

# **Sovereign Staff Retirement Fund**

*Statement of Investment Policy and Objectives  
(SIPO)*

*Effective from 29 April 2024*

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## 1. Introduction

The Sovereign Staff Retirement Fund (the **Scheme**) is registered under the Financial Markets Conduct Act 2013 (**FMCA**) as a managed investment scheme and is a restricted workplace savings/restricted employer related scheme. The Scheme has been closed to new members since 1 July 2004.

The Scheme has four trustees, one of whom is a licensed independent trustee, licensed by the Financial Markets Authority (**FMA**) to perform such a role (together, the **Trustees**). For the purposes of the FMCA the Trustees are the manager of the Scheme.

The Trustees have delegated investment decisions to the Investment Committee (**IC**) of AIA New Zealand Limited (**AIA**) and oversight of financial risks in respect of the investments to the Financial Risk Committee (**FRC**) of AIA.

The Trustees have appointed AIA Services New Zealand Limited as the investment manager (**Investment Manager**) of the Scheme. The Investment Manager is a subsidiary company of AIA, and the investment policies it uses are the policies of AIA.

As at the date of this Statement of Investment Policy and Objectives (**SIPO**), the Scheme has one multi-sector investment fund – the Balanced Fund (**Fund**).

The Trustees may establish, close, alter or terminate any Fund at any time in accordance with the Scheme's trust deed (**Trust Deed**).

This SIPO describes how:

- the Investment Manager manages the Scheme's investments;
- the performance of the Scheme's investments are measured and monitored; and
- changes are made to this SIPO.

Capitalised terms are defined in the Glossary.

## 2. Investment Beliefs

The Investment Manager believes markets are reasonably, but not perfectly, efficient and the primary drivers of returns. Diversification with exposure to broad parts of the share and bond markets reduces risk. Strategic asset allocation is the primary process to manage risk and the principal determinant of long-term investment performance.

An active management investment style can add value both at the asset allocation and investment selection levels.

## 3. Scheme Objective

The Scheme has defined benefit members who all receive pensions (**Members**). The objective of the Scheme is to provide retirement benefits for Members.

Members receive pensions paid from the Scheme, which is an unallocated scheme. Amounts not allocated are referred to as the unallocated balance (**Unallocated Balance**).

The Trustees have the right to select the Fund that the Unallocated Balance invests in and have chosen the Balanced Fund. The latest triennial valuation for the Scheme was issued on 14 October 2022 for the Scheme position at 31 March 2022 and notes that the Scheme's actuary considers that

the investment strategy for the Unallocated Balance is appropriate in relation to the form and incidence of the expected benefit payments to pensioners.

The Investment Manager and IC have established an investment strategy and objective for the Balanced Fund to enable the Trustees to achieve their investment goals for the Scheme. This is detailed in section 4 below.

As at the date of this SIPO, the Trustees are preparing to present a proposal to wind up the Scheme and distribute the assets of the Scheme (**Proposal**), which requires consent from all Members, the Trustee, Sponsor, and the Financial Markets Authority.

## 4. Investment Strategy

The Scheme may:

- hold securities directly including holding deposits with one or more New Zealand registered banks; and
- invest in any managed fund or any superannuation fund or scheme which can accept the Scheme as a contributor or member.

The Investment Manager and IC agree permitted investments. From time to time the IC may engage the services of AIA group and/or professional investment consultants for advice in relation to the selection of underlying investment managers and their funds to achieve these objectives.

The investment strategy for the Balanced Fund is designed to achieve its investment objective and performance objectives and is reviewed by the IC at least every three years. The detailed review may include the investment objectives and risk profile of the Fund and the Underlying Investment Manager's performance and investment philosophy and style.

The IC believes that the investment strategy of the Balanced Growth Fund of the ANZ Investments Multi-Asset-Class Scheme (**Underlying ANZ Fund**) managed by ANZ New Zealand Investments Limited (the **Underlying Investment Manager**) is consistent with the investment objective of the Balanced Fund's investment philosophy.

