



AE KIWISAVER PLAN

Statement of Investment Policy and Objectives - SIPO

Issued by Always-Ethical Limited

Dated 8th December 2022

This document replaces the Statement of Investment Policy and Objectives dated 15 December 2021. This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.business.govt.nz/disclose. Always-Ethical Limited* has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you make an investment decision.
*Formerly known as Amanah Trust Management (NZ) Limited

CONTENTS

Introduction	Page 3
Description of Scheme	Page 3
Investment Objectives	Page 3
Investment Philosophy	Page 5
Investment Strategy	Page 6
Investment Policies	Page 8
Investment Performance Monitoring	Page 9
Investment Strategy Review	Page 10
SIPO Review	Page 11

INTRODUCTION

This Statement of Investment Policies and Objectives (SIPO) sets out the Investment objectives, philosophies, and strategy for AE KiwiSaver Plan .

The Manager of the Scheme is AE KiwiSaver Limited (company number: 4674859) (Manager), a subsidiary of Always-Ethical Limited.

AE KiwiSaver Plan is governed by a trust deed between AE KiwiSaver Limited (the Manager) and Trustees Executors Limited (TE, the Supervisor). Your investments are held by the Supervisor's Custodial Division.

Trustees Executors Limited is independent from the Manager and Always-Ethical Limited.

The assets of AE KiwiSaver Plan are not available to meet the liabilities of any other fund.

No KiwiSaver funds are guaranteed by the New Zealand government or any other person.

KiwiSaver funds for an 18 year old, are a 47 year investment maturing at the age of 65. The maturity date is set by the government and could change if government policies changed.

The effective date of this SIPO is 5 December 2022.

DESCRIPTION OF SCHEME

AE KiwiSaver Plan (the Scheme) is registered under the Financial Markets Conduct Act 2013 (FMC) as a KiwiSaver scheme under the KiwiSaver Act 2006.

HOW DOES IT WORK

KiwiSaver is a voluntary work-based savings initiative to help you save for your retirement. The Fund receives contributions from the member, the member's employer and the government. The employer and government contributions are set by legislation.

WHAT ARE THE BENEFITS?

AE KiwiSaver Plan has a unique Strict Ethical Mandate that defines its investment objectives, philosophy and strategies.

INVESTMENT OBJECTIVES

AE KiwiSaver Plan has clear objectives:

- i) To comply at all times with its Strict Ethical Mandate.
- ii) To actively manage risk for the Investors as the market requires.
- iii) Applying (i) and (ii) to provide long term growth for the benefit of Investors.
- iv) It is a long-term fund.

AE KiwiSaver Plan believes Investors need certainty to understand the philosophical aims and has developed a plain English statement called "The Strict Ethical Mandate" which is unique to AE.

STRICT ETHICAL MANDATE:

Up to 50 equities, being ordinary shares listed on the NYSE or Nasdaq, and cash; USD or NZD.

EQUITIES

Equity investments to be in companies with strong balance sheets that meet certain financial ratios and are not in prohibited activities:

Financial ratios:

- Interest-bearing debt less than 30%.
- Interest-bearing investments less than 30%.
- Illiquid assets greater than 33% (i.e. assets making or doing something for the good of mankind exceed 67% of total assets).

Prohibited activities:

- Products whose return is based on receipt of interest. Including money lending*.
*Explanation: this excludes all financial institutions, Banks, Money Lenders and Insurance Companies.
- Gambling and speculative investments*
*Explanation: this is not just a prohibition of gambling organisations like Casinos, but also excludes high-risk investment products that rely on chance for success, eg. hedging products.
- Derivatives*
*Explanation: these are a high-risk product that rely on chance for success. These are gambling.
- Alcohol.
- Tobacco.
- Weapons of war.
- Adult entertainment.
- Gold and Silver hedging.
- Pork*.
*Explanation: This limits the investment in meat-based businesses.
- Leverage* (i.e. borrowing by the manager against investors' (your) money, not the manager's assets).
*Explanation of leverage: Leverage is a practice of many fund managers. Leverage puts your investment at an unethical risk. Leverage is absolutely prohibited.
- Fossil fuel exploration.

If an investment is suspected of not complying with the Ethical mandate, it is sold on the next trading day.

CASH

Any cash held in the Scheme is held in USD or NZD interest-free bank accounts.

NON PERMISSIBLE INCOME

Non permissible income generated from non-compliant business operations or investments (both operations and non-operations) should not exceed 5% of the total income generated by the company invested in.

Each year the effect of the non-permissible income is "purified" by a donation to the poor.

Purification is calculated by the Manager and AE Investor pays the sum calculated annually to charities for the poor.

Our investment philosophy, strategy, and policies all derive from the Objectives.

INVESTMENT PHILOSOPHY

AE KiwiSaver Plan invests in AE Investor, a unit trust that complies with its Strict Ethical Mandate or holds cash in NZD.

AE Investor was expressly designed to meet the investment requirements of AE KiwiSaver Fund and its AE KiwiSaver Plan.

