contact us for details of the managers we currently work with.

Derivative use

NZ Funds can use derivatives in managing the Strategies to seek to both increase returns (by taking active positions) and reduce risk (by taking hedge positions).

One way in which we use derivatives is to create leverage. This is where the investment in a derivative can produce the same gain or loss as a much larger investment in the underlying asset itself. The use of leverage may increase the chance of loss. The Cash Strategy does not use derivatives to create leverage. However, the Cash Strategy may be temporarily leveraged as a result of market movements or Member redemptions. Should this occur, it does not amount to a SIPO limit break.

The use of leverage is managed through NZ Funds' active management approach and through the processes and policies surrounding our investment guidelines.

The investment guidelines include estimates of the leverage that may be created by the use of derivatives in each authorised asset class.

Derivatives and leverage are used in seeking to achieve each Strategy's investment objective.

Foreign currency
Where a Strategy holds assets denominated in a foreign currency, we have the choice of whether to hedge back to the New Zealand dollar or retain a foreign currency exposure. Irrespective of whether a Strategy holds investments in that currency, a Strategy can also take active foreign currency positions by investing in non-New Zealand dollar cash or foreign currency derivatives. The foreign currency exposure for each Strategy is set out in its Quarterly Fund Update.

Balanced Fund

Passive management
NZ Funds uses a passive investment approach when managing the Balanced Fund.

Our passive approach allocates clients' funds based on an index or by taking a predominantly buy and hold approach to security ownership. We may allocate clients' funds by investing directly, or indirectly via a wholesale fund.

NZ Funds may also in its sole discretion, choose to deviate from an index based allocation in the Balanced Fund from time to time, for example, to ensure it meets the requirements of our responsible investment policy or for any other reason.

The performance and actual investment mix may deviate from an index-based allocation from time to time, due to factors such as fund flows, movements in security prices, or on our portfolio management buy and hold approach.

As part of our passive approach, we regularly review and if necessary, rebalance the Balanced Fund to its target benchmark. We may also adjust the target benchmark from time to time.

Passive risks
As NZ Funds passive investment approach allocates the funds invested in the Balanced Fund based on an index or by taking a predominantly buy and hold approach, the returns of the Balanced Fund are materially determined by the rise or fall of the chosen indices or the securities chosen as part of a buy and hold approach to investing.

Investment mandate
The Balanced Fund's investment mandate allows NZ Funds to take a variety of actions in managing the fund. The actions we may take include (but are not limited to):

- investing directly or indirectly;
- using derivatives; or
- applying hedging.

Derivatives
The Balanced Fund may also use derivatives to gain exposure to asset classes.

The Balanced Fund does not use derivatives to create leverage. However, the Balanced Fund may be temporarily leveraged as a result of market movements or Member redemptions. Should this occur it does not amount to a SIPO limit break.

Foreign currency
Where the Balanced Fund holds assets denominated in a foreign currency, we generally hedge the foreign currency exposure of international fixed interest and Australian equities back to the New Zealand dollar. International equities and/or international equity market futures are held in international currencies.

Counterparties and third-parties

Over the last 30 years, NZ Funds has built collaborative working relationships with a wide range of individuals and organisations with strong local and international investment management expertise.

From time to time, NZ Funds' investment process uses third-parties for a range of roles including but not limited to: investment management, financial modelling and research, trading securities (including futures), custody and prime broker services, market making, distribution, audit and governance. These third parties are part of our investment process.

Securities lending

Securities lending involves a transfer of securities (bonds or shares) to a third party (the borrower), who then provides the lender with collateral in the form of shares, bonds or cash. The borrower pays the lender a fee for the loan and is contractually obliged to return the securities on demand, or at the end of the agreed loan period (which is typically a daily renewable agreement).

The lender retains all rights of the security, including the investment performance of the securities. The borrower must pass to the lender any dividends or interest payments that are accrued. In lending agreements, collateral is a borrower's pledge of specific property to a lender, to secure repayment of a loan. Risk is managed by an approved lending agent.

