



## **Statement of Investment Policy and Objectives**

### **Octagon Investment Funds**

**Approver:** Forsyth Barr Investment Management Limited Board

**Owner:** Octagon Asset Management Limited

**Version:** 2.0

**Date:** 23 July 2024

## Document History

<b>Version</b>	<b>Date</b>	<b>Changes</b>
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>
1.5	11 December 2020	<p>Addition of three new funds – Income Fund, Balanced Fund and Growth Fund</p> <p>Amendments to NZ Fixed Interest Fund on its closure to new applications.</p> <p>Renaming of the Premium Yield Fund as the New Zealand Fixed Interest Fund and amendments to the fund's previous investment objective and other associated information.</p> <p>Amendments to the asset allocation ranges and investment restrictions of the Australian Equities Fund and Global Equities Fund; amendments to the investment restrictions of the New Zealand Equities Fund and Listed Property Fund.</p> <p>The scheme can borrow for specific purposes.</p> <p>Alteration of document format and other non-material editorial changes.</p>
1.6	19 March 2021	<p>Removal of the NZ Fixed Interest Fund after the fund was merged with the New Zealand Fixed Interest Fund.</p> <p>Additional information on foreign currency hedging.</p> <p>Changes to the target asset allocation ranges of the Forsyth Barr multi-asset class funds.</p> <p>Other non-material editorial changes.</p>

<i>Version</i>	<i>Date</i>	<i>Changes</i>
1.7	30 November 2021	<p>Amendments associated with the appointment of a new investment manager, Octagon Asset Management Limited and a change in the name of the Forsyth Barr Investment Funds to the Octagon Investment Funds.</p> <p>Amendments to the New Zealand Equities and Australian Equities fund investment objectives.</p> <p>Other associated and non-material editorial changes.</p>
1.8	12 December 2022	<p>Change of owner of document to Octagon Asset Management.</p> <p>Changes to the investment objective and permitted investments for the Listed Property Fund to better accommodate an active investment style and to clarify the Australasian focus of the fund.</p> <p>Other non-material editorial changes.</p>
1.9	7 June 2023	<p>Addition of Enhanced Cash Fund, and related changes to the permitted investments for the multi-asset class funds and to the schedule (regarding the permitted investments for the cash and cash equivalent allocation in multi-asset class funds).</p> <p>Additional commentary on responsible investment.</p> <p>Changes to commentary on trade execution, trade allocation, and voting.</p> <p>Changes to the schedule regarding asset allocation targets for international fixed interest allocations in multi-asset fund</p> <p>Other editorial changes</p>
1.10	4 October 2023	<p>Change to the market Index for the New Zealand Fixed Interest Fund.</p> <p>Replaced the Responsible Investment Policy.</p> <p>Change to permitted range of cash holdings for the international fixed interest component of multi asset funds.</p> <p>Other non-material editorial changes.</p>
2.0	23 July 2024	<p>Change of investment objectives from “aiming to achieve positive long-term returns” to “aiming to achieve long-term returns before fees, taxes and other expenses greater than [a specified benchmark]”.</p> <p>Updated asset allocation targets and ranges for the multi-asset class funds.</p> <p>Other non-material editorial changes.</p>

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## Background & Description of the Octagon Investment Funds

The Octagon Investment Funds is a managed investment scheme (Scheme) registered under the Financial Markets Conduct Act 2013. The Octagon Investment Funds provides investors with access to a range of single asset class funds and multi-asset class funds (together, the funds).

Forsyth Barr Investment Management Limited (Manager) is the manager of the Octagon 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 Octagon 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 and procedures documents maintained by the Manager.

