

Aon Master Trust

Statement of Investment Policy and Objectives

Prepared by **Superannuation Management Nominees Limited**

Effective date: 1 October 2019



1 Introduction

Purpose

The purpose of this statement of investment policy and objectives (**SIPO**) is to document the investment objectives, investment strategy, performance monitoring criteria and the policies and constraints to be observed in the management of the Aon Master Trust (the **Scheme**).

This document forms part of the governance framework for the Scheme. It identifies the responsibilities of the parties involved in the management of the Scheme's assets.

Responsibilities

Superannuation Management Nominees Limited (**SMNL**) is the trustee and manager of the Scheme (**Trustee**) and is responsible for, amongst other things, the investment of the Scheme's assets.

The Trustee delegates certain of its manager functions to Aon New Zealand (**Aon**) and to certain external parties in order to meet its responsibilities as manager of the Scheme.

Aon, a subsidiary of Aon Holdings New Zealand, is the Scheme's investment manager and investment consultant and provides investment advice to the Trustee.

The Aon Investment Committee (**AIC**) assists the Trustee in overseeing the investment activities of the Scheme, in particular with respect to performance monitoring and SIPO reviews.

Day-to-day investment management responsibilities have been delegated to four experienced underlying investment managers:

- ANZ New Zealand Investments Limited
- Russell Investment Group Limited
- Nikko Asset Management New Zealand Limited
- Milford Funds Limited

The Aon Retirement and Investment Risk and Compliance Committee (**ARIRCC**) assists the Trustee in managing risks in relation to the Scheme. These risks include operational, compliance, information technology, money laundering and business continuity risk considering the risk of reputation damage and financial loss.

The Aon Product Committee (**APC**) assists the Trustee to oversee the Scheme's product-related activities, in particular, disclosure matters.

The AIC, ARIRCC and APC all operate under charters which have been approved by the Trustee and which clearly set out their responsibilities and authorities. Appropriate specialists from within Aon are on each of the committees.

Glossary

For an explanation of terms refer to the document entitled '**Aon Master Trust Glossary of terms**' available on the Disclose Register at disclose-register.companiesoffice.govt.nz.

2 Description of the Scheme

The Aon Master Trust is a registered restricted workplace savings scheme under the Financial Markets Conduct Act 2013 (**FMC Act**). It is a trust governed by a trust deed and is a defined contribution scheme.

As at the date of this SIPO, there are 24 investment funds in which the Scheme is invested, including some single sector funds:

- ANZ New Zealand Investments Limited (**ANZ**)
 - ANZ Cash Fund
 - ANZ Capital Stable Fund*
 - ANZ Conservative Fund
 - ANZ Balanced Fund
 - ANZ Growth Fund
 - AMT NZ Bond Fund*
 - AMT International Bond Fund*
 - AMT Australasian Shares Fund*
 - AMT International Shares Fund*
 - AMT Australasian Property Fund*
 - AMT International Property Fund*
- Russell Investment Group Limited (**Russell**)
 - Russell LifePoints® Conservative Fund
 - Russell LifePoints® Moderate Fund
 - Russell LifePoints® Balanced Fund
 - Russell LifePoints® Growth Fund
 - Russell LifePoints® Target Date 2015 Fund*
 - Russell LifePoints® Target Date 2025 Fund
 - Russell LifePoints® Target Date 2035 Fund
 - Russell LifePoints® Target Date 2045 Fund
- Nikko Asset Management New Zealand Limited (**Nikko**)
 - Nikko Cash Fund
 - Nikko Conservative Fund
 - Nikko Balanced Fund
 - Nikko Growth Fund
- Milford Funds Limited (**Milford**)
 - Milford Active Growth Wholesale Fund

* these investment funds are no longer available for members to select.

3 Investment objectives

Scheme objectives

The objective of the Scheme is to provide a range of investment options that allow members to choose a fund that meets their requirements and is consistent with their risk/return requirements.

Investment objectives

Each investment fund has a specific investment objective. The objective for each investment fund is set out in schedules 1 to 5.

Investment performance objectives

Each investment fund has an investment performance objective to outperform both the benchmark return (defined below) and the median manager from a relevant peer group. Investment performance objectives are set out in schedules 1 to 5.

Benchmark return

The benchmark return is calculated as the return before tax and fees that would have been earned had the assets of the investment fund been invested in line with the benchmark asset allocation and each asset class had earned the return of the relevant market index.

Changes to investment strategy or underlying manager

On occasion a change may be made to the investment strategy of an investment fund, or to one or more of the underlying investment managers. In such cases, it may be necessary to transfer assets from one underlying investment manager or fund to another. This may give rise to a temporary asset allocation which is significantly different to the target mix stated for the investment fund and which may fall outside the permitted range for the relevant fund. This could also have a short-term impact on returns.

