

Statement of Investment Policy and Objectives

Forsyth Barr Investment Funds

Approver: Forsyth Barr Investment Management Limited Board

Owner: Head of Funds Management

Version: 1.4

Date: 23 May 2018

Document History

Version	Date	Changes
1.0	9 August 2016	SIPO adopted.
1.1	2 September 2016	Adjustments to asset allocations for NZ Equities and Australian Equities Funds.
1.2	19 September 2016	Addition of responsible investment information.
1.3	3 October 2017	<p>Amendments to permitted investments and investment restrictions of the New Zealand Equities Fund, Global Equities Fund, Australian Equities Fund and Listed Property Fund.</p> <p>Amendments to permitted investments of the NZ Fixed Interest Fund and Premium Yield Fund.</p> <p>Adjustments to Global Equities Fund and Listed Property Fund target asset allocation ranges.</p> <p>Additional statement on foreign currency hedging within underlying funds for the Australian Equities Fund, Global Equities Fund, Listed Property Fund and Premium Yield Fund.</p> <p>Additional statement on compliance with limits and regulations for all funds.</p>
1.4	23 May 2018	<p>Changes to the comparative market indices of the Global Equities Fund and Australian Equities Fund to include currency hedging, plus updated information on the variant of the market index used by the Global Equities Fund.</p> <p>Amendments to the New Zealand Equities Fund and Listed Property Fund market indices to include imputation credits.</p> <p>Further information on the application of the New Zealand Super Fund's exclusion list.</p> <p>Other immaterial editorial changes.</p>

Table of Contents

Background & Description of the Forsyth Barr Investment Funds 5

Objective 5

Responsibilities 6

Decision Making Framework 6

Manager’s Board 6

Compliance Committee..... 7

Funds Management Oversight Committee 7

Managing Director 7

Investment Management..... 7

Head of Funds Management 7

Administration Manager 7

Supervisor 7

Custodian 8

Fund Management 9

Forsyth Barr Australian Equities Fund..... 9

Forsyth Barr Global Equities Fund..... 12

Forsyth Barr Listed Property Fund..... 15

Forsyth Barr New Zealand Equities Fund..... 19

Forsyth Barr NZ Fixed Interest Fund 22

Forsyth Barr Premium Yield Fund..... 25

Appointment of External Investment Managers 29

Limit Breaks 29

Materiality and Limit Breaks..... 29

Immediate Reporting..... 29

Quarterly Reporting 29

Content of limit break reports..... 29

Responsible Investment 30

Monitoring 31

Investment Performance 31

Compliance 31

Risk Management 32

Counterparty Risk Management..... 32

Currency Risk Management 32

Liquidity Risk Management 32

Market Risk Management 33

Operational Risk Management..... 33

Trade Execution and Trade Allocation 34

Execution of Trades..... 34

Allocation of Trades..... 34

Voting..... 35

Review 35

Background & Description of the Forsyth Barr Investment Funds

The Forsyth Barr Investment Funds is a managed investment scheme registered under the Financial Markets Conduct Act 2013. The Forsyth Barr Investment Funds provides investors with access to a range of equity, listed property and fixed interest funds (together, the Funds).

Forsyth Barr Investment Management Limited (**Manager**) is the manager of the Forsyth Barr Investment Funds and must ensure that there is a Statement of Investment Policy and Objectives (**SIPO**) that adequately describes the investment policies and objectives of the Forsyth Barr Investment Funds. The SIPO must include, amongst other matters:

- the nature or types of investments that can be made and any limits on those;
- any limits on the proportion of each type of asset invested in; and
- the methodology used for developing and amending the investment strategy, and for measuring performance against the objectives of the Funds.

The investment policies described in this SIPO are set out in more detail in investment policy documents maintained by the Manager.

Objective

The purpose of this SIPO is to set out the investment policy and objectives of the Forsyth Barr Investment Funds.

Responsibilities

Decision Making Framework

The Manager's decision making framework is illustrated in the table set out below:

	Plan		Implement		
	SIPO	Investment policies	Management	Trade	Control
Board	Decides	Decides	Oversees		Monitors management performance and compliance.
Compliance Committee			Oversees		Reviews compliance incidents and reports, and reports to the Board.
Funds Management Oversight Committee			Oversees		Monitors investment performance and reports to the Board.
Management	Recommends	Recommends	Decides	Decides	Monitors investment performance and compliance.
Administration manager					Arranges independent calculation of investment performance.
Supervisor			Supervises		Oversees management and administration.
Custodian				Settles transactions	Holds the assets on behalf of investors.

Manager's Board

The board of directors of the manager (Board) is responsible for:

- reviewing and approving this SIPO and any changes to it;
- reviewing and approving the investment policies and objectives of each Fund and any changes to them;
- monitoring management's overall performance in relation to the Funds;
- monitoring compliance with this SIPO and the investment policies of each Fund; and
- approving the appointment or termination of any external administration manager, any external investment manager, and any other outsource providers to the Manager.

Compliance Committee

The Compliance Committee is responsible for reviewing incidents and reports in relation to compliance with this SIPO, and reporting to the Board.

Funds Management Oversight Committee

The Funds Management Oversight Committee is responsible for:

- monitoring investment performance of each Fund;
- monitoring Forsyth Barr Limited's performance as delegated provider of the administrative functions in respect of the Forsyth Barr Investment Funds;
- monitoring the performance of the custodian, any external investment manager, the supervisor and any other outsource providers to the Manager; and
- reporting on the above items to the Board.

Managing Director

The Managing Director of the Manager is responsible for ensuring that the decisions of the Board are implemented.

Investment Management

Day-to-day investment management is carried out (pursuant to a management services agreement) by employees of Forsyth Barr Limited, which is an authorised body under the Manager's market services licence.

Head of Funds Management

The Head of Funds Management is responsible for the day-to-day investment management of the Forsyth Barr Investment Funds and, in particular:

- making recommendations to the Board in respect of changes to this SIPO;
- making recommendations to the Board in respect of changes to the investment policies of a Fund;
- monitoring the Forsyth Barr Investment Funds' investment performance; and
- monitoring the Forsyth Barr Investment Funds' compliance with this SIPO and the investment policies.

Administration Manager

Forsyth Barr Limited has been appointed as an administration manager and provides (or may delegate to an external service provider) asset valuation, unit pricing and financial accounting.

Supervisor

The supervisor is responsible for, amongst other things:

- supervising the Manager's performance of its functions; and
- monitoring the Manager's and the Forsyth Barr Investment Funds' financial position to assess whether they are adequate.