### Objective

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

## Responsibilities

### Decision Making Framework

The Manager's decision making framework is as follows:

	<i>Plan</i>		<i>Implement</i>		
	<i>SIPO</i>	<i>Investment policies</i>	<i>Management</i>	<i>Trade</i>	<i>Control</i>
<b>Board</b>	Decides	Decides	Oversees		Monitors management performance and compliance.
<b>Compliance Committee</b>			Oversees		Reviews compliance incidents and reports, and reports to the Board.
<b>Funds Management Oversight Committee</b>			Oversees		Monitors investment performance and reports to the Board.
<b>Investment Manager</b>	Recommends	Recommends	Decides	Decides	Undertakes investment management and other associated activities and monitors investment

<i>Plan</i>		<i>Implement</i>		
<i>SIPO</i>	<i>Investment policies</i>	<i>Management</i>	<i>Trade</i>	<i>Control</i>
				performance and SIPO compliance.
<b>Administration manager</b>				Arranges independent calculation of investment performance.
<b>Supervisor</b>		Supervises		Oversees management and administration.
<b>Custodian</b>			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 Octagon Investment Funds;
- monitoring the performance of the Investment Manager, any external investment manager, the supervisor, the custodian 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 Manager

The Manager has appointed Octagon Asset Management Limited as the Investment Manager to perform the day-to-day investment management of the Scheme.

The Investment Manager's responsibilities in particular include:

- 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 Scheme's investment performance;
- monitoring the Scheme's compliance with this SIPO and the investment policies; and
- reporting to the Funds Management Oversight Committee as required.

The Investment Manager is also responsible for co-ordinating review of this SIPO as described in this SIPO.

#### **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 Octagon Investment Funds' financial position to assess whether they are adequate.

The name and contact details for the supervisor are set out in the Octagon 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 Octagon Investment Funds' assets on behalf of investors.

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

#### **Fund Management**

The Octagon Investment Funds offers investors the option to invest in the following actively managed funds from our range of single asset class funds and multi-asset class funds. The multi-asset class funds generally have an exposure to a greater number of

asset classes when compared to the single asset class funds.

#### **Single Asset Class Funds**

The following funds are single asset class funds

- Australian Equities Fund
- Global Equities Fund
- Listed Property Fund
- New Zealand Equities Fund
- New Zealand Fixed Interest Fund
- Enhanced Cash Fund

#### **Multi-Asset class funds**

The following funds are multi-asset class funds

- Income Fund
- Balanced Fund
- Growth 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; accordingly, the Manager has appointed an active Investment Manager.

#### **Permitted Investments**

In addition to each of the funds' specific permitted investments, each of the funds may gain investment exposure by investing directly, or indirectly into an underlying managed investment scheme (which may also be managed by the Manager).

The Investment Manager, may also, after consultation with the supervisor of the funds, invest in other assets that the Investment Manager considers appropriately reflect the risk profile of the funds and will contribute to the performance objectives of the funds.

#### **Foreign Currency Hedging**

Hedging involves making an investment or entering into an agreement with the intention of reducing the

impact of adverse price movements in a financial obligation.

The Investment Manager actively manages the fund's foreign currency exposure associated with international and Australian equities, and listed property; and generally hedges the foreign currency exposure associated with international fixed interest. This is achieved through foreign currency hedging. The funds' foreign currency hedging strategy is established by the Board and implemented by the Investment Manager. The Board and the Funds Management Oversight Committee monitor the Investment Manager's compliance with the strategy.

Where the Investment 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.

#### **Risk Indicator**

The funds' risk indicators are a historic measure of the volatility of the funds' returns, calculated as the annualised standard deviation of returns over the last five years. The most recently published risk indicator for the funds are available in the most recent Fund Update published for the funds (prior to December 2021 see the Fund Updates for the Forsyth Barr Investment Funds)

#### **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 funds do not undertake tactical asset allocation outside of target asset allocation permitted ranges.

#### **Rebalancing**

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

The single asset class funds are generally close to fully invested in the relevant asset class, which means that they do not have to undertake rebalancing.

The multi-asset class funds may undertake rebalancing so that actual asset allocation matches desired asset allocation. Any rebalancing is at the discretion of the Investment Manager.

#### **Investments in underlying managed investment schemes**

Where the funds invest in underlying managed investment schemes, the Investment Manager will aggregate its interests in the investment scheme's underlying investments (where practicable and as made available by any external investment manager) with its own investments for the purposes of assessing compliance with the funds' target asset allocation ranges, and other limits and restrictions. Derivatives may be used by the manager of an underlying managed investment scheme.

#### **Derivatives**

The funds may use derivatives where the Investment Manager considers doing so is consistent with the funds' risk profile and will contribute to the performance objectives of the funds. Derivatives may be used by the manager of an underlying investment scheme.