4 Investment philosophy

The Trustee's investment philosophy is framed by a set of fundamental beliefs:

- Effective governance is a necessary condition for investment success.
- Risk and return are inherently related in investing – generally, greater return requires greater risk.
- Diversification reduces risk.
- Asset markets can be inefficient and active managers can generally add value over benchmarks.
- Success with active management requires strong conviction on the part of the investor, based on robust research.
- Asset allocation is the key factor determining long term investment performance in a broadly diversified portfolio.

5 Investment strategy

Underlying investment manager selection

The Trustee seeks to offer a variety of investment options which cater to a diverse range of members with differing needs and objectives. The AIC makes recommendations to the Trustee on underlying investment manager selection with advice from the investment consultant.

Information is drawn from:

- Aon's Global Investment Management (**GIM**) team
- Interviews with underlying investment managers
- Updates from underlying investment managers
- Third-party information (research databases, internet searches)

Selection criteria include:

- Investment staff
- Investment process
- Risk management
- Operational due diligence
- Performance analysis
- Terms and conditions
- Environmental, social and governance practices

With operational due diligence, an assessment is made of the firm's operations and control infrastructure in the context of its size, business complexity, and asset class exposure.

Investment strategies

Investment strategies for each investment fund, including benchmark asset allocations (also referred to as target mix), benchmark asset allocation ranges and benchmark (market) indices are set out in schedules 1 to 5.

Permitted investments

Underlying investment managers used by the Scheme may invest in a broad range of shares, fixed interest investments, listed property trusts, cash instruments and in managed funds. Securities held by underlying investment managers may be listed or unlisted. Underlying investment managers may borrow, short-sell securities and use derivatives.

Underlying investment managers provide Aon with a list of authorised investments or mandate details for each investment fund that is consistent with the SIPO and must notify Aon in writing as soon as practicable if this list or mandate changes. If a breach occurs, the underlying investment manager must notify Aon of the breach as soon as becoming aware of it or within the timeframe specified in the agreement Aon has in place with the underlying manager. Aon has to report any changes or breaches to the Trustee as soon as Aon becomes aware of them.

6 Investment policies

Rebalancing policy

The rebalancing policies for each investment fund are set out in schedules 1 to 5. Rebalancing is expected to occur in an orderly fashion within an expected timeframe of five working days. However, the maximum rebalance period may be up to three months for illiquid sectors such as alternative assets.

For all investment funds, any breaches of the permitted ranges must be reported to the Trustee as soon as Aon becomes aware of the breach. All breaches will be corrected and reported in accordance with the FMC Act, and corrected not later than five working days after the date on which the Trustee becomes aware of the breach.

Hedging policy

The Trustee believes that currency exposure can increase volatility in asset class performance and this is not desirable in all asset classes. Therefore the international property, listed infrastructure and international fixed interest portfolios will be managed to a 100% hedged benchmark at all times. However, the underlying investment managers are permitted to take currency risk within the international fixed interest portfolios in order to seek to outperform the benchmark.

Within an international share portfolio, currency exposure is desirable as it adds diversification and can be a source of additional return. However, for New Zealand based investors there may be a premium to be earned by hedging currency exposure as a result of interest rate differentials. Therefore the Trustee has determined that the benchmark position for international shares is to be 50% hedged.

Tactical asset allocation policy

Tactical asset allocation is not undertaken in the ANZ Cash Fund, ANZ Capital Stable Fund, Nikko Cash Fund, Nikko Conservative Fund or in any of the Russell investment funds.

For the ANZ Conservative, Balanced and Growth Funds and the Nikko Balanced and Growth Funds, the underlying investment managers are empowered to make tactical asset allocation decisions within the trading ranges for the underlying funds in which the funds are invested. Also, the underlying investment manager of the Milford Active Growth Wholesale Fund is empowered to make tactical asset allocation decisions within the permitted ranges outlined for the fund. The underlying investment managers will make these investment decisions on an active and continuous basis to seek to improve the risk-adjusted returns of the funds.

Liquidity and cash management policy

Within each investment fund, sufficient assets must be held in readily marketable securities (cash and listed securities) so that there is adequate liquidity to meet benefit payments as they fall due.

Each investment fund may hold a small amount of transactional cash for operational purposes. This is in addition to the permitted investments invested in by the underlying investment manager.

Market risk management policy

Market risk is mitigated by adopting benchmark asset allocations for each investment fund (except Milford) which are consistent with the objectives for that investment fund.

All investment funds (with the exception of single sector funds) are diversified across a range of asset classes and a broad range of securities within each asset class.

Credit risk management policy

Underlying investment managers responsible for fixed interest investments are required to hold diversified portfolios which limit exposure to a single debt issuer. The underlying investment managers must provide the Trustee with a current list of the restrictions that apply to the management of fixed interest portfolios, including the permitted allocation to sub-investment grade or unrated securities.

Conflicts of interest/related parties

The Scheme uses a related party to provide investment consulting services, namely Aon New Zealand. Related party services are provided on arm's length commercial terms in accordance with the rules on related party transactions that apply to managed investment schemes under the FMC Act.

