

CareSaver KiwiSaver Scheme Statement of Investment Policy and Objectives

Effective Date: 25 June 2019

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Signatory of:



1.0 Introduction

Purpose: This statement of investment policy and objectives (SIPO) sets out the investment philosophy, objectives and strategies for the CareSaver KiwiSaver Scheme (CareSaver or Scheme). This includes the following funds (each a Fund) managed by Pathfinder Asset Management Limited (us, we, our, Pathfinder or Manager):

- CareSaver Growth Fund
- CareSaver Balanced Fund
- CareSaver Conservative Fund

Background: The Scheme is a registered unit trust governed by a master trust deed dated 29 May 2019 and each Fund is established under a separate establishment deed. For each Fund these are referred to as the trust documents. Information on each Fund is available in the product disclosure statement and document containing other material information (the offer documents). The trust documents and the offer documents are available on the disclose register at www.business.govt.nz/disclose.

2.0 Investment philosophy

CareSaver's investment philosophy is built on two foundations:

- Our ethical beliefs are core to our investment process; and
- Our investment process must be research based and robust (as well as ethical).

Our investment philosophy is described below.

Ethical investment beliefs:

- 1. UN Sustainable Development Goals:** We aspire for our investment decisions to contribute to the UN Sustainable Development Goals.
- 2. Investing ethically:** We expect companies with high environmental, social and governance (ESG) metrics to perform better than low scoring companies. We also believe high ESG companies are better for our planet and its people. For these reasons, we will actively seek out high ESG companies to invest in. We will also exclude companies engaged in industries or activities we believe to be harmful. This includes companies focused on gambling, tobacco, cluster munitions, fossil fuels, factory farming and several other categories (please see www.caresaver.co.nz for a complete list of exclusions).
- 3. Climate change awareness:** We believe companies with a lower carbon intensity will make better long-term investments. We believe they will benefit our planet and its people in a warming world.
- 4. Aware, Fair, Care:** We respect human rights. This means we avoid investing in companies whose business practices are inconsistent with the dignity of individuals (for example, how they treat staff, customers and suppliers). We respect the welfare of animals. This means we avoid investing in companies with poor records of animal welfare and companies engaging in unnecessary or unethical product testing on animals.
- 5. Engagement and shareholder voting:** We believe we should vote as a shareholder to encourage positive change. This means we vote on issues from our ESG perspective. With this approach we will at times actively vote against the recommendations of a company's management where their view conflicts with our ethical purpose. We will also actively promote ethical investment and encourage positive change by corporates.

For more detail see our Ethical Investment Policy which can be viewed at www.caresaver.co.nz.

Investment beliefs:

1. 'High level' decisions are critical: Active allocation decisions by asset class, industry sector, investment theme and geography are a significant driver of investment returns.
2. Integrating ESG: Integrating environmental, social and governance analysis into decision making provides a deeper assessment of corporate risk and value-creation potential.
3. Research is critical: High quality research drives better investment decisions.
4. Invest for the long-term: We believe a long-term investment approach produces better outcomes for our investors (and our planet) than a short-term approach.

3.0 Manager responsibilities

The obligations of Pathfinder as Manager of the Funds include:

- Investing assets in accordance with this SIPO, offer documents and trust documents;
- Reporting to investors and Public Trust (the Supervisor) on each Fund; and
- Monitoring compliance with this SIPO.

The Manager will maintain an investment committee (the Pathfinder Investment Committee) to oversee management of the Funds and adherence to this SIPO.

4.0 Investment objective

Investment objective: The objective of each Fund is set out in the table below:

Fund	Description	Investment objective
CareSaver Growth Fund	An ethical portfolio with a higher exposure to growth assets and a lower exposure to income assets. This Fund's value is likely to fluctuate more than the Balanced Fund or Conservative Fund.	Ethical investing to achieve medium to high returns with a higher risk exposure.
CareSaver Balanced Fund	An ethical portfolio with a balance between growth assets and income assets. This Fund's value is likely to fluctuate more than the Conservative Fund but less than the Growth Fund.	Ethical investing to achieve medium returns with a medium risk exposure.
CareSaver Conservative Fund	An ethical portfolio with a higher exposure to income assets and a lower exposure to growth assets. This Fund's value is unlikely to fluctuate as much as the Balanced Fund or Growth Fund.	Ethical investing to achieve modest returns with a lower risk exposure.

