



# YouWealth

## Statement of Investment Policy and Objectives

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Investments in YouWealth (YouWealth or Scheme) are not bank deposits or other liabilities of Bank of New Zealand (BNZ) or any other member of the National Australia Bank Limited (NAB) group. They are subject to investment risk including possible delays in repayment. You could get back less than the total contributed. No person (including the New Zealand Government) guarantees (either fully or in part) the performance or returns of YouWealth Funds or the repayment of amounts contributed. NAB, the ultimate owner of BNZ, is not a registered bank in New Zealand but a licensed bank in Australia and is not authorised to offer the products and services mentioned in this document to customers in New Zealand.

See section 3 'BNZISL invests YouWealth's assets' for details of the proposed change of ownership of BNZISL.

# 1. The SIPO describes our policies and objectives for the Scheme and the Funds

The Statement of Investment Policy and Objectives (SIPO) sets out the way BNZ Investment Services Limited (BNZISL, we, us or our) governs and manages investments held in YouWealth.

It includes information on the investment strategy and objectives, target investment mixes and allowable investment ranges, benchmark indices and authorised investments for the Funds in YouWealth.

# 2. YouWealth offers a range of Funds

YouWealth is a registered Managed Investment Scheme (MIS) under the Financial Markets Conduct Act 2013 (FMCA).

YouWealth offers the following funds (Funds):

- High Growth Fund
- Growth Fund
- Balanced Fund
- Moderate Fund
- Conservative Fund

# 3. BNZISL invests YouWealth's assets

BNZISL, the manager of YouWealth, is responsible for investing the Scheme's assets. Our responsibilities include:

- the investment philosophy for the Funds
- maintaining the investment governance (oversight of how it is managed) framework and ensuring that effective investment policies and processes are in place
- setting the Funds' investment strategies, objectives and guidelines
- approving the investments that the Funds are allowed to invest in
- monitoring the Funds' investment performance
- reviewing and approving changes to this SIPO and ensuring it is adhered to.

We use the skills and expertise of BNZ to carry out some of the functions outlined in this SIPO.

NAB and Jarden Wealth and Asset Management Holdings Limited (Jarden Wealth) have conditionally agreed to combine their New Zealand advice and asset management businesses (BNZISL, JB Were NZ, Jarden Wealth, and Harbour Asset Management) under a newly formed entity called 'FirstCape' (Proposed Transaction). From a day to day perspective, BNZISL will continue to manage the Scheme and BNZ will continue to offer our wealth products and services. The Proposed Transaction is expected to be completed in 2024. You can find further information in the *Other Material Information – More about YouWealth* document on the Disclose Register at [companiesoffice.govt.nz/disclose](https://companiesoffice.govt.nz/disclose)

## 4. Our investment philosophy

### Our investment philosophy beliefs are:

- The mix of investments a fund holds (asset allocation) has the largest influence on the level of risk and potential return.
- A well-diversified portfolio of investments helps investors meet their investment goals.
- Higher potential returns often come with more ups and downs (volatility) along the way. Accepting higher levels of volatility over the short term means there is the potential for higher returns over the long term. This volatility is often referred to as risk.
- It's important that the fees and charges investors pay are cost effective, so that they get to keep more of their returns.
- Both active management (which aims to achieve a return that is higher than that of a market index) and passive management (which aims to achieve a return that is close to that of a market index) have a place in investment management.

- Incorporating environmental, social and governance factors (ESG) into our investment process is important, as these factors are drivers of sustainable long-term returns.

### We implement our investment philosophy by:

- Selecting underlying investment managers who are experts in their specific markets.
- Taking positions away from the strategic asset allocations and strategic level of currency hedging for international equities (from time to time) with the aim of reducing risk/increasing potential return.
- Maintaining a robust governance structure, which leads to better decisions and enables risks to be managed more effectively.

## 5. Each Fund has its own investment strategy and objective

Each Fund provides different risk and potential return outcomes.

We select the mix of authorised investments for each Fund that we consider appropriately reflects its risk profile, investment strategy and objective. Investment choices must also be consistent with our investment philosophy.