Aon's Global Conflicts of Interest Policy provides guidance on identifying potential and actual conflicts and on avoiding and managing them.

Responsible investment policy

The Trustee believes that over the long term, companies with strong environmental, social and governance (**ESG**) practices should deliver stronger risk-adjusted returns than those without.

Aon globally as well as all the underlying investment managers are global signatories to the United Nations Principles for Responsible Investment. These six principles recognise the importance of incorporating environmental, social and governance issues into investment processes. The Trustee, Aon globally and the underlying investment managers seek out companies with good ESG practices, to provide scheme members with funds that meet members' needs and expectations.

7 Performance and compliance monitoring

Performance monitoring

The performance of the investment funds towards their long term objectives and the underlying investment managers against their performance targets is monitored quarterly by the investment consultant with the assistance of the underlying investment managers. The underlying investment managers are required to report on the following areas:

- The investment performance of the investment funds relative to their long term investment objectives.
- The investment performance of the underlying investment manager against the agreed targets.
- Any other information that would assist the Trustee in further understanding the performance of the investment funds or the underlying investment manager.

Investment performance objectives – sectors

As part of the overall understanding of performance, monitoring of individual asset classes is also undertaken.

The individual asset classes are monitored against the following targets:

Sector	Target
Cash and cash equivalents	0.2% p.a. above index
NZ fixed interest	0.8% p.a. above index
International fixed interest	0.8% p.a. above index
Australasian shares	2.0% p.a. above index
International shares	1.0% p.a. above index
Australasian property	Above index
International property	Above index
Listed infrastructure	Above index
Alternatives	Above index

Satisfactory performance

The underlying investment managers' performance for each investment fund is measured against the benchmark return over rolling three-year periods (rolling 12 month periods for cash and cash equivalents) and will take into account any matters considered relevant by the Trustee. For Milford, performance is measured against the objective of 10% per annum over rolling five-year periods. The Trustee does not guarantee that any underlying investment manager will be appointed for any specific time, irrespective of this measurement period.

Returns achieved by the underlying investment manager will be compared with those achieved by a suitable peer group, such as a group of comparable professional investment managers.

Compliance monitoring

The Trustee has overall responsibility for ensuring a SIPO is in place and complied with. The AIC monitors compliance with the SIPO supported by the underlying investment managers. The responsibilities of the AIC are documented in the AIC charter which is approved by the Trustee and reviewed annually.

The Trustee will notify the FMA of any limit breaks in accordance with the requirements of the FMC Act.

The underlying investment managers will:

- confirm monthly whether there have been any breaches of their internal investment guidelines.
- report any material SIPO breaches, unit pricing errors or counterparty issues as soon as they become aware of them or within the timeframe specified in the agreement Aon has in place with the underlying manager.
- have internal policies and controls in place to address operational risks.
- have appropriate custodial arrangements in place which are separated from the investment functions.
- provide a list of authorised investments or mandate details for each investment fund and notify the Trustee in writing as soon as practicable if this list changes.
- provide the latest product specifications and investment strategy mandates.
- provide control audits for the underlying investment manager or their administrator when available.

Aon will:

- report performance against the SIPO to the Trustee on a regular basis.
- conduct annual due diligence on each underlying investment manager and present the results to the Trustee.
- conduct regular meetings with each underlying investment manager and provide a summary to the Trustee.
- report any proposed changes to the SIPO or non-compliance with the SIPO to the Trustee.
- ensure there is an up to date agreement in place with each underlying investment manager which is consistent with the SIPO.

8 Investment strategy review

The benchmark asset allocations and the overall investment strategy will be formally reviewed at least once every three years to ensure that they remain appropriate for meeting the investment performance objectives. An ad hoc review may be initiated if there is a material change to the objectives of the Scheme or the investment funds or if the Trustee deems it to be appropriate.

The Trustee takes advice from the investment consultant in determining the benchmark asset allocation for the investment funds and for the selection and monitoring of underlying investment managers.

9 SIPO review

This SIPO will be reviewed at least annually. An ad hoc review may be initiated if the Trustee deems it to be appropriate as a result of factors such as changes in investment strategy or investment policies.

The Trustee is responsible for the SIPO and for ensuring that the SIPO is adhered to.

The AIC is responsible for managing the SIPO review process. The reviews will take into account all matters the AIC considers relevant at their discretion, including whether any changes are needed to the investment strategy, the underlying investment managers or to investment policies. The reviews will also take into account the legislative requirements and the Financial Markets Authority's SIPO guidelines applicable at the time.

The current version of the SIPO is available on the schemes register on the Disclose Register at disclose-register.companiesoffice.govt.nz.

Schedule 1: ANZ investment funds

ANZ Cash Fund

Investment objective

To produce returns higher than bank deposits by investing in cash and short term fixed interest investments, with a very low level of risk.

Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.2% p.a., calculated over rolling 12-month periods.
- Fund return net of fees, expenses and tax (at the highest prescribed investor rate (**PIR**)) to exceed the median cash manager for KiwiSaver schemes, calculated over rolling three-year periods.

At the date of this SIPO, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range	Market index
Cash and cash equivalents	100.0	100.0	S&P/NZX Bank Bills 90-Day Index
Total income	100.0	100.0	

ANZ Capital Stable Fund

Investment objective

To produce returns higher than bank deposits by investing in cash and fixed interest investments, with a low level of risk.

Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.2% p.a., calculated over rolling 12-month periods.
- Fund return net of fees, expenses and tax (at the highest PIR) to exceed the median cash manager for KiwiSaver schemes, calculated over rolling three-year periods.

At the date of this SIPO, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range	Market index
Cash and cash equivalents	40.0	37.0 – 43.0	S&P/NZX Bank Bills 90-Day Index
NZ fixed interest	30.0	27.0 – 33.0	S&P/NZX NZ Government Bond Index
International fixed interest	30.0	27.0 – 33.0	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Total income	100.0	96.5 – 100.0	

ANZ Conservative Fund

Investment objective

To produce returns over time in excess of inflation with a low to medium level of risk by investing mostly in income assets with only a modest allocation to growth assets.

Investment performance objectives

- Benchmark return to exceed CPI by at least 2.0% p.a. over rolling three-year periods.
- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.2% p.a., calculated over rolling three-year periods.
- Fund return net of all fees, expenses and tax (at the highest PIR) to exceed the median conservative manager for KiwiSaver schemes, calculated over rolling three-year periods.

The fund invests 100% into the ANZ Wholesale Conservative Fund.

At the date of this SIPO, and subject to the considerations set out in section 3, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range	Market index
Cash and cash equivalents	20.0	10.0 – 40.0	S&P/NZX Bank Bills 90-Day Index
NZ fixed interest	18.0	8.0 – 28.0	S&P/NZX NZ Government Bond Index
International fixed interest	42.0	32.0 – 52.0	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Total income	80.0	70.0 – 90.0	
Australasian shares	4.5	0.0 – 14.5	1/2 x S&P/NZX 50 Index + 1/2 x S&P ASX 200 Index
International shares	12.5	2.5 – 22.5	MSCI All Countries World Index, 50% hedged to NZ\$
Listed property	2.25	0.0 – 9.0	1/2 x S&P/NZX All Real Estate Index + 1/2 x FTSE EPRA/NAREIT Developed Rental Index 100% hedged to NZ\$
Alternatives	0.0	0.0 – 8.0	S&P/NZX Bank Bills 90-Day Index +3.25%
Listed infrastructure	0.75	0.0 – 5.8	FTSE Global Core Infrastructure 50/50 Index net TR (100% hedged to NZ\$)
Total growth	20.0	10.0 – 30.0	

ANZ Balanced Fund

Investment objective

To produce returns over time in excess of inflation with a medium to high level of risk by investing with a higher allocation to growth assets than income assets.

Investment performance objectives

- Benchmark return to exceed CPI by at least 3.0% p.a. over rolling seven-year periods.
- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.4% p.a., calculated over rolling three-year periods.
- Fund return net of all fees, expenses and tax (at the highest PIR) to exceed the median balanced manager for KiwiSaver schemes, calculated over rolling three-year periods.

The fund targets investing 66.66% into the ANZ Wholesale Balanced Fund and 33.34% into the ANZ Wholesale Growth Fund. At the date of this SIPO, and subject to the considerations set out in section 3, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range	Market index
Cash and cash equivalents	8.0	0.0 – 28.0	S&P/NZX Bank Bills 90-Day Index
NZ fixed interest	9.7	0.0 – 26.3	S&P/NZX NZ Government Bond Index
International fixed interest	22.3	8.7 – 39.0	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Total income	40.0	23.3 – 56.7	
Australasian shares	13.7	0.0 – 30.3	1/2 x S&P/NZX 50 Index + 1/2 x S&P ASX 200 Index
International shares	37.0	20.3 – 53.7	MSCI All Countries World Index, 50% hedged to NZ\$
Listed property	7.0	0.0 – 17.0	1/2 x S&P/NZX All Real Estate Index + 1/2 x FTSE EPRA/NAREIT Developed Rental Index 100% hedged to NZ\$
Alternatives	0.0	0.0 – 13.0	S&P/NZX Bank Bills 90-Day Index +3.25%
Listed infrastructure	2.3	0.0 – 9.3	FTSE Global Core Infrastructure 50/50 Index net TR (100% hedged to NZ\$)
Total growth	60.0	43.3 – 76.7	

ANZ Growth Fund

Investment objective

To produce returns over the long term well in excess of inflation with a medium to high level of risk by investing mostly in growth assets with only a modest allocation to income assets.