The name and contact details for the supervisor are set out in the Forsyth Barr Investment Funds' Product Disclosure Statement (PDS).

Custodian

Any custodian is appointed by the supervisor and is independent of the Manager and, as a delegate of the supervisor, holds the Forsyth Barr Investment Funds' assets on behalf of investors.

The name and contact details for any custodian are set out in the Forsyth Barr Investment Funds' PDS.

Fund Management

The Forsyth Barr Investment Funds offers investors a choice of equity, listed property and fixed interest Funds.

Forsyth Barr Australian Equities Fund

Description of the Fund

The Forsyth Barr Australian Equities Fund is a managed investment scheme, denominated in New Zealand dollars, and is one of the managed investment schemes that make up the Forsyth Barr Investment Funds.

Investment Objective

The Forsyth Barr Australian Equities Fund's investment objective is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected Australian equities, subject to the higher risks associated with investments in international equity markets. The Forsyth Barr Australian Equities Fund is actively managed.

Benchmark

The Forsyth Barr Australian Equities Fund has no benchmark, however for comparative purposes only, Fund performance may be considered in relation to the S&P/ASX 200 Accumulation Index, 50% hedged to the New Zealand dollar.

Risk Indicator

The Forsyth Barr Australian Equities Fund's risk indicator is a historic measure of the volatility of the Forsyth Barr Australian Equities Fund returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the Fund is available in the most recent Fund Update published for the Fund.

Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit and that an actively managed portfolio of investments will over time provide better returns than a simple buy-and-hold strategy.

The Manager uses a "bottom up" approach to select investments for the Forsyth Barr Australian Equities Fund, and seeks to invest in securities that are trading at an attractive price when compared to the Manager's assessment of their intrinsic value. To do this, the Manager reviews investment criteria such as earnings prospects, risk level, qualitative analysis of business strengths and weaknesses, and relative value against similar investments or other opportunities. Similarly, the Manager will seek to exit investments which are trading at a price that is high compared to intrinsic value. Relative value does not always change quickly, and so the Forsyth Barr Australian Equities Fund's investments are often medium- to long-term.

The Manager also reviews the Forsyth Barr Australian Equities Fund's overall composition on a "top down" basis, taking into account macro-economic, political, sectoral and regional considerations.

The Manager actively manages the Forsyth Barr Australian Equities Fund's Australian dollar exposure, based on its view of the risk that movements in foreign exchange rates may negatively impact the New Zealand dollar value of the Forsyth Barr Australian Equities Fund's investments.

Investment Strategy

Target Asset Allocation

The Forsyth Barr Australian Equities Fund's target asset allocation and target asset allocation ranges are set out in the table below:

Asset Class	Target	Range
Cash and cash equivalents	5%	0% – 20%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	85%	80% – 100%
International equities	-	-
Listed property	10%	0% - 20%
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted Investments

The Forsyth Barr Australian Equities Fund may invest in:

- financial products listed on the ASX¹ and unlisted financial products the Manager expects to be listed on the ASX within 12 months of purchase; and
- cash in deposits with registered banks.

The Manager may invest into these instruments directly, or indirectly by investing into an underlying managed investment scheme.

The Manager may also, after consultation with the supervisor of the Forsyth Barr Australian Equities Fund, invest in other assets (which are not explicitly set out above) that the Manager considers appropriately reflect the risk profile of the Forsyth Barr Australian Equities Fund and will contribute to the performance objectives of the Forsyth Barr Australian Equities Fund.

The Forsyth Barr Australian Equities Fund may use derivatives where the Manager considers doing so is consistent with the risk profile of the Forsyth Barr Australian Equities Fund and will contribute to the performance objectives of the Forsyth Barr Australian Equities Fund.

Foreign Currency Hedging

Hedging involves making an investment or entering into an agreement with the intention of reducing the impact of adverse price movements.

As noted in the investment philosophy section, the Manager actively manages the Forsyth Barr Australian Equities Fund's Australian dollar exposure. This is achieved through foreign currency hedging. The Forsyth Barr Australian Equities Fund's foreign currency hedging strategy is established by the Board and implemented by the Head of Funds Management. The Board and the Funds Management Oversight Committee monitor the Manager's compliance with the strategy.

¹ Where a financial product is listed on both the ASX and a non-Australian stock exchange the Forsyth Barr Australian Equities Fund may transact on either exchange.

Where the Manager invests into an underlying managed investment scheme to achieve the intended investment exposures, foreign currency hedging may be undertaken by the manager of that underlying scheme.

Tactical Asset Allocation

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

The Forsyth Barr Australian Equities Fund does not undertake tactical asset allocation outside of permitted ranges.

Rebalancing

Rebalancing involves buying and selling assets so that a fund's actual asset allocation matches its target asset allocation.

The Forsyth Barr Australian Equities Fund is generally close to fully invested in Australian equities, which means that it does not have to undertake rebalancing.

Investment Restrictions

The following investment restrictions apply to the Forsyth Barr Australian Equities Fund:

- investment in any one entity or financial product may not be more than 25% of the value of the Forsyth Barr Australian Equities Fund's assets;
- at the time of purchase, no holding can represent more than 10% of the issued capital of an issuer; and
- investments in unlisted financial products the Manager expects to be listed on the ASX within 12 months of purchase may not in aggregate be more than 10% of the value of the Forsyth Barr Australian Equities Fund's assets.

Investments in underlying managed investment schemes

Where the Forsyth Barr Australian Equities Fund invests in an underlying managed investment scheme managed by an external investment manager the investment is not itself subject to the permitted investments and other investment restrictions set out above, but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the investment scheme's underlying investments (as made available by the external investment manager) with its own investments. Derivatives may be used by the manager of an underlying managed investment scheme.

Borrowing and Derivatives

The Forsyth Barr Australian Equities Fund may not borrow or use derivatives to leverage the Forsyth Barr Australian Equities Fund.

Compliance with limits and restrictions

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or
- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.

Forsyth Barr Global Equities Fund

Description of the Fund

The Forsyth Barr Global Equities Fund is a managed investment scheme, denominated in New Zealand dollars, and is one of the managed investment schemes that make up the Forsyth Barr Investment Funds.

Investment Objective

The Forsyth Barr Global Equities Fund's investment objective is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected international equities, subject to the higher risks associated with investments in international equity markets. There are no geographical or sector restrictions on the Forsyth Barr Global Equities Fund. The Forsyth Barr Global Equities Fund is actively managed.

