

*Statement of Investment
Policy and Objectives*

30 September 2020

Christian KiwiSaver Scheme

Contents

| | | |
|-----------|---|-----------|
| 1. | Introduction | 3 |
| 2. | Investment philosophy | 5 |
| 3. | Investment strategy and objectives | 6 |
| 4. | Investment guidelines | 9 |
| 5. | Investment performance | 10 |
| 6. | Investment reporting | 12 |
| 7. | Compliance | 12 |

1. Introduction

This Statement of Investment Policy and Objectives (**SIPO**) applies to the Christian KiwiSaver Scheme (**Scheme**).

When read together with our Ethical Investment Policy, the SIPO provides a complete picture of the investment policy and objectives of the Scheme and of our investment philosophy.

The SIPO:

- specifies the Trustee's overall investment objectives for the Scheme;
- details the Scheme's investment strategy;
- records the allocation of responsibilities as between the Trustee and its Investment Committee;
- specifies the terms of the investment mandates and constraints to be observed by the Investment Committee; and
- details the process to follow in the event of a breach of the SIPO.

This SIPO takes effect on 30 September 2020 and replaces the version dated 1 July 2018.

The current versions of this SIPO and our Ethical Investment Policy are available on the offers and schemes register entries for the Scheme at www.disclose-register.companiesoffice.govt.nz/ and on the Scheme's website at www.christiankiwisaver.nz/documents.

Scheme details

The Scheme is registered under the Financial Markets Conduct Act 2013 (**FMCA**) as a restricted KiwiSaver scheme. The purpose of the Scheme is to provide retirement benefits directly to individuals in accordance with the FMCA and the KiwiSaver Act 2006.

The Scheme is offered only to:

- employees of organisations whose primary activities are, in the Trustee's opinion, Christian mission or ministry (including employees of charitable entities associated with or operating in the Christian Church, or employees of entities which the Trustee approves as having a Christian special character); and
- persons who express a Christian faith and have a commitment to Christian community involvement when applying (and their immediate family members and dependants).

The Scheme was established in 2007 and is currently governed by a trust deed dated 13 March 2018 as amended from time to time.

The Scheme offers three funds for members to invest in – the Growth Fund, the Balanced Fund, and the Income Fund (each a **Fund**). Members can invest in any Fund or a mix of Funds.

Trustee

The FMCA requires the Trustee to exercise the care, diligence and skill that a prudent person whose profession or business is (or includes) acting as a trustee or investing money on others' behalf would exercise in the same circumstances.

The Trustee is responsible for ensuring the SIPO and the Ethical Investment Policy are adhered to.

The key responsibilities of the Trustee, as they relate to the investments made by the Scheme, are:

- to maintain an investment governance framework;
- to agree investment beliefs and an investment process;
- to set investment objectives and risk tolerances for each Fund;
- to determine an investment strategy (including benchmark asset allocations and permitted ranges) for each Fund;
- to implement that investment strategy; and
- to monitor each Fund's investment performance and compliance with strategic limits.

The Trustee and Manager of the Scheme is The New Zealand Anglican Church Pension Board trading as Anglican Financial Care (**Trustee, we, us or our**).

The Trustee is responsible for reviewing the SIPO and the Ethical Investment Policy. The SIPO will be reviewed no less frequently than annually, or more frequently as we may consider appropriate (including, for example, as a result of significant changes to market conditions or relevant government policy). The Ethical Investment Policy will be reviewed as we may consider appropriate.

The Trustee approves each new SIPO (and any changes to the Ethical Investment Policy) by resolution. If we change the SIPO or Ethical Investment Policy, any material changes will be advised in the Scheme's next Annual Report.

Investment Committee

The Trustee has devolved the exercise of its power of investment, but not its investment responsibilities, to an Investment Committee (**Committee**). The Committee is appointed in accordance with section 4.9(a) of Title B Canon XIV, part of the Code of Canons of the Anglican Church.

The Committee has developed a Policies, Authorities and Limits (**PALS**) document which sets out the context within which it works.

The Committee maintains a conflicts of interest policy and each Committee member is required to disclose interests which the member believes may have the potential to lead to conflicts or may be relevant to the perception of their conduct as a member of the Committee.

The Committee oversees the implementation of the investment strategy for each Fund which involves investing that Fund's assets (excluding forests and forest land) in The New Zealand Anglican Church Pension Board Investment Trust (**Investment Trust**), an underlying investment fund of which we are the trustee.