When we refer to growth assets we mean investments like shares and when we refer to income assets we mean investments that generate income in the form of interest payments like bonds and bank deposits. The value of growth assets will likely fluctuate more than income assets over the medium to long term.

5.0 Fund Benchmarks

A benchmark is an index (or composite of indexes) reflecting the market a fund is investing in. Each Fund's performance will be measured against a benchmark selected by the Manager (which may be changed from time to time).

The current Fund benchmarks are set out in the table below:

Fund	Current benchmark (composite indexes)
CareSaver Growth Fund	5% Bloomberg NZBank Bill Index 15% Bloomberg Barclays Global Aggregate Unhedged (USD) 80% Morningstar Developed Markets Net Index (50% hedged to NZD)
CareSaver Balanced Fund	10% Bloomberg NZBank Bill Index 30% Bloomberg Barclays Global Aggregate Unhedged (USD) 60% Morningstar Developed Markets Net Index (50% hedged to NZD)
CareSaver Conservative Fund	20% Bloomberg NZBank Bill Index 60% Bloomberg Barclays Global Aggregate Unhedged (USD) 20% Morningstar Developed Markets Net Index (50% hedged to NZD)

6.0 Fund Monitoring

Fund compliance with the SIPO is monitored on an ongoing basis by Pathfinder. Fund performance is reported monthly at www.caresaver.co.nz. Each Fund is also reviewed at least annually by Pathfinder using the metrics below. The preferred data period is 3 years, although we may instead use data since inception of a Fund.

Fund	Current benchmark (composite indexes)
CareSaver Growth Fund	<ul style="list-style-type: none"> Returns after fees and before tax vs the Fund benchmark Volatility vs the Fund benchmark Returns after fees and before tax vs the mean or median of a sample of KiwiSaver growth funds
CareSaver Balanced Fund	<ul style="list-style-type: none"> Returns after fees and before tax vs the Fund benchmark Volatility vs the Fund benchmark Returns after fees and before tax vs the mean or median of a sample of KiwiSaver balanced funds
CareSaver Conservative Fund	<ul style="list-style-type: none"> Returns after fees and before tax vs the Fund benchmark Volatility vs the Fund benchmark Returns after fees and before tax vs the mean or median of a sample of KiwiSaver conservative funds

7.0 Asset Allocation

Asset classes are the different investment groups we use for managing the Funds. These are currently:

Asset class	Types of investment exposures
Cash and Cash Equivalents	Bank deposits including term deposits.
NZ Fixed Income	Bonds issued in New Zealand which includes 'green bonds'.
International Fixed Income	Bonds issued outside of New Zealand which includes international 'green bonds'.
Australasian Equities	Shares listed on a stock exchange in New Zealand or Australia (such as the NZX or ASX).
International Equities	Shares listed on a stock exchange outside New Zealand and Australia.
Other Assets	These are direct investments that are unlikely to be stock exchange listed. These can include investments known as 'impact investments', 'venture capital' and 'private equity'. Fixed income investments in the 'other assets' category will include privately arranged loans. This category also includes unlisted property, such as direct ownership in property or ownership of property companies that are not listed on a stock exchange.

Statement of Investment Policy and Objectives

The Pathfinder Investment Committee may add or change these asset classes. When we refer to 'shares' within any asset class we also mean preference shares and other financial products.

The Target Asset Allocation is our preferred long-term average expected investment allocation to each asset class and is set out below. The Pathfinder Investment Committee will review these target asset allocations at least once each calendar year, and may do so more frequently. The review will consider the appropriateness of, and flexibility afforded by, these targets.

Asset Class	Target Asset Allocation		
	CareSaver Growth Fund	CareSaver Balanced Fund	CareSaver Conservative Fund
Cash & Cash Equivalents	5%	10%	20%
New Zealand Fixed Income	5%	10%	30%
International Fixed Income	10%	20%	30%
Australasian Equities	20%	15%	10%
International Equities	60%	45%	10%
Other Assets	0%	0%	0%
Total	100%	100%	100%

Tactical asset allocation: We may vary the actual asset allocation away from the target asset allocation, to take advantage of short to medium term market conditions. Tactical asset allocation will be overseen by the Pathfinder Investment Committee.

