
Huljich Wealth Management (New Zealand) Limited Statement of Investment Policy and Objectives

Introduction

The investment policies for the Huljich KiwiSaver Scheme (the "Scheme") are set out in the Scheme's investment statement.

This Statement of Investment Policy and Objectives (the "SIPO"), prepared by Huljich Wealth Management (New Zealand) Limited, the "Manager" of the Scheme, elaborates on the objectives and policies governing decisions about the investment and management of the Scheme's assets.

The SIPO records the key objectives of the Manager and Trustees Executors Superannuation Limited (the "Trustee"), and any investment-related delegations made by the Manager to other parties. Under clauses 11.6 and 12.1 of the Trust Deed, the Manager manages the investments of the Scheme in accordance with the Trust Deed, section 8 of the Superannuation Schemes Act, each investment policy and the Scheme Provider Agreement relating to the Scheme.

The Manager intends to review this SIPO at least annually. The SIPO is intended to take effect from 1 May 2010.

Nature of the Scheme

The Scheme was formed under, and is governed by, a Trust Deed, dated 21 August 2007 between the Manager, the Trustee and Burton Ross Shipley (who has since retired as a trustee). The Scheme is registered as a KiwiSaver scheme under the KiwiSaver Act 2006.

Taxation

Under clause 23.1 of the Trust Deed, the Manager (in consultation with the Trustee) may elect that the Scheme be a Portfolio Investment Entity (a "PIE"), or cease to be a PIE, at its complete discretion. Clause 23.1 of the Trust Deed prescribes the powers and discretion in respect of the Scheme for so long as the Scheme is a PIE. Pursuant to an election made by the Manager from the inception of the Scheme, the Scheme (including each of its Funds) is a PIE.

Responsibilities of the parties

Under clause 11.3(f) of the Trust Deed, the Trustee appoints the Manager as its delegate to undertake managing and making all decisions relating to investments including the investment, reinvestment or realisation of any investment and the exercise of any voting rights associated with any investment; and under clause 12.1 of the Trust Deed, the Manager manages the investments of the Scheme and provides directions to the Trustee regarding the Scheme's investments. Under clause 12.2(a) of the Trust Deed, the Manager (on behalf of the Trustee) must invest the assets attributable to the Scheme in accordance with the investment policy of the Scheme and in accordance with applicable legislation.

Under clause 12.2(b) of the Trust Deed the Trustee has the right not to act on any direction of the Manager to invest in, acquire or dispose of any investment if in the opinion of the Trustee, conveyed in writing to the Manager, the proposed investment, acquisition or disposition does not accord with the investment policy or is contrary to the provisions of the Trust Deed. The Trustee is not liable to members or the Manager for refusing to act for this reason.

Neither the Manager nor the Trustee is responsible to any member for the investment performance of the Scheme arising as a result of an investment policy (clause 12.2(c) of the Trust Deed).

Under clause 12.7 of the Trust Deed, the Manager must notify the Trustee of any transaction required to be entered into by the Trustee in relation to borrowing, the giving of security or the purchase, acquisition, sale or disposition of, or dealing with, the investments. The Manager arranges for the provision of monthly reports to the Trustee setting out such transactions. The Trustee may request additional information which it reasonably requires regarding such transactions, including the obtaining of such valuations or other expert advice as the Trustee deems necessary or desirable.

The Manager must cause investments to be vested in T.E.A. Custodians Limited (as the Trustee's nominee for the purposes of clause 12.5) as soon as reasonably practicable after receipt of the necessary documents, and must deliver all certificates or other documents of title for safe custody as directed by the Trustee.

Philosophy

The general philosophy is to protect and build retirement savings for New Zealanders. In order to achieve this, the Manager actively manages the Scheme's assets and follows a modified "absolute return" investment strategy – aiming to achieve positive returns irrespective of the direction of financial markets by reducing exposure to equity markets where the prospect for equity markets appears to warrant such a move.

Borrowing for the management of short term cash flow transactions is permitted, provided that borrowing may not exceed 2.5% of each Fund without the agreement of the Trustee. Borrowing for other purposes is not permitted.

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The Manager uses its own economic and investment expertise, as well as input from local and international economic commentators and broker research groups, to make asset allocation decisions and select individual investments.

