

i-Select PIE Superannuation Scheme

Statement of Investment Policy and Objectives

August 2021

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Introduction

This Statement of Investment Policy and Objectives (“**SIPO**”) applies to the i-Select PIE Superannuation Scheme (“**Scheme**”).

Legal Description

i-Select Limited (“**i-Select**”) has established a superannuation scheme that has funds that are categorised as foreign investment Portfolio Investment Entities (PIE) and benefit fund PIEs. i-Select is the licensed Manager of the Scheme under the Financial Markets Conduct Act 2013.

Other Relevant Parties Involved

To assist it in discharging its obligations, i-Select has engaged the services of external investment specialists – an Investment Consultant and an Independent Advisor (see Schedule 1).

The Scheme utilises managed investment products (“**Investment Products**”) offered/managed by external providers (“**Product Providers**”) (both as shown in Schedule 1).

An independent, licensed Supervisor (see Schedule 1) has been appointed to oversee i-Select’s management of the Scheme for the benefit of investors.

Broad Offer

The Scheme offers eight diversified investment options (“**Investment Options**”), with four options domiciled in New Zealand, two in Australia, and two in Ireland.

Effective Date

This SIPO takes effect from 30 August 2021.

Review Date

The review date of this SIPO is anticipated to be no later than May 2022 or sooner if market conditions warrant or the investment structure is altered. Reviews of this SIPO are undertaken by the Board.

Availability

The most current version of this SIPO is available on the scheme register on the Disclose website at www.business.govt.nz/disclose.

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Roles and Responsibilities

Board

The Board of Directors of i-Select (“**Board**”) is accountable for ensuring that the Scheme’s assets are managed in accordance with legislative requirements, the Trust Deed and this SIPO.

The Board is responsible for:

- Maintaining the investment governance framework of the Scheme, including investment beliefs and investment policies
- Appointing and periodically reviewing the appointment of an Investment Consultant to provide advice to the Board in respect of its responsibilities
- Appointing and periodically reviewing the appointment of an Independent Advisor to provide oversight and advice to the Board in respect of its responsibilities, particularly those relating to the appointed Investment Consultant
- Determining the investment strategy for the Scheme, including the number and type of Investment Options to be offered under the Scheme, the risk and return profile for each Investment Option, and the applicable investment guidelines
- Selecting and periodically reviewing the selection of appropriate Investment Products to meet the investment objectives of each Investment Option
- Monitoring the investment performance of the Investment Options relative to their investment objectives
- Satisfying reporting requirements under the Financial Markets Conduct Act 2013 and related legislation (and any applicable regulator guidance)
- Ensuring the Scheme’s assets are invested in compliance with this SIPO
 - Reviewing this SIPO at least annually.

Investment Consultant

The Board has appointed an Investment Consultant to support the Board in meeting its responsibilities. The Investment Consultant is responsible for:

- Assisting the Board in its periodic review of the Scheme’s investment governance framework, including investment beliefs and investment policies
- Assisting the Board in its periodic review of the Scheme’s investment strategy, including the number and type of Investment Options to be offered under the Scheme, the risk and return profile for each Investment Option, and the applicable investment guidelines
- Recommending an Investment Product suitable for each Investment Option and, as appropriate, assisting with the appointment and periodic review of the associated Product Providers

- Supplying monthly and quarterly investment reports to the Board that include:
 - Investment data to enable the Board to fulfil its obligations under the Financial Markets Conduct Act 2013
 - Investment performance monitoring of each underlying Investment Product
 - Updates on the Product Providers
 - Advice on market events and changes that may affect the manner in which the Scheme's assets should be invested
- At the Board's request, attending meetings of the Board
- Providing on-going advice on various routine investment administration matters, as required
- Providing pro-active notification on material issues requiring urgent attention in between periodic reports relating to the Scheme, the Investment Products, and/or the associated Product Providers
- Assisting the Board in its periodic review of this SIPO and other disclosure documents.