Investment performance objectives

- Benchmark return to exceed CPI by at least 3.5% p.a. over rolling seven-year periods.
- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.5% p.a., calculated over rolling three-year periods.
- Fund return net of all fees, expenses and tax (at the highest PIR) to exceed the median growth manager for KiwiSaver schemes, calculated over rolling three-year periods.

The fund invests 100% into the ANZ Wholesale Growth Fund.

At the date of this SIPO, and subject to the considerations set out in section 3, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range	Market index
Cash and cash equivalents	4.0	0.0 – 24.0	S&P/NZX Bank Bills 90-Day Index
NZ fixed interest	5.0	0.0 – 25.0	S&P/NZX NZ Government Bond Index
International fixed interest	11.0	0.0 – 31.0	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Total income	20.0	0.0 – 40.0	
Australasian shares	18.0	0.0 – 38.0	1/2 x S&P/NZX 50 Index + 1/2 x S&P ASX 200 Index
International shares	50.0	30.0 – 70.0	MSCI All Countries World Index, 50% hedged to NZ\$
Listed property	9.0	0.0 – 19.0	1/2 x S&P/NZX All Real Estate Index + 1/2 x FTSE EPRA/NAREIT Developed Rental Index 100% hedged to NZ\$
Alternatives	0.0	0.0 – 15.0	S&P/NZX Bank Bills 90-Day Index +3.25%
Listed infrastructure	3.0	0.0 – 12.0	FTSE Global Core Infrastructure 50/50 Index net TR (100% hedged to NZ\$)
Total growth	80.0	60.0 – 100.0	

Rebalancing policy

For the ANZ Capital Stable Fund, sector weightings and cash flows are monitored daily by ANZ and the investment fund is rebalanced back to benchmark if the actual asset allocation differs from the benchmark asset allocation by more than 1.5% at the sector level. All sectors are rebalanced back to the middle of the range.

For the ANZ Conservative, Balanced and Growth Funds, ANZ rebalances the underlying funds in which the funds are invested back to the tactical asset allocation applicable at the time of rebalancing. For the ANZ Balanced Fund, the investment target of 66.66% in the ANZ Wholesale Balanced Fund and 33.34% into the ANZ Wholesale Growth Fund is monitored daily by ANZ and the fund is rebalanced back to this target if the actual allocation to the ANZ Wholesale Balanced Fund differs from the target allocation by more than 1.5%.

Schedule 2: Nikko investment funds

Nikko Cash Fund

Investment objective

To produce returns higher than bank deposits by investing in cash and short term fixed interest investments, with a very low level of risk.

Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.2% p.a., calculated over rolling 12-month periods.
- Fund return net of fees, expenses and tax (at the highest PIR) to exceed the median cash manager for KiwiSaver schemes, calculated over rolling three-year periods.

At the date of this SIPO, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range	Market index
Cash and cash equivalents	100.0	100.0	S&P/NZX Bank Bills 90-Day Index
Total income	100.0	100.0	

Nikko Conservative Fund

Investment objective

To produce returns over time in excess of inflation with a low to medium level of risk by investing mostly in income assets with only a modest allocation to growth assets.

Investment performance objectives

- Benchmark return to exceed CPI by at least 2.0% p.a. over rolling three-year periods.
- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.2% p.a., calculated over rolling three-year periods.
- Fund return net of all fees, expenses and tax (at the highest PIR) to exceed the median conservative manager for KiwiSaver schemes, calculated over rolling three-year periods.

At the date of this SIPO, and subject to the considerations set out in section 3, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range	Market index
Cash and cash equivalents	40.0	35.0 – 45.0	S&P/NZX Bank Bills 90-Day Index
NZ fixed interest	20.0	15.0 – 25.0	S&P/NZX NZ Government Bond Index
International fixed interest	20.0	15.0 – 25.0	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Total income	80.0	70.0 – 90.0	
Listed property	10.0	5.0 – 15.0	S&P/NZX All Real Estate Index
Alternatives	10.0	5.0 – 15.0	S&P/NZX Bank Bills 90-Day Index +4.0%
Total growth	20.0	10.0 – 30.0	

Nikko Balanced Fund

Investment objective

To produce returns over time in excess of inflation with a medium to high level of risk by investing with a higher allocation to growth assets than income assets.

Investment performance objectives

- Benchmark return to exceed CPI by at least 3.0% p.a. over rolling seven-year periods.
- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.4% p.a., calculated over rolling three-year periods.
- Fund return net of all fees, expenses and tax (at the highest PIR) to exceed the median balanced manager for KiwiSaver schemes, calculated over rolling three-year periods.

The fund invests 100% into the Nikko AM Wholesale Balanced Fund.