The Manager may review and revise the investment objectives at any time in consultation with the Trustee.

Investment Objectives

The Manager will adopt a policy of investing the assets of the Scheme across a broad range of investments designed to provide members with access to low, medium and higher risk diversified investment portfolios.

Huljich Growth Diversified KiwiSaver Fund (“the Growth Fund”)

The objective of the Growth Fund is to maximise the investment return over the long term by way of a diversified portfolio of investments suitable for a growth portfolio.

The Manager is expected to achieve a return over each year for the Growth Fund which is in the top 50% of returns for KiwiSaver Scheme growth funds stated on the Morningstar or FundSource websites.

The specific investment objective of the Growth Fund is to achieve a return, after tax and investment expenses, which exceeds the Reserve Bank’s Official Cash Rate plus 2% per annum over each rolling five year period.

Huljich Balanced Diversified KiwiSaver Fund (“the Balanced Fund”)

The objective of the Balanced Fund is to maximise the investment return over the long term by way of a diversified portfolio of investments suitable for a balanced portfolio.

The Manager is expected to achieve a return over each year for the Balanced Fund which is in the top 50% of returns for KiwiSaver Scheme balanced/moderate funds stated on the Morningstar or FundSource websites.

The specific investment objective of the Balanced Fund is to achieve a return, after tax and investment expenses, which exceeds the Reserve Bank’s Official Cash Rate plus 1% per annum over each rolling three year period.

Huljich Conservative Diversified KiwiSaver Fund (“the Conservative Fund”)

The objective of the Conservative Fund is to maximise the investment return over the long term by way of a diversified portfolio of investments suitable for a conservative portfolio.

The Manager is expected to achieve a return over each year for the Conservative Fund which is in the top 50% of returns for KiwiSaver Scheme conservative funds stated on the Morningstar or FundSource websites.

The specific investment objective of the Conservative Fund is to achieve a return, after tax and investment expenses, which matches the Reserve Bank’s Official Cash Rate over each rolling three year period.

Benchmark performance

The market indices that will be used to assess performance are:

Asset class	Benchmark	Benchmark Return
New Zealand and international fixed interest	ANZ NZ All Government Stock Index	Index + 1%
Australasian shares	S&P/ASX 200 Index (60%)/NZX 50 Index (Gross) (40%)	Index
International shares	MSCI World Index (unhedged in NZD terms)	Index
New Zealand and Australian property and infrastructure	S&P/ASX 200 A-REIT Index	Index

Authorised investments

Each investment portfolio will normally consist of an allocation of:

- New Zealand and (sometimes) international cash securities;
- New Zealand and (sometimes) international fixed interest securities;
- New Zealand shares;
- New Zealand and Australian listed and unlisted property assets;
- New Zealand and Australian listed and unlisted infrastructure assets;
- Australian shares;
- international shares; and
- pooled investment funds.

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Subject to the prior written approval of the Trustee and provided the relevant transaction is on terms which are at least as favourable to the relevant Fund as arm's length standard commercial terms and is disclosed to the Trustee, the Manager may invest in any company owned or associated with the Manager or its directors, or in any group Fund, unit trust or other trust or registered superannuation scheme managed by the Manager or by such related company.

The return on investments held by the Scheme is made up of:

- interest on cash and fixed interest investments, and the change in market value of the latter;
- dividends and the change in market value of shares;
- rental income and the change in market value of property investments;
- movements in the exchange rate of the New Zealand dollar against the currency in which assets are held; and
- movements in the value of derivative instruments.

Investment approach

The Manager's approach to portfolio management is to include a diversified range of investments within each principal asset class. Cash securities include New Zealand and (sometimes) international bank deposits and short-term highly rated debt securities. Fixed interest investments shall include a diversified range of New Zealand and (sometimes) international corporate bonds, long-term bank deposits, and government and local authority bonds. Issuers must have a minimum credit rating of BBB (Standard and Poor's, or equivalent Moody's rating) or, where unrated, in the Manager's opinion, be of at least equivalent credit quality.