#### **Borrowing**

The funds may only borrow to facilitate investor-initiated activity and for the payment of fund expenses.

#### **Compliance with limits and restrictions**

If the funds move outside a target asset allocation range or cease to comply with any other limit or restriction, there is no breach of that limit or restriction if the fund returns to compliance within seven business days.

## Australian Equities Fund

### Description of the Fund

The Fund is a single asset class fund.

### Investment Objective

The Fund's investment objective is to achieve long-term returns (before fees, taxes and other expenses) greater than its benchmark, by investing mostly in selected Australian equities, and can invest in New Zealand listed shares where the company has meaningful operations in Australia, subject to the higher risks associated with investments in international equity markets.

### Benchmark

The S&P/ASX 200 Accumulation Index, 50% hedged to the New Zealand dollar.

### Investment Strategy

#### Target Asset Allocation

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

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

### Permitted Investments

The Fund may invest in:

- financial products listed on the ASX<sup>1</sup> and unlisted financial products the Investment Manager expects to be listed on the ASX within 12 months of purchase; and
- financial products listed on the NZX and unlisted financial products the Investment Manager expects to be listed on the NZX within 12 months of purchase; and
- cash in deposits with registered banks.

### Investment Restrictions

The following investment restrictions apply to the Fund:

- investment in any one entity or financial product may not be more than 25% of the value of the Fund's assets;
- investments in unlisted financial products the Investment Manager expects to be listed on the ASX and NZX within 12 months of purchase may not in aggregate be more than 10% of the value of the Fund's assets.

<sup>1</sup> Where a financial product is listed on both the ASX and a non-Australian stock exchange the Fund may transact on either exchange.

## Global Equities Fund

### Description of the Fund

The Global Equities Fund is a single asset class fund.

### Investment Objective

The Fund's investment objective is to achieve long-term returns (before fees, taxes and other expenses) greater than its benchmark, by investing in selected international equities, subject to the higher risks associated with investments in international equity markets.

### Benchmark

The MSCI ACWI Net Total Return Index, 50% hedged to the New Zealand dollar.

### Investment Strategy

#### Target Asset Allocation

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

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

#### Permitted Investments

The Fund may invest in:

- financial products listed on recognised international securities exchanges and unlisted financial products the Investment 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.

### Investment Restrictions

The following investment restrictions apply to the Fund:

- investment in any one entity or financial product may not be more than 25% of the value of the Fund's assets; and
- investments in unlisted financial products the Investment 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 Fund's assets.

## Listed Property Fund

### Description of the Fund

The Listed Property Fund is an enhanced single asset class fund.

### Investment Objective

The Fund's investment objective is to achieve long-term returns (before fees, taxes and other expenses) greater than its benchmark, by investing in listed financial products whose financial performance is primarily determined or materially affected by the owning or managing of property, property-like assets and / or other real assets, subject to the higher risks associated with investments in listed property investments.

### Benchmark

The S&P/NZX All Real Estate Gross with Imputation Index.

### Investment Strategy

#### Target Asset Allocation

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

<i>Asset Class</i>	<i>Target</i>	<i>Range</i>
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 Fund may invest in:

- financial products which are issued by entities whose principal business is or involves, in the opinion of the Investment Manager, owning or managing property, property-like assets, or real

assets and whose financial performance is primarily determined or materially affected by the owning or managing of that property or those assets; and which are:

- listed on the NZX or ASX (including international equities with a secondary listing on either exchange), or
- unlisted, but where the Investment Manager expects the financial products to be listed on the NZX or ASX within 12 months of purchase (including in the case of international equities, as a secondary listing on either exchange); and
- cash in deposits with registered banks.

### Investment Restrictions

The following investment restrictions apply to the Fund:

- investment in any one entity or financial product may not be more than 25% of the value of the Fund's assets.
- investments in unlisted financial products which the Investment Manager expects to be listed on the NZX or ASX within 12 months of purchase may not in aggregate be more than 10% of the value of the Fund's assets.

## New Zealand Equities Fund

### Description of the Fund

The Fund is a single asset class fund.