At the date of this SIPO, and subject to the considerations set out in section 3, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range	Market index
Cash and cash equivalents	0.0	0.0 – 5.0	S&P/NZX Bank Bills 90-Day Index
NZ fixed interest	18.0	8.0 – 28.0	S&P/NZX NZ Government Bond Index
International fixed interest	10.0	0.0 – 20.0	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Total income	28.0	18.0 – 38.0	
Australasian shares	21.0	11.0 – 31.0	S&P/NZX 50 Index
International shares	26.0	16.0 – 36.0	MSCI All Countries World Index, 50% hedged to NZ\$
Listed property	5.0	0.0 – 15.0	S&P/NZX All Real Estate Index
Alternatives	20.0	10.0 – 30.0	S&P/NZX Bank Bills 90-Day Index +3.25%
Total growth	72.0	62.0 – 82.0	

Nikko Growth Fund

Investment objective

To produce returns over the long term well in excess of inflation with a medium to high level of risk by investing mostly in growth assets with only a modest allocation to income assets.

Investment performance objectives

- Benchmark return to exceed CPI by at least 3.5% p.a. over rolling seven-year periods.
- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.5% p.a., calculated over rolling three-year periods.
- Fund return net of all fees, expenses and tax (at the highest PIR) to exceed the median growth manager for KiwiSaver schemes, calculated over rolling three-year periods.

The fund invests 100% into the Nikko AM Wholesale Growth Fund.

At the date of this SIPO, and subject to the considerations set out in section 3, the benchmark asset allocation and ranges are:

Sector	Target mix	Permitted range	Market index
Cash and cash equivalents	0.0	0.0 – 5.0	S&P/NZX Bank Bills 90-Day Index
NZ fixed interest	5.0	0.0 – 10.0	S&P/NZX NZ Government Bond Index
International fixed interest	5.0	0.0 – 10.0	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Total income	10.0	0.0 – 25.0	
Australasian shares	35.0	25.0 – 45.0	S&P/NZX 50 Index
International shares	40.0	30.0 – 50.0	MSCI All Countries World Index, 50% hedged to NZ\$
Alternatives	15.0	5.0 – 25.0	S&P/NZX Bank Bills 90-Day Index +4.0%
Total growth	90.0	60.0 – 100.0	

Rebalancing policy

Sector weightings and cash flows for the Nikko investment funds are monitored daily by Nikko. The Nikko Conservative Fund is rebalanced back to benchmark if the actual asset allocation differs from the benchmark asset allocation by more than 4.0% at the sector level. The Nikko AM Wholesale Balanced Fund and Nikko AM Wholesale Growth Fund are rebalanced according to Nikko's rebalancing policy. Nikko rebalances these funds to keep them within Nikko's permitted investment ranges. Nikko also uses investor cashflows to maintain the asset allocations within the permitted investment ranges.

Schedule 3: Russell investment funds

Russell LifePoints[®] Conservative Fund

Investment objective

To produce returns over time in excess of inflation with a low to medium level of risk by investing mostly in income assets with only a modest allocation to growth assets.

Investment performance objectives

- Benchmark return to exceed CPI by at least 2.0% p.a. over rolling three-year periods.
- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.2% p.a., calculated over rolling three-year periods.
- Fund return net of fees, expenses and tax (at the highest PIR) to exceed the median conservative manager for KiwiSaver schemes, calculated over rolling three-year periods.

At the date of this SIPO, and subject to the considerations set out in section 3, the benchmark asset allocation and ranges are as shown in the table below:

Sector	Target mix	Permitted range	Market index
NZ fixed interest	16.0	13.0 – 19.0	S&P/NZX NZ Government Bond Index
International fixed interest	64.0	61.0 – 67.0	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Total income	80.0	77.0 – 83.0	
Australasian shares	6.0	3.0 – 9.0	S&P/NZX 50 Index
International shares	14.0	11.0 – 17.0	MSCI All Countries World Index, 50% hedged to NZ\$
Total growth	20.0	17.0 – 23.0	

Russell LifePoints[®] Moderate Fund

Investment objective

To produce returns over time in excess of inflation with a low to medium level of risk by investing with a higher allocation to income assets than growth assets.

Investment performance objectives

- Benchmark return to exceed CPI by at least 2.5% p.a. over rolling three-year periods.
- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.3% p.a., calculated over rolling three-year periods.
- Fund return net of fees, expenses and tax (at the highest PIR) to exceed the median moderate manager for KiwiSaver schemes, calculated over rolling three-year periods.

At the date of this SIPO, and subject to the considerations set out in section 3, the benchmark asset allocation and ranges are as shown in the table below:

Sector	Target mix	Permitted range	Market index
NZ fixed interest	12.0	9.0 – 15.0	S&P/NZX NZ Government Bond Index
International fixed interest	48.0	45.0 – 51.0	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Total income	60.0	57.0 – 63.0	
Australasian shares	14.0	11.0 – 17.0	S&P/NZX 50 Index
International shares	26.0	23.0 – 29.0	MSCI All Countries World Index, 50% hedged to NZ\$
Total growth	40.0	37.0 – 43.0	

Russell LifePoints® Balanced Fund

Investment objective

To produce returns over time in excess of inflation with a medium to high level of risk by investing with a higher allocation to growth assets than income assets.

