

# **Booster Investment Scheme**

(a trust established under the  
Booster Investment Series)

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

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# 1. Description of the Scheme and Purpose of this SIPO

The Booster Investment Scheme ('Scheme') is a registered managed investment scheme under the Financial Markets Conduct Act 2013. The Scheme offers a range of investment fund options ('Funds') to retail investors and a separate range of investment fund options ('Portfolios') to wholesale investors. The Scheme is managed by Booster Investment Management Limited ('BIML', the 'Manager').

This Statement of Investment Policy and Objectives ('SIPO') outlines the investment governance framework for the Funds offered to retail investors under the Scheme, in order to:

- Document the Manager's objectives and expectations, including risk and return, for the Funds' investments, and their periodic review.
- Document the investment strategies pursued in order to achieve the above objectives, including the desired strategic asset allocations for the Funds.
- Consider the implications for the investment strategies of the Funds' cash flows.
- Outline how the investments and investment managers will be selected and monitored, in order to implement the Funds' investment strategies.
- Specify key investment constraints or limits to be applied when selecting investments and/or investment managers.
- Specify how the liquidity of investments will be assessed and managed in order to meet redemptions as and when they fall due.
- Describe procedures to be followed regarding the regular review of the performance of the Funds, their investment strategies and the selected investment managers.
- Document the investment governance arrangements to apply for the efficient implementation of this SIPO.
- Comply with the requirements of relevant legislation.

The current version of the SIPO for the Scheme is available on the scheme register on the "Disclose" website, at <https://disclose-register.companiesoffice.govt.nz/>

## **2. Review of investment strategy and this SIPO**

The Manager will review the investment strategy for each of the Scheme's Funds, and this SIPO, at least annually. In addition, the SIPO and any changes will be approved by the Manager's Investment Committee.

As the Funds included are primarily long-term investments, it is not expected that the investment objectives and expectations in the SIPO will necessarily change frequently or annually. Short term movements in financial markets should not generally lead to adjustment in investment objectives or expectations.

Investment strategies and the SIPO may be reviewed at any time should the Manager deem it necessary, for events such as where:

- New legislation affects investment requirements.
- Fundamental changes in the long term social, political or economic environment suggest a change in investment principles and expectations.
- A significant change occurs to the underlying demographics of the Funds' investors.
- New types of investment opportunities require consideration for inclusion in the Funds.
- The Funds' competitive or market position has implications for investors' assets and/or liquidity.

Revisions to the SIPO will come into effect on the Effective Date shown on the front cover and only after giving prior written notice to the Scheme's supervisor.

### **3. Investors' Demographics and Expectations**

The Scheme offers investors a range of Funds to use as they build and maintain their investments. This is because the Manager recognises that, although the investments are generally long term, each investor has a different attitude to risk and a different investment time horizon.

Each Fund has a particular risk/return profile and invests in a different asset mix, implying different time horizons over which to benchmark performance.

In making decisions on investment strategy for each Fund, the Manager will have regard to the overall circumstances of the Funds and will comply with the Scheme's Trust Deed and rules, disclosure documents and with all applicable legislation.

The Manager will manage all aspects of risk in relation to the Funds' assets, including:

- Ensuring the assets are adequately diversified.
- Ensuring the assets have an appropriate level of liquidity.
- Ensuring there are sufficient assets to meet redemptions as they fall due.
- Ensuring that any provider to whom investment decisions are delegated exercises their duties with prudence and professionalism.

## 4. Approach to investing, risk and tax

In determining the appropriate investment strategy and investments for the Funds' assets, the Manager applies the following investment principles:

- **Effective diversification is a core investment risk management strategy:** Spreading investors' investments across a number of different types of relatively uncorrelated securities within asset classes (and across less correlated asset classes within multi-sector options) is fundamental to smoothing returns and reducing volatility. The Manager therefore defines minimum diversification standards in the mandates for each of the specific asset class options offered and requires comprehensive asset class correlation analysis to be included in the annual strategic asset allocation reviews.
- **Risk and return are positively correlated:** Over the long term, higher risk will generally be rewarded with higher returns, all other things being equal. Conversely, those investments with higher expected return usually involve more risk. All investments involve some form of risk. The Manager has defined and addressed the key risks relevant for the Funds by stipulating either minimum investment requirements or specific constraints within the mandates.
- **Time horizon is important when investing:** At any one point in time, investment principles that apply generally in the long term may not necessarily appear to hold in the short term. Individual investors need to consider their time horizon to ensure it matches that of their chosen investment option.
- **High quality research and experienced investment management are essential:** Developing sound investment portfolios involves in-depth research and analysis of available investments and selecting those according to a consistently applied and disciplined decision-making framework.
- **Markets operate in cycles.** These cycles can vary in length and intensity. With experience and analysis, favouring certain asset classes and investments during different cyclical phases can potentially enhance returns and reduce risk.
- **Environmental, social and corporate governance ('ESG').** More consistent long-term return outcomes are likely to be achieved if investments are undertaken in companies and funds that recognise the environmental and social impact of their commercial activities and operate with sound governance frameworks.
- **Liquidity.** Liquidity is the essence of soundly operating financial markets. A statement regarding the Manager's liquidity policy is provided in Section 8. Constraints and/or minimum requirements are stated which specifically address the management of liquidity on behalf of investors.