We employ professional investment management staff who invest most of the Investment Trust's investments directly. Our management are also accountable for:

- monitoring all aspects of the Scheme's investments and reporting on a quarterly basis to the Committee;
- confirming on a quarterly basis whether the Scheme's investments comply with the SIPO and the Ethical Investment Policy; and
- advising on the appointment of any external fund managers and on the overall strategy and tactical asset allocation for each Fund.

2. Investment philosophy

The Trustee stresses capital preservation, diversification and endeavouring to enhance returns for a range of risk profiles.

We aim to add value by making active decisions on investments over time. We believe that although investment markets are generally efficient, asset prices do not always reflect fair value and investors do not always behave rationally.

We recognise that long term strategic asset allocations will be the prime source of investment returns. Where appropriate, we seek to add further value via stock selection.

This philosophy governs the basis on which the investment strategy is implemented for each Fund on our behalf. The investment results are monitored with this philosophy in mind.

2.1 Ethical investment policy

The Trustee incorporates responsible investment practices, including consideration of environmental, social, and governance factors, within the investment policies and procedures of the Scheme as at the date of this SIPO.

In particular, we use a leading provider of corporate governance and responsible investment research when considering investing in equities. We also have a relationship with the UK based Church Investors Group, which enables further insights into ethical matters and provides us with an opportunity to vote on our equity investments with like-minded investors.

We administer and invest the Scheme in a manner that we believe is consistent with Christian values, recognising that economic decisions involve ethical choices. The Christian tradition recognises that these ethical choices are made in a world marred by human failure and its consequences. Yet the Church still seeks goodness and the growth of human flourishing and believes God is active in restoring the world.

We have investment policies for entities whose activities involve the production or retail of alcohol, livestock management or animal testing, armaments and defence, fossil fuels, gambling, pornography and tobacco. While these sectors would traditionally be excluded from our portfolios, we recognise that some entities within some of these sectors may be adopting and practicing corporate responsibility policies which weigh against the misuse and harm related to their business activities. In such cases, we consider that exclusion may be inappropriate and inconsistent with God's redemptive purpose and the transition to a better world.

This policy does not preclude investment in tracker funds, or in diversified or composite equity funds, alternative strategy funds or fixed interest funds, for the purpose of gaining diversification. If the Scheme invests in any of those types of diversified products, to that extent it may indirectly invest in assets which do not meet the ethical criteria set out above.

We acknowledge that, as a fiduciary, there are limitations on our ability to exclude investments. Our Ethical Investment Policy can be found at www.christiankiwisaver.nz/documents and on the offers and schemes register entries for the Scheme at www.disclose-register.companiesoffice.govt.nz/.

3. Investment strategy and objectives

3.1 Setting the investment strategy

Establishing an investment strategy involves ensuring alignment between agreed investment objectives and the structure of the Scheme's investments. The strategy setting process includes consideration of:

- expected risk and return relative to the objectives for each Fund;
- the overall composition of the investments held for the Funds (including the adequacy of diversification);
- the expected liquidity of selected investments;
- availability and reliability of valuation information; and
- associated costs of investing and other relevant matters.

The investment strategy is formulated with reference to the risk and return objectives for the Funds, as well as the considerations listed above.

The investment strategy is reviewed every three years, and more frequently if required. Normally, an independent consultant is engaged to produce a report recommending one or more investment strategies for each Fund. The report is discussed by the Committee which makes recommendations to the Trustee accordingly.

3.2 Objectives

Growth Fund

The objective for the Growth Fund is to achieve medium to high returns over a long term investment horizon while accepting there will be significant fluctuation in returns short term. We seek to do this by investing in a diversified range of growth assets (equities, private equity, forests and forest land) and income assets (cash and cash equivalents, fixed interest and mortgages) with a higher target allocation to growth assets than income assets (75%/25%).

Balanced Fund

The objective for the Balanced Fund is to achieve medium returns over a long term investment horizon by accepting a medium degree of risk. We seek to do this by investing in a diversified range of growth assets (equities, private equity, forests and forest land) and income assets (cash and cash equivalents, fixed interest and mortgages) with the target allocation to growth assets equal to the target allocation to income assets (50%/50%).

Income Fund

The objective for the Income Fund is to achieve modest returns with a low expectancy of capital loss. We seek to do this by investing in a diversified range of income assets (cash and cash equivalents, fixed interest and mortgages).