Benchmark

The Forsyth Barr Global Equities Fund has no benchmark, however for comparative purposes only, Fund performance may be considered in relation to the MSCI ACWI Net Total Return Index, 50%hedged to the New Zealand dollar.

Risk Indicator

The Forsyth Barr Global Equities Fund's risk indicator is a historic measure of the volatility of the Forsyth Barr Global Equities Fund returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the Fund is available in the most recent Fund Update published for the Fund.

Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit and that an actively managed portfolio of investments will over time provide better returns than a simple buy-and-hold strategy.

The Manager uses a "bottom up" approach to select investments for the Forsyth Barr Global Equities Fund, and seeks to invest in securities that are trading at an attractive price when compared to the Manager's assessment of their intrinsic value. To do this, the Manager reviews investment criteria such as earnings prospects, risk level, qualitative analysis of business strengths and weaknesses, and relative value against similar investments or other opportunities. Similarly, the Manager will seek to exit investments which are trading at a price that is high compared to intrinsic value. Relative value does not always change quickly, and so the Forsyth Barr Global Equities Fund's investments are often medium- to long-term.

The Manager also reviews the Forsyth Barr Global Equities Fund's overall composition on a "top down" basis, taking into account macro-economic, political, sectoral and regional considerations.

The Manager actively manages the Forsyth Barr Global Equities Fund's foreign currency exposure, based on its view of the risk that movements in foreign exchange rates may negatively impact the New Zealand dollar value of the Forsyth Barr Global Equities Fund's investments.

Investment Strategy

Target Asset Allocation

The Forsyth Barr Global Equities Fund's target asset allocation and target asset allocation ranges are set out in the table below:

Asset Class	Target	Range
Cash and cash equivalents	10%	0% – 20%
New Zealand fixed interest	–	–
International fixed interest	–	–
Australasian equities	–	–
International equities	90%	80% – 100%
Listed property	–	0% – 10%
Unlisted property	–	–
Commodities	–	–
Other	–	–

Permitted Investments

The Forsyth Barr Global Equities Fund may invest in:

- financial products listed on recognised international securities exchanges and unlisted financial products the Manager expects to be listed on one or more recognised international securities exchanges within 12 months of purchase; and
- cash in deposits with registered banks.

The Manager may invest into these instruments directly, or indirectly by investing into an underlying managed investment scheme.

The Manager may also, after consultation with the supervisor of the Forsyth Barr Global Equities Fund, invest in other assets (which are not explicitly set out above) that the Manager considers appropriately reflect the risk profile of the Forsyth Barr Global Equities Fund and will contribute to the performance objectives of the Forsyth Barr Global Equities Fund.

The Forsyth Barr Global Equities Fund may use derivatives where the Manager considers doing so is consistent with the risk profile of the Forsyth Barr Global Equities Fund and will contribute to the performance objectives of the Forsyth Barr Global Equities Fund.

Foreign Currency Hedging

Hedging involves making an investment or entering into an agreement with the intention of reducing the impact of adverse price movements.

As noted in the investment philosophy section, the Manager actively manages the Forsyth Barr Global Equities Fund's foreign currency exposure. This is achieved through foreign currency hedging. The Forsyth Barr Global Equities Fund's foreign currency hedging strategy is established by the Board and implemented by the Head of Funds Management. The Board and the Funds Management Oversight Committee monitor the Manager's compliance with the strategy.

Where the Manager invests into an underlying managed investment scheme to achieve the intended investment exposures, foreign currency hedging may be undertaken by the manager of that underlying scheme.

Tactical Asset Allocation

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

The Forsyth Barr Global Equities Fund does not undertake tactical asset allocation outside of permitted ranges.

Rebalancing

Rebalancing involves buying and selling assets so that a fund's actual asset allocation matches its target asset allocation.

The Forsyth Barr Global Equities Fund is generally close to fully invested in international equities, which means that it does not have to undertake rebalancing.

Investment Restrictions

The following investment restrictions apply to the Forsyth Barr Global Equities Fund:

- investment in any one entity or financial product may not be more than 25% of the value of the Forsyth Barr Global Equities Fund's assets;
- at the time of purchase, no holding can represent more than 10% of the issued capital of an issuer; and
- investments in unlisted financial products the Manager expects to be listed on one or more recognised international securities exchanges within 12 months of purchase may not in aggregate be more than 10% of the value of the Forsyth Barr Global Equities Fund's assets.

Investments in underlying managed investment schemes

Where the Forsyth Barr Global Equities Fund invests in an underlying managed investment scheme managed by an external investment manager the investment is not itself subject to the permitted investments and investment restrictions set out above, but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the investment scheme's underlying investments (as made available by the external investment manager) with its own investments. Derivatives may be used by the manager of an underlying managed investment scheme.

Borrowing and Derivatives

The Forsyth Barr Global Equities Fund may not borrow or use derivatives to leverage the Forsyth Barr Global Equities Fund.

Compliance with limits and restrictions

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or
- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.

Forsyth Barr Listed Property Fund

Description of the Fund

The Forsyth Barr Listed Property Fund is a managed investment scheme, denominated in New Zealand dollars, and is one of the managed investment schemes that make up the Forsyth Barr Investment Funds.

Investment Objective

The Forsyth Barr Listed Property Fund's investment objective is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected listed property vehicles, subject to the higher risks associated with investments in listed property investments. The Forsyth Barr Listed Property Fund is actively managed.

Benchmark

The Forsyth Barr Listed Property Fund has no benchmark, however for comparative purposes only, Fund performance may be considered in relation to the S&P/NZX All Real Estate Gross with Imputation Index.

Risk Indicator

The Forsyth Barr Listed Property Fund's risk indicator is a historic measure of the volatility of the Forsyth Barr Listed Property Fund returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the Fund is available in the most recent Fund Update published for the Fund.

Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit and that an actively managed portfolio of investments will over time provide better returns than a simple buy-and-hold strategy.

The Manager uses a "bottom up" approach to select investments for the Forsyth Barr Listed Property Fund, and seeks to invest in securities that are trading at an attractive price when compared to the Manager's assessment of their intrinsic value. To do this, the Manager reviews investment criteria such as earnings prospects, risk level, qualitative analysis of business strengths and weaknesses, and relative value against similar investments or other opportunities. Similarly, the Manager will seek to exit investments which are trading at a price that is high compared to intrinsic value. Relative value does not always change quickly, and so the Forsyth Barr Listed Property Fund's investments are often medium- to long-term.