The Balanced Fund and the Strategies may lend up to 100% of their net asset value and up to 100% of the total value of any authorised assets held.

5. Investment process

Collaborative process

NZ Funds takes a collaborative approach to investment management and believes investment performance is a collectively achieved outcome. The Balanced Fund and each Strategy is assigned one or more portfolio managers who are responsible for overseeing its daily management.

Investment decisions, with some exceptions, are primarily made through a series of internal investment meetings attended mainly by members of NZ Funds' Investment and Compliance teams. These meetings enable portfolio managers and investment analysts to present investment research and thinking in a way that encourages wide participation in, and peer review of, investment decisions.

Not all investment decisions follow the same investment process. For example, trading derivatives may require investment individuals to react quickly and autonomously. NZ Funds has a process to monitor and record such decisions when they occur.

Tools & techniques

Strategies

In managing the Strategies, NZ Funds uses a wide range of investment tools and techniques including economic and financial modelling, quantitative screens and technical indicators. In using these tools and techniques, we may consider, amongst other factors, investment themes, valuation metrics, mean reversion and/or momentum.

In seeking to mitigate the downside or capture the upside, we may invest with specialist investment managers, some of which have the potential to profit from asset price declines, such as trend following managers, managers who take short positions in shares, and derivative and option specialists.

NZ Funds may also actively reduce a Strategy's exposure to an asset class or hedge a Strategy's exposure by investing in one or more additional asset classes with the potential to offset the returns of the Strategy's initial assets (a technique called macro hedging).

While a number of these tools and techniques are designed to mitigate the downside, these downside-orientated managers, tools and techniques may not be successful in mitigating the downside and may instead add to a Strategy's losses.

NZ Funds may also use the same tools and techniques to seek to enhance the returns of a Strategy and, in doing so, the Strategy may be leveraged.

As part of our active management approach, asset classes, securities and specialist investment managers are selected based on our analysis of those assets which will, in our opinion, in combination with the Strategy's other investments, help achieve the Strategy's objective.

In constructing the Strategies, we may consider different scenarios and may project how investments may react in those scenarios. We may also consider historical volatility and correlations during both normal and stressed investment environments and may periodically revisit the assumptions used as economic and market conditions change.

Cash Strategy

In managing the Cash Strategy, NZ Funds predominantly selects a diversified portfolio of three-month bank bills issued by New Zealand trading banks.

Balanced Fund

NZ Funds uses a passive investment approach in managing the Balanced Fund. This means that in managing the Balanced Fund we seek to replicate the performance of chosen indices.

Our passive approach allocates clients' funds based on an index or by taking a predominantly buy and hold approach to security ownership.

This means that we may choose to deviate from an index-based allocation in managing the Balanced Fund from time to time, for example, to ensure the Balanced Fund meets the requirements of our responsible investment policy or for any other reason.

Responsible investment

NZ Funds has adopted a responsible investment policy. We believe that environmental, social and governance (ESG) factors are material to long-term investment returns and global sustainability.

NZ Funds has contracted with an independent third party to provide ESG research. NZ Funds' Investment team may supplement independent third party research with its own internally generated research.

NZ Funds aims to ensure that none of the Balanced Fund or any Strategies, nor any wholesale trust it manages own securities issued by a company identified by its ESG research to be involved in excluded activities without approved exemptions. Excluded activities currently include:

- direct involvement in the manufacture or deployment of nuclear weapons;
- direct involvement in the manufacture or deployment of controversial weapons (cluster munitions, anti-personnel mines, chemical weapons, biological weapons);
- materially contravening global norms (human rights abuses, labour rights violations, child labour, slavery, environmental destruction, corruption);
- production of civilian firearms;
- production of tobacco-related products;
- production of pornography;
- engaging in unsustainable palm oil production;
- production of alcohol (10% or more of revenue);
- provision of gambling services (10% or more of revenue);
- engaging in exploration or production of fossil fuels (10% or more of revenue);
- engaging in power generation from fossil fuels (10% or more of revenue);
- engaging in providing services to the fossil fuels industry (50% or more of revenue); or
- engaging in distributing fossil fuels (50% or more of revenue).