The Manager also takes into account the following philosophies in determining the most appropriate investment strategy for each Fund:

- In most developed countries, **investment markets are relatively efficient** in communicating, processing and reflecting available information regarding security prices. Market index funds and index-replication strategies should therefore be at the core of the investment strategies.
- Investment outcome differences across individual investors are largely **driven by strategic decisions, both across asset classes and within sub-asset classes.** By comparison, **individual**

**security selections and market timing have only modest impacts.** Investment decision-making frameworks should therefore explicitly recognise longer-term, top-down strategic decision-making over bottom-up security picking.

- Over the medium to long-term, **index funds perform consistently above the average** of actively-managed funds, with **most active investment managers unable to consistently outperform** well-diversified market indices, particularly after fees. Any active investment managers used to complement the core index investment strategy should therefore demonstrate a capacity to manage more highly concentrated (but still diversified) strategies aimed at materially outperforming index funds after fees. The Manager believes that most typical multi-manager strategies fail to deliver sufficient risk-adjusted value to investors because they are both over-diversified across investment managers and utilise investment managers with insufficient value add capacity (tracking error) relative to the fees charged.
- Modern portfolio theory disciplines provide good portfolio structure under normal market conditions, but these tend to break down under unstable or chaotic markets. Active investment decision-making frameworks should recognise this constraint and explicitly consider downside risk risks.
- **Direct Securities vs Managed Funds.** Where possible and appropriate, taking into account liquidity and diversification factors, portfolios of directly-held securities can be a more cost-effective way of implementing a core/satellite investment approach. This is particularly the case where the directly-held securities can be used to readily replicate significant portions of the core market index benchmarks used to monitor performance outcomes and in the design of long-term strategic asset allocations. Incorporating significant elements of directly-held securities also facilitates greater control over the overall portfolio return outcomes, particularly within multi-asset sector options, as it minimises some of the unintended overlapping risks that can eventuate where only managed funds are used.
- **Controlled allocations to 'unlisted' investments have an important part to play in multi-sector funds.** Unlisted investments can offer a 'liquidity premium' to returns and enhance the overall diversification in multi-sector funds, while also offering more ability to influence underlying investments than is typically possible in listed markets.

## Tax

The Scheme is a Portfolio Investment Entity ('PIE') that is a multi-rate PIE in terms of the Income Tax Act 2007. Taxable income is attributed to investors and tax will be calculated and deducted by the Manager in accordance with the PIE tax rules at the Prescribed Investor Rate of each investor as notified to the Manager.

## 5. Investment objectives

The investment return objectives the Manager has set for the Funds are set out in the following table.

<b>Multi-Sector Funds - Growth</b>		
<b>Investment Series</b>		
<b>Fund</b>	<b>Objective</b>	<b>High level strategy</b>
	Return objectives are after fees and before tax	
<b>Defensive Fund</b>	To provide modest returns on average over the short to medium term, allowing for some shorter-term ups and downs.	We aim to achieve this by investing primarily in income assets, while including some growth assets.
<b>Moderate Fund</b>	To provide moderate returns on average over medium term periods (three years plus), allowing for some shorter-term ups and downs.	We aim to achieve this by investing mainly in income assets, while including a moderate allocation of growth assets.
<b>Balanced Fund</b>	To provide a medium level of returns on average over medium term periods (five years plus), allowing for shorter-term ups and downs.	We aim to achieve this by investing in a mix of income and growth assets.
<b>Growth Fund</b>	To provide relatively high returns on average over longer term periods (seven years plus), allowing for short to medium term ups and downs.	We aim to achieve this by investing primarily in growth assets, with a moderate allocation of income assets.
<b>High Growth Fund</b>	To provide higher returns on average over long term periods (ten years plus), allowing for short to medium term ups and downs.	We aim to achieve this by investing predominantly in growth assets, with little or no allocation to income assets.
<b>Shielded Growth Fund</b>	To provide relatively high returns over longer term periods (seven years plus), allowing for short to medium term ups and downs, whilst partially shielding the fund against some of the more significant short-term risks.	We aim to achieve this by investing predominantly in growth assets, with little or no allocation to income assets, The strategy will typically involve, but is not limited to, holding put options which provide protection on around 30% of fund losses above a 10% fall in global share markets. The level of protection will typically vary between 20% and 50% of the fund, depending on the Manager's view of a range of factors such as cost, market volatility and risk.
<b>Socially Responsible Moderate Fund</b>	To provide moderate returns on average over medium term periods (three years plus), allowing for some shorter-term ups and downs, whilst	We aim to achieve this by investing mainly in income assets, while including a moderate allocation of growth assets,



