



SELECT KIWISAVER SCHEME

STATEMENT OF INVESTMENT
POLICY AND OBJECTIVES (SIPO)

11 NOVEMBER 2020



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1. Description of the Scheme

The Select KiwiSaver Scheme (**Scheme**) is a KiwiSaver scheme under the Financial Markets Conduct Act 2013. The Scheme is managed by Smartshares Limited (**Smartshares**), which is a wholly-owned subsidiary of NZX Limited (**NZX**).

The Scheme is distributed by Select Wealth Management Limited (**Select Wealth**).

The Scheme's external investment manager is JMI Wealth Limited (**JMI Wealth**).

Investment Services Group Limited (**ISG**) is the parent company of both Select Wealth and JMI Wealth. The Scheme may invest in funds managed by related parties of Select Wealth.

At the date of this SIPO, each of the funds in the Scheme will achieve its investment strategy by investing predominantly in other funds (underlying funds) with an allocation for cash and cash equivalents for liquidity purposes. This may change in future and the funds may invest directly into investment assets.

2. Investment philosophy

JMI Wealth's investment philosophy is based on the following principles;

- We have a preference for an active investment management approach.
- We take a long-term view.
- We have a preference for investments that analysis has determined are fairly priced or under-priced, and where we use active external fund managers we will seek to appoint those who follow a similar approach.
- We are conservative investors. We focus as much on conserving capital as on growing it.
- We focus on buying high quality investments and generally hold them for long-term capital growth and income.
- We have a disciplined approach to risk management.
- We strongly believe in diversification of capital.
- Markets frequently follow trends. If we believe the current investment trend is not in our clients' best interest, we are happy to be different and to sit on the sidelines.

Responsible investment, including environmental, social, and governance considerations, is taken into account in the investment policies and procedures of the Scheme as at the date of this SIPO. You can obtain an explanation of the extent to which responsible investment is taken into account in those policies and procedures at www.selectkiwisaver.co.nz.

3. Investment objectives and policies

The Scheme offers the funds set out below.

Conservative Fund

Investment objective

The fund aims to protect capital and provide a moderate return over the medium term (at least 3 years). The fund invests mostly in income assets, with a modest allocation to growth assets.

Investment strategy

Purpose	Asset class	Target	Range	Market index
Income	Cash and cash equivalents	12%	0% - 25%	S&P/NZX Bank Bills 90-Day Index
	New Zealand fixed interest	53%	0% - 75%	S&P/NZX A-Grade Corporate Bond Index
	International fixed interest	10%	0% - 25%	Bloomberg Barclays Global Aggregate Index (100% hedged to the New Zealand dollar)
	Total	75%	60% - 90%	
Growth	Australasian equities	11%	0% - 25%	75% S&P/NZX 50 Index 25% S&P/ASX 200 Index (100% hedged to the New Zealand dollar)
	International equities	9%	0% - 25%	MSCI All Countries World Index (50% hedged to the New Zealand dollar)
	Listed property	5%	0% - 25%	S&P/NZX Real Estate Select Index
	Total	25%	10% - 40%	

Smartshares may from time to time rebalance the fund so that its actual asset allocation is consistent with its target asset allocation in accordance with a rebalancing policy proposed by JMI Wealth.

Permitted investments

The fund may invest in the following assets:

- financial products listed on the NZX or an international stock exchange (which is a member of the World Federation of Exchanges);
- tradeable debt securities;
- any fund managed by Smartshares;
- any fund managed by a related party of Select Wealth;
- any fund managed by a third party; and
- cash and cash equivalents.

Cash and cash equivalents include cash on hand, deposits held at call with banks or the custodian, and other short-term highly liquid investments (and funds that primarily invest in cash and cash equivalents).

The fund can borrow up to 10% of the aggregate value of its investments, but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, securities settlement or pay expenses).

The fund may also invest in other assets (which are not explicitly set out above) that JMI Wealth considers are consistent with the permitted investments set out above and that appropriately reflect the risk profile of the fund and will contribute to the performance objectives of the fund.

Derivatives

A derivative is a financial product with a value that is reliant upon or derived from, an underlying asset or group of assets.

The fund may use derivatives to gain exposure to assets that are consistent with the permitted investments set out above or to manage foreign currency exposures. The fund may not use derivatives to lever the fund.

The minimum over-the-counter derivative counterparty rating is A- issued by Standard & Poor's Financial Services LLC (**Standard & Poor's**), or its equivalent issued by Moody's Investor Services (**Moody's**) or Fitch Ratings (**Fitch**).

If a counterparty has multiple credit ratings, Smartshares will use the highest credit rating of Standard & Poor's, Moody's or Fitch. If a counterparty is not rated by any of these rating agencies, Smartshares will decide a credit rating. If a counterparty is downgraded below the minimums set out above, Smartshares will decide the appropriate action.

Hedging

Hedging involves removing some or all of the foreign currency risk implicit in owning international assets. This limits the impact of foreign exchange rate movements on investment performance.

The fund's foreign currency exposure may be hedged to the New Zealand dollar. The target hedging level for income assets is 100% and the actual hedging level can be anywhere in the 0% - 100% range. The actual hedging level for growth assets can be anywhere in the 0% - 100% range.