- It complies with AE KiwiSaver Plan's Strict Ethical Mandate.
- It is actively managed.
- It manages risk for its Investors, including AE KiwiSaver Plan.
- It invests in strong balance sheet companies listed on the NYSE and Nasdaq.
- It selects and manages its investments - no outsourcing.
- Compliance with the Strict Ethical Mandate is checked daily.
- It is based in New Zealand.
- It is managed by the same team that manages AE KiwiSaver Plan.
- It is a long-term investment.
- All investments are made on a five-year horizon.

AE Investor is the only approved investment for AE KiwiSaver Plan. All Fund assets are held by the Custodian as Units in AE Investor or NZD cash.

Until a further investment is approved, the only investment issue for AE KiwiSaver Plan is the amount of cash it holds in NZD. This is an administrative decision (based on the upcoming cash requirement for members, ie maturity, first home, and other approved withdrawals under the KiwiSaver rules).

The Investment Committee can give guidance to the Management Committee as to the level of cash to be held.

Active management by AE Investor ensures that AE KiwiSaver Plan has investments that are highly liquid and comply with the Strict Ethical Mandate.

This ensures two key features; first, that the Fund is liquid and, secondly, has superior ability to meet any stress test requirements of the regulator for the protection of Investors.

The Manager of an equities fund needs to be nimble in its investment decisions. It is considered very important to AE KiwiSaver Plan that its investments work for the benefit of members.

Strict Compliance with the Strict Ethical Mandate is the key promise by AE KiwiSaver Plan to all Investors.

AE KiwiSaver Plan seeks to provide long term asset growth, within its strict investment mandate, for the benefit of Investors

Outcome for Investors

The desired outcome for Investors is long term growth from investments that are as we define ethical, ethical.

All investments are expected to be doing or making something for the good of humanity as defined by the Strict Ethical Mandate.

INVESTMENT STRATEGY

Key requirements of the strategy to manage AE KiwiSaver Plan's equity investments are:

- i) Compliance with our Strict Ethical Mandate
- ii) Managing the risk (volatility) of the Fund
- iii) Maintenance of sufficient liquidity

At the time of creating AE KiwiSaver Plan (2014), the Manager Always-Ethical Limited, simultaneously developed AE Investor, specially to meet AE KiwiSaver Plan's unique investment requirements.

AE Investor meets the strategic needs of AE KiwiSaver Plan as:

- a) It complies with the Strict Ethical Mandate
- b) Compliance with the Strict Ethical Mandate is monitored each trading day.
- c) When selecting investments, factors considered include:
 - o High quality companies in terms of long-term competitive advantage;
 - o Track-record of sustainable growth;
 - o Strong balance sheets and low debt.

- d) It is actively managed. The Investment Committee meets monthly or as otherwise considered prudent and adjusts the risk profile of the fund based on the Investment Committee's assessment of the world economy.

AE Investor can hold 100% cash (either USD or NZD or a mixture thereof) or 100% equities that comply with the Strict Ethical Mandate. The fund will normally hold a mixture of both cash and equities.

This is a unique aspect of AE Investor that is relied upon by AE KiwiSaver Plan and is unlike other funds where the Investor is required to select the Risk of their investments.

Part of AE Investor's investment strategy is to manage volatility by rebalancing equity and cash holdings. The balance may change depending on market events and the Manager's view of the market. In times of market uncertainty, AE Investor may sell equities and hold high cash levels. AE will then look for opportunities to deliver long term growth by buying at prices below the future market price potential of the stock.

The combination of these philosophies works as a strategy for the long-term benefit of Investors. AE Investor manages risk (volatility) and provides opportunities for acquiring stock at below the future market potential price.

This impacts our Investors' Risk exposure. As a helpful guide the table below is taken from the Te Ara Ahunga Ora Retirement Commission website www.sorted.org.nz

Fund - risk type	% Equities	% Cash
Growth	89.9 - 63%	10.1 - 37%
Balanced	62.9 - 35%	37.1 - 65%
Conservative	34.9 - 10%	65.1 - 90%
Defensive	0 - 9.9%	90.1 - 100%

The Manager recommends all Investors treat AE KiwiSaver Plan as aggressive.

AE Investor's policy of active management and being nimble in its decision making is very important to AE KiwiSaver Plan as it works in the market and is a point of difference to index passive funds.

INVESTMENT POLICIES

COMPLIANCE WITH STRICT ETHICAL INVESTMENT MANDATE

AE KiwiSaver Plan's main investment policy is to comply with the Strict Ethical Investment Mandate.

PRICING

Units are valued daily using the closing price of the relevant stock exchange where AE Investor has invested the money.

LEVERAGE

Leverage is prohibited.

DERIVATIVES

Derivatives are prohibited.

HEDGING

Hedging is prohibited.

The Manager does not use hedging instruments to manage currency risk since we view it as speculative gambling, which is prohibited.

PURIFICATION

AE KiwiSaver Plan only invests in investments that do not require it to purify breaches of the Strict Ethical Mandate.