<b>Fund</b>	<b>Objective</b>	<b>High level strategy</b>
	Return objectives are after fees and before tax	
	excluding investments which do not satisfy certain socially responsible investment criteria.	and the application of our Responsible Investment Policy.
<b>Socially Responsible Balanced Fund</b>	To provide a medium level of returns on average over medium term periods (five years plus), allowing for shorter-term ups and downs, whilst excluding investments which do not satisfy certain socially responsible investment criteria.	We aim to achieve this by investing in a mix of income and growth assets, and the application of our Responsible Investment Policy.
<b>Socially Responsible Growth Fund</b>	To provide relatively high returns on average over longer term periods (seven years plus), allowing for short to medium term ups and downs, whilst excluding investments which do not satisfy certain socially responsible investment criteria.	We aim to achieve this by investing primarily in growth assets, with a moderate allocation of income assets, and the application of our Responsible Investment Policy.
<b>Socially Responsible High Growth Fund</b>	To provide higher returns on average over long term periods (ten years plus), allowing for short to medium term ups and downs, whilst excluding investments which do not satisfy certain socially responsible investment criteria.	We aim to achieve this by investing predominantly in growth assets, with little or no allocation to income assets, and the application of our Responsible Investment Policy.

### Focus Series

<b>Fund</b>	<b>Objective</b>	<b>High level strategy</b>
	Return objectives are after fees and before tax	
<b>Focus Moderate Fund</b>	To provide moderate returns on average over medium term periods (three years plus), allowing for some shorter-term ups and downs.	We aim to achieve this by investing mainly in income assets, while including a moderate allocation of growth assets. We utilise a mainly passive approach for the Focus Series
<b>Focus Balanced Fund</b>	To provide a medium level of returns on average over medium term periods (five years plus), allowing for shorter-term ups and downs.	We aim to achieve this by investing in a mix of income and growth assets. We utilise a mainly passive approach for the Focus Series.
<b>Focus Growth Fund</b>	To provide relatively high returns on average over longer term periods (seven years plus), allowing for short to medium term ups and downs.	We aim to achieve this by investing primarily in growth assets, with a moderate allocation of income assets. We utilise a mainly passive approach for the Focus Series.
<b>Focus High Growth Fund</b>	To provide higher returns on average over long term periods (ten years plus),	We aim to achieve this by investing predominantly in growth assets, with

<b>Fund</b>	<b>Objective</b>	<b>High level strategy</b>
	Return objectives are after fees and before tax	
	allowing for short to medium term ups and downs.	little or no allocation to income assets. We utilise a mainly passive approach for the Focus Series.
<b>Multi-Sector Funds - Income</b>		

### Investment Series

<b>Fund</b>	<b>Objective</b>	<b>High level strategy</b>
	Return objectives are after fees and before tax	
<b>Income 18 Fund</b>	To provide moderate income-driven returns on average over medium term periods (three years plus), allowing for some shorter-term ups and downs.  The Fund is intended as a low to moderate risk fund, between pure 'income' and 'growth' portfolios.	We aim to achieve this by investing primarily in income assets (with a focus on corporate credit), while including some relatively high dividend-paying growth assets, predominantly listed or issued in New Zealand.
<b>Income 28 Fund</b>	To provide moderate income-driven returns on average over medium-term periods (four years plus), allowing for some shorter-term ups and downs.  The Fund is intended as a moderate risk fund, designed to complement a broader portfolio.	We aim to achieve this by investing mainly in income assets (with a focus on corporate credit), while including some relatively high dividend-paying growth assets, predominantly listed or issued in New Zealand.
<b>Income 50 Fund</b>	To provide a medium level of income-driven returns on average over medium term periods (five years plus), allowing for shorter-term ups and downs.  The Fund is intended as a medium risk fund, designed to complement a broader portfolio.	We aim to achieve this by investing in a mix of income assets (with a focus on corporate credit) and relatively high dividend-paying growth assets, predominantly listed or issued in New Zealand.
<b>Income 99 Fund</b>	To provide higher income-driven returns on average over long-term periods (ten years plus), whilst allowing for short to medium term ups and downs.  The Fund is intended as a higher risk fund, designed to complement a broader portfolio.	We aim to achieve this by investing predominantly in relatively high dividend-paying growth assets, predominantly listed or issued in New Zealand.

## Single-Sector Funds

<b>Fund</b>	<b>Objective</b>	<b>High level strategy</b>
	Return objectives are after fees and before tax	
<b>Enhanced Cash Portfolio</b>	To provide a highly liquid “on-call” deposit account, which aims to achieve a rate of return comparable or above similar “on-call” bank deposit accounts.	We aim to achieve this through investing in high quality short term bank bills and other similar money market instruments.
<b>Income Securities Portfolio</b>	To provide both Call and Term Class Series options, aiming to achieve a rate of return ahead of the Bloomberg NZBond Bank Bill Index.	We aim to achieve this by investing predominantly through a diversified range of short to medium term higher yielding income assets, in New Zealand or overseas.
<b>Corporate Bond Fund</b>	To provide an enhancement to bank term deposit returns on average over medium term periods, while allowing for some short term movements up and down.	We aim to achieve this by investing entirely in income assets, such as corporate bonds or other Fixed Interest securities issued by New Zealand and Global companies.