### Investment Objective

The Fund's investment objective is to achieve long-term returns (before fees, taxes and other expenses) greater than its benchmark, by investing mostly in selected New Zealand equities, and can invest in Australian listed shares where the company has meaningful operations in New Zealand, subject to the higher risks associated with investments in equity markets.

### Benchmark

The S&P/NZX50 Gross with Imputation Index.

### Investment Strategy

#### Target Asset Allocation

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

<i>Asset Class</i>	<i>Target</i>	<i>Range</i>
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 Fund may invest in:

- financial products listed on the NZX<sup>2</sup> and unlisted financial products the Investment Manager expects to be listed on the NZX within 12 months of purchase; and
- financial products listed on the ASX and unlisted financial products the Investment Manager expects to be listed on the ASX within 12 months of purchase; and
- cash in deposits with registered banks.

### Investment Restrictions

The following investment restrictions apply to the Fund:

- investment in any one entity or financial product may not be more than 25% of the value of the Fund's assets; and
- investments in unlisted financial products the Investment Manager expects to be listed on the NZX and ASX within 12 months of purchase may not in aggregate be more than 10% of the value of the Fund's assets.

<sup>2</sup> Where a financial product is listed on both the NZX and a non-New Zealand stock exchange the Fund may transact on either exchange.

## New Zealand Fixed Interest Fund

### Description of the Fund

The Fund is a single asset class fund.

### Investment Objective

The Fund's investment objective is to achieve long-term returns (before fees, taxes and other expenses) greater than its benchmark, by investing in selected New Zealand debt and debt-like securities, subject to the risks associated with investments in debt markets.

### Benchmark

The Bloomberg NZBond Composite 0+ Yr Index .

### Investment Strategy

#### Target Asset Allocation

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

<i>Asset Class</i>	<i>Target</i>	<i>Range</i>
Cash and cash equivalents	5%	0% – 15%
New Zealand fixed interest	95%	0% – 100%
International fixed interest	0%	0% – 100%
Australasian equities	–	–
International equities	–	–
Listed property	–	–
Unlisted property	–	–
Commodities	–	–
Other	–	–

### Permitted Investments

The Fund may, subject to the ranges below, invest in:

<i>Investment</i>	<i>Range</i>
Cash and cash equivalents	0% – 15%
New Zealand Government debt securities	0% – 100%
Overseas Government or supranational debt securities	0% – 50%
New Zealand Local Government Funding Agency debt securities	0% – 50%
State-owned enterprise and local authority 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.	

### Investment Restrictions

The 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 Fund's assets.

## Enhanced Cash Fund

### Description of the Fund

The Fund is an enhanced single asset class fund.

### Investment Objective

The Fund's investment objective is to achieve returns (before fees, taxes and other expenses) greater than its benchmark, over a rolling 12 month period, by investing in a portfolio of actively managed cash, cash equivalents and short-term New Zealand fixed interest, subject to the risks associated with investments in short term debt markets.

### Benchmark

The Official Cash Rate (OCR).

Because the OCR is not a market index under the Financial Markets Conduct Regulations 2014, we have selected the S&P /NZX Bank Bills 90-Day Index as the market index for the Fund and, accordingly, the Fund's performance is compared to the S&P /NZX Bank Bills 90-Day Index in the Fund's quarterly fund updates and other regulatory disclosures.

### Investment Strategy

#### Target Asset Allocation

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

<b>Asset Class</b>	<b>Target</b>	<b>Range</b>
Cash and cash equivalents	65%	50% – 100%
New Zealand fixed interest	35%	0% – 50%
International fixed interest	-	-
Australasian equities	-	-
International equities	-	-
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

### Permitted Investments

The Fund may, in respect of each asset class and subject to the ranges below, invest in:

#### ***Cash and Cash Equivalents (as determined (once only) at date of purchase by the Investment Manager)***

<b>Investment</b>	<b>Range</b>
On-call and term bank deposits, and debt securities classified as senior or unsubordinated, in each case with a maturity date of less than 7 months	0% – 100%

#### ***New Zealand fixed interest (as determined (once only) at date of purchase by the Investment Manager)***

<b>Investment (but in each case excluding investments that are cash or cash equivalents as per the above)</b>	<b>Range</b>
Government or supranational debt securities	0% – 100%
State-owned enterprise and local authority debt securities	0% – 100%
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	0% – 30%

All investments must be New Zealand dollar denominated.