### The Funds will hold authorised investments

Each Fund can invest in the asset classes detailed in its fund summary table in this section of the SIPO. The Funds can invest in underlying investment funds managed by

us or underlying investment managers, and hold some operational cash to help us pay redemptions and expenses.

The current list of underlying investment managers can be found on [bnz.co.nz/youwealthmanagers](https://bnz.co.nz/youwealthmanagers). The underlying investment managers can be added to, removed or changed at any time without prior notice.

The Funds can also invest in derivatives as described in the derivatives policy set out in Section 6.

### Benchmark indices

Each Fund's performance is measured against a benchmark index.

The benchmark index for each of the Funds is a composite created from market indices. Each benchmark index is calculated using a market index for each asset class, weighted by the target investment mix for each Fund.

All market indices exclude fees and expenses. The S&P/NZX 50 Index includes the value of imputation credits. These are tax credits that a company can attach to its dividends, which reduces the amount of income tax the recipient needs to pay.

Asset class	Market index	Description	More information
Cash and cash equivalents	Bloomberg NZBond Bank Bill Index	This index is designed to measure the performance of the New Zealand money market by representing a passively managed short-term money market portfolio.	<a href="https://bloomberg.com/quote/BNZBIL:IND">bloomberg.com/quote/BNZBIL:IND</a>
New Zealand fixed interest	Bloomberg NZBond Composite 0+Years Index	This index is designed to measure the performance of the New Zealand debt market. It constitutes a composite of Treasury, Local Government, Supra/Sovereign and Credit instruments.	<a href="https://bloomberg.com/quote/BNZCM0:IND">bloomberg.com/quote/BNZCM0:IND</a>
International fixed interest	Bloomberg Global Aggregate Index (100% hedged to NZD)	The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from 24 local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitised fixed-rate bonds from both developed and emerging market issuers.	<a href="https://bloomberg.com/quote/LEGATRUU:IND">bloomberg.com/quote/LEGATRUU:IND</a>
Australasian equities	S&P/NZX 50 Index (including imputation credits)	This index is designed to measure the performance of the 50 largest, eligible equities listed on the Main Board (NZSX) of the NZX by float-adjusted market capitalisation.	<a href="https://spglobal.com/spdji/en/indices/equity/sp-nzx-50-index/#overview">spglobal.com/spdji/en/indices/equity/sp-nzx-50-index/#overview</a>
International equities	FTSE All World Index (60% hedged to NZD)	This index is a market capitalisation weighted index representing the performance of the large and mid-cap equities from the FTSE Global Equity Index Series. It covers 90-95% of the investable market capitalisation and both developed and emerging markets.	<a href="https://ftserussell.com/products/indices/geisac">ftserussell.com/products/indices/geisac</a>

The market indices and the web pages disclosed above may change or may be renamed or replaced from time to time without prior notice to you.

## High Growth Fund

- Investment strategy and objective

This Fund invests primarily in growth assets, which generally have higher levels of risk with the potential for higher returns. It may also allocate investment to income assets, which generally have lower levels of risk and potential returns. It aims to achieve the highest returns of the Funds over the long term.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Market indices
Cash and cash equivalents <sup>1</sup>	0	0-35	Bloomberg NZBond Bank Bill Index
New Zealand fixed interest	0	0-5	Bloomberg NZBond Composite 0+Years Index
International fixed interest	0	0-5	Bloomberg Global Aggregate Index (100% hedged to NZD)
Total income assets	0	0-40	
Australasian equities	33	18-48	S&P/NZX 50 Index (including imputation credits)
International equities	67	47-80	FTSE All World Index (60% hedged to NZD)
Total growth assets	100	60-100	

<sup>1</sup> This Fund will hold a small proportion in cash for operational purposes.