Product Providers

The Scheme invests via Investment Products offered/managed by Product Providers. The Product Providers are responsible for:

- Setting and regularly reviewing the strategic asset allocation of each Investment Product
- Maintaining the governing document(s) of each Investment Product – including guidelines setting out eligible investments, performance measures, constraints and exposure limits, derivative limits, monitoring and reporting requirements – and advising the Board of any material changes to these guidelines
- Researching, selecting and regularly reviewing any underlying fund managers and/or underlying collective investment vehicles and/or direct securities of each Investment Product
- Monitoring the asset allocation of each Investment Product and rebalancing as appropriate, incorporating the application of any dynamic asset allocation tilting
- Monitoring the investment performance of each Investment Product and any underlying collective investment vehicles and/or direct securities against the objectives set out in any governing documents
- Reporting to the Board, the Investment Consultant and/or the Independent Advisor, as agreed
- Providing daily valuation and taxation information
- Providing such information as required by the Board to fulfil its obligations under the Financial Markets Conduct Act 2013
- Certifying on a periodic basis to the Board as to compliance (or otherwise) with the governing documents of each Investment Product.

The Board may elect to invest in Investment Products offered by the Investment Consultant (and/or its related entities) on the basis that this would reduce the complexity associated with the selection, monitoring and review of the Product Providers.

Independent Advisor

The Board has appointed an Independent Advisor to further support the Board in meeting its responsibilities. The Independent Advisor is responsible for:

- Providing oversight and advice relating to:
 - All aspects of the work undertaken by the Investment Consultant, including:
 - Reviewing the Scheme's investment strategy
 - Reviewing this SIPO and other disclosure documents
 - Selecting Investment Products
 - Monitoring the performance of the Investment Products and the associated Product Providers
 - The performance of the Investment Consultant
 - The investment governance and review processes adopted by the Board
- Reporting to management and the Board, as agreed, including exception reporting on any issues requiring prompt action
- Attending meetings, as agreed from time to time
- Providing additional advice and support, as agreed from time to time.

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Investment Beliefs and Process

Investment Beliefs

The Board believes that a set of well-founded investment beliefs provides a sound foundation for investment success. The Board's investment beliefs in respect of the Scheme are as follows:

- Effective governance and efficient management can reduce costs and risks, and lead to better investment outcomes
- Risk and return are related. Over the long-term, investors are rewarded for taking on additional risk
- The differing characteristics of the varying asset classes provide risk-reducing benefits from diversification when assets are aggregated into a total portfolio
- Asset allocation has a greater impact on investment returns than decisions concerning which specific securities to invest in
- Taking a sustainable investment view is more likely to create and preserve long-term investment capital
- Markets are behavioural in nature and not always perfectly efficient. Active management of securities and asset allocation can sometimes (but not always) add value and/or reduce risk
- An investor's preferences are influenced not only by their own particular preferences and circumstances, but also by the broad preferences of peers and the availability of different investment solutions in their region
- Investment specialists are able to offer greater resources and flexibility in relation to investment strategy design and implementation than non-specialists.

Investment Process

Selecting and reviewing the Investment Consultant and the Independent Advisor

In selecting and reviewing the Investment Consultant and the Independent Advisor the Board will consider, among other matters:

- The extent to which values and beliefs are aligned
- The capability and experience with the relevant investment functions as set out in Section 2.

It is expected that a review of the Investment Consultant and the Independent Advisor will be carried out every three years, or more frequently where circumstances require it.

Setting and reviewing the investment strategy

In setting and reviewing the Scheme's investment strategy the Board will consider, among other things:

- The domicile of the target investors in the Scheme and the norms that apply in each region
- The age and risk profile of the target investors, including their liquidity requirements
- The foreign currency preferences of the target investors
- The importance, or otherwise, of ethical factors
- The importance of product structure and tax efficiency.

It is expected that a review of the investment strategy will be carried out every three years, or more frequently where circumstances require it.

Selecting and reviewing the Investment Products

In selecting and reviewing the Investment Products and the associated Product Providers, the Board will consider, among other things:

- Alignment with the chosen investment strategy (in terms of factors such as, but not limited to, domicile, return and risk profile, liquidity needs, foreign currency exposure and tax efficiency)
- The desire for a well-diversified approach across asset classes, types, geographies, sectors and managers
- Strategic and manager research capabilities
- The use of fund managers who are specialists within their particular investment markets and who have demonstrated capability and conviction in portfolio construction and the execution of investment strategies
- The monitoring and review process adopted
- The use of active and passive management, as appropriate
- Costs and complexity
- The terms and conditions under which the Investment Products are offered, as set out in the associated governing documents
- The ability to provide investment and taxation information, as required.