### Investment Restrictions

The 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 Fund's assets.

The maximum outstanding time to maturity of any New Zealand fixed interest investment is three years.

The maximum portfolio duration for the Fund is nine months.

## Income Fund

### Description of the fund

The Fund is a multi-asset class fund.

### Investment Objective

The Fund's investment objective is to pay distributions, and achieve long term returns inclusive of distributions (before fees, taxes and other expenses) greater than its benchmark, by investing in selected New Zealand and international equities, listed property and New Zealand and international debt and debt-like securities, subject to the risks associated with investments in equity and debt markets.

### Benchmark

A composite benchmark made up of the single asset class benchmarks weighted by the target asset allocation for the asset class. The single asset class benchmarks are the same as the benchmarks for the single asset class funds, and the benchmark for international fixed interest is the Bloomberg Global Aggregate Total Return Index, 100% hedged to the New Zealand Dollar.

## Investment Strategy

### Target Asset Allocation

The Fund's target asset allocation and target asset allocation ranges (to take effect from 1 August 2024 for benchmarking purposes) are set out in the table below:

	Target	Range
Cash and cash equivalents	5%	0% – 50%
New Zealand fixed interest	23%	0% – 50%
International fixed interest	20%	0% – 50%
Australasian equities	37%	0% – 70%
International equities	0%	0% – 20%
Listed property	15%	0% – 50%
Unlisted property	–	–
Commodities	–	–
Other	–	0% – 10%

### Permitted Investments

The Fund may invest into any financial product that would be a permitted investment for any of the single asset class funds. Where there is no equivalent single asset class fund, permitted investments are detailed in the Schedule.

The portion of the Fund that is allocated to the asset class of cash and cash equivalents may be invested in the Enhanced Cash Fund, or otherwise managed in accordance with the target asset allocation, permitted investments, and investment restrictions that apply to the Enhanced Cash Fund.

### Investment Restrictions

The investment restrictions applicable to each of the single asset class funds apply to the relevant asset classes that the Fund is permitted to invest in to. Where there is no equivalent single asset class fund, investment restrictions are detailed in the Schedule. On-call investments held in the Fund's transactional bank account of up to an aggregate value of \$2 million are not subject to any investment restrictions.

## Balanced Fund

### Description of the fund

The Fund is a multi-asset class fund.

### Investment Objective

The Fund's investment objective is to achieve long-term returns (before fees, taxes and other expenses) greater than its benchmark, by investing in selected New Zealand and international equities, listed property and New Zealand and international debt and debt-like securities, subject to the risks associated with investments in equity and debt markets.

### Benchmark

A composite benchmark made up of the single asset class benchmarks weighted by the target asset allocation for the asset class. The single asset class benchmarks are the same as the benchmarks for the single asset class funds, and the benchmark for international fixed interest is the Bloomberg Global Aggregate Total Return Index, 100% hedged to the New Zealand Dollar.

### Investment Strategy

#### Target Asset Allocation

The Fund's target asset allocation and target asset allocation ranges (to take effect from 1 August 2024 for benchmarking purposes) are set out in the table below:

	<b>Target</b>	<b>Range</b>
Cash and cash equivalents	7%	0% – 50%
New Zealand fixed interest	19%	0% – 50%
International fixed interest	19%	0% – 50%
Australasian equities	20%	0% – 50%
International equities	30%	0% – 50%
Listed property	5%	0% – 50%
Unlisted property	–	–
Commodities	–	–
Other	–	0% – 10%

### Permitted Investments

The Fund may invest into any financial product that would be a permitted investment for any of the single asset class funds. Where there is no equivalent single asset class fund, permitted investments are detailed in the Schedule.

The portion of the Fund that is allocated to the asset class of cash and cash equivalents may be invested in the Enhanced Cash Fund, or otherwise managed in accordance with the target asset allocation, permitted investments, and investment restrictions that apply to the Enhanced Cash Fund.

### Investment Restrictions

The investment restrictions applicable to each of the single asset class funds apply to the relevant asset classes that the Fund is permitted to invest in to. Where there is no equivalent single asset class fund, investment restrictions are detailed in the Schedule.

