

YouWealth

Statement of Investment Policy and Objectives (SIPO)

ISSUED BY BNZ INVESTMENT SERVICES LIMITED
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1. Description of the Managed Investment Scheme

YouWealth (“the Scheme”) is a registered managed investment scheme under the Financial Markets Conduct Act 2013 (“FMCA”). The Scheme offers the following funds (“the Funds”) for investors to choose from:

- › Income Fund
- › Moderate Fund
- › Balanced Fund
- › Balanced Growth Fund
- › Growth Fund

2. Governance

BNZ Investment Services Limited (“BNZISL”) is the manager of the Scheme (“the Manager”) and responsible for the investment of the Scheme’s assets. The Manager’s responsibilities include:

- › Maintaining the investment governance framework including effective investment policies and processes;
- › Developing, determining, implementing and amending the investment philosophy for the Funds;
- › Setting the Funds’ investment strategies, objectives and fund parameters;
- › Approving the Funds’ authorised investments;
- › Monitoring the Funds’ investment performance;
- › Reviewing and approving changes to the SIPO and ensuring it is adhered to; and
- › Reporting any Limit Breaks (as defined in the FMCA) to the New Zealand Guardian Trust Company Limited (“Supervisor”), in accordance with the requirements of the FMCA.

BNZISL is a wholly owned subsidiary of Bank of New Zealand (“BNZ”).

BNZISL utilises the skills and expertise of BNZ to carry out a number of the functions outlined in this SIPO.

3. Investment Philosophy

The Manager's investment philosophy is based on the following beliefs:

- › Asset allocation is the primary driver of risk and return.
- › Diversification across asset classes, countries, sectors, securities and styles reduces risk and can improve return.
- › Risk and return are related. By accepting higher levels of risk, there is the potential for higher returns over the long term.
- › Financial markets can be inefficient which can, from time to time, provide an opportunity to add value through an active approach to investment management.

The Manager's investment philosophy is implemented by:

- › Investing in authorised investments that are managed by fund managers who are experts in their particular market. In some instances, the Manager may approve authorised investments that are direct securities. The current authorised investments into which the Funds invest can be found in Section 4 of this SIPO.
- › Maintaining a well-defined governance structure which leads to better decisions and enables risks to be managed more effectively.
- › Minimising the potential impact of fees, taxes and other costs, which can impact returns.

4. Fund Investment Strategies and Objectives

The Scheme has five Funds, providing a range of risk and return outcomes for investors to choose from.

The investment strategy and objectives, target investment mixes and allowable investment ranges, benchmark indices and authorised investments for the Funds are set out over the following pages.

In approving the Funds' authorised investments, the Manager will select investments that it considers appropriately reflect the risk profile and investment strategy and objective of the Funds and are consistent with the Manager's investment philosophy.

All benchmark indices exclude fees and expenses. More information on the benchmark indices can be found in the Market Indices document on the Scheme's Disclose Register entry under Other Material Information at

disclose-register.companiesoffice.govt.nz/disclose

Income Fund

Investment strategy and objective

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

Asset Class	Target Investment Mix (%)	Allowable Investment Ranges (%)	Benchmark Index
Cash and cash equivalents	10	5 - 15	S&P/NZX Bank Bills 90-Day Index
New Zealand fixed interest ¹	18	12 - 24	50% S&P/NZX Government Bond Index 50% S&P/NZX Investment Grade Corporate Bond Index
International fixed interest	52	42-62	Bloomberg Barclays Global Aggregate Index (100% hedged to New Zealand dollars)
Total Income Assets	80	73 -87	
Australasian equities	6	1 - 11	S&P/NZX 50 Index (including imputation credits)
International equities	14	8 - 20	MSCI All Country World Index (50% hedged to New Zealand dollars)
Total Growth Assets	20	13- 27	

Authorised Investments

The Fund can invest in any of the asset classes listed in the table above either directly or via investment in underlying investment funds.

The Fund can also invest in derivatives as described in the derivatives policy set out in Section 5 of this SIPO.

The Fund currently achieves its investment strategy and objectives by investing in underlying investment funds. The current list of underlying investment funds into which the Fund invests can be found on the Scheme's Disclose Register entry under Other Material Information at disclose-register.companiesoffice.govt.nz/disclose or at bnz.co.nz/youwealth-investment-approach and these may change from time to time.