## Growth Fund

- Investment strategy and objective

This Fund invests mostly in growth assets, which generally have higher levels of risk with the potential for higher returns. It also has a modest allocation to income assets, which generally have lower levels of risk and potential returns. It aims to achieve higher returns over the long term.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Market indices
Cash and cash equivalents	1	0-35	Bloomberg NZBond Bank Bill Index
New Zealand fixed interest	5	0-10	Bloomberg NZBond Composite 0+Years Index
International fixed interest	14	4-24	Bloomberg Global Aggregate Index (100% hedged to NZD)
Total income assets	20	13-52	
Australasian equities	27	12-42	S&P/NZX 50 Index (including imputation credits)
International equities	53	33-73	FTSE All World Index (60% hedged to NZD)
Total growth assets	80	48-87	

## Balanced Growth Fund

- Investment strategy and objective

This Fund invests mostly in growth assets which generally have higher levels of risk with the potential for higher returns. It also has a sizeable allocation to income assets, which generally have lower levels of risk and potential returns. It aims to achieve medium to high levels of return over the long term.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Market indices
Cash and cash equivalents	5	0-10	Bloomberg NZBond Bank Bill Index
New Zealand fixed interest	8	3-13	Bloomberg NZBond Composite 0+Years Index
International fixed interest	22	12-32	Bloomberg Global Aggregate Index (100% hedged to NZD)
Total income assets	35	28-42	
Australasian equities	21	11-31	S&P/NZX 50 Index (including imputation credits)
International equities	44	29-59	FTSE All World Index (60% hedged to NZD)
Total growth assets	65	58-72	



## Balanced Fund

- Investment strategy and objective

This Fund invests largely in growth assets, which generally have higher levels of risk with the potential for higher returns. It also has a sizeable allocation to income assets which generally have lower levels of risk and potential returns. It aims to achieve a medium level of return over the medium to long term.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Market indices
Cash and cash equivalents	5	0-30	Bloomberg NZBond Bank Bill Index
New Zealand fixed interest	9	4-14	Bloomberg NZBond Composite 0+Years Index
International fixed interest	26	11-41	Bloomberg Global Aggregate Index (100% hedged to NZD)
Total income assets	40	33-62	
Australasian equities	20	10-30	S&P/NZX 50 Index (including imputation credits)
International equities	40	25-55	FTSE All World Index (60% hedged to NZD)
Total growth assets	60	38-67	

## Moderate Fund

- Investment strategy and objective

This Fund invests largely in income assets, which generally have lower levels of risk with the potential for lower returns. It also has a sizeable allocation to growth assets, which generally have higher levels of risk and potential returns. It aims to achieve moderate returns over the medium term.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Market indices
Cash and cash equivalents	15	5-35	Bloomberg NZBond Bank Bill Index
New Zealand fixed interest	11	1-21	Bloomberg NZBond Composite 0+Years Index
International fixed interest	34	19-49	Bloomberg Global Aggregate Index (100% hedged to NZD)
Total income assets	60	53-77	
Australasian equities	13	3-23	S&P/NZX 50 Index (including imputation credits)
International equities	27	12-42	FTSE All World Index (60% hedged to NZD)
Total growth assets	40	23-47	

## Conservative Fund

- Investment strategy and objective

This Fund invests mostly in income assets, which generally have lower levels of risk with the potential for lower returns. It also has a modest allocation to growth assets, which generally have higher levels of risk and potential returns. It aims to achieve relatively stable returns over the short to medium term.

Asset class	Target investment mix (%)	Allowable investment ranges (%)	Market indices
Cash and cash equivalents	25	15-40	Bloomberg NZBond Bank Bill Index
New Zealand fixed interest	14	4-24	Bloomberg NZBond Composite 0+Years Index
International fixed interest	41	26-56	Bloomberg Global Aggregate Index (100% hedged to NZD)
Total income assets	80	73-92	
Australasian equities	7	2-12	S&P/NZX 50 Index (including imputation credits)
International equities	13	3-23	FTSE All World Index (60% hedged to NZD)
Total growth assets	20	8-27	

## 6. BNZISL manages the Scheme

We maintain several policies and processes relevant to YouWealth. A summary of these follows.