On-call investments held in the Fund's transactional bank account of up to an aggregate value of \$2 million are not subject to any investment restrictions.

## Growth Fund

### Description of the fund

The Fund is a multi-asset class fund.

### Investment Objective

The Fund's investment objective is to achieve long-term returns (before fees, taxes and other expenses) greater than its benchmark, by investing in selected New Zealand and international equities, listed property and New Zealand and international debt and debt-like securities, subject to the risks associated with investments in equity and debt markets.

### Benchmark

A composite benchmark made up of the single asset class benchmarks weighted by the target asset allocation for the asset class. The single asset class benchmarks are the same as the benchmarks for the single asset class funds, and the benchmark for international fixed interest is the Bloomberg Global Aggregate Total Return Index, 100% hedged to the New Zealand Dollar.

### Investment Strategy

#### Target Asset Allocation

The Fund's target asset allocation and target asset allocation ranges (to take effect from 1 August 2024 for benchmarking purposes) are set out in the table below:

	<b>Target</b>	<b>Range</b>
Cash and cash equivalents	4%	0% – 50%
New Zealand fixed interest	10%	0% – 50%
International fixed interest	6%	0% – 50%
Australasian equities	29%	0% – 70%
International equities	45%	20% – 70%
Listed property	6%	0% – 50%
Unlisted property	–	–
Commodities	–	–
Other	–	0% – 10%

### Permitted Investments

The Fund may invest into any financial product that would be a permitted investment for any of the single asset class funds. Where there is no equivalent single asset class fund, permitted investments are detailed in the Schedule.

The portion of the Fund that is allocated to the asset class of cash and cash equivalents may be invested in the Enhanced Cash Fund, or otherwise managed in accordance with the target asset allocation, permitted investments, and investment restrictions that apply to the Enhanced Cash Fund.

### Investment Restrictions

The investment restrictions applicable to each of the single asset class funds apply to the relevant asset classes that the Fund is permitted to invest in to. Where there is no equivalent single asset class fund, investment restrictions are detailed in the Schedule.

On-call investments held in the Fund's transactional bank account of up to an aggregate value of \$2 million are not subject to any investment restrictions.

## 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 Investment Manager. When reporting to the Board, Investment Manager 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 Octagon Investment Funds and the relevant fund, and take into account the following factors:

- the size of the breach in relation to the Octagon 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 Octagon Investment Funds or a fund, or an advertisement relating to the Octagon 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 Octagon 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 Octagon Investment Funds as a whole and in respect of the fund within the Octagon 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 Policy

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

### Product involvement exclusion screening

Before the Investment Manager makes a direct investment in a financial product for a fund, it will use a screening tool to identify whether the relevant entity derives revenue from any of the following activities:

- The manufacture of core weapon systems for controversial weapons, or components/services of the core weapons system that are considered by the screening service to be tailor-made and essential for the lethal use of the weapon. Controversial weapons as determined by the screening service include cluster munitions and anti-personnel mines; nuclear explosive devices (including the missiles that deliver nuclear warheads), chemical and biological weapons.
- The production of tobacco products.
- The capture and processing of whale meat.
- The manufacture or sale of assault weapons to civilians.

Except as expressly noted, the screening applied does not extend to the sale or distribution of these products or their component parts. For example, the screen captures tobacco manufacturers but does not extend to retail distributors (e.g. supermarkets and other retailers) who sell cigarettes.

The Investment Manager uses a screening service that provides research on company involvement in activities relating to specified products and services, broken down by the revenues derived from those activities). The Investment Manager relies on that screening service to apply this exclusion screening policy.

If the screening process identifies that a company derives revenues of 5% or more from the activities listed above, then no investment is made. This is done for moral and ethical reasons, i.e. we do not wish to be associated with these activities.

If the Investment Manager makes a direct investment and the screening process subsequently identifies that the relevant entity derives revenues of 5% or more from one of the activities listed above, the investment will be sold in a reasonable timeframe taking into account the particular circumstances, market conditions, and the duty to

act in the best interest of investors. The Investment Manager will apply the screening check against the funds' direct investments at least monthly.

As at the date of this SIPO we use screening tools provided by [Sustainalytics](#), as described in Sustainalytics' Product Involvement Research Methodology dated October 2020.