The Manager also reviews the Forsyth Barr Listed Property Fund's overall composition on a "top down" basis, taking into account macro-economic, political, sectoral and regional considerations.

The Manager actively manages the Forsyth Barr Listed Property Fund's foreign currency exposure, based on its view of the risk that movements in foreign exchange rates may negatively impact the New Zealand dollar value of the Forsyth Barr Listed Property Fund's investments.

Investment Strategy

Target Asset Allocation

The Forsyth Barr Listed Property Fund's target asset allocation and target asset allocation ranges are set out in the table below:

Asset Class	Target	Range
Cash and cash equivalents	5%	0% - 20%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	20%	0% - 30%
International equities	5%	0% - 10%
Listed property	70%	55% - 100%
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted Investments

The Forsyth Barr Listed Property Fund may invest in:

- financial products listed on the NZX, ASX or other recognised international securities exchange issued by entities whose principal business is, in the opinion of the Manager, owning or managing property or property-like assets;
- unlisted financial products, issued by entities whose principal business is, in the opinion of the Manager, owning or managing property or property-like assets, that the Manager expects to be listed on the NZX, ASX, or other recognised international securities exchange within 12 months of purchase; and
- cash in deposits with registered banks.

The Manager may invest into these instruments directly, or indirectly by investing into an underlying managed investment scheme.

The Manager may also, after consultation with the supervisor of the Forsyth Barr Listed Property Fund, invest in other assets (which are not explicitly set out above) that the Manager considers appropriately reflect the risk profile of the Forsyth Barr Listed Property Fund and will contribute to the performance objectives of the Forsyth Barr Listed Property Fund.

The Forsyth Barr Listed Property Fund may use derivatives where the Manager considers doing so is consistent with the risk profile of the Forsyth Barr Listed Property Fund and will contribute to the performance objectives of the Forsyth Barr Listed Property Fund.

Foreign Currency Hedging

Hedging involves making an investment or entering into an agreement with the intention of reducing the impact of adverse price movements.

As noted in the investment philosophy section, the Manager actively manages the Forsyth Barr Listed Property Fund's foreign currency exposure. This is achieved through foreign currency hedging. The Forsyth Barr Listed Property Fund's foreign currency hedging strategy is established by the Board and implemented by the Head of Funds Management. The Board and the Funds Management Oversight Committee monitor the Manager's compliance with the strategy.

Where the Manager invests into an underlying managed investment scheme to achieve the intended investment exposures, foreign currency hedging may be undertaken by the manager of that underlying scheme.

Tactical Asset Allocation

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

The Forsyth Barr Listed Property Fund does not undertake tactical asset allocation outside of permitted ranges.

Rebalancing

Rebalancing involves buying and selling assets so that a fund's actual asset allocation matches its target asset allocation.

The Forsyth Barr Listed Property Fund is generally close to fully invested in listed property and equities, which means that it does not have to undertake rebalancing.

Investment Restrictions

The following investment restrictions apply to the Forsyth Barr Listed Property Fund:

- investment in any one entity or financial product may not be more than 25% of the value of the Forsyth Barr Listed Property Fund's assets.
- at the time of purchase, no holding can represent more than 10% of the issued capital of the issuer.
- investments in unlisted financial products the Manager expects to be listed on the NZX, ASX or other recognised international securities exchange within 12 months of purchase may not in aggregate be more than 10% of the value of the Forsyth Barr Listed Property Fund's assets.

Investments in underlying managed investment schemes

Where the Forsyth Barr Listed Property Fund invests in an underlying managed investment scheme managed by an external investment manager the investment is not itself subject to the permitted investments and investment restrictions set out above, but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the investment scheme's underlying investments (as made available by the external investment manager) with its own investments. Derivatives may be used by the manager of an underlying managed investment scheme.

Borrowing and Derivatives

The Forsyth Barr Listed Property Fund may not borrow or use derivatives to leverage the Forsyth Barr Listed Property Fund.

Compliance with limits and restrictions

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or
- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.

Forsyth Barr New Zealand Equities Fund

Description of the Fund

The Forsyth Barr New Zealand Equities Fund is a managed investment scheme, denominated in New Zealand dollars, and is one of the managed investment schemes that make up the Forsyth Barr Investment Funds.

Investment Objective

The Forsyth Barr New Zealand Equities Fund's investment objective is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected New Zealand equities, subject to the higher risks associated with investments in equity markets. The Forsyth Barr New Zealand Equities Fund is actively managed.

Benchmark

The Forsyth Barr New Zealand Equities Fund has no benchmark, however for comparative purposes only, Fund performance may be considered in relation to the S&P/NZX50 Gross with Imputation Index.

Risk Indicator

The Forsyth Barr New Zealand Equities Fund's risk indicator is a historic measure of the volatility of the Forsyth Barr New Zealand Equities Fund returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the Fund is available in the most recent Fund Update published for the Fund.

Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit and that an actively managed portfolio of investments will over time provide better returns than a simple buy-and-hold strategy.

The Manager uses a "bottom up" approach to select investments for the Forsyth Barr New Zealand Equities Fund, and seeks to invest in securities that are trading at an attractive price when compared to the Manager's assessment of their intrinsic value. To do this, the Manager reviews investment criteria such as earnings prospects, risk level, qualitative analysis of business strengths and weaknesses, and relative value against similar investments or other opportunities. Similarly, the Manager will seek to exit investments which are trading at a price that is high compared to intrinsic value. Relative value does not always change quickly, and so the Forsyth Barr New Zealand Equities Fund's investments are often medium- to long-term.

The Manager also reviews the Forsyth Barr New Zealand Equities Fund's overall composition on a "top down" basis, taking into account macro-economic, political, sectoral and regional considerations.

Investment Strategy

Target Asset Allocation

The Forsyth Barr New Zealand Equities Fund's target asset allocation and target asset allocation ranges are set out in the table below:

Asset Class	Target	Range
Cash and cash equivalents	5%	0% – 20%
New Zealand fixed interest	–	–
International fixed interest	–	–
Australasian equities	85%	80% – 100%
International equities	–	–
Listed property	10%	0% - 20%
Unlisted property	–	–
Commodities	–	–
Other	–	–

Permitted Investments

The Forsyth Barr New Zealand Equities Fund may invest in:

- financial products listed on the NZX² and unlisted financial products the Manager expects to be listed on the NZX within 12 months of purchase; and
- cash in deposits with registered banks.

The Manager may invest into these instruments directly, or indirectly by investing into an underlying managed investment scheme.