1. The exposure to New Zealand fixed interest may include an exposure to Australian fixed interest assets of between 0% and 20%.

Moderate Fund

Investment strategy and objective

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

Asset Class	Target Investment Mix (%)	Allowable Investment Ranges (%)	Benchmark Index
Cash and cash equivalents	10	5 - 15	S&P/NZX Bank Bills 90-Day Index
New Zealand fixed interest ¹	14	8 - 20	50% S&P/NZX Government Bond Index 50% S&P/NZX Investment Grade Corporate Bond Index
International fixed interest	41	32 - 50	Bloomberg Barclays Global Aggregate Index (100% hedged to New Zealand dollars)
Total Income Assets	65	58 - 72	
Australasian equities	11	5 - 17	S&P/NZX 50 Index (including imputation credits)
International equities	24	17 - 31	MSCI All Country World Index (50% hedged to New Zealand dollars)
Total Growth Assets	35	28 - 42	

Authorised Investments

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The Fund currently achieves its investment strategy and objectives by investing in underlying investment funds. The current list of underlying investment funds into which the Fund invests can be found on the Scheme's Disclose Register entry under Other Material Information at disclose-register.companiesoffice.govt.nz/disclose or at bnz.co.nz/youwealth-investment-approach and these may change from time to time.

1. The exposure to New Zealand fixed interest may include an exposure to Australian fixed interest assets of between 0% and 20%.

Balanced Fund

Investment strategy and objective

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

Asset Class	Target Investment Mix (%)	Allowable Investment Ranges (%)	Benchmark Index
Cash and cash equivalents	5	0 – 10	S&P/NZX Bank Bills 90-Day Index
New Zealand fixed interest ¹	11	5 – 17	50% S&P/NZX Government Bond Index 50% S&P/NZX Investment Grade Corporate Bond Index
International fixed interest	34	26 – 42	Bloomberg Barclays Global Aggregate Index (100% hedged to New Zealand dollars)
Total Income Assets	50	43 – 57	
Australasian equities	16	10 – 22	S&P/NZX 50 Index (including imputation credits)
International equities	34	26 – 42	MSCI All Country World Index (50% hedged to New Zealand dollars)
Total Growth Assets	50	43 – 57	

Authorised Investments

The Fund can invest in any of the asset classes listed in the table above either directly or via investment in underlying investment funds.

The Fund can also invest in derivatives as described in the Derivatives policy set out in Section 5 of this SIPO.

The Fund currently achieves its investment strategy and objectives by investing in underlying investment funds. The current list of underlying investment funds into which the Fund invests can be found on the Scheme's Disclose Register entry under Other Material Information at disclose-register.companiesoffice.govt.nz/disclose or at bnz.co.nz/youwealth-investment-approach and these may change from time to time.

1. The exposure to New Zealand fixed interest may include an exposure to Australian fixed interest assets of between 0% and 20%.

Balanced Growth Fund

Investment strategy and objective

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

Asset Class	Target Investment Mix (%)	Allowable Investment Ranges (%)	Benchmark Index
Cash and cash equivalents	5	0 – 10	S&P/NZX Bank Bills 90-Day Index
New Zealand fixed interest ¹	8	3 – 13	50% S&P/NZX Government Bond Index 50% S&P/NZX Investment Grade Corporate Bond Index
International fixed interest	22	15 – 29	Bloomberg Barclays Global Aggregate Index (100% hedged to New Zealand dollars)
Total Income Assets	35	28 – 42	
Australasian equities	21	14 – 28	S&P/NZX 50 Index (including imputation credits)
International equities	44	35 – 53	MSCI All Country World Index (50% hedged to New Zealand dollars)
Total Growth Assets	65	58 – 72	

Authorised investments

The Fund can invest in any of the asset classes listed in the table above either directly or via investment in underlying investment funds.

The Fund can also invest in derivatives as described in the Derivatives policy set out in Section 5 of this SIPO.

The Fund currently achieves its investment strategy and objectives by investing in underlying investment funds. The current list of underlying investment funds into which the Fund invests can be found on the Scheme's Disclose Register entry under Other Material Information at disclose-register.companiesoffice.govt.nz/disclose or at bnz.co.nz/youwealth-investment-approach and these may change from time to time.

1. The exposure to New Zealand fixed interest may include an exposure to Australian fixed interest assets of between 0% and 20%.

