

i-Select PIE Superannuation Scheme

Statement of Investment Policy and Objectives

May 2019

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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 is a foreign investment PIE. i-Select is the Licensed Manager of the Scheme under the Financial Markets Conduct Act 2013.

Parties Involved

i-Select has engaged the services of specialist third party providers – an Investment Consultant and an Independent Advisor. At the date of this SIPO, i-Select has appointed Mercer (N.Z.) Limited (“**Mercer**”) and Andrew Johnson, respectively, to these roles.

i-Select selects managed investment products (“**Investment Products**”) in which the Scheme will invest. At the date of this SIPO, the Investment Products are managed by Mercer and the Mercer-related entities set out in Schedule 1.

Public Trust is the Licensed Supervisor of the Scheme (the Supervisor). The Supervisor is independent of i-Select and supervises how we run the Scheme, for the benefit of investors.

Broad Offer

In the first instance, the Scheme will offer five diversified investment options (“**Investment Options**”), with one option domiciled in Australia, one in Ireland, and three in New Zealand.

Effective Date

This SIPO takes effect from 17 May 2019.

Review Date

The review date of this SIPO is anticipated to be no later than May 2020 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 responsible for the investment of the Scheme’s assets in accordance with legislative requirements, the Trust Deed and this SIPO.

The Board is responsible for the following:

- 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 annually.

Investment Consultant

The Board has appointed an Investment Consultant to assist the Board with its responsibilities. The Investment Consultant is responsible for:

- Assisting with the establishment of the Scheme, including the investment philosophy and beliefs, and with initial and ongoing disclosure documents
- Assisting the Board to determine (and periodically review) 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 offerors/managers of the Investment Products ("**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 Investment Option (and the 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 to present the reports
- 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 the associated Product Providers.
- Assisting the Board in the establishment and review of this SIPO.

Product Providers

The Scheme will invest via Investment Products offered/managed by Product Providers. The Product Providers will be responsible for:

- Setting and regularly reviewing the strategic asset allocation of each Investment Product into which the Scheme invests
- 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 quarterly basis to the Board as to:
 - Compliance (or otherwise) with the governing documents of each Investment Product
 - Whether or not there has been any known breach of this SIPO.

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 assist the Board with its responsibilities. The Independent Advisor is responsible for:

- Providing oversight and advice relating to:
 - The appointment of and all aspects of the work undertaken by the Investment Consultant, including:
 - Developing the Scheme's investment strategy
 - Establishing and reviewing this SIPO
 - 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
- 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 the Investment Consultant and Independent Advisor

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

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

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

Setting 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 the Investment Products

In selecting 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, ethical factors, 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 (at least initially) offer Investment Options with the following features:

Key features of each Investment Option

Feature	Investment Options		
Domicile	New Zealand	Australia	Ireland
Fund names	<ul style="list-style-type: none"> • Mercer Conservative Portfolio (MITNZ*) • Mercer Balanced Portfolio (MITNZ) • Mercer Growth Portfolio (MITNZ) 	Mercer Moderate Growth Fund	Mercer Diversified Retirement 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% • Balanced 35% - 65% 	35% - 65%	35% - 65%

(Benchmark exposure of Investment Product)	<ul style="list-style-type: none"> Growth 10% - 30% 		
	Defensive assets typically include fixed interest and cash and may include some assets that possess defensive-like characteristics		
Currency	Predominantly hedged to NZD, although some foreign currency exposure is permitted	Predominantly hedged to AUD, although some foreign currency exposure is permitted	Predominantly hedged to GBP, although some foreign currency exposure is permitted
Active or passive	Active is preferred where there is evidence of value add and this is consistent with investor expectations		Passive is preferred as this is consistent with investor expectations
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 withholding tax	
Structure	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		

* MITNZ: Mercer Investment Trusts New Zealand

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 expects permitted investments to include 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 (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 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 will invest in Investment Products, the investment policies for those Investment Products will apply. The Product Providers are responsible for determining the investment policies that apply to each Investment Product.

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

Dynamic Asset Allocation

The Board is comfortable with 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 during any periods of extreme market volatility, liquidity demands can be met.

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

Hedging

Currency risk is the risk that foreign currency denominated assets will lose value as the result of an adverse exchange rate movement. 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 it aligns with the necessary strategic requirements.

Derivatives

The Board acknowledges that the use of derivatives allows the Product Providers 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 approach to investment management.

Further, the Board regularly monitors the Investment Consultant and the Product Providers with a view to risk 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 now generally expected that taking a sustainable view 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
- Enable the Board to regularly review the abilities 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 Options' investment objectives
- The investment performance objectives of the Investment Products into which the Scheme invests
- Market indices or composites thereof and any out-performance targets
- The performance of the peer funds as identified by the Investment Consultant for this purpose.

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

Provider Performance

The roles of the Investment Consultant, Independent Advisor and 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 5 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 all available funds have been invested in the Investment Product selected for each Investment Option, being the only action identified to ensure that there are no limit breaks.

Resolution and Reporting

Where the Board determine that a breach is material and that breach is not corrected within 5 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. Where a material breach is corrected within 5 days it 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 2020 or sooner if 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 Independent Advisor.

Schedule 1

Investment Consultant, Independent Advisor and Investment Products

Investment Consultant

Mercer (N.Z.) Limited

Independent Advisor

Andrew Johnson

Investment Products

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)		