3.3 Risk level

The Growth Fund of the Scheme has been assessed as at 30 June 2020 as having a risk category of 4 (where 1 is 'very low' and 7 is 'very high'), with an annualised standard deviation in returns of 5% or more but less than 10% over the 5 years ended 30 June 2020. This correlates to 'medium to high' volatility.

The Balanced Fund of the Scheme has been assessed as at 30 June 2020 as having a risk category of 4 (where 1 is 'very low' and 7 is 'very high'), with an annualised standard deviation in returns of 5% or more but less than 10% over the 5 years ended 30 June 2020. This correlates to 'medium to high' volatility.

The Income Fund of the Scheme has been assessed as at 30 June 2020 as having a risk category of 2 (where 1 is 'very low' and 7 is 'very high'), with an annualised standard deviation in returns of 0.5% or more but less than 2% over the 5 years ended 30 June 2020. This correlates to 'low' volatility.

3.4 Investment strategy

We aim to meet the investment objectives for each Fund in the Scheme by investing in accordance with the benchmark asset allocations and ranges set out below. Investment in these asset classes is specifically permitted for the purposes of the FMCA.

| Growth Fund: | Sector Range | | |
|------------------------------|---------------------|------------|------------|
| | Benchmark | Min | Max |
| Australasian Equities | 25.0% | 15.0% | 35.0% |
| International Equities | 40.0% | 30.0% | 50.0% |
| Other – Alternative Assets | 10.0% | 0.0% | 15.0% |
| | 75.0% | | |
| New Zealand Fixed Interest | 10.0% | 5.0% | 20.0% |
| International Fixed Interest | 10.0% | 5.0% | 20.0% |
| Cash and Cash Equivalents | 5.0% | 0.0% | 20.0% |
| | 25.0% | | |
| | 100.0% | | |

| Balanced Fund | Sector Range | | |
|------------------------------|---------------------|------------|------------|
| | Benchmark | Min | Max |
| Australasian Equities | 15.0% | 5.0% | 25.0% |
| International Equities | 30.0% | 20.0% | 40.0% |
| Other – Alternative Assets | 5.0% | 0.0% | 7.5% |
| | 50.0% | | |
| New Zealand Fixed Interest | 20.0% | 10.0% | 30.0% |
| International Fixed Interest | 20.0% | 10.0% | 30.0% |
| Cash and Cash Equivalents | 10.0% | 0.0% | 25.0% |
| | 50.0% | | |
| | 100.0% | | |

| Income Fund | Sector Range | | |
|------------------------------|---------------------|------------|------------|
| | Benchmark | Min | Max |
| New Zealand Fixed Interest | 35.0% | 25.0% | 45.0% |
| International Fixed Interest | 35.0% | 25.0% | 45.0% |
| Cash and Cash Equivalents | 30.0% | 15.0% | 50.0% |
| | 100.0% | | |

Australasian Equities means equities in companies which are listed in Australia and/or New Zealand.

International Equities means equities in companies which are publicly listed on a securities exchange and generally do not meet the definition of Australasian Equities.

Other – Alternative Assets means investments which do not fall within any of the other asset classes described in this SIPO but which we consider appropriately reflect the risk profile of the relevant Fund and will contribute to meeting the performance objectives for that Fund. Examples of these can include:

- private equity investments, which are ownership interests in operating companies not publicly listed on a securities exchange;

- forests, which is ownership of trees being established and grown for harvesting purposes on forest land (together with associated carbon credits); and
- forest land, which is ownership of land on which trees are being established and grown for harvesting purposes.

New Zealand Fixed Interest means:

- registered first mortgages; and
- loans made in New Zealand dollars to the New Zealand Government, the New Zealand Local Government Funding Agency, local authorities, banks and corporates, and investments in fixed interest products issued by foreign issuers approved by the Reserve Bank of New Zealand for repurchase transactions.

International Fixed Interest means investments in funds which invest in a diversified portfolio of loans which may include loans to governments, major local authorities, banks and corporate organisations, and other fixed interest securities, which are predominantly outside New Zealand.

Cash and Cash Equivalents means short-term, interest-bearing products such as deposits, bank bills, floating rate notes, on-call deposits and fixed interest securities with maturity periods of less than one year.

We may invest in other investments (not explicitly referred to or permitted) that we consider are of a type which fall within an asset class, appropriately reflect the risk profile of the relevant Fund and will contribute to meeting the performance objectives for that Fund.

3.5 Use of managed funds

We may invest in each asset class by investing in managed funds which in turn ultimately invest in (or predominantly in) underlying assets falling within that asset class.