These are referred to as exclusions. NZ Funds' Investment team communicates the responsible investment policy to specialist investment managers. Where a specialist investment manager is appointed to manage a discrete mandate (where NZ Funds is the only investor) the investment manager will be instructed to follow NZ Funds' exclusions.

Where a specialist investment manager is appointed to manage a pooled mandate (where NZ Funds is one of many investors), the manager will be requested to consider NZ Funds' exclusions. Members should be aware that NZ Funds cannot obligate the manager of a pooled mandate to follow NZ Funds' exclusions. As part of its due diligence process when appointing a specialist investment manager, NZ Funds will consider the manager's approach to responsible investing.

NZ Funds' responsible investment policy does not apply exclusions to derivatives as we believe they are not tied to any source or method of production, nor in our view do they provide funding to underlying excluded activities. As at 31 October 2026, derivatives made up approximately 26.12% of the total funds managed by NZ Funds.

The responsible investment policy is supported by procedures that monitor direct holdings, including those managed by specialist investment managers appointed to manage discrete mandates. If the procedures identify any holdings that are not in line with the policy, they will be sold unless an exemption is sought and granted.

Exemptions to the responsible investment policy may be granted by the NZ Funds Board. At the date of this SIPO, the NZ Funds Board has granted the following exemption:

- Contact Energy was granted an exemption from exclusion on 14 July 2020. The security would ordinarily be excluded due to power generation from fossil fuels (10% or more of revenue). As at 31 October 2026, Contact Energy makes up approximately 1.01% of the total funds that NZ Funds manages. An exemption was granted because of Contact Energy's commitment and strategy to decarbonise New Zealand's energy sector.

The Investment Guidelines meeting monitors compliance with the responsible investment policy. Any material matters arising from these meetings are raised at the Investment Governance Committee meeting.

6. Investment oversight

Overview

NZ Funds has policies, procedures and controls that cover the investment function. Investment management decisions are subject to transparency through our proprietary investment monitoring system. Regular meetings are held to cover investment research and portfolio management, investment guidelines, SIPO compliance and overall investment governance.

NZ Funds' investment strategy review process begins with the Research & Portfolio meeting which includes oversight of security research and portfolio management. The minutes of these meetings are tabled at the Investment Governance Committee meeting.

The Investment Guidelines meeting monitors compliance with this SIPO and the internal investment guidelines. Any material matters arising from these meetings are raised at the Investment Governance Committee meeting.

The Investment Governance Committee meets regularly on scheduled dates to review investment matters including SIPO compliance, the target asset allocations, redemption risk, investment performance, risk indicators, the investment component of NZ Funds' risk register, investment counterparty risk, liquidity risk, stress testing, and the minutes of internal investment related meetings.

Special investment meetings are also held on an as required basis. The Investment Governance Committee minutes are included as a standing item at the NZ Funds Board meeting.

The NZ Funds Board meets regularly on scheduled dates. Special Board meetings are held on an as required basis.

In addition to the Investment Governance Committee minutes and associated reports, the NZ Funds Board reviews NZ Funds' risk register overview which summarises the major risks and controls (including those related to investment management). The NZ Funds Board also receives a direct report from the Chief Investment Officer.

Monitoring guidelines

Monitoring compliance with the guidelines and guideline ranges is achieved through the use of our investment monitoring system.

This system enables portfolio managers and the NZ Funds Compliance team to view the Balanced Fund and a Strategy's investment holdings relative to the guideline ranges and generates regular reports for the Balanced Fund and each Strategy containing this information.

Any changes to the guideline ranges or the target investment mixes for the Balanced Fund or a Strategy must be approved by the Investment Governance Committee and ratified by the NZ Funds Board. Any changes to the SIPO limits must be approved by the NZ Funds Board.