The Funds' investment objectives will be monitored by the Booster Investment Committee, usually on an annual basis.

## 6. Benchmark Asset Allocation

The Manager recognises that the determination of the Funds' investment strategies, in terms of a long-term asset allocation benchmark, is the decision that has the most impact on the investor's likelihood of achieving their objectives. The benchmark asset allocation has been developed to provide the expected risk/return outcome consistent with the Funds' objectives.

Over time, the Manager may vary actual investment levels within pre-determined ranges, depending on the relative outlook for different asset market returns. In addition, weightings will change according to market movements. The purpose of having these ranges is to allow for such tactical and market-led changes in asset allocation so as to achieve the Funds' long-term objectives.

Benchmark asset allocations and allowable ranges for each of the Funds as at the date of this SIPO are shown below.

The assets of a Fund may be invested in other Funds or in other underlying managed funds managed by the Manager or by another investment manager. Funds may obtain exposure to Cash and Cash Equivalents by investing into the Enhanced Cash Portfolio.

		Minimum %	Benchmark %	Maximum %
<b>Defensive Fund</b>	International Equities	0	<b>14</b>	20
	Australasian Equities	0	<b>8</b>	20
	Listed Property	0	<b>1</b>	5
	Unlisted Property	0	<b>2</b>	4
	New Zealand Fixed Interest	5	<b>25</b>	55
	International Fixed Interest	10	<b>20</b>	50
	Cash & Cash Equivalents	0	<b>30</b>	50
	Commodities	0	<b>0</b>	2
	<b>Total Growth</b>	10	<b>25</b>	30
	<b>Total Income</b>	70	<b>75</b>	90
		Minimum %	Benchmark %	Maximum %
<b>Moderate Fund</b>	International Equities	10	<b>21</b>	30
	Australasian Equities	0	<b>13</b>	25
	Listed Property	0	<b>2</b>	7
	Unlisted Property	0	<b>4</b>	6
	New Zealand Fixed Interest	0	<b>23</b>	50
	International Fixed Interest	5	<b>17</b>	40
	Cash & Cash Equivalents	0	<b>20</b>	40
	Commodities	0	<b>0</b>	3
	<b>Total Growth</b>	20	<b>40</b>	45
	<b>Total Income</b>	55	<b>60</b>	80

		Minimum %	Benchmark %	Maximum %
<b>Balanced Fund</b>	International Equities	20	<b>33</b>	45
	Australasian Equities	5	<b>20</b>	28
	Listed Property	0	<b>2</b>	10
	Unlisted Property	0	<b>5</b>	8
	New Zealand Fixed Interest	0	<b>19</b>	40
	International Fixed Interest	5	<b>19</b>	40
	Cash & Cash Equivalents	0	<b>2</b>	25
	Commodities	0	<b>0</b>	4
	<b>Total Growth</b>	40	<b>60</b>	70
	<b>Total Income</b>	30	<b>40</b>	60
		Minimum %	Benchmark %	Maximum %
<b>Growth Fund</b>	International Equities	25	<b>44</b>	55
	Australasian Equities	7	<b>27</b>	40
	Listed Property	0	<b>2</b>	10
	Unlisted Property	0	<b>7</b>	10
	New Zealand Fixed Interest	2	<b>10</b>	30
	International Fixed Interest	2	<b>8</b>	30
	Cash & Cash Equivalents	0	<b>2</b>	20
	Commodities	0	<b>0</b>	5
	<b>Total Growth</b>	55	<b>80</b>	90
	<b>Total Income</b>	10	<b>20</b>	45
		Minimum %	Benchmark %	Maximum %
<b>High Growth Fund</b>	International Equities	35	<b>57</b>	80
	Australasian Equities	10	<b>32</b>	50
	Listed Property	0	<b>2</b>	10
	Unlisted Property	0	<b>8</b>	13
	New Zealand Fixed Interest	0	<b>0</b>	15
	International Fixed Interest	0	<b>0</b>	15
	Cash & Cash Equivalents	0	<b>1</b>	20
	Commodities	0	<b>0</b>	6
	<b>Total Growth</b>	70	<b>99</b>	100
	<b>Total Income</b>	0	<b>1</b>	30