Where we invest in an asset class through a managed fund, that managed fund may also have allocations to other asset classes. For example, where we invest in International Equities by investing in a managed fund, that managed fund may have an allocation to Australasian Equities. An investment in such a managed fund is treated by us as an investment entirely in the core asset class of that managed fund (in this example International Equities) for the purposes of this SIPO.

3.6 Rebalancing of the portfolio and cash flow management

Asset allocation ranges have been set as above (see part 3.4 *'Investment Strategy'*) and the rebalancing rules which apply are as follows:

- The allocation to each asset class for each Fund will be allowed to vary within the ranges set (with variations being caused by market movements, cash flows and tactical investment decisions);
- If a report to us advises that the allocation to an asset sector varies from the benchmark allocation, we may at any time arrange for a rebalancing to take place such that the actual allocation corresponds to or is nearer the relevant benchmark;
- If any asset allocations move materially outside their ranges, or if there is any material non-compliance with our Ethical Investment Policy or another aspect of this SIPO, we shall ensure as soon as practicable (but in any event within no more than 5 working days) that, as applicable, the allocations are rebalanced back to within the ranges set or the material non-compliance is remedied.¹

¹ If the rebalancing does not occur (or the material breach is not remedied) within the 5 working day period, this must be reported to the FMA as soon as practicable after that period expires (and the report to FMA must contain the information set out in regulation 96 of the Financial Markets Conduct Regulations 2014).

The above rebalancing provisions are without prejudice to our ability to alter the asset allocation ranges as we consider appropriate from time to time.

Cash flows are one of the causes of asset allocation fluctuations within the Funds. The various funds and pools each have differing liquidity needs. On a daily basis the assets in the Investment Trust (into which both the Scheme and other schemes invest) are allocated among the various funds and pools so that they are all invested in a way which corresponds as closely as possible to their individual target asset allocations while meeting their liquidity requirements. The cash flows of the Funds of the Scheme will affect the allocations to our other funds, and the cash flows of those other funds will affect the allocations to the Funds of the Scheme.

3.7 Tax

The Scheme is a portfolio investment entity. The amount of tax a member pays is based on the member's prescribed investor rate (*PIR*). The Scheme pays tax on behalf of its members at 10.5%, 17.5% or 28% depending on each member's PIR.

4. Investment guidelines

This SIPO does not prohibit any investments including those that would be non-compliant with its Ethical Investment Policy.

Borrowing is prohibited without the specific consent of the Trustee.

No more than 5% of the assets of the Investment Trust can be invested in any one asset, with the exception of:

- authorised cash and cash equivalents; and
- index funds (where the limit is 10% per index fund).

No more than 12.5% of the Investment Trust's funds can be invested in mortgages.

4.1 Hedging policy

Currency is not treated as a separate asset class. However, we enter into foreign currency contracts as required to protect the value of offshore assets and returns against currency movements. Hedging may be achieved through the use of derivatives.

We believe that an active approach to currency hedging is appropriate. Currency exposures are monitored, and adjusted as appropriate, on a weekly basis. Accordingly, the Funds will not maintain the same level of currency hedging at all times.

The currency risk benchmarks and ranges for the extent to which various asset classes will be hedged to the New Zealand dollar are currently as follows:

| Sector | Currency Hedge | |
|---------------------------------------|----------------|-----------|
| | Benchmark | Range |
| International Fixed Interest | 100% | |
| International Equities | 50% | 25% - 75% |
| Other – Alternative Assets (overseas) | 50% | 25% - 75% |

4.2 Other relevant policies

Other policies that are directly relevant to achieving the investment objectives and strategies include the Trade Allocation Policy, the Trade Execution Policy, the Corporate Engagement Policy and the Pricing Policy. Each of these can be found on the offers register at www.disclose-register.companiesoffice.govt.nz/ (select *Search Offers*, enter *OFR10845* and go to *Documents*).

5. Investment performance

5.1 Australasian equities

We invest directly into the New Zealand and Australian share markets through the Investment Trust.

The Committee assesses the Scheme's Growth Fund and Balanced Fund investment performance in the Australasian Equities sector by reference to the S&P/NZX50 index (for New Zealand equities) and the S&P/ASX200 (50% hedged) for Australian equities over rolling periods of three months, one year, three years, five years and ten years. In addition, the Committee compares performance to the median manager return for Australasian equities reported in the MJW Investments Survey.

5.2 International equities

We invest directly into the international share markets through the Investment Trust.