TAXATION

AE KiwiSaver Plan is registered as a Portfolio Investment Entity (PIE). Taxation on the Scheme's investment income is calculated by Appello Services Limited (ASL) in accordance with the relevant law. Taxation on investment income for each Scheme member is calculated using the Scheme member's prescribed investor rate (PIR). The PIR of an individual Scheme member is based on their taxable income over the last two income years; in most circumstances the PIR will be 10.5%, 17.5% or 28%.

Any PIE tax payments required by a member are deducted from their account as a redemption of units, and any PIE tax credits to a Scheme member are paid as an application for units, in accordance with the Trust Deed.

AE KiwiSaver Plan is responsible for ensuring that PIE tax is paid on behalf of members, and the preparation and lodgement of any PIE tax filings.

LIQUIDITY/STRESS TESTING

The Investment Manager monitors the volume of shares traded by each investment when preparing reports for the Investment Committee. This is part of the Fund's ongoing liquidity assurance review.

All our investments are highly liquid. We do not perceive that there is a material liquidity risk at this stage, having regard to the nature and size of our investments.

There is minimal liquidity or stress testing risk whilst our fund is less than USD2 billion.

SOCIAL RESPONSIBILITY AND ETHICAL INVESTING POLICIES

AE Investor has a strict ethical investment mandate.

The Manager also considers the ESG rating of its investments. The key ethical policy, akin to ESG, is that all investments must either be making or doing something for the good of humanity. For more details go to the Manager's website www.always-ethical.com

INVESTMENT PERFORMANCE MONITORING

ETHICAL MANDATE / SIPO MONITORING

The key performance criteria is compliance with the Strict Ethical Mandate as set out in this SIPO. The methodology to ensure compliance has been explained above.

INVESTMENT PERFORMANCE

The Fund is an absolute return investment. This is measured by its daily unit price. The daily unit price is calculated (on an accruals basis) by the Registry and published on the website.

Internal monthly price reports are prepared and provided to the Supervisor and each quarter the price is published as part of the quarterly Fund Update filed on the Disclose Register website.

The performance of the Fund is reported as a percentage of the FUM (Funds Under Management).

Although it is an absolute return fund, AE KiwiSaver Plan also reviews the performance of the Scheme relative to major market indices, in particular, the Dow Jones Islamic Market US Index (Total Return) (DJIM US).

This index's Ethical Mandate does not meet AE Investors Strict Ethical Mandate and, unlike AE Investor, does not immediately sell stocks if they become non-compliant (they rebalance quarterly rather than daily). This index also assumes the immediate re-investment of dividends in the stock that produced the dividend which is unlikely to be the Manager's practice. Furthermore, the index does not have fees, expenses or purification deducted from performance. This index is, however, the index that best meets the requirements of the FMC Regulations as at the date of this SIPO and is now used in preference to the Dow Jones Islamic Market US Index (Price Return) index which was the index the Manager used up until November 2022.

AE KIWISAVER PLAN INVESTMENT RISKS

The AE KiwiSaver Plan's investment risk is managed by the AE Investor Investment Committee.

The Investment Committee assesses market risk at each meeting. The Investment Committee also assesses the performance of individual investments, particularly when re-weighting the investment portfolio. If the Investment Committee has any concerns, it can sell the investment in whole or part.

If, when checked daily, a stock no longer complies with the Strict Ethical Mandate, it is sold the next trading day without regard to the future growth of the investment.

ASSET MONITORING SYSTEMS

AE KiwiSaver Plan has access to the ASL asset registry services for AE Investor via its "Sandpit" service. Examples of asset information included in the Sandpit are:

- i) Historical and current asset positions (including profit/ loss calculations) and portfolio weightings
- ii) Historical and current daily market prices of asset positions
- iii) Historical and current benchmark data (including charts)
- iv) Equities performance rankings (including returns information)
- v) Historical and current equities volatility data

The analytical team monitors the performance of the portfolio on a daily basis. The analytical team also uses the data in the Sandpit regularly for both internal and external reporting purposes.

LIMIT BREAKS

A material breach of any limit on the nature or type of investment, or the proportion of each type of asset that may be invested in, is called a limit break. Where a limit break occurs, this must be reported to the Supervisor in the mandated form within the time required by the relevant law.

INVESTMENT STRATEGY REVIEW

The Strict Investment Mandate is a firm commitment to members. Any substantive change to the Strict Investment Mandate requires the approval of the members. To be clear, that does not include changes to the plain wording of the Mandate which is reviewed from time to time as the Management Committee decides. These are regarded as communication improvements, not a change to the underlying philosophy which is based on hundreds of years of philosophic and faith-based debate and teachings by the followers of Abraham. The moral base of the Strict Ethical Mandate is a rejection of specified business activities, and of interest-based investments where the investor is paid interest as charged irrespective of the outcome of the borrower's business. It is fundamental that the investment participates in the business risk, such as holding ordinary shares.

SIPO Review

A review of this SIPO is undertaken by the Management Committee as required. Any proposed changes must be approved by the Board of Directors and the Supervisor.

Reviews may arise as a result of regulatory changes, however we do not anticipate that there will be any material changes to this SIPO.

Amended versions of the SIPO will be uploaded to the Disclose Register on the New Zealand Companies Office website <https://disclose-register.companiesoffice.govt.nz/>