For more information on how we monitor the guideline ranges, see the OMI document on the offer register at *disclose-register.companiesoffice.govt.nz*

Investment performance

The Investment Governance Committee is responsible for monitoring and reviewing investment performance and reports to the NZ Funds Board. The Balanced Fund's and the Strategies' performance is monitored through our investment monitoring system.

This generates regular attribution reports which includes daily, month-to-date and year-to-date performance reports for the Balanced Fund and each Strategy and individual investments held by the Balanced Fund and each Strategy.

Strategy performance is measured on an absolute basis (after fees) and on a relative basis (before fees) against relevant market indices. Investment performance is also considered from a client perspective by taking tax and recommended portfolio allocations into account when assessing performance outcomes.

SIPO limit breaks

The process to be followed in dealing with a SIPO limit break is detailed in the investment guidelines policy. Where a SIPO limit break occurs, it is reported to a review group comprising the Heads of Investments, Investment Compliance, Legal and Funds Management.

The review group is responsible for ensuring that steps are immediately taken to correct the limit break and for internal reporting to the NZ Funds Board, CEO and COO and external reporting to the Supervisor.

7. Investment policies

We have investment policies and procedures to support our investment governance framework. The key policies are summarised below. Each of these policies and any substantive changes to them are approved by the NZ Funds Board. The policies are implemented by the relevant functional team(s) and monitored by the NZ Funds Compliance and Legal teams.

Trade allocation policy

Our trade allocation policy applies to the trading of securities that are directly managed by us. It requires that when allocating trades, neither the Balanced Fund nor any Strategy receives preferential treatment over another by requiring that all trades involving the Balanced Fund or more than one Strategy be allocated on a predetermined basis.

Trade execution policy

Our trade execution policy applies to the trading of securities directly managed by us. It requires that all trades are made with approved counterparties.

Investment guidelines policy

Our investment guidelines policy applies to the administration and monitoring of the authorised asset classes set out in this SIPO and the guidelines set out in our investment guidelines.

The policy requires that the Balanced Fund and all Strategies are managed within the limits set out in this SIPO and the investment guidelines, and describes the process for changing these limits and guidelines. It also describes the internal process for dealing with a SIPO limit break or investment guideline being exceeded.

Settlement & cash management policy

Our settlement and cash management policy applies to the settlement of investments and cash management transactions made by us. It requires that all settlement and cash management transactions comply with the Trust Deed and internal investment guidelines, and are authorised by a person with the appropriate level of authority.

Valuation & pricing policy

Our valuation and pricing policy applies to the valuation and pricing of the Balanced Fund and the Strategies and the wholesale trusts that the Balanced Fund and the Strategies invest in. It requires that valuation and pricing is accurate, equitable and complies with the Trust Deed. The policy sets out procedures for the valuation of assets and determination of unit prices.

We have also established procedures for reporting and resolving any pricing errors or non-compliance with pricing methodologies and receives an annual audit as required under the Trust Deed.

Conflicts of interest policy

Our conflicts of interest policy applies to the identification and management of actual or potential conflicts of interest. It requires that all conflicts of interest be reported to NZ Funds' Compliance team and managed in an appropriate manner.

The policy is complemented by our personal holdings policy (which contains restrictions on employees holding or trading in securities) and our related party transactions policy (discussed below).

Responsible investment policy

Our responsible investment policy applies to the selection of securities for the Scheme and requires that the investment research and management process considers ESG matters.

The policy aims to ensure that funds managed by NZ Funds, and discrete mandates managed on our behalf by a specialist investment manager, do not hold securities issued by any companies identified by our ESG research to be in breach of the ESG criteria, unless an exemption is sought and granted.

The policy is also communicated to the specialist investment managers appointed to manage pooled mandates (where we are one of many investors) while acknowledging that we cannot obligate these managers to comply with our policy.