Smartshares may from time to time change the hedging level so that the actual hedging level is consistent with the target hedging level.

Tactical asset allocation

JMI Wealth actively monitors market and economic conditions and may vary the asset allocation away from target to take advantage of short term events.

Balanced Fund

Investment objective

The fund aims to provide a medium level of capital growth over the medium to long term (at least 5 years). The fund invests similar proportions in income and growth assets.

Investment strategy

Purpose	Asset class	Target	Range	Market index
Income	Cash and cash equivalents	10%	0% - 25%	S&P/NZX Bank Bills 90-Day Index
	New Zealand fixed interest	35%	0% - 50%	S&P/NZX A-Grade Corporate Bond Index
	International fixed interest	0%	0% - 25%	Bloomberg Barclays Global Aggregate Index (100% hedged to the New Zealand dollar)
	Total	45%	30% - 60%	
Growth	Australasian equities	20.5%	0% - 50%	75% S&P/NZX 50 Index 25% S&P/ASX 200 Index (100% hedged to the New Zealand dollar)
	International equities	29.5%	0% - 50%	MSCI All Countries World Index (50% hedged to the New Zealand dollar)
	Listed property	5%	0% - 25%	S&P/NZX Real Estate Select Index
	Total	55%	40% - 70%	

Smartshares may from time to time rebalance the fund so that its actual asset allocation is consistent with its target asset allocation in accordance with a rebalancing policy proposed by JMI Wealth.

Permitted investments

The fund may invest in the following assets:

- financial products listed on the NZX or an international stock exchange (which is a member of the World Federation of Exchanges);
- tradeable debt securities;

- any fund managed by Smartshares;
- any fund managed by a related party of Select Wealth;
- any fund managed by a third party; and
- cash and cash equivalents.

Cash and cash equivalents include cash on hand, deposits held at call with banks or the custodian, and other short-term highly liquid investments (and funds that primarily invest in cash and cash equivalents).

The fund can borrow up to 10% of the aggregate value of its investments, but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, securities settlement or pay expenses).

The fund may also invest in other assets (which are not explicitly set out above) that JMI Wealth considers are consistent with the permitted investments set out above and that appropriately reflect the risk profile of the fund and will contribute to the performance objectives of the fund.

Derivatives

A derivative is a financial product with a value that is reliant upon or derived from, an underlying asset or group of assets.

The fund may use derivatives to gain exposure to assets that are consistent with the permitted investments set out above or to manage foreign currency exposures. The fund may not use derivatives to lever the fund.

The minimum over-the-counter derivative counterparty rating is A- issued by Standard & Poor's, or its equivalent issued by Moody's or Fitch.

If a counterparty has multiple credit ratings, Smartshares will use the highest credit rating of Standard & Poor's, Moody's or Fitch. If a counterparty is not rated by any of these rating agencies, Smartshares will decide a credit rating. If a counterparty is downgraded below the minimums set out above, Smartshares will decide the appropriate action.

Hedging

Hedging involves removing some or all of the foreign currency risk implicit in owning international assets. This limits the impact of foreign exchange rate movements on investment performance.

The fund's foreign currency exposure may be hedged to the New Zealand dollar. The target hedging level for income assets is 100% and the actual hedging level can be anywhere in the 0% - 100% range. The actual hedging level for growth assets can be anywhere in the 0% - 100% range.

Smartshares may from time to time change the hedging level so that the actual hedging level is consistent with the target hedging level.



Tactical asset allocation

JMI Wealth actively monitors market and economic conditions and may vary the asset allocation away from target to take advantage of short term events.

Growth Fund

Investment objective

The fund aims to provide a high level of capital growth over the medium to long term (at least 7 years). The fund invests mostly in growth assets, with a modest allocation to income assets.

Investment strategy

Purpose	Asset class	Target	Range	Market index
Income	Cash and cash equivalents	5%	0% - 25%	S&P/NZX Bank Bills 90-Day Index
	New Zealand fixed interest	8%	0% - 25%	S&P/NZX A-Grade Corporate Bond Index
	International fixed interest	8%	0% - 25%	Bloomberg Barclays Global Aggregate Index (100% hedged to the New Zealand dollar)
	Total	21%	6% - 36%	
Growth	Australasian equities	33.5%	0% - 50%	75% S&P/NZX 50 Index 25% S&P/ASX 200 Index (100% hedged to the New Zealand dollar)
	International equities	45.5%	0% - 75%	MSCI All Countries World Index (50% hedged to the New Zealand dollar)
	Listed property	0%	0% - 25%	S&P/NZX Real Estate Select Index
	Total	79%	64% - 95%	

Smartshares may from time to time rebalance the fund so that its actual asset allocation is consistent with its target asset allocation in accordance with a rebalancing policy proposed by JMI Wealth.

Permitted investments

The fund may invest in the following assets:

- financial products listed on the NZX or an international stock exchange (which is a member of the World Federation of Exchanges);
- tradeable debt securities;
- any fund managed by Smartshares;

- any fund managed by a related party of Select Wealth;
- any fund managed by a third party; and
- cash and cash equivalents.