Investment performance objectives

- Benchmark return to exceed CPI by at least 3.0% p.a. over rolling three-year periods.
- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.4% p.a., calculated over rolling three-year periods.
- Fund return net of fees, expenses and tax (at the highest PIR) to exceed the median balanced manager for KiwiSaver schemes, calculated over rolling three-year periods.

At the date of this SIPO, and subject to the considerations set out in section 3, the benchmark asset allocation and ranges are as shown in the table below:

Sector	Target mix	Permitted range	Market index
NZ fixed interest	8.0	5.0 – 11.0	S&P/NZX NZ Government Bond Index
International fixed interest	32.0	29.0 – 35.0	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Total income	40.0	37.0 – 43.0	
Australasian shares	20.0	17.0 – 23.0	S&P/NZX 50 Index
International shares	40.0	37.0 – 43.0	MSCI All Countries World Index, 50% hedged to NZ\$
Total growth	60.0	57.0 – 63.0	

Russell LifePoints® Growth Fund

Investment objective

To produce returns over the long term well in excess of inflation with a medium to high level of risk by investing mostly in growth assets with only a modest allocation to income assets.

Investment performance objectives

- Benchmark return to exceed CPI by at least 3.5% p.a. over rolling three-year periods.
- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.5% p.a., calculated over rolling three-year periods.
- Fund return net of fees, expenses and tax (at the highest PIR) to exceed the median growth manager for KiwiSaver schemes, calculated over rolling three-year periods.

At the date of this SIPO, and subject to the considerations set out in section 3, the benchmark asset allocation and ranges are as shown in the table below:

Sector	Target mix	Permitted range	Market index
NZ fixed interest	5.0	2.0 – 8.0	S&P/NZX NZ Government Bond Index
International fixed interest	20.0	17.0 – 23.0	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Total income	25.0	22.0 – 28.0	
Australasian shares	25.0	22.0 – 28.0	S&P/NZX 50 Index
International shares	50.0	47.0 – 53.0	MSCI All Countries World Index, 50% hedged to NZ\$
Total growth	75.0	72.0 – 78.0	

Russell LifePoints® Target Date funds

The Target Date funds are a series of diversified portfolios designed to simplify the asset allocation process for members over time. The date in each fund name represents the approximate retirement year. Each fund invests in a mix of growth and income assets with the allocation to income assets increasing progressively until it reaches 80% in the target date year.

The target mixes of the Target Date funds are reviewed annually.

Investment objective for each fund

To provide returns over time in excess of inflation and capital growth and income consistent with its current asset allocation.

Investment performance objectives for each fund

- Benchmark return to exceed CPI by at least a target rate consistent with its current asset allocation over rolling three-year periods.
- Fund return net of investment fees, but before tax, to exceed benchmark return by at least a target rate consistent with its current asset allocation, calculated over rolling three-year periods.

The current target rates for each fund are:

	Target Date 2015	Target Date 2025	Target Date 2035	Target Date 2045
Target rate in excess of CPI	2.0% p.a.	2.5% p.a.	3.0% p.a.	3.5% p.a.
Target rate in excess of benchmark return	0.2% p.a.	0.3% p.a.	0.4% p.a.	0.5% p.a.

At the date of this SIPO, the benchmark asset allocation of each fund, subject to the considerations set out in section 3, is:

Sector	Target Date 2015	Target Date 2025	Target Date 2035	Target Date 2045
NZ fixed interest	16.0	14.0	9.5	6.0
International fixed interest	64.0	54.0	38.5	25.0
Total income	80.0	68.0	48.0	31.0
Australasian shares	6.0	10.5	17.0	23.0
International shares	14.0	21.5	35.0	46.0
Total growth	20.0	32.0	52.0	69.0

The permitted range for each sector is +/- 3% to the sector weight.

The market indices used for each sector are:

Sector	Market index
NZ fixed interest	S&P/NZX NZ Government Bond Index
International fixed interest	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Australasian shares	S&P/NZX 50 Index
International shares	MSCI All Countries World Index, 50% hedged to NZ\$

Rebalancing policy

Sector weightings and cash flows for the Russell investment funds are monitored daily and the investment funds are rebalanced back to benchmark or current asset allocation if the actual asset allocation differs from the benchmark or current asset allocation by more than 1.5% at the sector level. All sectors are rebalanced back to the middle of the range.

Schedule 4: Milford investment fund

Milford Active Growth Wholesale Fund

Investment objective

To produce returns over the long term well in excess of inflation by investing primarily in Australasian shares, with a moderate allocation to international shares and fixed interest securities.

Investment performance objective

- Fund return net of investment fees, but before tax, to exceed 10.0% p.a., calculated over rolling five-year periods.

The fund invests 100% into the Milford Active Growth Fund.