Related party transactions policy

Our related party transactions policy applies to all related party transactions (as defined in the FMC Act). The policy sets out processes for identifying related party transactions and ensures that these transactions are conducted in accordance with the rules on related party transactions that apply to managed investment schemes under the FMC Act.

Derivatives policy

Our derivatives policy applies to investments in derivatives. It considers derivatives to be part of the asset class of the relevant underlying assets and requires that we consider the complexity, liquidity risks, counterparty risks and price transparency of them as part of the investment decision-making process.

Liquidity policy

Our liquidity policy applies to the selection of securities for the Balanced Fund and the Strategies. It sets out guidelines on holding certain amounts of securities that are, or may be, illiquid in the Balanced Fund and the Strategies.

Market conduct policy

Our market conduct policy applies to the trading of securities directly managed by us and the trading of units or shares in collective investment vehicles, irrespective of whether they are listed or not. It also applies to making or disseminating statements. The policy requires that non-public information known by one of our employees must be notified to NZ Funds' Compliance and Legal teams who may place a trading halt on a security, the Balanced Fund or relevant Strategy.

8. Market indices

In the Quarterly Fund Updates, we are required to report performance against an appropriate market index or indices. The relevant market indices for the Balanced Fund or each Strategy are set out in section 10 of this SIPO. In the Quarterly Fund Updates the returns of these indices are reported gross, without the deduction of any fees or tax which would, in normal circumstances, be deducted from investor returns. In addition, NZ Funds takes ESG criteria into account in its investment decisions, whereas these indices do not take these factors into account.

We may change the market indices at any time and without notice to investors, as long as the requirements of the FMC Act are met. For more information on the market indices, see the OMI document on the offer register at *disclose-register.companiesoffice.govt.nz*

9. SIPO review

The NZ Funds Board is responsible for this SIPO and ensuring that it is followed. This SIPO is reviewed by the NZ Funds Board annually. Ad hoc reviews occur where there is a material change in the investment policy or objectives of the Balanced Fund or a Strategy, where there is a material change to the PDS, or where considered appropriate by the Investment Governance Committee or the NZ Funds Board.

NZ Funds may make changes to this SIPO at any time after consulting with the Supervisor. A description of any material changes will be included in the Scheme's annual report. Where required by the Trust Deed or law, Members will receive notice of material changes before they occur.

This SIPO takes effect from 20 November 2026. The current version of this SIPO is available on the scheme register at *disclose-register.companiesoffice.govt.nz*