### **We take responsible investment considerations into account**

BNZ's Responsible Investment Policy applies to YouWealth. We take responsible investment, including environmental, social, and governance (ESG) considerations, into account in the investment policies and procedures of YouWealth. For an explanation of the extent to which responsible investment is taken into account in those policies and procedures, see [bnz.co.nz/investingresponsibly](https://bnz.co.nz/investingresponsibly)

A copy of BNZ Investment Services Limited Responsible Investment Policy is available at [companiesoffice.govt.nz/disclose](https://companiesoffice.govt.nz/disclose)

### **We manage conflicts of interest**

We are committed to managing conflicts of interest, by adopting BNZ's Conflicts of Interest & Gifts Policy, which sets out BNZ's policy and procedures that employees must follow.

We may use related parties to provide services to the Funds, including staffing services, banking facilities and investments in other investment vehicles managed by us or related parties.

We conduct all transactions with related parties of YouWealth on arms' length commercial terms (as if the parties were independent) and follow the rules on related party transactions that apply to Managed Investment Schemes under the FMCA.

For more information on related-party transactions under the FMCA go to: [fma.govt.nz/library/guidance-library/related-party-transactions-under-the-financial-markets-conduct-act-2013/](https://fma.govt.nz/library/guidance-library/related-party-transactions-under-the-financial-markets-conduct-act-2013/)

### **We have a currency hedging strategy**

Currency hedging is a way to protect investors against the impact of changes in exchange rates that affect the value of investments made overseas.

Foreign currency hedging may be implemented within the underlying investment funds by the investment managers of those funds. We may also approve another party to implement currency hedging. Where we invest in an underlying investment fund, we consider that fund's strategic hedging policy at the time we select it, and regularly review its compliance with this policy. Section 7 of this SIPO has more details on our current approach to currency hedging. This approach may change from time to time.

### **We can invest in derivatives for specific purposes**

A derivative is a financial instrument that has its value based on the value of an actual financial asset, index or rate (such as a particular currency, equity, or fixed interest investment).

We may use derivatives for currency hedging purposes and for maintaining asset class exposure during asset transitions. The underlying investment funds in which the Funds invest may use derivatives for managing currency, mitigating risk, efficient portfolio implementation and enhancing returns.

### **Our underlying investment managers do not use leverage**

We do not use leverage in the Funds, and do not allow our underlying investment managers to use leverage in the portfolios of YouWealth assets they manage. Leverage is borrowing money or using derivatives to gain a financial exposure that is greater than the financial exposure that can be obtained through the use of physical assets, with the purpose of increasing the potential gains on an investment. Although leverage can increase gains, it can also increase losses.

### **Our funds may borrow for operational purposes**

Subject to any requirements of the governing document for YouWealth, the Funds may borrow, on a temporary basis, for the purposes of conducting the management or operations of the Fund, including the payment of redemptions to or in respect of investors.

### **We maintain liquidity**

An investment is liquid when it is quick and easy to convert to cash without having a significant impact on its value. It is important for our Funds to maintain an appropriate level of liquidity to be able to meet our cash flow requirements.

We maintain liquidity by investing in authorised investments that have satisfactory levels of liquidity themselves. Each of the Funds also holds some operational cash to help us pay redemptions and expenses.

## We may move away from our target investment mixes

The target investment mix for each Fund reflects our strategic asset allocation (the mix of asset classes that we believe will allow us to meet our long-term performance objectives). From time to time, we may move away from the Funds' target investment mixes set out in Section 5 of this SIPO. We do this with the aim of:

- reducing the risk of a potential loss of value; and/or
- improving the Funds' returns.

When we do this, we will only move within the allowable investment ranges that are set out in Section 5 of this SIPO.

The Funds' allowable investment ranges for Cash and cash equivalents and Total income assets have been set to enable us to significantly reduce exposure to growth assets and significantly increase exposure to Cash and cash equivalents. Such a position may be established on a temporary basis, under certain market conditions (such as an equity market downturn). It will generally lower the level of risk of a Fund and may also reduce its potential returns. The aim of doing this is to protect the Funds' investments from significant capital losses. The Funds' allowable investment ranges do not allow us to materially increase exposure to growth assets, because doing this will generally increase the level of risk of a Fund.

## 7. How we implement our strategies and policies

### How we build each Fund

We start with determining the asset allocation, or proportion of each fund that will be invested in each asset class, for each Fund. The Funds invest in more than one asset class.