As the Trustees are currently preparing the Proposal for members the IC considers that it would be appropriate for the Fund to be fully invested in cash until the outcome of the Proposal is known (**Temporary Strategy**). The IC considers the Temporary Strategy to be appropriate and in the best interest of Members to ensure there is no risk of negative investment returns while Members consider the Proposal, to enable a more orderly transition should the Proposal receive unanimous consent and to provide more certainty to the estimated Member entitlements when the Proposal is presented.

### Temporary Strategy

While the Trustees are preparing the Proposal and while it is being considered the Fund will apply the Temporary Strategy and be fully invested in cash held in the Scheme's bank account with ASB Bank Limited which is a domestic deposit account earning a return equal to the Official Cash Rate less 10 basis points.

Financial product	Limits
Cash	0-100%

If the Proposal is not presented to Members or does not receive the unanimous consent of Members the Cash will be reinvested in accordance with the Fund Investment Strategy shown below.

The Investment Strategy for the Balanced Fund is shown below. This is the strategy that would normally apply.

**Risk profile:**

Balanced

**Investment objective:**

The Fund gives the Trustees the opportunity to gain exposure to a diversified, medium risk portfolio of investments. It tends to have a higher proportion of its portfolio invested in growth assets and would suit investors seeking long-term growth.

**Performance objective:**

The performance objective of the Fund is to provide a long-term real return of inflation plus 2.75% p.a. where inflation is measured by the CPI.

**Investment Strategy**

Financial product	Limits
Cash	0-10%
Balanced Growth Fund in the ANZ Investments Multi-Asset-Class Scheme	90-100%

**More information**

More information on the Underlying ANZ Fund including market indices for each asset class can be found in the Underlying Investment Manager's [SIPO](#).

At the date of the Scheme's SIPO, the target asset allocation and range of the Balanced Growth Fund are shown in the table below.

Asset Class	Sub-class	Target (%)	Range (%)
Cash and cash equivalents	New Zealand	6	0 - 26
	International		
Fixed Interest	New Zealand	7.5	0 - 27.5
	International	21.5	1.5 - 41.5
<b>Total Income Assets</b>		<b>35</b>	<b>15 - 55</b>
Listed Property	Australasian	3.5	0 - 17.5
	International	4	
Equities	Australasian	12	0 - 32
	International	43	23 - 63
Other	Listed infrastructure	2.5	0 - 10
	Alternatives	0	0 - 15
<b>Total Growth Assets</b>		<b>65</b>	<b>45 - 85</b>

The latest information for the Underlying ANZ Funds (the Balanced Growth Fund) is available on the Disclose Register reference SCH11064 under the documents tab at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

## 5. Investment Policies

The Balanced Fund is managed in accordance with AIA's policies, and the Investment Manager's documented procedures, systems and controls. This section sets out the policies and approach that apply when managing the investments of the Scheme. AIA's investment policies are reviewed annually.

### Liquidity Approach

The Balanced Fund can normally hold liquidity cash of 0-10%, although we generally invest fully in the Underlying Fund and sell units in the Underlying Funds to pay benefits and expenses as they arise.

### Hedging Approach

The Underlying Investment Manager determines the appropriate level of currency hedging for each asset class within the Underlying ANZ Fund, and this represents the proportion of foreign currency exposure hedged back to New Zealand dollars. A passive hedging style applies to International Fixed Interest, Australasian Listed Property, International Listed Property and Listed Infrastructure. An active hedging style applies to Australasian Equities and International Equities.

### Asset Valuation Policy

The Fund is valued based on AIA's Asset and Liability Valuation Policy. The policy states that AIA will ensure the valuation of assets and liabilities is fair, consistent, accurate and equitable to all Members. The valuation processes are documented and independently verifiable. Applicable accounting standards, generally accepted accounting practices and generally accepted industry standards are taken into consideration when determining the valuation approach.