Shares are generally: listed; of medium to large market capitalisation; liquid; and well researched by the investment community. Consideration is given to many factors, including but not limited to market dominance, balance sheet strength, operating cash flow, cash flow relative to dividend payment, earnings growth, debt levels, retained earnings and return on equity. In addition to the above asset types, the Scheme may from time to time:

- write forward foreign exchange contracts, but only to reduce the exposure to foreign exchange risk;
- underwrite, or sub-underwrite, an issue of shares, but only where the issuing company meets the investment criteria of the Scheme ; and
- write derivative contracts, but only where that is required to reduce risk to foreign exchange, interest rate or share price movements. Specifically, derivatives cannot be used for gearing purposes.

Where exposure is to a pooled investment fund, the Manager will regularly review the fund's performance.

Investment concentrations

With the exception of deposits in registered banks in New Zealand with a minimum credit rating of AA-, and investments in central or local government-issued fixed interest securities in New Zealand and Australia, no individual investment will exceed 10% of the assets within each Fund (except that investment in pooled investment funds may be up to 40% of each Fund's assets).

Up to 10% of each Fund's maximum allowable investment in growth assets may be committed to investment in the shares of unlisted companies where the risk/reward trade-off is considered by the Manager to be attractive.

Up to 10% of the total assets in each Fund may be invested in the shares of an individual company where the risk/reward trade-off is considered by the Manager to be attractive. Each Fund will typically hold shares in between 15 and 40 individual companies.

Up to 40% of the assets of each Fund may be invested in pooled investment funds managed by other investment managers where that is judged by the Manager to be desirable, provided that the investment restrictions of the pooled investment vehicle are materially consistent with the restrictions for the relevant asset classes as set out in this SIPO.

The Manager may exceed these concentrations with the prior written consent of the Trustee.

Liquidity

Liquidity is important in determining an accurate market value of an investment, and for this reason the Manager favours investments which it can exit within a reasonable timeframe. Investments are generally in listed shares and tradable corporate or government bonds which have good liquidity and can be exited within a week. Given the size of the New Zealand Stock Market and the limited number of potential investments available, New Zealand investments may not provide the usual levels of liquidity sought. For this reason, it may sometimes be necessary to sell an investment over several weeks or even months, depending on the amount involved.

Investment Portfolios

The Huljich KiwiSaver Scheme has three investment portfolios – each aiming to match members' risk tolerance with a suitable mix of investments.

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Huljich Conservative Diversified KiwiSaver Fund – would suit members who are planning an early withdrawal from the Scheme to purchase their first home, members who will be able to withdraw from the Scheme within the next two or three years (having by then been in the Scheme for five years and having attained the age of 65), and members who have a low appetite for risk. The portfolio holds a minimum of 60% in cash and fixed interest securities, with the balance in shares and property.

Huljich Balanced Diversified KiwiSaver Fund – would suit members with a three to ten year investment timeframe, or members who have a moderate appetite for risk. The portfolio holds a minimum of 40% in cash and fixed interest securities, with the balance in shares and property.

Huljich Growth Diversified KiwiSaver Fund – would suit members with at least a 10 year investment timeframe, or members who have a higher appetite for risk. The portfolio holds a minimum of 20% in cash and fixed interest securities, with the balance in shares and property.

Subject to these constraints, the proportion of each investment portfolio invested in each asset class at any given time is determined by the Manager. The benchmark asset allocations, and permitted ranges for each Fund are illustrated below. Note that the asset allocations refer to the underlying investment exposure and not the vehicle through which the exposure is obtained. This means the Manager may invest directly into the asset class, or gain exposure to the asset class indirectly, for example through pooled investment funds.

	Conservative	Balanced	Growth
Growth assets (predominantly shares and property investments)	Up to 40%	Up to 60%	Up to 80%
Income assets (cash and fixed interest securities)	Balance	Balance	Balance

More specifically, the tactical benchmark asset allocation ranges for each of the Funds against which the Manager will report to the Trustee are currently as follows:

Growth assets	Conservative	Balanced	Growth
Australasian shares	7.5% – 20.0%	12.5% – 30.0%	17.5% – 40.0%
International shares (excluding Australian)	12.5% – 17.5%	20.0% – 25.0%	27.5% – 32.5%
New Zealand and Australian property and infrastructure assets	0.0% – 7.5%	2.5% – 12.5%	5.0% – 17.5%

Income assets	Conservative	Balanced	Growth
New Zealand and (sometimes) international fixed interest and cash securities	60.0% – 80.0%	40.0% – 65.0%	20.0% – 50.0%

In exceptional circumstances, the Manager may go outside the benchmark asset allocation ranges subject to agreement from the Trustee.