10. Indices used

Strategy	Market indices	
Cash Strategy	100%	S&P/NZX Call Rate Deposit Index Total Return
Balanced Fund	25%	MSCI All Countries World Daily TR Net Local Currency
	12.5%	S&P/ASX 200 Total Return Index
	12.5%	S&P/NZX 10 Index Gross
	37.5%	Bloomberg Global Aggregate Index
	12.5%	S&P/NZX NZ Government Bond Total Return Index
Income Strategy	50%	S&P/NZX Investment Grade Corporate Bond Total Return Index
	50%	Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD
Defensive Growth Strategy	10%	S&P/NZX Bank Bills 90 Day Index Total Return
	15%	S&P/NZX All Utilities Sector Gross
	15%	S&P/NZX All Industrials Sector Gross
	15%	S&P/NZX Real Estate Select Index Gross
	15%	S&P World Utilities Weighted & Screened Index
	15%	STOXX Global Broad Infrastructure Net Return Index USD
	15%	FTSE EPRA NAREIT Developed Index Hedged in NZD Net Total Return
Share Growth Strategy	70%	MSCI All Countries World Daily TR Net Local Currency
	20%	S&P/NZX 50 Portfolio Index Gross
	10%	S&P/ASX 200 Total Return Index
Growth Plus Strategy	70%	MSCI All Countries World Daily TR Net Local Currency
	20%	S&P/NZX 50 Portfolio Index Gross
	10%	S&P/ASX 200 Total Return Index
Share Growth with Life Cycle age 0-54	1.0%	S&P/NZX Bank Bills 90 Day Index Total Return
	2.5%	S&P/NZX Investment Grade Corporate Bond Total Return Index
	2.5%	Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD
	1.5%	S&P/NZX All Utilities Sector Gross
	1.5%	S&P/NZX All Industrials Sector Gross
	1.5%	S&P/NZX Real Estate Select Index Gross
	1.5%	S&P World Utilities Weighted & Screened Index
	1.5%	STOXX Global Broad Infrastructure Net Return Index USD
	1.5%	FTSE EPRA NAREIT Developed Index Hedged in NZD Net Total Return
	17%	S&P/NZX 50 Portfolio Index Gross
	8.5%	S&P/ASX 200 Total Return Index
	59.5%	MSCI All Countries World Daily TR Net Local Currency
Share Growth with Life Cycle at age 65	3.4%	S&P/NZX Bank Bills 90 Day Index Total Return
	13.5%	S&P/NZX Investment Grade Corporate Bond Total Return Index
	13.5%	Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD
	5.1%	S&P/NZX All Utilities Sector Gross
	5.1%	S&P/NZX All Industrials Sector Gross
	5.1%	S&P/NZX Real Estate Select Index Gross
	5.1%	S&P World Utilities Weighted & Screened Index
	5.1%	STOXX Global Broad Infrastructure Net Return Index USD
	5.1%	FTSE EPRA NAREIT Developed Index Hedged in NZD Net Total Return
	7.8%	S&P/NZX 50 Portfolio Index Gross
	3.9%	S&P/ASX 200 Total Return Index
	27.3%	MSCI All Countries World Daily TR Net Local Currency

Strategy		Market indices
Share Growth with Life Cycle at age 75	3.4%	S&P/NZX Bank Bills 90 Day Index Total Return
	17.5%	S&P/NZX Investment Grade Corporate Bond Total Return Index
	17.5%	Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD
	5.1%	S&P/NZX All Utilities Sector Gross
	5.1%	S&P/NZX All Industrials Sector Gross
	5.1%	S&P/NZX Real Estate Select Index Gross
	5.1%	S&P World Utilities Weighted & Screened Index
	5.1%	STOXX Global Broad Infrastructure Net Return Index USD
	5.1%	FTSE EPRA NAREIT Developed Index Hedged in NZD Net Total Return
	6.2%	S&P/NZX 50 Portfolio Index Gross
	3.1%	S&P/ASX 200 Total Return Index
	21.7%	MSCI All Countries World Daily TR Net Local Currency
Growth Plus with Life Cycle age 0-54	1.0%	S&P/NZX Bank Bills 90 Day Index Total Return
	2.5%	S&P/NZX Investment Grade Corporate Bond Total Return Index
	2.5%	Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD
	1.5%	S&P/NZX All Utilities Sector Gross
	1.5%	S&P/NZX All Industrials Sector Gross
	1.5%	S&P/NZX Real Estate Select Index Gross
	1.5%	S&P World Utilities Weighted & Screened Index
	1.5%	STOXX Global Broad Infrastructure Net Return Index USD
	1.5%	FTSE EPRA NAREIT Developed Index Hedged in NZD Net Total Return
	17%	S&P/NZX 50 Portfolio Index Gross
	8.5%	S&P/ASX 200 Total Return Index
	59.5%	MSCI All Countries World Daily TR Net Local Currency
Growth Plus with Life Cycle at age 65	3.4%	S&P/NZX Bank Bills 90 Day Index Total Return
	13.5%	S&P/NZX Investment Grade Corporate Bond Total Return Index
	13.5%	Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD
	5.1%	S&P/NZX All Utilities Sector Gross
	5.1%	S&P/NZX All Industrials Sector Gross
	5.1%	S&P/NZX Real Estate Select Index Gross
	5.1%	S&P World Utilities Weighted & Screened Index
	5.1%	STOXX Global Broad Infrastructure Net Return Index USD
	5.1%	FTSE EPRA NAREIT Developed Index Hedged in NZD Net Total Return
	7.8%	S&P/NZX 50 Portfolio Index Gross
	3.9%	S&P/ASX 200 Total Return Index
	27.3%	MSCI All Countries World Daily TR Net Local Currency
Growth Plus with Life Cycle at age 75	3.4%	S&P/NZX Bank Bills 90 Day Index Total Return
	17.5%	S&P/NZX Investment Grade Corporate Bond Total Return Index
	17.5%	Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD
	5.1%	S&P/NZX All Utilities Sector Gross
	5.1%	S&P/NZX All Industrials Sector Gross
	5.1%	S&P/NZX Real Estate Select Index Gross
	5.1%	S&P World Utilities Weighted & Screened Index
	5.1%	STOXX Global Broad Infrastructure Net Return Index USD
	5.1%	FTSE EPRA NAREIT Developed Index Hedged in NZD Net Total Return
	6.2%	S&P/NZX 50 Portfolio Index Gross
	3.1%	S&P/ASX 200 Total Return Index
	21.7%	MSCI All Countries World Daily TR Net Local Currency