Where we've identified companies through our exclusion screening process we will place the names of these companies on an exclusion list which will be made available and updated on our website every six months.

### Consideration of ESG factors

For directly held equities, listed property and fixed interest securities and cash and cash equivalents, the Investment Manager uses its ESG Risk Assessment framework to help identify the material ESG risks and opportunities associated with our investments. This ESG Risk Assessment utilises data and research from various sources including Forsyth Barr's Carbon and ESG (CESG) ratings and related methodology, Refinitiv and Sustainalytics controversy data, as well as information from other sources and information made available in the public domain. The Investment Manager collates information from the sources listed above in order to perform its qualitative assessment of the ESG risks and opportunities.

The Investment Manager then determines the extent to which these risks and opportunities are considered in its investment decision making. However, ESG factors may not be determinative of the Investment Manager's investment decisions, and Investment Manager may include investments that have less favourable ESG ratings.

Forsyth Barr's CESG ratings and methodology are available on its website -

<https://www.forsythbarr.co.nz/corporate-news-events/cesg-report/> .

***Limitation: as at the date of this SIPO Forsyth Barr's CESG methodology only covers certain NZX listed issuers. Where we hold an investment in a NZX listed issuer not covered by Forsyth Barr's CESG ratings and / or an issuer listed on another exchange, we will source the necessary information from those sources listed above.***

### Controversies

From time to time unexpected information about the companies we invest in may become available. If

we determine further investigation of the unexpectedly disclosed information is warranted, the Investment Manager's Investment Committee will apply the following steps to determine what response and actions, if any, should be undertaken:

1. If the Chair is made aware of unexpected information made available in relation to an issuer of a financial product held within a fund
2. The Chair will direct the Investment Manager's ESG team to investigate further by applying the Investment Manager's ESG Risk Assessment methodology detailed above and present the information and its assessment to the Investment Committee
3. The Investment Committee will consider the information provided by the Investment Manager's ESG team and determine whether the issuer's activities are negatively flagged and / or inconsistent with a positive assessment under the assessment criteria of the Investment Manager's ESG Risk Assessment
4. The Investment Committee will determine an appropriate action which may be (1) to note for internal reference only, (2) to note and partially or fully sell the relevant financial products, (3) to undertake (1) and advise investors via its website and / or via other media, (4) undertake (2) and update investors via its website and / or via other media
5. If partial or full divestment is to occur the investment will be sold in a reasonable timeframe taking into account the particular circumstances, market conditions, and the duty to act in the best interest of investors.

A copy of the Investment Manager's Investment Committee charter, detailing all of the committee's responsibilities and activities is available on the Investment Manager's website.

#### **Investments into unrelated underlying funds**

Before a fund invests into an underlying managed investment scheme that we don't manage, the Investment Manager will consider the responsible investment framework for that scheme. The Investment Manager will seek to invest in underlying schemes with responsible investment frameworks comparable to the Octagon Investment Funds, where it can do that without compromising the funds' other investment objectives. At the end of each quarter, the Investment Manager will make

available on the funds' website a list of any of the underlying scheme's direct investments (as are available to the Investment Manager) that appear on our exclusions list as determined by our screening activities.

## **Monitoring**

### **Investment Performance**

The Investment Manager 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 Octagon Investment Funds' investment performance.

### **Compliance**

The Investment Manager 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 (including any ESG restrictions).

If the Investment Manager has breached this SIPO, the Funds management Oversight Committee, 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.

The Compliance Committee meets every month to, amongst other things, consider the Octagon 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 Octagon Investment Funds' compliance with this SIPO.

Any breach of the SIPO (including in relation to the Responsible Investment Policy), and any subsequent remediation, is dealt with by the Investment Manager and the Manager in accordance with the Financial Markets Conduct Act, acting in the best interests of investors and in consultation with the Supervisor (as required).

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

The Investment Manager will monitor a counterparty's effectiveness on an ongoing basis, and formally review its appointment annually as part of its reporting to the Manager.

Where the Manager appoints an external investment manager, the Investment 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 Investment 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. The Investment Manager or any appointed external investment manager may use foreign exchange proxy hedging (where the foreign currency of the hedge differs to the actual foreign currency exposure) for hedging efficiency purposes.