The Manager may also, after consultation with the supervisor of the Forsyth Barr New Zealand Equities Fund, invest in other assets (which are not explicitly set out above) that the Manager considers appropriately reflect the risk profile of the Forsyth Barr New Zealand Equities Fund and will contribute to the performance objectives of the Forsyth Barr New Zealand Equities Fund.

The Forsyth Barr New Zealand Equities Fund may use derivatives where the Manager considers doing so is consistent with the risk profile of the Forsyth Barr New Zealand Equities Fund and will contribute to the performance objectives of the Forsyth Barr New Zealand Equities Fund

Tactical Asset Allocation

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

² Where a financial product is listed on both the NZX and a non-New Zealand stock exchange the Forsyth Barr New Zealand Equities Fund may transact on either exchange.

The Forsyth Barr New Zealand Equities Fund does not undertake tactical asset allocation outside of permitted ranges.

Rebalancing

Rebalancing involves buying and selling assets so that a fund's actual asset allocation matches its target asset allocation.

The Forsyth Barr New Zealand Equities Fund is generally close to fully invested in New Zealand equities, which means that it does not have to undertake rebalancing.

Investment Restrictions

The following investment restrictions apply to the Forsyth Barr New Zealand Equities Fund:

- investment in any one entity or financial product may not be more than 25% of the value of the Forsyth Barr New Zealand Equities Fund's assets;
- at the time of purchase, no holding can represent more than 10% of the issued capital of the issuer; and
- investments in unlisted financial products the Manager expects to be listed on the NZX within 12 months of purchase may not in aggregate be more than 10% of the value of the Forsyth Barr New Zealand Equities Fund's assets

Investments in underlying managed investment schemes

Where the Forsyth Barr New Zealand Equities Fund invests in an underlying managed investment scheme managed by an external investment manager the investment is not itself subject to the permitted investments and investment restrictions set out above, but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the investment scheme's underlying investments (as made available by the external investment manager) with its own investments. Derivatives may be used by the manager of an underlying managed investment scheme.

Borrowing and Derivatives

The Forsyth Barr New Zealand Equities Fund may not borrow or use derivatives to leverage the Forsyth Barr New Zealand Equities Fund.

Compliance with limits and restrictions

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or
- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.

Forsyth Barr NZ Fixed Interest Fund

Description of the Fund

The Forsyth Barr NZ Fixed Interest Fund is a managed investment scheme, denominated in New Zealand dollars, and is one of the managed investment schemes that make up the Forsyth Barr Investment Funds.

Investment Objective

The Forsyth Barr NZ Fixed Interest Fund's investment objective is to achieve positive long-term returns after tax, fees and other expenses, by investing in selected New Zealand dollar denominated debt and debt-like securities, subject to the risks associated with investments in debt markets. The Forsyth Barr NZ Fixed Interest Fund is actively managed.

Benchmark

The Forsyth Barr NZ Fixed Interest Fund has no benchmark, however for comparative purposes only, Fund performance may be considered in relation to the S&P/NZX Investment Grade Corporate Bond Index.

Risk Indicator

The Forsyth Barr NZ Fixed Interest Fund's risk indicator is a historic measure of the volatility of the Forsyth Barr NZ Fixed Interest Fund returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the Fund is available in the most recent Fund Update published for the Fund.

Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit and that an actively managed portfolio of investments will over time provide better returns than a simple buy-and-hold strategy.

The Manager uses a "bottom up" approach to select investments for the Forsyth Barr NZ Fixed Interest Fund, and seeks to invest in securities that are trading at an attractive price when compared to the Manager's assessment of their intrinsic value. To do this, the Manager reviews the terms of the potential investment in light of prevailing interest rates and the credit risk of the issuer. Credit risk is assessed using criteria such as the issuer's available cash flow, gearing and level of business risk, and qualitative analysis of business strengths and weaknesses. Similarly, the Manager will seek to exit investments which are trading at a price that is high compared to intrinsic value. Relative value does not always change quickly, and so the Forsyth Barr NZ Fixed Interest Fund's investments are often medium- to long-term.

The Manager also reviews the Forsyth Barr NZ Fixed Interest Fund's overall credit and interest rate exposure on a "top down" basis, taking into account macro-economic, political, sectoral and regional considerations, including expected monetary policy settings and changes to interest rates

Investment Strategy

Target Asset Allocation

The Forsyth Barr NZ Fixed Interest Fund's target asset allocation and target asset allocation ranges are set out in the table below:

Asset Class	Target	Range
Cash and cash equivalents	5%	0% – 15%
New Zealand fixed interest	90%	0% – 100%
International fixed interest	5%	0% – 100%
Australasian equities	–	–
International equities	–	–
Listed property	–	–
Unlisted property	–	–
Commodities	–	–
Other	–	–

Permitted Investments

The Forsyth Barr NZ Fixed Interest Fund may, subject to the ranges set out below, invest in:

Investment	Range
Cash and cash equivalents	0% – 15%
New Zealand Government debt securities	0% – 100%
Overseas Government or supranational debt securities	0% – 50%
State-owned enterprise and local authority debt securities	0% – 50%
New Zealand Local Government Funding Agency debt securities	0% - 50%
Senior or unsubordinated debt securities issued by entities (other than the above)	0% – 100%
Subordinated debt securities, preference shares, convertible notes, reset securities and other forms of hybrid debt/equity securities issued by entities (other than the above)	0% – 30%

All investments must be New Zealand dollar denominated.

The Manager may invest into these instruments directly, or indirectly by investing into an underlying managed investment scheme.

The Manager may also, after consultation with the supervisor of the Forsyth Barr NZ Fixed Interest Fund, invest in other assets (which are not explicitly set out above) that the Manager considers appropriately reflect the risk profile of the Forsyth Barr NZ Fixed Interest Fund and will contribute to the performance objectives of the Forsyth Barr NZ Fixed Interest Fund.

The Forsyth Barr NZ Fixed Interest Fund may use derivatives where the Manager considers doing so is consistent with the risk profile of the Forsyth Barr NZ Fixed Interest Fund and will contribute to the performance objectives of the Forsyth Barr NZ Fixed Interest Fund.

Tactical Asset Allocation

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

The Forsyth Barr NZ Fixed Interest Fund does not undertake tactical asset allocation outside of permitted ranges.

Rebalancing

Rebalancing involves buying and selling assets so that a fund's actual asset allocation matches its target asset allocation.