The Committee assesses the Scheme's Growth Fund and Balanced Fund investment performance in the International Equities sector by reference to the MSCI World Index (50% hedged) over rolling periods of three months, one year, three years, five years and ten years. In addition, the Committee compares performance to the median manager return for international equities reported in the MJW Investments Survey.

5.3 Other – alternative assets

We currently have (and may in future have) allocations to investments which do not fall within any of the other asset classes described in this SIPO, but which we consider appropriately reflect the risk profile of the relevant Fund and will contribute to meeting the performance objectives of that Fund or the Scheme. Alternative Assets which we may invest in include (but are not limited to) private equity interests, forests and forest land.

The Committee does not use benchmarks for assessing the Scheme's Growth Fund and Balanced Fund investment performance with respect to Alternative Assets, due to the unavailability of appropriate benchmarks.

5.4 New Zealand fixed interest

We invest directly into the New Zealand fixed interest market through the Investment Trust.

We provide registered first mortgage finance at competitive rates to clergy and other Christians who meet our lending criteria. We invest a portion of the New Zealand Fixed Interest asset allocation in that mortgage portfolio.

The Committee assesses the Funds' investment performance in the New Zealand Fixed Interest sector by reference to the S&P/NZX Composite Investment Grade Bond Index over rolling periods of three months, one year, three years, five years and ten years. The Committee does not use a benchmark for assessing the investment performance of the mortgage portfolio, due to the unavailability of an appropriate benchmark.

The Committee also compares performance to the median manager return for New Zealand fixed interest reported in the MJW Investments Survey.

5.5 International fixed interest

We outsource the management of our international fixed interest investments to reputable fund managers.

The Committee assesses the Funds' investment performance in the International Fixed Interest sector by reference to the Bloomberg Barclays Global Aggregate Index (Hedged) over three months, one year, three years, five years and ten years. In addition, the Committee compares performance to the median manager return for international fixed interest reported in the MJW Investments Survey.

5.6 Cash and cash equivalents

We manage investments in the cash and cash equivalents sector with consideration for the liquidity requirements of the Funds, including ensuring sufficient funds are available to meet withdrawals.

The Committee assesses the Funds' investment performance in the Cash and Cash Equivalents sector by reference to the S&P/NZX 90 Day Bank Bill Index over rolling periods of three months, one year, three years, five years and ten years. In addition, the Committee compares performance to the median manager return for cash and cash equivalents reported in the MJW Investments Survey.

5.7 Market indices

The benchmark portfolio against which we compare the investment return for each Fund (Income, Balanced and Growth) is a composite index:

- comprising the benchmark indices used to measure the Scheme's overall performance by individual asset class; and
- weighted according to the target investment mix for the relevant Fund.

More information about the benchmark indices referred to in this SIPO (and in the latest fund update for each Fund) can currently be found on the following web pages:

- *S&P/NZX 50 Index* – <https://au.spindices.com/indices/equity/sp-nzx-50-index>
- *S&P/ASX200* – <https://au.spindices.com/indices/equity/sp-asx-200>
- *MSCI World Index* – <https://www.msci.com/world>
- *S&P/NZX Composite Investment Grade Bond Index* – <https://au.spindices.com/indices/fixed-income/sp-nzx-composite-investment-grade-bond-index>
- *Bloomberg Barclays Global Aggregate Index (Hedged)* – <https://www.bloomberg.com/quote/LEGATRUH:IND>
- *S&P/NZX 90-Day Bank Bill Index* – <https://au.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index>

The market indices and those web pages may change, or may be renamed or replaced, from time to time without notice to you.

6. Investment reporting

The Committee reports to the Trustee on a quarterly basis.

The reporting includes a commentary on the current state of the markets, a commentary on the investment strategy and tactical asset allocation decisions, performance reports (and supporting commentary) including gross returns (three year returns versus SIPO return targets in relation to inflation), returns relative to benchmarks (by asset class), attribution analysis (the contribution of asset allocation, stock selection and hedging to overall performance, by asset class) and return relative to peers.

7. Compliance

We monitor the Funds each month for compliance with the investment objectives, strategies and policies in this SIPO. Each Fund has limits on the amount of income assets (such as cash and cash equivalents and fixed interest) and growth assets (such as equities and alternative assets) it can hold. If a Fund moves outside a limit we will correct the allocation of assets for that Fund within five working days of discovering this or as soon as practicable where circumstances are outside our control (such as a suspension in market trading). See Section 3.4 for the limits on income and growth assets for each Fund.

*Approved by the Trustee
2 September 2020*