Assets that are not denominated in New Zealand dollars may be hedged back to New Zealand dollars depending on the Manager's view of what is in the best interests of members and will advise the Trustee of its hedging policy, and any changes to that policy, in respect of a Fund.

Rebalancing of investment portfolios

Investment portfolios are rebalanced by the Manager, at a minimum, on a monthly basis in order to ensure that the investment portfolios are administered in accordance with the asset allocation ranges set out above. Therefore it is possible that the Scheme's investment portfolios will be outside these asset allocation ranges between the dates when the portfolios are rebalanced.

The United Nations Principles for Responsible Investment (UNPRI)

The Manager believes that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios and, in support of this belief, the Manager is a signatory to the UNPRI. The UNPRI provides a framework to assist investors in considering and integrating ESG issues into their investment processes. The Manager will use its best endeavours to ensure that it does not invest in companies directly involved in:

- the production of alcoholic beverages;
- the production of tobacco or tobacco products;
- gambling as a main line of business;
- the production of pornography;
- the manufacture of armaments;
- activities blacklisted by the United Nations; or
- anything which directly infringes on human rights.

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The Scheme may hold investments through pooled investment funds as an effective and cost efficient means of accessing some global markets. For such funds, the Manager recognises that it will have no influence over the structure of the product or the securities held within such pooled funds, and the Manager will not review the structure of the product or the securities held within such pooled funds to assess whether or not they meet ESG policies before investing in such pooled funds and products.

Change of investment objectives and policy

The Manager may vary its investment objectives, and the asset allocation ranges of the three investment portfolios, at any time in consultation with the Trustee. If the investment objectives or asset allocation ranges are altered, the Manager shall update its website, www.huljich.co.nz, to advise Scheme members. Members will be advised by email (where email addresses are available) or post a minimum of two weeks in advance of any material change in the asset allocation range of the three investment portfolios.

Assets now held by the Scheme

As at the date of this statement, the assets of the Scheme are invested in accordance with the asset allocations in the Scheme offering documents. The Conservative Fund holds at least 60% in income assets, the Balanced Fund holds at least 40% in income assets, and the Growth Fund holds at least 20% in income assets. The remainder of each fund is held in growth assets. The Scheme will over time transition to the tactical benchmark asset allocations within the growth and income asset allocations as shown on page 7 of this statement.

Statement of voting policy

In respect of voting securities held by the Scheme, the Manager will instruct the custodian to vote in accordance with the recommendations of the board of the issuer, unless the Manager considers a contrary vote would be in the best interests of members.

Performance reporting requirements

Within 10 working days of the end of each month, the Manager will send the Trustee details of the performance of the Scheme during the preceding month. This will show a summary of the unit prices, the unit price fee accrual, a portfolio summary report, portfolio valuation report, an outstanding settlements report (if applicable), dividends received tax report (if applicable), transaction listing report and a report showing the capital/expense/sundry income transaction listing (if applicable).

Within 5 working days after the last day of each month, the Manager will send the Trustee a Summary Investment Returns Report for each month (and for each quarter a consolidated report for the quarter) in respect of each Fund. This report will show in respect of each asset class: the average asset weighting for the month or quarter as applicable (on a weekly basis); the actual investment return; the benchmark average asset weighting for the month or quarter as applicable; the benchmark return; the variance against benchmark and commentary (including the relevant hedging position). The Manager will also send the Trustee a statement confirming that either:

- there have been no breaches of mandate during the quarter; or
- where there has been a breach of mandate, details of the breach including the actions that have been taken to correct the breach.

Where there has been a material breach of mandate, the Manager shall immediately inform the Trustee. Material breaches shall not include breaches which arise solely as a result of market movements provided that such breaches have been corrected as soon as is practicable.

* The Huljich Wealth Management (New Zealand) Limited SIPO was signed by both the Manager and the Trustee on 30 April 2010.