The Forsyth Barr NZ Fixed Interest Fund is generally close to fully invested in New Zealand fixed interest, which means that it does not have to undertake rebalancing.

Investment Restrictions

The Forsyth Barr NZ Fixed Interest Fund's investment in any one entity (other than the New Zealand Government) or financial product (other than a financial product issued by the New Zealand Government), may not be more than 25% of the value of the Forsyth Barr NZ Fixed Interest Fund's assets.

Investments in underlying managed investment schemes

Where the Forsyth Barr NZ Fixed Interest Fund invests in an underlying managed investment scheme managed by an external investment manager the investment is not itself subject to the permitted investments and other investment restrictions set out above, but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the investment scheme's underlying investments (as made available by the external investment manager) with its own investments. Derivatives may be used by the manager of an underlying managed investment scheme.

Borrowing and Derivatives

The Forsyth Barr NZ Fixed Interest Fund may not borrow or use derivatives to leverage the Forsyth Barr NZ Fixed Interest Fund.

Compliance with limits and restrictions

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or
- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.

Forsyth Barr Premium Yield Fund

Description of the Fund

The Forsyth Barr Premium Yield Fund is a managed investment scheme, denominated in New Zealand dollars, and is one of the managed investment schemes that make up the Forsyth Barr Investment Funds.

Investment Objective

The Forsyth Barr Premium Yield Fund's investment objective is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected New Zealand and international debt and debt-like securities, subject to the risks associated with investments in debt markets. The Forsyth Barr Premium Yield Fund is actively managed.

Benchmark

The Forsyth Barr Premium Yield Fund has no benchmark, however for comparative purposes only, Fund performance may be considered in relation to the S&P/NZX Investment Grade Corporate Bond Index.

Risk Indicator

The Forsyth Barr Premium Yield Fund's risk indicator is a historic measure of the volatility of the Forsyth Barr Premium Yield Fund returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the Fund is available in the most recent Fund Update published for the Fund.

Investment Philosophy

The Manager believes that there are opportunities in financial markets for active managers to exploit and that an actively managed portfolio of investments will over time provide better returns than a simple buy-and-hold strategy.

The Manager uses a "bottom up" approach to select investments for the Forsyth Barr Premium Yield Fund, and seeks to invest in securities that are trading at an attractive price when compared to the Manager's assessment of their intrinsic value. To do this, the Manager reviews the terms of the potential investment in light of prevailing interest rates and the credit risk of the issuer. Credit risk is assessed using criteria such as the issuer's available cash flow, gearing and level of business risk, and qualitative analysis of business strengths and weaknesses. Similarly, the Manager will seek to exit investments which are trading at a price that is high compared to intrinsic value. Relative value does not always change quickly, and so the Forsyth Barr Premium Yield Fund's investments are often medium- to long-term.

The Manager also reviews the Forsyth Barr Premium Yield Fund's overall credit and interest rate exposure on a "top down" basis, taking into account macro-economic, political, sectoral and regional considerations, including expected monetary policy settings and changes to interest rates.

The Manager generally hedges the Forsyth Barr Premium Yield Fund's foreign currency exposure, based on its view of the risk that movements in foreign exchange rates may negatively impact the New Zealand dollar value of the Forsyth Barr Premium Yield Fund's investments.

Investment Strategy

Target Asset Allocation

The Forsyth Barr Premium Yield Fund's target asset allocation and target asset allocation ranges are set out in the table below:

Asset Class	Target	Range
Cash and cash equivalents	5%	0% – 15%
New Zealand fixed interest	90%	0% – 100%
International fixed interest	5%	0% – 100%
Australasian equities	–	–
International equities	–	–
Listed property	–	–
Unlisted property	–	–
Commodities	–	–
Other	–	–

Typically, the Forsyth Barr Premium Yield Fund is close to fully invested in New Zealand debt and debt-like securities. However, the fund may invest in international debt and debt-like securities where doing so is expected to produce superior risk adjusted returns.

Permitted Investments

The Forsyth Barr Premium Yield Fund may, subject to the ranges below, invest in:

Investment	Range
Cash and cash equivalents	0% – 15%
New Zealand Government debt securities	0% – 100%
Overseas Government or supranational debt securities	0% – 50%
State-owned enterprise and local authority debt securities	0% – 50%
New Zealand Local Government Funding Agency debt securities	0% - 50%
Senior or unsubordinated debt securities issued by entities (other than the above)	0% – 100%
Subordinated debt securities, preference shares, convertible notes, reset securities and other forms of hybrid debt/equity securities issued by entities (other than the above)	0% – 30%

The Manager may invest into these instruments directly, or indirectly by investing into an underlying managed investment scheme. The Manager may also, after consultation with the supervisor of the Forsyth Barr Premium Yield Fund, invest in other assets (which are not explicitly set out above) that the Manager considers appropriately reflect the risk profile of the Forsyth Barr Premium Yield Fund and will contribute to the performance objectives of the Forsyth Barr Premium Yield Fund.

The Forsyth Barr Premium Yield Fund may use derivatives where the Manager considers doing so is consistent with the risk profile of the Forsyth Barr Premium Yield Fund and will contribute to the performance objectives of the Forsyth Barr Premium Yield Fund.

Foreign Currency Hedging

Hedging involves making an investment or entering into an agreement with the intention of reducing the impact of adverse price movements.

As noted in the investment philosophy section, the Manager generally hedges the Forsyth Barr Premium Yield Fund's foreign currency exposure. The Forsyth Barr Premium Yield Fund's foreign currency hedging strategy is established by the Board and implemented by the Head of Funds Management. The Board and the Funds Management Oversight Committee monitor the Manager's compliance with the strategy.

Where the Manager invests into an underlying managed investment scheme to achieve the intended investment exposures, foreign currency hedging may be undertaken by the manager of that underlying scheme.

Tactical Asset Allocation

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

The Forsyth Barr Premium Yield Fund may undertake tactical asset allocation.

Rebalancing

Rebalancing involves buying and selling assets so that a fund's actual asset allocation matches its target asset allocation.

The Forsyth Barr Premium Yield Fund is rebalanced each month so that its actual asset allocation matches its target asset allocation or, where the Forsyth Barr Premium Yield Fund is undertaking tactical asset allocation, matches the tactical asset allocation target. However, the Forsyth Barr Premium Yield Fund is not rebalanced where market conditions mean that, in the Manager's opinion, rebalancing would be uneconomic.