Information about the market indices on the previous pages can be found on the webpage listed below:

Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD	*www.bloomberg.com/quote/I09886US:IND*
Bloomberg Global Aggregate Index	*www.bloomberg.com/quote/LEGATRUH:IND*
FTSE EPRA NAREIT Developed Index Hedged in NZD Net Total Return	*www.ftserussell.com/products/indices/epra-nareit*
MSCI All Countries World Daily TR Net Local Currency	*www.msci.com/our-solutions/indexes/acwi*
STOXX Global Broad Infrastructure Net Return Index USD	*www.stoxx.com/index/stxgbip/*
S&P World Utilities Weighted & Screened Index	*www.spglobal.com/spdji/en/indices/sustainability/sp-world-utilities-weighted-screened-index/#overview*
S&P/NZX NZ Government Bond Total Return Index	*www.spglobal.com/spdji/en/indices/fixed-income/sp-nzx-nz-government-bond-index/#overview*
S&P/NZX 10 Index Gross	*www.spglobal.com/spdji/en/indices/equity/sp-nzx-10-index/#overview*
S&P/ASX 200 Total Return Index	*www.spglobal.com/spdji/en/indices/equity/sp-asx-200/#overview*
S&P/NZX 50 Portfolio Index Gross	*www.spglobal.com/spdji/en/indices/equity/sp-nzx-50-portfolio-index/#overview*
S&P/NZX All Industrials Sector Gross	*www.spglobal.com/spdji/en/indices/equity/sp-nzx-all-industrials/#overview*
S&P/NZX All Utilities Sector Gross	*www.spglobal.com/spdji/en/indices/equity/sp-nzx-all-utilities/#overview*
S&P/NZX Bank Bills 90 Day Index Total Return	*www.spglobal.com/spdji/en/indices/fixed-income/sp-nzx-bank-bills-90-day-index/#overview*
S&P/NZX Call Rate Deposit Index Total Return	*www.spglobal.com/spdji/en/indices/fixed-income/sp-nzx-call-rate-deposit-index/#overview*
S&P/NZX Investment Grade Corporate Bond Total Return Index	*www.spglobal.com/spdji/en/indices/fixed-income/sp-nzx-investment-grade-corporate-bond-index/#overview*
S&P/NZX Real Estate Select Index Gross	*www.spglobal.com/spdji/en/indices/equity/sp-nzx-real-estate-select/#overview*



New Zealand Funds Management Limited

Level 16, 21 Queen Street
Private Bag 92163, Auckland 1142
New Zealand

T. 09 377 2277
E. info@nzfunds.co.nz
W. www.nzfunds.co.nz

Sydney
Auckland
Tauranga
Wellington
Christchurch
Timaru
Dunedin