		Minimum %	Benchmark %	Maximum %
<b>Shielded Growth Fund</b>	International Equities	20	<b>57</b>	80
	Australasian Equities	10	<b>32</b>	50
	Listed Property	0	<b>2</b>	10
	Unlisted Property	0	<b>8</b>	13
	New Zealand Fixed Interest	0	<b>0</b>	15
	International Fixed Interest	0	<b>0</b>	15
	Cash & Cash Equivalents	0	<b>1</b>	20
	Commodities	0	<b>0</b>	6
	<b>Total Growth</b>	55	<b>99</b>	100
	<b>Total Income</b>	0	<b>1</b>	45
		Minimum %	Benchmark %	Maximum %
<b>Socially Responsible Moderate Fund</b>	International Equities	10	<b>21</b>	30
	Australasian Equities	0	<b>11</b>	25
	Listed Property	0	<b>3</b>	7
	Unlisted Property	0	<b>0</b>	6
	New Zealand Fixed Interest	0	<b>25</b>	50
	International Fixed Interest	5	<b>20</b>	40
	Cash & Cash Equivalents	0	<b>20</b>	40
	Commodities	0	<b>0</b>	3
	<b>Total Growth</b>	20	<b>35</b>	45
	<b>Total Income</b>	55	<b>65</b>	80
		Minimum %	Benchmark %	Maximum %
<b>Socially Responsible Balanced Fund</b>	International Equities	20	<b>33</b>	45
	Australasian Equities	5	<b>17</b>	28
	Listed Property	0	<b>5</b>	10
	Unlisted Property	0	<b>0</b>	8
	New Zealand Fixed Interest	0	<b>21</b>	40
	International Fixed Interest	5	<b>22</b>	40
	Cash & Cash Equivalents	0	<b>2</b>	25
	Commodities	0	<b>0</b>	4
	<b>Total Growth</b>	40	<b>55</b>	70
	<b>Total Income</b>	30	<b>45</b>	60

		Minimum %	Benchmark %	Maximum %
<b>Socially Responsible Growth Fund</b>	International Equities	25	<b>44</b>	55
	Australasian Equities	7	<b>25</b>	40
	Listed Property	0	<b>6</b>	15
	Unlisted Property	0	<b>0</b>	10
	New Zealand Fixed Interest	2	<b>12</b>	25
	International Fixed Interest	2	<b>11</b>	30
	Cash & Cash Equivalents	0	<b>2</b>	20
	Commodities	0	<b>0</b>	5
	<b>Total Growth</b>	55	<b>75</b>	90
	<b>Total Income</b>	10	<b>25</b>	45
		Minimum %	Benchmark %	Maximum %
<b>Socially Responsible High Growth Fund</b>	International Equities	35	<b>58</b>	75
	Australasian Equities	10	<b>33</b>	50
	Listed Property	0	<b>8</b>	15
	Unlisted Property	0	<b>0</b>	13
	New Zealand Fixed Interest	0	<b>0</b>	15
	International Fixed Interest	0	<b>0</b>	15
	Cash & Cash Equivalents	0	<b>1</b>	20
	Commodities	0	<b>0</b>	6
	<b>Total Growth</b>	70	<b>99</b>	100
	<b>Total Income</b>	0	<b>1</b>	30

		Minimum %	Benchmark %	Maximum %
<b>Focus Moderate Fund</b>	International Equities	15	<b>21</b>	25
	Australasian Equities	2	<b>13</b>	22
	Listed Property	0	<b>3</b>	6
	Unlisted Property	0	<b>3</b>	6
	New Zealand Fixed Interest	15	<b>23</b>	35
	International Fixed Interest	5	<b>17</b>	25
	Cash & Cash Equivalents	0	<b>20</b>	30
	<b>Total Growth</b>	30	<b>40</b>	45
	<b>Total Income</b>	55	<b>60</b>	70
		Minimum %	Benchmark %	Maximum %
<b>Focus Balanced Fund</b>	International Equities	25	<b>33</b>	40
	Australasian Equities	15	<b>20</b>	25
	Listed Property	0	<b>3</b>	7
	Unlisted Property	0	<b>4</b>	8
	New Zealand Fixed Interest	10	<b>19</b>	30
	International Fixed Interest	10	<b>19</b>	30
	Cash & Cash Equivalents	0	<b>2</b>	15
	<b>Total Growth</b>	50	<b>60</b>	65
	<b>Total Income</b>	35	<b>40</b>	50
		Minimum %	Benchmark %	Maximum %
<b>Focus Growth Fund</b>	International Equities	35	<b>44</b>	50
	Australasian Equities	20	<b>27</b>	35
	Listed Property	0	<b>4</b>	10
	Unlisted Property	0	<b>5</b>	10
	New Zealand Fixed Interest	3	<b>10</b>	20
	International Fixed Interest	3	<b>8</b>	15
	Cash & Cash Equivalents	0	<b>2</b>	10
	<b>Total Growth</b>	65	<b>80</b>	80
	<b>Total Income</b>	20	<b>20</b>	35