Investment Restrictions

The Forsyth Barr Premium Yield Fund's investment in any one entity (other than the New Zealand Government) or financial product (other than a financial product issued by the New Zealand Government) may not be more than 25% of the value of the Forsyth Barr Premium Yield Fund's assets.

Investments in underlying managed investment schemes

Where the Forsyth Barr Premium Yield Fund invests in an underlying managed investment scheme managed by an external investment manager the investment is not itself subject to the permitted investments and other investment restrictions set out above, but for the purposes of assessing compliance with those restrictions the Manager will aggregate its interests in the investment scheme's underlying investments (as made available by the external investment manager) with its own investments. Derivatives may be used by the manager of an underlying managed investment scheme.

Borrowing and Derivatives

The Forsyth Barr Premium Yield Fund may not borrow or use derivatives to leverage the Forsyth Barr Premium Yield Fund.

Compliance with limits and restrictions

If the fund moves outside a target asset allocation range or ceases to comply with any other limit or restriction as a result of:

- investor-initiated activity (contributions, withdrawals or switches); or
- the Manager selling or purchasing financial products when implementing tactical asset allocation or rebalancing decisions in relation to the fund or an underlying managed investment scheme managed by the Manager,

there is no breach of that limit or restriction if the fund returns to compliance within 5 business days.

Appointment of External Investment Managers

The Manager may decide to appoint selected external investment managers. The due diligence process to consider the appointment or removal of any external investment manager is undertaken by the Head of Funds Management. When reporting to the Board, the Head of Funds Management will consider a number of quantitative and qualitative factors.

Appointed external investment manager performance is included in the monitoring of Investment Performance and Compliance, as detailed in elsewhere in this SIPO.

Only the Board has the authority to appoint or remove an external investment manager.

Limit Breaks

A limit break is a material breach of a limit set out in this SIPO. It can relate to either the nature or type of investments that may be made by a Fund, or the proportion of each type of asset that may be invested in by a Fund.

Materiality and Limit Breaks

In deciding whether a breach is material, the Manager will assess the circumstances of the breach in the context of the Forsyth Barr Investment Funds and the relevant Fund, and take into account the following factors:

- the size of the breach in relation to the Forsyth Barr Investment Funds and the relevant Fund;
- any losses caused to investors;
- whether the breach involves related-party transactions;
- whether the breach is an isolated incident, or part of a recurring pattern of breaches;
- whether the breach causes the PDS or any register entry on Disclose in respect of the Forsyth Barr Investment Funds or a Fund, or an advertisement relating to the Forsyth Barr Investment Funds or a Fund, to be false or misleading;
- how quickly the breach is rectified after the Manager became aware of the breach; and
- how long the breach went on for.

Immediate Reporting

Where the Manager becomes aware of a limit break, the Manager must report the limit break to the supervisor, if the limit break is not corrected within five working days of the Manager becoming aware of the limit break.

Quarterly Reporting

In accordance with the requirements of the Financial Markets Conduct Act 2013, the Manager must provide a report detailing all limit breaks to the supervisor each quarter.

The quarterly report must be provided within 10 working days after the expiry of each quarter.

Content of limit break reports

The content of any limit break reports, where possible, will detail the following:

- the date the Manager became aware of the limit break;
- the name of the Fund within the Forsyth Barr Investment Funds to which the limit break relates;
- the nature and cause of the limit break (the type of limit break);
- the net asset value of the scheme property in the Forsyth Barr Investment Funds as a whole and in respect of the Fund within the Forsyth Barr Investment Funds to which the limit break relates (as at the date the limit break first occurred);
- the reasons why the limit break is material;
- the date on which the limit break first occurred and the period for which the limit break continued before it was corrected (or whether the limit break remains uncorrected at the time of the report);
- the steps taken, or to be taken, by the Manager to correct the limit break;
- what steps (if any) have been taken, or will be taken, to minimise risk of a recurrence of this type of limit break or to ensure early notification and correction of limit breaks of this type; and
- the timeframe within which the Manager intends to take any steps not already taken under the preceding bullet points.

Responsible Investment

Responsible investment, including environmental, social and governance considerations, is taken into account in the investment policies and procedures of the Funds as follows:

- Before we make a direct investment for a Fund, we assess whether, in our opinion, the relevant entity is directly engaged in any of the following activities:
 - the manufacture of cluster munitions
 - the manufacture or testing of nuclear explosive devices
 - the manufacture of anti-personnel mines
 - the manufacture of tobacco products
 - the processing of whale meat

If our assessment is that the entity is directly engaged in any of those activities, then we don't make the investment.

We will make our assessment based on the framework made available by the NZ Super Fund (see www.nzsuperfund.co.nz/how-we-invest/responsible-investment). We will ensure that none of our direct investments are on the NZ Super Fund's exclusion list because of engagement in any of those activities at the time of purchase.

- If we make a direct investment and subsequently form the view that the relevant entity is directly engaged in any of the activities listed above, we will sell the investment in a reasonable timeframe. We will check our direct investments against the most recently published NZ Super Fund exclusion list at least monthly.
- Before a Fund invests into an underlying managed investment scheme that we don't manage, we will consider the responsible investment framework for that scheme. We will seek to invest in

underlying schemes with responsible investment frameworks comparable to ours, where we can do that without compromising our other investment objectives. At the end of each quarter, we will make available on our website a list of any of the underlying scheme's direct investments (as are available to us) where we consider that the relevant entity is directly engaged in any of the activities above (based on the NZ Super Fund's exclusion list at that time).

Monitoring

Investment Performance

The Manager's Head of Funds Management monitors investment performance daily by reviewing each Fund's unit price, which will reflect any significant changes in the value of individual assets held by the Fund.

Investment performance is formally calculated (using information provided by an external administration manager) and reported on at the end of each month. The reports set out investment performance on a monthly, quarterly, one year, two year, three year and since inception basis, and include gross and net absolute returns. The reports compare performance against appropriate performance benchmarks for comparative purposes only. Also included in monthly reports is each Fund's Risk Indicator.

The investment performance reports are provided to the Board, the Funds Management Oversight Committee and the supervisor.

The Funds Management Oversight Committee and the Board each meet at least every two months to, amongst other things, consider the Forsyth Barr Investment Funds' investment performance.

Compliance

The Manager's Head of Funds Management monitors compliance with this SIPO by reviewing daily reports setting out compliance (or non-compliance) for the previous day with:

- target asset allocation ranges;
- permitted investments; and
- investment restrictions.

If the Manager has breached this SIPO, the Board and the members of the Compliance Committee are notified by email.