It is expected that a review of the Investment Products and the associated Product Providers will be carried out every three years or more frequently where circumstances require it.

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Investment Strategy

The Board, on the advice of the Investment Consultant, has determined that the Scheme will offer Investment Options with the following features:

Key Features of Each Investment Option

Funds that are not International Occupational Superannuation Funds

Feature	Investment Options		
Domicile	New Zealand	Australia	Ireland
Fund	<ul style="list-style-type: none"> NZD Conservative Fund NZD Balanced Fund NZD Growth Fund 	AUD Balanced Fund	GBP Balanced Fund
Risk profile	<ul style="list-style-type: none"> Conservative – lower end of the risk spectrum Balanced – mid-range of the risk spectrum Growth – higher end of the risk spectrum 	Balanced – mid-range of the risk spectrum	Balanced – mid-range of the risk spectrum
Investment objective	Provide a return consistent with the risk profile and any expectations of excess return from any active management		
Growth allocation (Benchmark exposure of Investment Product)	<ul style="list-style-type: none"> Conservative 10% – 30% Balanced 35% - 65% Growth 70% - 90% 	35% - 65%	35% - 65%
	Growth assets typically include equity, property and infrastructure investments and may include some other assets that possess growth-like characteristics		
Defensive allocation	<ul style="list-style-type: none"> Conservative 70% – 90% 		

(Benchmark exposure of Investment Product)	<ul style="list-style-type: none"> Balanced 35% - 65% Growth 10% - 30% 	35% - 65%	35% - 65%
	Defensive assets typically include fixed interest and cash and may include some assets that possess defensive-like characteristics		
Currency	Predominantly denominated in or hedged to NZD, although some foreign currency exposure is permitted	Predominantly denominated in or hedged to AUD, although some foreign currency exposure is permitted	Mostly denominated in or hedged to GBP, with some foreign currency exposure
Active or passive security selection	Active is preferred where there is evidence of manager skill and this is consistent with investor expectations		Passive is preferred as this is consistent with investor expectations
Active or passive asset allocation	Active is preferred where there is evidence of manager skill		
Ethical factors	No specific ethical criteria, but sustainable investing preferred		
Tax	Preferably able to separately identify foreign income, NZ dividends and NZ interest	Preferably subject to minimal foreign withholding tax leakage	
Structure of underlying funds	New Zealand portfolio investment entities	Australian unit trust	UCITS
Liquidity	There is a tolerance for some illiquidity, but the underlying investors will have full access to their funds past a certain age		

Funds that are International Occupational Superannuation Funds

Feature	Investment Options		
Domicile	New Zealand	Australia	Ireland
Fund	NZD International Occupational Superannuation Fund	AUD International Occupational Superannuation Fund	GBP International Occupational Superannuation Fund

Risk profile	Balanced – mid-range of the risk spectrum	Balanced – mid-range of the risk spectrum	Balanced – mid-range of the risk spectrum
Investment objective	Provide a return consistent with the risk profile and any expectations of excess return from any active management		
Growth allocation (Benchmark exposure of Investment Product)	35% - 65%	35% - 65%	35% - 65%
	Growth assets typically include equity, property and infrastructure investments and may include some other assets that possess growth-like characteristics		
Defensive allocation (Benchmark exposure of Investment Product)	35% - 65%	35% - 65%	35% - 65%
	Defensive assets typically include fixed interest and cash and may include some assets that possess defensive-like characteristics		
Currency	Predominantly denominated in or hedged to NZD, although some foreign currency exposure is permitted	Predominantly denominated in or hedged to AUD, although some foreign currency exposure is permitted	Mostly denominated in or hedged to GBP, with some foreign currency exposure
Active or passive security selection	Active is preferred where there is evidence of manager skill and this is consistent with investor expectations		Passive is preferred as this is consistent with investor expectations
Active or passive asset allocation	Active is preferred where there is evidence of manager skill		
Ethical factors	No specific ethical criteria, but sustainable investing preferred		
Tax	Preferably subject to minimal foreign withholding tax leakage		
Structure of underlying funds	New Zealand portfolio investment entity	Australian unit trust	UCITS
Liquidity	There is a tolerance for some illiquidity, but the underlying investors will have full access to their funds past a certain age		