We then choose one or more underlying investment managers to manage the assets in each asset class. We consider a range of factors when picking these underlying investment managers, including:

- their investment philosophy and the way they invest (also known as their investment style)
- their track record of investment performance
- the way they incorporate Environmental, Social and Governance (ESG) into their investment process
- the fees they charge us.

We agree a set of rules (known as a mandate) with each underlying investment manager that sets out how they are expected to manage these assets.

### How we invest

The underlying investment managers, or any third party delegated this function by them, buy and sell the assets of the YouWealth.

### How we manage currency for overseas investments

The way we manage foreign currency depends on the type of asset class. We use an investment technique called hedging to do this. Hedging, in this context, seeks to reduce the effect of changes in the exchange rate between the New Zealand dollar and foreign currencies. You can find the current hedging levels in the Fund Updates available at [bnz.co.nz/youwealthhelp](https://bnz.co.nz/youwealthhelp)

- **International fixed interest**  
We aim to hedge 100% of the YouWealth international fixed interest investments to the New Zealand dollar.
- **International equities**  
We aim to hedge 60% of the YouWealth international equity investments to the New Zealand dollar. From time to time, we may target a different hedging position to this. We are allowed to hedge between 0% and 100% of the YouWealth international equity investments to the New Zealand dollar.
- **Australian equities within the Australasian equities asset class**  
We aim to hedge 100% of the foreign currency exposure arising from the Australian equities held in the Australasian equities asset class to the New Zealand dollar.

## 8. We apply four risk management principles

We follow these risk management principles.

- Risk can be reduced by holding many investments across asset classes, countries, sectors, securities and styles of investing.
- Regular and ongoing monitoring of investments enables the early identification of risks and the swift implementation of actions to mitigate these risks.
- Liquidity of the Funds is a key consideration and should be maintained at an appropriate level.
- Investing in quality assets helps us meet our investment goals. For example, the Scheme's fixed interest exposures mainly comprise investment-grade securities.

## 9. When we monitor and review

### Reviewing the SIPO

BNZ Management (management) reviews this SIPO at least every year.

It may also carry out an ad-hoc review due to:

- offering a new fund
- a change to a fund's target investment mix and/or allowable investment objectives
- a change to a Fund's investment strategy and objective
- a change to the underlying investment funds and/or investment managers
- material changes in market conditions
- a change in law or regulation
- any other reason where it considers it necessary and appropriate.

When management reviews the SIPO, it considers our investment philosophy and the Funds' investment strategies and objectives. Any changes are approved in accordance with our internal processes. This may include approval by internal committees. We may also consult with the Supervisor prior to approving any changes to the SIPO and provide written notice of the changes to the Supervisor before the changes take place. Any material changes to the SIPO will be outlined in the Scheme's annual report.

The current version of this SIPO is available on the Scheme's Disclose Register. Find this at [companiesoffice.govt.nz/disclose](https://companiesoffice.govt.nz/disclose)

### Monitoring target investment mixes and rebalancing

We monitor the Funds' investment mixes regularly. If a Fund's investment mix falls outside its allowable investment ranges, we act to bring the investment mix back within the allowable investment ranges. We do this by buying and selling assets:

- within five working days, or
- as soon as reasonably practicable considering factors like the ability to buy or sell assets and transaction costs.

The target investment mixes and allowable investment ranges represent the exposure to the Funds' authorised investments. However, the assets within the authorised investments are not considered when rebalancing.

### Approving and reviewing authorised investments

We approve each Fund's authorised investments in accordance with Section 5 of this SIPO.

We review the Funds' authorised investments at least once a year, or more often if necessary to make sure they remain appropriate and meet the requirements of this SIPO.

### Monitoring and reporting of investment performance

We regularly monitor and report on the investment performance of the Funds and the underlying investment funds.

We monitor each Fund's performance using a performance measure referred to as a benchmark index. As the Funds have multiple asset classes, every month we monitor performance against a mix of market indices detailed in Section 5 of this SIPO.

The performance of each asset class is monitored every month against its respective market index set out in Section 5 of this SIPO.

The performance of the Funds and each asset class is measured over multiple timeframes ranging from one month to since inception.