As part of its Compliance Assurance Programme Forsyth Barr's Compliance Team provides assurance that this monitoring is working as intended and is effective by carrying out, on a sample basis, re-performance of the Head of Funds Management's compliance monitoring.

The Compliance Committee meets every month to, amongst other things, consider the Forsyth Barr Investment Funds' compliance with this SIPO, and compliance monitoring reports from the Compliance Team.

The Board meets at least every two months to, amongst other things, consider the Forsyth Barr Investment Funds' compliance with this SIPO.

Risk Management

Counterparty Risk Management

Meaning of Counterparty Risk

Counterparty risk is the risk that a party to a contract defaults or is otherwise unable to fulfil its obligations. If this occurs, the full amount invested may be lost or the affected fund may otherwise be negatively affected.

Management of Counterparty Risk

The Manager will manage counterparty risk by restricting exchange-traded derivative transactions to counterparties that use payment and security delivery platforms approved by the Manager. The Manager also restricts over-the-counter derivative transactions to counterparties that have executed satisfactory legal documentation and a Standard & Poor's credit rating of A or better.

The Manager will also manage counterparty risk by assessing a counterparty's effectiveness, cost efficiency, execution quality and other business practices and conduct prior to appointing the counterparty to the list of authorised counterparties that the Manager may trade with, and by setting limits on direct exposure to counterparties.

The Manager will monitor a counterparty's effectiveness on an ongoing basis, and formally review its appointment annually.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's counterparty risk management policy and procedures as part of its due diligence process.

Currency Risk Management

Meaning of Currency Risk

Currency risk is the risk that movements in foreign exchange rates impact the New Zealand dollar value of offshore investments, meaning that returns from offshore investments could be reduced if the New Zealand dollar strengthens against the currency in which an investment is denominated. This will affect all Funds with foreign currency assets.

Use of Foreign Exchange Hedging

The Manager will manage currency risk by using foreign exchange hedging, which may include foreign currency transactions executed in the spot, forward or over-the-counter options market and investments in vehicles offered by external investment managers that incorporate foreign exchange hedging.

Foreign exchange hedging may only be used where such use is consistent with the investment strategy for the fund set out in this SIPO. In particular, foreign exchange hedging may only be used for a purpose, and in compliance with the restrictions, set out in this SIPO.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's currency risk management policy and procedures as part of its due diligence process.

Liquidity Risk Management

Meaning of Liquidity Risk

Liquidity risk is the risk that an investment cannot be sold at the required time, due to a lack of a liquid market for that security. This may result in the investment being worth less than its fair value, the return from the investment being less than expected, or affected funds being unable to process withdrawals.

Management of Liquidity Risk

The Manager will manage liquidity risk by continuously monitoring forecast and actual cash flows, and maintaining sufficient cash holdings to meet potential payment obligations that may arise at short notice. In addition, the Manager will take reasonable steps to ensure that investments made directly by the Manager are able to be partly or fully liquidated within five business days.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's liquidity risk policy and procedures as part of its due diligence process.

Market Risk Management

Meaning of Market Risk

Market risk is the risk of the value of a Fund's investments being affected by developments in economies and financial markets (such as changes in market sentiment, inflation, interest rates and employment), and regulatory and political conditions. This could result in reduced returns or capital being lost.

Management of Market Risk

The Manager will manage market risk by only making investments that are consistent with the investment strategy for the Fund set out in this SIPO. In particular, the Manager will only make an investment for a purpose, and in compliance with the restrictions, set out in this SIPO.

This SIPO will:

- adopt a target asset allocation for each Fund consistent with the Fund's investment objective; and
- avoid concentration of risk by ensuring adequate diversification between and within investment sectors.

The Manager will ensure that key staff involved in investment decisions will have sufficient relevant skills, experience and training to meet the Manager's professional standard of care.

The Manager will regularly stress test its investment strategies and discuss the results with the supervisor.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's market risk management policy and procedures as part of its due diligence process.

Operational Risk Management

Meaning of Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Management of Operational Risk

The Manager will:

- maintain an operational risk framework which covers risk and control assessment, policy and compliance management, incident management (including breach reporting), governance and risk reporting;
- appoint a custodian to separate the investment function (undertaken by the Manager) from the transaction settlement, safekeeping, recording and reporting functions (undertaken by the custodian);

- maintain a business continuity plan; and
- maintain a fraud minimisation plan.

The Manager's and outsource providers' compliance with internal controls and processes will be monitored through a self-assessment process, and the results of the assessment will be reported to the Compliance Committee.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's operational risk management policy and procedures as part of its due diligence process.

Trade Execution and Trade Allocation

Execution of Trades

When determining the priority of execution of trades, the Manager will act in the best interests of investors in the Forsyth Barr Investment Funds, taking into account the following factors:

- price, including transaction costs;
- speed of execution;
- the counterparty's status and reputation;
- size and nature of the order; and
- any other relevant considerations.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's trade execution policy and procedures as part of its due diligence process.

Allocation of Trades

When allocating trades, the Manager will act in the best interests of investors in the Forsyth Barr Investment Funds, applying the following principles:

- all proposed trades must be pre-allocated;
- actual allocation must follow the pre-trade allocation;
- in the unlikely event that a trade is not fully allocated, actual allocation must follow a pro-rata based on the pre-trade allocation; and
- no fund will receive preferential allocation treatment over another.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's trade allocation policy and procedures as part of its due diligence process.

Voting

The Manager will exercise its voting power in relation to any of the Forsyth Barr Investment Fund's assets when the Manager considers that it is in the best interests of investors in the Forsyth Barr Investment Funds to do so. Decisions as to whether and how to vote will be made on a case by case basis.

Where the Manager appoints an external investment manager, the Manager will assess the external investment manager's voting policy and procedures as part of its due diligence process.

Review

The Head of Funds Management will review this SIPO annually.

The Head of Funds Management will undertake an ad hoc review of this SIPO if changes in market conditions necessitate changes to either:

- the nature or type of investments that can be made and any limits on those; or
- any limits on the proportion of each type of asset invested in.

The Head of Funds Management will report to the Board as to the outcome of his/her review, together with any proposed changes to this SIPO.

The Board will consider the Head of Funds Management's report and may approve the changes to this SIPO.

If any changes are made to this SIPO then notice will be given to the supervisor and the Forsyth Barr Investment Fund's register entry will be updated accordingly.

The most current version of this SIPO is available on the Disclose Register for managed investment schemes under the Financial Markets Conduct Act 2013 at www.business.govt.nz/disclose.