Permitted Ranges are limits each Fund operates inside (any move outside this range is expected to be remedied within 5 business days of the Manager becoming aware).

Asset Class	Permitted Range		
	CareSaver Growth Fund	CareSaver Balanced Fund	CareSaver Conservative Fund
Cash & Cash Equivalents	0% - 70%	0% - 70%	0% - 70%
New Zealand Fixed Income	0% - 70%	0% - 70%	0% - 80%
International Fixed Income	0% - 70%	0% - 70%	0% - 80%
Australasian Equities	0% - 70%	0% - 70%	0% - 25%
International Equities	0% - 70%	0% - 70%	0% - 25%
Other Assets	0% - 20%	0% - 20%	0% - 20%
Total	100%	100%	100%

Rebalancing: Actual allocations will frequently differ from the Target Asset Allocation but are to remain inside the Permitted Ranges. The Manager may at any time rebalance a Fund's holding(s) closer to the Target Asset Allocation but is not required to do so.

8.0 Currency Hedging

The use of currency hedging is to reduce or alter the potential impact on a Fund from changes in the value of the New Zealand dollar. Below are benchmark hedging positions and permitted ranges for hedging in each Fund:

	Benchmark Hedge Position	Permitted Range
CareSaver Growth Fund	50% of non-NZD equity exposure	-10% - 110%
CareSaver Balanced Fund		
CareSaver Conservative Fund	100% of non-NZD Fixed Income exposure	-10% - 110%

Hedging: The benchmark hedge position reflects a “neutral view” or “base position”. For each Fund the Manager may at any time deviate from the benchmark hedge position (and may deviate significantly).

Permitted range: These are the limits each Fund operates inside (any move outside this range is expected to be remedied within 5 business days of the date the Manager becomes aware of the breach of the limit). The permitted range is very wide to accommodate the fact that the Manager seeks to add value through the level of currency hedging. The range also allows for temporary over-hedging scenarios which may occur as a result of short term market movements.

Currency proxies: While a Fund may have exposure to several foreign currencies, it is not necessary to hedge all currencies. It may be convenient for the USD to be used as a proxy for some or all other currencies.

9.0 Liquidity

The majority of each Fund’s investments are expected to be highly liquid under normal market conditions. This means a significant cash reserve is unlikely to be required. It is possible a Fund could have ‘other assets’ that cannot be sold quickly or easily. These types of assets are expected to only ever be a relatively small percentage of the investments of a Fund.

10.0 Custody

Supervisor: The Supervisor of the Scheme is Public Trust (PT). PT is responsible for the supervision of the Scheme and the performance of Pathfinder’s duties as manager of the Scheme. PT is independent of Pathfinder and is regulated by the Financial Markets Authority.

Custody: All assets of a Fund must be held by the Supervisor or an independent third party sub-custodian appointed by the Supervisor (which may not include the Manager). No Fund assets are to be held in the name of the Manager.

11.0 Derivatives

Derivative contracts may be used by a Fund to manage market risk exposure to equities, foreign currencies, interest rates and to other market investment risks. Derivatives can be futures, options or other instruments in any currency, whether listed on an exchange or ‘over-the-counter’ which means entered into directly with another party.

12.0 Borrowing

No Fund may borrow money to buy investments. There are very limited circumstances permitted under the trust documents which allow borrowing as a liquidity tool, for example (a) to pay Fund expenses or (b) where the Fund has cash deposits higher than the amount being borrowed.

13.0 Review

SIPO review frequency: This SIPO is to be reviewed by the Manager at least once each calendar year. It may be reviewed and changed at any time without prior notice to investors.

SIPO approval: The review process (and on-going changes) will include review and approval by the Pathfinder Investment Committee or the Pathfinder board and consultation with the Supervisor. Revisions to the SIPO will come into effect on the effective date shown on the front cover.

Other policies: Pathfinder has internal policies that are applicable to the management of each Fund. These include our Ethical Investment Policy Trade Allocation Policy and Compliance Manual. Each of these policies will be reviewed at least once every two years, or more frequently if required by changes in market conditions, laws or other circumstances. Each review will be signed off by Pathfinder's Chief Executive, and may also be reviewed by the Board and/or the Pathfinder Investment Committee.