		Minimum %	Benchmark %	Maximum %
<b>Focus High Growth Fund</b>	International Equities	45	<b>57</b>	65
	Australasian Equities	18	<b>32</b>	40
	Listed Property	0	<b>4</b>	10
	Unlisted Property	0	<b>6</b>	13
	New Zealand Fixed Interest	0	<b>0</b>	10
	International Fixed Interest	0	<b>0</b>	10
	Cash & Cash Equivalents	0	<b>1</b>	10
	<b>Total Growth</b>	85	<b>99</b>	100
	<b>Total Income</b>	0	<b>1</b>	15
		Minimum %	Benchmark %	Maximum %
<b>Income 18 Fund</b>	International Equities	0	<b>0</b>	10
	New Zealand Equities	10	<b>18</b>	25
	Australian Equities	0	<b>0</b>	10
	New Zealand Fixed Interest	25	<b>61</b>	90
	International Fixed Interest	0	<b>20</b>	35
	Cash & Cash Equivalents	0	<b>1</b>	50
	<b>Total Growth</b>	10	<b>18</b>	25
	<b>Total Income</b>	75	<b>82</b>	90
		Minimum %	Benchmark %	Maximum %
<b>Income 28 Fund</b>	International Equities	0	<b>0</b>	15
	New Zealand Equities	15	<b>28</b>	35
	Australian Equities	0	<b>0</b>	15
	New Zealand Fixed Interest	20	<b>53</b>	85
	International Fixed Interest	0	<b>18</b>	25
	Cash & Cash Equivalents	0	<b>1</b>	40
	<b>Total Growth</b>	15	<b>28</b>	35
	<b>Total Income</b>	65	<b>72</b>	85

		Minimum %	Benchmark %	Maximum %
<b>Income 50 Fund</b>	International Equities	0	0	25
	New Zealand Equities	30	50	60
	Australian Equities	0	0	20
	New Zealand Fixed Interest	5	37	70
	International Fixed Interest	0	12	20
	Cash & Cash Equivalents	0	1	25
	<b>Total Growth</b>	30	50	60
	<b>Total Income</b>	40	50	70
		Minimum %	Benchmark %	Maximum %
<b>Income 99 Fund</b>	International Equities	0	0	50
	New Zealand Equities	60	99	100
	Australian Equities	0	0	30
	Cash & Cash Equivalents	0	1	10
	<b>Total Growth</b>	90	99	100
	<b>Total Income</b>	0	1	10
		Minimum %	Benchmark %	Maximum %
<b>Enhanced Cash Portfolio</b>	Cash & Cash Equivalents	0	100	100
	New Zealand Fixed Interest	0	0	100
	International Fixed Interest	0	0	20
		Minimum %	Benchmark %	Maximum %
<b>Income Securities Portfolio</b>	Cash & Cash Equivalents	0	5	100
	New Zealand Fixed Interest	0	95	100
	International Fixed Interest	0	0	20
		Minimum %	Benchmark %	Maximum %
<b>Corporate Bond Fund</b>	Cash & Cash Equivalents	0	1	20
	New Zealand Fixed Interest	60	74	100
	International Fixed Interest	0	25	35

## **Socially Responsible Investment Criteria**

The Socially Responsible funds exclude investments in directly-held companies and managed fund investments with more than an incidental proportion of revenue generated from the following activities:

- Alcohol production, distribution, supply and retailing.
- Gambling operations.
- Tobacco production, distribution, supply and retailing.
- Military weapons manufacturing.
- Civilian firearms production, distribution, supply and retailing.
- Nuclear power production.
- Fossil fuels exploration, extraction, refinement, distribution, supply and retailing.
- Pornographic material production, distribution and retailing.

These funds also exclude directly held investments that generate more than an incidental proportion of revenue from the following activities:

- Genetically Modified Organisms (GMO) intended for agricultural use.
- Animal testing on non-medical products.
- Intensive animal farming (factory farming).
- Whaling.
- Palm oil production and plantations.
- Recreational cannabis production, distribution, supply and retailing.
- Export of live animals for slaughter, husbandry and breeding.

The criteria for screening out investments may be modified from time to time to reflect developments in the socially responsible investment area. Further detail may be found in Booster's Responsible Investment policy at [www.booster.co.nz/responsible-investing-policy](http://www.booster.co.nz/responsible-investing-policy).

## **Rebalancing policy**

Actual Fund weightings can vary over time relative to benchmark levels for each asset class, as well as relative to the target holdings for each company or managed fund within a given asset class. This is driven by varying market returns (for example in a multi-sector fund, if equities perform well compared to fixed interest, other things being equal, a balanced investor will become overweight equities relative to fixed interest) but this can also be driven by the timing of cash deposits and withdrawals.

A core part of the implementation of the Manager's investment strategy includes a structured approach to portfolio rebalancing both at a sector and individual security level, to ensure consistency of return outcomes at the same time as appropriately managing transaction costs.

In order to minimise transaction costs as well as the potential for client cash-flows to distort portfolio weightings, cash deposits and redemptions are systematically used to move actual portfolio weights, within the allowable ranges, closer to the tactical levels currently targeted. This is accomplished through the automatic direction of new funds to any investment sectors where the actual weighting is below target, while redemptions are funded by the sale of sectors that are overweight relative to target.