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 has an allocation to income assets which generally have lower levels of risk and return. It aims to achieve higher returns over the long term.

Asset Class	Target Investment Mix (%)	Allowable Investment Ranges (%)	Benchmark Index
Cash and cash equivalents	5	0 - 10	S&P/NZX Bank Bills 90-Day Index
New Zealand fixed interest ¹	4	0 - 9	50% S&P/NZX Government Bond Index 50% S&P/NZX Investment Grade Corporate Bond Index
International fixed interest	11	5 - 17	Bloomberg Barclays Global Aggregate Index (100% hedged to New Zealand dollars)
Total Income Assets	20	13 - 27	
Australasian equities	26	19 - 33	S&P/NZX 50 Index (including imputation credits)
International equities	54	44 - 64	MSCI All Country World Index (50% hedged to New Zealand dollars)
Total Growth Assets	80	73 - 87	

Authorised Investments

The Fund can invest in any of the asset classes listed in the table above either directly or via investment in underlying investment funds.

The Fund can also invest in derivatives as described in the derivatives policy set out in Section 5 of this SIPO.

The Fund currently achieves its investment strategy and objectives by investing in underlying investment funds. The current list of underlying investment funds into which the Fund invests can be found on the Scheme's Disclose Register entry under Other Material Information at disclose-register.companiesoffice.govt.nz/disclose or at bnz.co.nz/youwealth-investment-approach and these may change from time to time.

1. The exposure to New Zealand fixed interest may include an exposure to Australian fixed interest assets of between 0% and 20%.

5. Policies

The Manager maintains a number of policies relevant to the Scheme. A summary of the relevant policies is as follows:

Conflicts of interest

The Manager is committed to managing conflicts of interests that may arise, by adopting BNZ's Conflicts of Interest & Gifts Policy, which sets out BNZ's policy and procedures that employees must abide by as part of their employment.

Currency hedging strategy

The Manager uses currency hedging to mitigate the impact of currency movements. Where the Funds have foreign currency exposure, foreign currency hedging may be implemented within the underlying managed funds in which the Funds invest. The underlying funds' strategic hedging policy is considered at the time such funds are selected, and is reviewed on a regular basis. Foreign currency hedging may also be implemented by another party that has been approved by the Manager. See Section 6 of this SIPO or bnz.co.nz/youwealth-investment-approach for details of the current approach to currency hedging. This approach may change from time to time.

The parties that are responsible for currency hedging will attest to the Manager on a regular basis that foreign currency hedging has been implemented in compliance with this SIPO.

Derivatives

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

Leverage

The Funds are not permitted to use leverage. However, underlying managed funds in which the Funds invest may use leverage.

Liquidity management

Liquidity is maintained by investing in authorised investments with satisfactory liquidity. Each of the Funds also holds an allocation to cash and cash equivalents to help the Manager meet redemptions and expenses.

Pricing and valuation

Information on the valuation and unit pricing methodology in relation to the Scheme's assets is available on the Scheme's Disclose Register entry under Other Material Information, at disclose-register.companiesoffice.govt.nz/disclose

The valuation of the Scheme's assets and the unit pricing of each of the Funds are currently outsourced to a third party service provider.

Related party transactions

The Manager may use related parties to provide services to the Funds, including but not limited to staffing services, banking facilities and investments in other investment vehicles managed by related parties.

The Manager conducts all transactions with related parties of the Scheme on arm's length commercial terms and in accordance with 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

Target investment mixes and rebalancing

The target investment mix for each Fund reflects the Managers' strategic asset allocation. From time-to-time, the Manager may take positions away from the Funds' target investment mixes set out in Section 4 of this SIPO, with the aim of protecting the Funds from downside risk to asset values and/or improving the Funds' returns. These positions will be managed within the allowable investment ranges that are set out in Section 4 of this SIPO.

For the avoidance of doubt, the target investment mixes and allowable investment ranges represent the exposure to the Funds' authorised investments and do not require a look through to the assets held by the underlying funds in which the Funds invest.

The Manager will monitor the Funds' investment mixes on a regular basis to ensure that each Fund is within its allowable investment ranges. Rebalancing will occur as required through the buying and selling of assets to ensure that the investment mixes of the Funds remain within the allowable investment ranges.