The fund does not have a benchmark asset allocation as such, but at the date of this SIPO the target growth/income asset allocation mix is as shown in the following table, subject to the considerations set out in section 3:

Sector	Target mix	Permitted range
Cash and cash equivalents	6	0 – 70
NZ fixed interest	4	0 – 70
International fixed interest	10	-10 – 50
Income assets	20	0 – 80
Australasian shares	52	10 – 100
International shares	28	0 – 60
Listed property	0	0 – 20
Unlisted property	0	0 – 15
Commodities	0	-10 – 10
Other	0	-20 – 20
Growth assets	80	20 – 100

The fund may borrow up to 25% of the net asset value of the fund, may short-sell securities, use derivatives and utilise active currency management. The neutral exposure to foreign currency is 14% at the portfolio level, with an allowable range of -10% to +50%.

The market indices used for each sector at the date of this SIPO are shown overleaf:

Sector	Market index
Cash and cash equivalents	S&P/NZX Call Rate Deposit Total Return Index
NZ fixed interest	S&P/NZX Investment Grade Corporate Bond Total Return Index
International fixed interest	S&P/ASX Corporate Bond 0+ Total Return Index (100% NZD-hedged) (20%)
	Bloomberg Barclays Global Corporate 3-5 Year Total Return Index Value Hedged (100% NZD-hedged) (80%)
Australasian shares	S&P/NZX 50 Gross Index with Imputation Credits (58%) S&P/ASX 200 Accumulation Index (100% NZD-hedged) (23%) S&P/ASX Small Industrials Accumulation Index (100% NZD-hedged) (19%)
International shares	MSCI World Index with net dividends reinvested (50% NZD-hedged)

Rebalancing policy

The portfolio manager of the Milford Active Growth Fund does not automatically rebalance asset classes to targets. However, the portfolio manager actively reviews positions in light of asset class targets and targets are periodically reviewed as part of the portfolio manager's SIPO review process.

Schedule 5: Other investment funds

AMT NZ Bond Fund

Investment objective

To primarily preserve capital with some capital growth through diversified exposure to New Zealand fixed interest securities.

Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.8% p.a., calculated over rolling three-year periods.
- Fund return gross of fees, expenses and tax to exceed the median NZ fixed interest fund from the Aon Investment Update, calculated over rolling three-year periods.

At the date of this SIPO, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range	Market index
NZ fixed interest	100.0	100.0	S&P/NZX NZ Government Bond Index
Total income	100.0	100.0	

AMT International Bond Fund

Investment objective

To primarily preserve capital with some capital growth through diversified exposure to international fixed interest securities.

Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 0.8% p.a., calculated over rolling three-year periods.
- Fund return gross of fees, expenses and tax to exceed the median international fixed interest fund from the Aon Investment Update, calculated over rolling three-year periods.

At the date of this SIPO, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range	Market index
International fixed interest	100.0	100.0	Barclays Capital Global Aggregate Bond Index 100% hedged to NZ\$
Total income	100.0	100.0	

AMT Australasian Shares Fund

Investment objective

To provide long term capital growth through diversified exposure to New Zealand and Australian shares.

Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 2.0% p.a., calculated over rolling three-year periods.
- Fund return gross of fees, expenses and tax to exceed the median Australasian shares fund from the Aon Investment Update, calculated over rolling three-year periods.

At the date of this SIPO, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range	Market index
Australasian shares	100.0	100.0	S&P/NZX 50 Index
Total growth	100.0	100.0	

AMT International Shares Fund

Investment objective

To provide long term capital growth through diversified exposure to international shares.

Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return by at least 1.0% p.a., calculated over rolling three-year periods.
- Fund return gross of fees, expenses and tax to exceed the median international shares fund from the Aon Investment Update, calculated over rolling three-year periods.

At the date of this SIPO, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range	Market index
International shares	100.0	100.0	MSCI All Countries World Index, 50% hedged to NZ\$
Total growth	100.0	100.0	

AMT Australasian Property Fund

Investment objective

To provide long term capital growth through diversified exposure to New Zealand and Australian listed property shares.

Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return calculated over rolling three-year periods.
- Fund return gross of fees, expenses and tax to exceed the median Australasian property fund from the Aon Investment Update, calculated over rolling three-year periods.

At the date of this SIPO, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range	Market index
Australasian property	100.0	100.0	S&P/NZX All Real Estate Index
Total growth	100.0	100.0	

AMT International Property Fund

Investment objective

To provide long term capital growth through diversified exposure to international listed property shares.

Investment performance objectives

- Fund return net of investment fees, but before tax, to exceed benchmark return calculated over rolling three-year periods.
- Fund return gross of fees, expenses and tax to exceed the median international property fund from the Aon Investment Update, calculated over rolling three-year periods.

At the date of this SIPO, the benchmark asset allocation and range is:

Sector	Target mix	Permitted range	Market index
International property	100.0	100.0	FTSE EPRA/NAREIT Developed Rental Index 100% hedged to NZ\$
Total growth	100.0	100.0	