This "passive rebalancing" is supplemented by the use of "soft" limits for actual sector positioning, relative to targeted tactical levels. These "soft" limits (including currency hedging) may vary by asset

class but are not wider than +/- 5%. Where a Fund's holding in an asset class breaches the relevant limit, a review is automatically triggered with a view to rebalancing towards the targeted tactical levels.

The same overall methodology is followed with respect to holdings within each individual sector. Cash inflows are automatically directed towards investment in assets that are below targeted tactical levels, while redemptions are funded through the sale of securities which have drifted above targeted tactical levels.

As part of regular portfolio monitoring (usually daily), the Booster Portfolio Management Module also highlights instances where a Fund is in breach of pre-defined mandate limits. This acts as a precursor to portfolio rebalancing through the systematic trading process (see details of limit breaks policy below).

The consistent application of this process not only ensures alignment with currently targeted tactical levels as governed by the Booster Investment Committee but can also assist in managing market volatility, as trades generated are biased towards realising gains in assets that have outperformed while adding to holdings that have fallen behind market movements.

### **Limit Breaks policy**

This policy ensures that the Funds' asset class allowable ranges, as described in the tables above, are being monitored on a regular daily basis, with range breaches (limit breaks) being appropriately addressed in accordance with legislative requirements and the Scheme's governing documents.

All Funds' asset class ranges are loaded into the Booster Portfolio Management Module which is then able to compare actual asset allocations with the allowable ranges. All range changes are to be approved by the Chief Investment Officer and are subject to this SIPO being amended. An automated system 'limit break' report is run daily with the report sent to the compliance manager and Portfolio Management team. The Portfolio Implementation and Risk Manager will review any exceptions to the daily system generated limit break report(s).

In the event of an actual limit break:

- If it is a market driven (i.e. large swing in market movement) deviation from currently targeted sector allocations and if the market does not correct itself in three business days, the limit break is required to be remedied by the fourth business day from when it was discovered.
- If the market driven deviation drives the technical variance to 10% or greater, then this will be remedied on that day.
- If the variance is not market driven and a breach of the allowable ranges, then the impacted Funds will be adjusted on that day.

### **Related Party Transactions policy**

This policy ensures that the requirements of relevant legislation and the governing documents of the Scheme, regarding transactions with related parties, are adhered to. In accordance with relevant legislation and the Scheme's governing documents, related party transactions that result in a related party benefit are allowed only in specified circumstances.

Investments of assets into other Funds or underlying managed funds that are managed by the Manager meet the requirements of relevant legislation and the Scheme's governing documents.

Refer to the Scheme's governing documents for further information.

## **7. Implementation via Professional Investment Managers**

In implementing the investment strategies of each Fund, the Manager may utilise the services of professional investment management organisations for some components of the portfolio.

Each organisation will be selected based on a mix of performance, experience and investment style, and given the task of investing within specific parameters and constraints.

Investments may be made by way of individual discrete mandates or pooled investment vehicles (managed funds).

Due diligence will be performed on each investment manager to ensure they meet appropriate standards for the prudent and professional management of managed investment schemes.

The Manager may terminate an investment manager's appointment at any time and for any reason, subject to the terms of that manager's agreement. In particular, active investment managers might be terminated in the event of a sustained failure (typically but not always measured over at least a three year period) to outperform appropriate portfolio benchmarks by targeted amounts.

In some circumstances, e.g. loss of critical investment personnel and/or on the recommendation of the Investment Committee, decisions can be made to reduce and/or restructure investment through a particular investment manager in order to optimise portfolio construction, regardless of performance or tenure.

## **8. Investment Constraints, Risk Management, Liquidity and Cash Flow Management**

The Scheme is primarily a long term savings vehicle, and therefore may selectively hold investments outside listed markets to broaden its opportunity set, enhance diversification and benefit from a premium return typically associated with lower liquidity. In doing so, the Manager recognises the importance of maintaining a sufficient liquidity across Funds' investments as a whole (whether they are technically listed or unlisted), along with prudent diversification principles. This mitigates the potential for markets to harshly price relatively illiquid investments should they need to be realised during times of extreme financial and/or economic uncertainty. Investors require confidence in accessing their money as and when required.

The following investment constraints therefore address the minimum liquidity requirements to ensure ongoing Member equity and to acknowledge the cash flow analysis undertaken. In addition, they provide the framework for effective diversification of risk across and within the Funds' various asset classes.

The Manager may invest in other investments (which are not explicitly stated) that they consider fall within the parameters of permitted investments and that appropriately reflect the risk profile of the Scheme and its Funds.

### **Liquidity Management**

In addition to the below investment constraints, at a minimum the Manager will allocate at least 30% of Fund investments in securities normally available for redemption on a daily basis with settlement within 5 working days; as part of at least 50% in securities redeemable within 30 calendar days; and a total of at least 70% in securities redeemable within 180 calendar days. Any external manager appointments will be assessed and monitored within this context.

The progressive inclusion of unlisted investments in multi-sector portfolios will add to the percentage of assets with longer sale timeframes. However, the current allocation to unlisted equity or property securities in multi-sector portfolios is below 20% and they will therefore continue to be monitored within the above policy constraints. This policy will be reviewed and reconfirmed in conjunction with the Supervisor if unlisted equity or property assets total more than 20% of multi-sector portfolios.