Taxation

Each of the Funds is a Portfolio Investment Entity ("PIE"). Each Fund pays tax on the taxable income attributable to each investor at their advised prescribed investor rate. The Manager monitors compliance with the PIE eligibility requirements in maintaining the PIE tax status of the Funds.

6. Implementation

Fund construction

The Manager currently implements the construction of a Fund by investing in underlying managed funds, but may also invest in direct securities. The selection of any securities or managers within those underlying managed funds will be determined by the external investment managers of those underlying managed funds.

Where there is a change to a Fund's target investment mix or to an underlying managed fund resulting in a transition of assets, a Fund's investment mix will be maintained within its allowable investment ranges. Should a Fund fall outside its allowable investment ranges as a result of a change, the Fund will be brought back within range as soon as reasonably practicable in accordance with the target investment mixes and rebalancing policy set out in Section 5 of this SIPO.

The current list of underlying investment funds into which the Funds invest can be found on the Scheme's Disclose Register under Other Material Information at disclose-register.companiesoffice.govt.nz/disclose or at bnz.co.nz/youwealth-investment-approach

Execution

Transactions within the underlying managed funds are carried out by the managers of the underlying managed funds, or a third party to which the underlying manager has delegated this function. Where a Fund invests in direct securities, transactions will be carried out by a party appointed by the Manager.

Currency management

The Manager currently seeks to fully hedge any foreign currency exposure in the Scheme's fixed interest investments to the New Zealand dollar to the greatest extent practicable.

The Manager seeks to hedge 50% of its International Equities investments to the New Zealand dollar. From time-to-time the Manager may move away from this position. The Manager is permitted to hedge between 0% and 100% of its International Equities investments to the New Zealand dollar.

Investments in Australian equities may be between 0% and 100% hedged to the New Zealand dollar.

7. Risk Management

Risk management principles

The Manager has established the following risk management principles, which are to be adhered to:

- › An appropriate level of diversification across securities, sectors, asset classes and countries will be maintained.
- › Investment related risks will be managed on a professional and prudent basis.
- › Liquidity will be considered and maintained at an appropriate level.

8. Review and Monitoring

SIPO

The Manager will review this SIPO no less frequently than annually or sooner if appropriate, due to events including, but not limited to changes to:

- › The Funds' target investment mixes and allowable investment ranges;
- › The Funds' investment strategies, objectives and authorised investments;
- › The Scheme's governance framework and policies; and
- › Relevant government policy and market conditions.

In reviewing and approving changes to the SIPO, the Manager will take into consideration the Manager's investment philosophy and the Funds' investment strategies and objectives. The Manager will consult with the Supervisor prior to approving any changes to the SIPO and provide written notice of the changes to the Supervisor prior to the effective date of the changes.

The most current version of this SIPO is available on the Scheme's Disclose Register at disclose-register.companiesoffice.govt.nz/disclose

Target investment mixes and rebalancing

The Manager will monitor the Funds' investment mixes on a monthly basis or more frequently if market conditions warrant it in accordance with the target investment mixes and rebalancing policy set out in Section 5 of this SIPO.

If, on a regular review, a Fund's investment mix fall outside its allowable investment ranges, action will be taken to bring the investment mixes back within the allowable investment ranges by buying and selling assets within five working days, or as soon as reasonably practicable taking into account such items as the ability to buy or sell assets and transaction costs.

Process for approving and monitoring authorised investments

The Manager will approve each Fund's authorised investments in accordance with Section 4 of this SIPO.

The Manager will monitor the Funds' investments on a monthly basis to ensure compliance with this SIPO. The Manager will review the appropriateness of the Funds' authorised investments on an annual basis, or more frequently if market conditions, or changes to nature or characteristics of the authorised investments, warrant it.

Performance monitoring and reporting of investment performance

The Manager will monitor and report on the investment performance of the Funds and the underlying managed funds on a regular basis.

The performance of the Funds is monitored relative to a weighted average of the benchmark indices in Section 4 of this SIPO on a monthly basis, and against comparable Managed Investment Scheme funds on a quarterly basis, if available. The performance of the underlying managed funds is monitored relative to the respective benchmark indices in Section 4 of this SIPO on a monthly basis.

The performance of the Funds and the underlying managed funds are measured over one, three and six-month periods, one year, as well as various annualised periods (i.e. three years, five years and ten years).