### Taxation Policy

The Balanced Fund is managed in accordance with AIA's Unit Pricing Tax Policy to ensure that the applicable tax regime is applied to investments.

### Suspension Policy

This policy sets out the circumstances in which AIA may choose to suspend unit pricing and/or transactions and when they would resume. The suspension of unit pricing and/or transaction processing will be considered when AIA forms the view that the application of prices to transactions will not produce an equitable outcome for Members of the Scheme.

Information on the Underlying Manager's use of derivatives, tactical asset allocation, rebalancing and hedging, which can impact on the Balanced Fund can be found in the Underlying Manager's SIPO.

## 6. Investment Performance Monitoring and Reporting

The IC regularly monitors the performance of the investment strategies, policies, approaches and the Underlying Investment Manager.

The performance of the Underlying Investment Manager is monitored over various holding periods that include the short, medium and long term and is on a gross of tax and after fee basis, calculated monthly for quarterly oversight by the IC.

The performance monitoring also considers returns of the Balanced Fund relative to benchmark and an assessment of performance relative to the Fund's objective which includes both return and risk targets.

## 7. SIPO Compliance and Review

The Investment Manager reports to the Trustees on a quarterly basis in respect of compliance with the requirements of this SIPO.

The Balanced Fund has a portfolio mandate and limits, which is noted in section 4. All material breaches of these limits will be reported to the FMA in accordance with the FMCA.

The SIPO will be reviewed annually following 31 March each year to see if changes are required. Other reviews of the SIPO will be undertaken when a material change to any of the Funds is contemplated including (but not limited to):

- the type of investments that may be made;
- the investment strategies of the Funds; or
- a change to any of the investment policies of the Fund.

Any updates to the SIPO are required to be approved by the Investment Manager and AIA's Chief Product and Strategy Officer. The Investment Manager will provide notice of any changes in accordance with the requirements of the FMCA. Any material changes to the SIPO will be reported in the Scheme's annual report.

From time to time this SIPO may be updated, therefore please refer to the Disclose Register for the most recent version of this SIPO, which is available free of charge on request by scheme participants and the FMA.

## Glossary

**AIA** means AIA New Zealand Limited.

**Asset Class** refers to a particular category of assets including, but not limited to, Australasian equities, international equities, international property, international fixed interest, New Zealand fixed interest and Cash.

**Cash** means short term, highly liquid investments such as bank deposits and bank bills.

**CPI** refers to the New Zealand Consumers Price Index (CPI) as measured by Statistics New Zealand. It is a measure of the price change of goods and services purchased by private New Zealand households.

**FRC** refers to the Financial Risk Committee of AIA.

**FMA** refers to the Financial Markets Authority.

**FMCA** refers to the Financial Markets Conduct Act 2013.

**Fund** refers to the multi-sector Balanced Fund of the Scheme.

**IC** refers to the Investment Committee of AIA.

**Investment Manager** means AIA Services New Zealand Limited.

**Member** means the defined benefit members of the Scheme.

**Proposal** means the proposal made by the Trustees to Members to amend the Scheme Trust Deed to wind up the Scheme and distribute the assets of the Scheme.

**Scheme** means the Sovereign Staff Retirement Fund.

**SIPO** means the statement of investment policy and objectives for the Scheme or the Underlying ANZ Funds.

**Temporary Strategy** means the temporary investment strategy to hold the Fund assets as Cash in the Fund bank account while the Proposal is considered by Members.

**Trustees** means the four individuals appointed as trustees of the Scheme, one of whom is a licensed independent trustee.

**Trust Deed** means the trust deed and any amendments that govern the Scheme.

**Underlying ANZ Fund** means the Balanced Growth fund of the ANZ Investments Multi-Asset-Class Scheme.

**Underlying Investment Manager** means ANZ New Zealand Investments Limited.