Permitted Investments

As the Scheme invests via Investment Products offered/managed by Product Providers, the Product Providers ultimately determine the range of permitted investments. In selecting Investment Products, the Board will assess the suitability of the range of permitted investments. Given its desire for well-diversified products, the Board anticipates that permitted investments could potentially comprise the following general asset classes:

- Equities, including large capitalisation stocks from developed markets, emerging market stocks, and small capitalisation stocks
- Property and infrastructure, including both listed and unlisted investments
- Natural resources, including timber and commodities
- Fixed interest securities, including sovereign bonds, non-sovereign bonds, and inflation linked bonds from both developed and emerging markets
- Cash
- Alternatives, including hedge funds, diversified growth funds, and multi-asset funds.

The Board acknowledges that the selected Investment Products may invest into other collective investment vehicles. These may, in turn, invest into direct assets or other collective investment vehicles.

Strategic Asset Allocations

The strategic asset allocation for each Investment Product (and therefore each Investment Option) are set and reviewed by the associated Product Provider. In selecting Investment Products, the Board will give consideration to the suitability of the associated strategic asset allocations.

Investment Performance Objectives

The investment objectives for each Investment Product are set and reviewed by the associated Product Provider. In selecting Investment Products, the Board will give consideration to the suitability of the associated investment objectives.

Investment Guidelines and Constraints

The investment guidelines and constraints for each Investment Product (and therefore each Investment Option) are set and reviewed by the associated Product Providers. In selecting Investment Products, the Board will give consideration to the suitability of the associated investment guidelines and constraints.

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Investment Policies

General

This section sets out the Board's investment policies for the Scheme. At the same time, the Board recognises that as the Scheme invests in externally managed Investment Products, the investment policies for those Investment Products ultimately apply. The Product Providers are responsible for determining the investment policies that apply to each Investment Product.

In assessing the suitability of the Investment Products, the Board will give consideration to both its investment policies and those of the Product Providers.

Dynamic Asset Allocation

The Board endorses the use of dynamic asset allocation provided the Product Provider has demonstrated it has the skills and experience required.

Rebalancing

Responsibility for rebalancing the asset allocations within each Investment Product rests with the associated Product Provider. However, the Board's expectation is that if any exposure falls outside the permitted policy range (e.g., as a result of market depreciation or appreciation or due to significant cash flows) the position will be corrected as soon as is practicable by the Product Provider so as to be within the permitted range.

Liquidity

The Board requires liquidity to meet payment obligations that include:

- Investor withdrawals
- Fees and expenses
- Any tax obligations.

The Board requires a high degree of confidence that, even during any periods of extreme market volatility, liquidity demands can be met.

In assessing the Investment Products, consideration will be given to the associated liquidity policies to ensure any liquidity risk is acceptable.

Currency Hedging

Currency risk is the risk that foreign currency denominated assets will lose value as the result of adverse exchange rate movements. Unmanaged currency movements can have a material impact on investment returns over the short term.

Given that currency exposure is an important part of each investment strategy, consideration will be given to the currency hedging policy of each Investment Product to ensure that it aligns with the Board's strategy.

Derivatives

The Board acknowledges that the use of derivatives may allow investment managers to manage portfolios in more prudent and efficient ways, including both enhancing returns and managing risk through:

- Improving transaction efficiency and costs
- Managing duration (or interest rate sensitivity) within fixed interest portfolios
- Hedging currency risks
- Managing beta or market exposures (such as equity and credit) within portfolios
- Implementing changes in asset or asset class exposures
- Creating long and short positions in underlying physical securities or markets
- Accessing investment opportunities which may otherwise have barriers to invest, such as high purchase or carry cost, or low liquidity
- Covering short term market exposures during transitions.

As the assets of the Scheme are wholly invested in Investment Products, the Scheme's investments are subject to the derivatives policies of the Product Providers.

Risk Management

The Scheme's assets are exposed to different risks that will lead to variations between the actual and expected returns.

The future is uncertain and investment markets are unpredictable. Uncertainty creates both risks and opportunities. Because of this, the Board has chosen to invest the Scheme's assets in such a way as to expose it to a wide variety of underlying asset classes. These underlying asset classes are diversified by type, location and risk factors. Further, it is expected that they are also managed by a number of specialist fund managers, which helps to mitigate risks and take advantage of opportunities.