Cash and cash equivalents include cash on hand, deposits held at call with banks or the custodian, and other short-term highly liquid investments (and funds that primarily invest in cash and cash equivalents).

The fund can borrow up to 10% of the aggregate value of its investments, but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, securities settlement or pay expenses).

The fund may also invest in other assets (which are not explicitly set out above) that JMI Wealth considers are consistent with the permitted investments set out above and that appropriately reflect the risk profile of the fund and will contribute to the performance objectives of the fund.

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The minimum over-the-counter derivative counterparty rating is A- issued by Standard & Poor's, or its equivalent issued by Moody's or Fitch.

If a counterparty has multiple credit ratings, Smartshares will use the highest credit rating of Standard & Poor's, Moody's or Fitch. If a counterparty is not rated by any of these rating agencies, Smartshares will decide a credit rating. If a counterparty is downgraded below the minimums set out above, Smartshares will decide the appropriate action.

Hedging

Hedging involves removing some or all of the foreign currency risk implicit in owning international assets. This limits the impact of foreign exchange rate movements on investment performance.

The fund's foreign currency exposure may be hedged to the New Zealand dollar. The target hedging level for income assets is 100% and the actual hedging level can be anywhere in the 0% - 100% range. The actual hedging level for growth assets can be anywhere in the 0% - 100% range.

Smartshares may from time to time change the hedging level so that the actual hedging level is consistent with the target hedging level.

Tactical asset allocation

JMI Wealth actively monitors market and economic conditions and may vary the asset allocation away from target to take advantage of short term events.

4. Investment performance monitoring and reporting

JMI Wealth's investment team monitors the performance of the Scheme on an ongoing basis.

Every month, JMI Wealth's investment team assesses:

- the performance of each of the funds relative to an appropriate composite performance benchmark; and
- the performance of the underlying funds that the Scheme invests in relative to an appropriate performance benchmark.

Every month, JMI Wealth's investment team prepares an investment performance report summarising the performance outcomes of each of the funds and the underlying funds that the Scheme invests in, and provides this to JMI Wealth's Investment Committee.

Every three months, JMI Wealth's investment team prepares an investment report and provides it to Smartshares' Chief Investment Officer and JMI Wealth's Investment Committee. The report summarises the performance of the funds, and the underlying funds that the Scheme invests in, relative to appropriate performance benchmarks, and any changes recommended by JMI Wealth to either the asset allocation of the funds or the selection of underlying funds.

Smartshares' investment team also monitors the performance of the funds on an ongoing basis.

Every month, Smartshares prepares investment performance reports and provides them to the Smartshares' Chief Investment Officer.

Every three months, Smartshares prepares investment performance reports and provides them to Smartshares' Investment Oversight Committee.

Every three months, the Smartshares' Oversight Committee reports to Smartshares' Board. The investment performance reports are also provided to the Board

Investment performance is monitored over one month, three months, one year, three years and five years periods.

Absolute performance, performance relative to benchmark indices and performance relative to peer averages is monitored.

5. Investment strategy review

JMI Wealth and Smartshares review the Scheme's investment strategy annually. The review will cover the target asset allocation and asset allocation ranges of each of the funds, as well as the assets that each of the funds may invest in.

JMI Wealth and Smartshares undertake an ad hoc review of the Scheme's investment strategy if:

- changes to market conditions necessitate changes to either: (1) the nature or types of investments that can be made and any limits on those; and/or (2) any limits on the proportions of each type of asset invested in; or

- either JMI Wealth's Board or Smartshares' Board instructs that an ad hoc review of the Scheme's investment strategy be undertaken.

Smartshares and JMI Wealth submit a report to Smartshares' Investment Oversight Committee in respect of the joint investment strategy review, together with any proposed changes to the Scheme's investment strategy.

Smartshares' Investment Oversight Committee reports to Smartshares' Board as to the outcome of its investment strategy review, together with any proposed changes to the Scheme's investment strategy.

Smartshares' Board considers Smartshares' Investment Oversight Committee's report and may approve any changes to the Scheme's investment strategy.

6. SIPO review

JMI Wealth and Smartshares review this SIPO annually.

JMI Wealth and Smartshares undertake an ad hoc review of this SIPO if:

- changes to the law or the Financial Markets Authority's guidance necessitate changes to this SIPO;
- changes to the Scheme's investment strategy (made as part of an ad hoc review of investment strategy) necessitate changes to this SIPO; or
- either JMI Wealth's Board or Smartshares' Board instructs that an ad hoc review of this SIPO be undertaken.

Smartshares and JMI Wealth submit a report to Smartshares' Investment Oversight Committee in respect of the joint SIPO review, together with any proposed changes to the SIPO.

Smartshares' Investment Oversight Committee reports to Smartshares' Board as to the outcome of its SIPO review, together with any proposed changes to the SIPO.

Smartshares' Board considers Smartshares' Investment Oversight Committee's report and may approve any changes to the SIPO.

Changes to the SIPO can only be made following consultation with the supervisor.