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.

The following foreign currency hedging strategy has been established by the Board and is currently implemented by the Investment Manager. This may change, as determined by the Board.

<i>Asset Class</i>	<i>Market Index</i>	<i>Foreign currency hedging range</i>
Australian equities	S&P/ASX 200 Accumulation Index, 50% hedged to the New Zealand dollar.	20% to 80% of the fund's foreign currency exposure to Australian equities (which may include listed property and international equities).

International equities	MSCI ACWI Net Total Return Index, 50% hedged to the New Zealand dollar	20% to 80% of the fund's foreign currency exposure to international equities. (which may include Australian equities and listed property)
Listed property	S&P/NZX All Real Estate Gross with Imputation Index.	20% to 80% of the fund's foreign currency exposure to listed property (which may include Australian equities).
International fixed interest	Bloomberg Global Aggregate Total Return Index, 100% hedged to the New Zealand dollar.	Generally hedged.

Where the Manager appoints an external investment manager, the Investment 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 Investment 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 Investment Manager will take reasonable steps to ensure that investments made directly by the Investment Manager are able to be partly or fully liquidated within ten business days.

Where the Manager appoints an external investment manager, the Investment 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 Investment 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 Investment 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 asset classes.

The Investment Manager will ensure that key staff employed by the Investment Manager will have sufficient relevant skills, experience and training to meet the Manager's professional standard of care.

The Investment Manager will regularly stress test its investment strategies and report the results to the Manager, who will discuss with the supervisor.

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

### **Management of ESG Risk**

The Manager manages ESG risk through its Responsible investment Policy.

## **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 Octagon 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 investment manager, the Manager will require the investment manager's trade execution policy and procedures to be consistent with the policy described above and will require the investment manager to provide such reports to the Manager, as may be required from time to time, in relation to trade execution.

### **Allocation of Trades**

When allocating trades, the Manager will act in the best interests of investors in the Octagon 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 investment manager, the Manager will require the investment manager's trade allocation policy and procedures to be consistent with the policy described above and will require the investment manager to provide such reports to the Manager, as may be required from time to time, in relation to trade allocation.

## **Voting**

The Manager will exercise its voting power in relation to any of the Octagon Investment Fund's assets when the Manager considers that it is in the best interests of investors in the Octagon Investment Funds to do so. Decisions as to whether and how to vote will be made on a case by case basis by the relevant investment manager where an investment manager has been appointed, and otherwise as directed by the Manager's board.

Where the Manager appoints an investment manager, the Manager will require the investment manager's voting policy and procedures to be consistent with the policy described above and will require the investment manager to provide regular reports to the Manager on the exercise of voting power by the investment manager in relation to any of the Octagon Investment Fund's assets.

## Review

The Investment Manager will review this SIPO annually and undertake an ad hoc review if changes in market conditions or events 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 Investment Manager 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 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 Octagon 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](http://www.business.govt.nz/disclose).

## Schedule

### Permitted Investments and Investment Restrictions – international fixed interest in multi-asset funds

That portion of the multi-asset class funds that is allocated to the asset class of international fixed interest has the target asset allocation and target asset allocation ranges as set out in the table below:

<i>Asset Class</i>	<i>Target</i>	<i>Range</i>
Cash and cash equivalents	5%	0% – 100%
New Zealand Fixed Interest	0%	0% - 100%
International Fixed Interest	95%	0% – 100%
Australasian Equities	–	–
International Equities	–	–
Listed Property	–	–
Unlisted property	–	–
Commodities	–	–
Other	–	–

and is permitted to invest in the following debt and debt-like securities:

<i>Investment</i>	<i>Range</i>
Cash and cash equivalents	0% – 100%
Government debt securities	0% – 100%
Supranational debt securities	0% – 100%
Government-related debt securities (e.g. state owned or state sponsored entities, and otherwise as determined by the investment manager)	0% – 100%
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%

An investment of the international fixed interest portion of the multi-asset class funds in any one entity (other than a government or government-related entity) or financial product (other than a financial product issued by a government or government-related entity) may not be more than 25% of the value of the international fixed interest portion of the multi-asset class fund's assets.