The Board expects the Product Providers to maintain policies which address risks inherent both in general investing and in relation to their particular approach to investment management.

Related Party

The Board is prohibited from entering into a transaction that provides for a related party benefit to be given, unless the benefit is permitted under section 173 of the Financial Markets Conduct Act 2013.

Sustainability

It is generally accepted that taking a sustainable approach to investing will better create and maintain long term value. The Board expects that the Product Providers will have policies that cover their approach to sustainable investment, including proxy voting.

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Investment Performance Monitoring

This section describes the principles and processes governing investment performance monitoring of the Scheme.

The principal goals of performance monitoring are to:

- Assess the extent to which the risk profiles of the Investment Options are being adhered to
- Assess the extent to which the investment objectives of the Investment Options are being achieved
- Regularly review the capabilities of the Product Providers.

Scheme and Investment Option Performance

The Board will regularly monitor performance of the Investment Options. Performance will be assessed against:

- The investment objectives of the Investment Options
- The investment objectives of the Investment Products into which the Scheme invests
- Market/peer-group indices, or composites thereof, and any out-performance targets
- The performance of the peer funds as identified by the Investment Consultant and/or the Independent Advisor for this purpose.

The Investment Consultant and/or the Independent Advisor provides monthly updates and quarterly monitoring reports on each of the above matters to the Board.

Provider Performance

The roles of the Investment Consultant, the Independent Advisor and the Product Providers will be reviewed by the Board on a periodic basis consistent with that outlined under Investment Process in Section 3.

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Limit Breaks

The Financial Markets Conduct Act 2013 requires reporting of material breaches of any limits in this document of either:

- The nature or type of investments that may be made; or
- The proportion of each type of asset that may be invested in.

Materiality

Whether or not a breach of any such limit is material is determined at the discretion of the Board. In considering whether or not a breach is material, the Board will give consideration to:

- The nature of the breach
- The cause of the breach, including whether or not the breach is the result of severe market movements
- The size of the breach.

A breach of a range limit which results from market movements and is corrected within five business days will not ordinarily be considered material for limit break reporting purposes.

Monitoring Process

The Board will monitor the Scheme for compliance on a quarterly basis to ensure that, other than a small amount of cash held for operational reasons, all available funds have been invested in the Investment Product selected for each Investment Option.

Resolution and Reporting

Where the Board determine that a breach is both material and not corrected within five business days, the Board will immediately report it to the Supervisor as specified in the Financial Markets Conduct Act 2013 and the Financial Markets Conduct Regulations 2014. All other breaches will form part of the quarterly reporting by the Board to the Supervisor.

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Review

Review Date

The review date of this SIPO is anticipated to be no later than May 2022 or sooner if either market conditions warrant or the investment structure is altered.

Review Process

The Board are responsible for the review of this SIPO, with assistance, as appropriate, from the Investment Consultant and/or the Independent Advisor.

Schedule 1

Investment Consultant, Independent Advisor, Supervisor, Investment Products and Product Providers

Investment Consultant

Mercer (N.Z.) Limited

Independent Advisor

Andrew Johnson

Supervisor

Public Trust

Investment Products and Product Providers

Funds that are not International Occupational Superannuation Funds

Investment Product	Domicile	Product Provider
Mercer Moderate Growth Fund (Mercer Multi-Manager Funds)	Australia	Mercer Investments (Australia) Limited
Mercer Diversified Retirement Fund (MGI Funds PLC)	Ireland	Mercer Global Investments Management Limited
Mercer Conservative Portfolio (Mercer Investment Trusts New Zealand)	New Zealand	Mercer (N.Z.) Limited
Mercer Balanced Portfolio (Mercer Investment Trusts New Zealand)		
Mercer Growth Portfolio (Mercer Investment Trusts New Zealand)		

Funds that are International Occupational Superannuation Funds

Investment Product	Domicile	Product Provider
Mercer Moderate Growth Fund (Mercer Multi-Manager Funds)	Australia	Mercer Investments (Australia) Limited

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Mercer Diversified Retirement Fund (MGI Funds PLC)	Ireland	Mercer Global Investments Management Limited
Mercer Balanced Portfolio (Mercer Investment Trusts New Zealand)	New Zealand	Mercer (N.Z.) Limited