Monitoring of liquidity within the Enhanced Cash Portfolio will specifically account for the level of investment that forms part of Booster multi-sector portfolios versus that held directly by retail investors.

#### **a. Cash and Cash Equivalents (includes Enhanced Cash Portfolio)**

- Authorised investments include New Zealand denominated money market instruments and deposits plus New Zealand Cash Fund Managers (via New Zealand domiciled investment vehicles only).
- Maximum investment term or maturity for any individual fixed rate security – 36 months.
- Maximum term of any committed Floating Rate Note (FRN) investments, or similar – 5 years.
- Maximum average duration of 250 days.

- To manage overall portfolio liquidity, any Term Deposits held are required to be maintained in a staggered maturity profile based on ongoing assessment of the portfolio's cash inflows/outflows and anticipated cash needs of its investors under normal circumstances.
- Minimum credit rating is to be a Standard & Poor's A1 short-term or equivalent from other ratings organisations. Where invested in a managed fund, that fund must have at least an Investment Grade or equivalent rating from a recognised fund rating agency or the Manager is satisfied that the managed fund meets the above criteria.

## **b. Fixed Interest**

- Authorised investments include New Zealand and Australian dollar denominated Fixed Interest securities, plus International Fixed Interest securities (via Exchange Traded Funds or New Zealand or Australian domiciled investment vehicles only). Fixed Interest securities may include (but are not limited to) deposits, bank bills, promissory notes, government or local authority bonds, corporate bonds, debentures, loans, mortgages, asset backed securities and convertible notes which provide a fixed or floating rate of dividend or interest. Some short-term fixed interest holdings which may also be considered as "Cash and Cash equivalents" may be treated as Fixed Interest if held as part of a fixed interest strategy (e.g. within a wholesale fixed interest portfolio).
- All International Fixed Interest is to be fully hedged back into New Zealand Dollars at all times.
- NZ Fixed Interest and International Fixed Interest will have a minimum credit rating applicable to at least 70% of the combined allocation of Standard & Poor's BBB- or manager's assessed equivalent. The Income Securities Portfolio has a minimum credit rating of BB or assessed equivalent.
- The total Fixed Interest allocation will typically be diversified across securities with a weighted average credit rating of around Standard & Poor's A, or manager's assessed equivalent. (Except for the Corporate Bond Fund and Income Funds, where a typical average credit rating of around BBB or assessed equivalent applies). Any security that falls below these minimums due to downwards rating migration will not be automatically sold, but will be reviewed for appropriateness and may be retained. The asset sector will not use investment managers with strategies that in combination may lead to the typical average credit quality being lower than these targets.
- For New Zealand Fixed Interest, the weighted average duration may vary between +/- 4 years relative to the respective benchmark index duration, provided the overall weighted average duration does not exceed 8 years, except for the:
  - Income Securities Portfolio, where the average duration is not to exceed 2 years.
  - Corporate Bond Fund (which may include both NZ & international investments), where the duration is between 0.25 and 4 years.
- For International Fixed Interest the investment manager(s) of the approved managed fund, or in the case of direct mandates with investment manager(s), the investment mandate, will determine the appropriate duration of the portfolio relative to the index based on the style of investment

mandate and the outlook for interest rates. The portfolio will not use managers with duration mandates wider than +/- 3 years around their respective benchmark index duration.

- Income Securities Portfolio's individual corporate credit exposures based on the following credit rating stratification:

<b>BondWatch Rating</b>	<b>S&amp;P Rating (or assessed equivalent)</b>	<b>Limit Per Individual Issuer (%)</b>	<b>Limit Per Class (%)</b>
Secured Loans		25	25
G3 or Higher	BBB or Higher	15	100
G5 to G4+	BB to BBB-	10	65
Below G5	Below BB	0	0

#### **c. Listed Property**

- Authorised investments include NZX listed property securities, Australian and overseas property managed funds (via New Zealand or Australian domiciled investment vehicles only) and exchange traded funds.
- Where the asset sector holds direct listed property securities, (other than exchange traded funds), no individual direct listed security will represent a weighting in the sector which is 5% more than the security's respective S&P/NZX All Real Estate Index weighting.
- All overseas property investments are to be fully hedged back into New Zealand Dollars at all times.

#### **d. Unlisted Property**

- Authorised investments include any New Zealand unlisted property, unlisted property security or managed fund which provides exposure to New Zealand unlisted property investments. Australian and overseas unlisted property may be held up to 5% of the sector.
- Gearing may be included over unlisted property investments, up to 65% of their asset value. A soft limit of 50% will apply to provide a suitable margin in case of any increase in gearing due to a fall in asset values.



#### **e. Australasian Equities**

- Authorised investments include any New Zealand or Australian equities (listed or unlisted). May also invest in managed funds and other equity-linked securities provided they do not breach any of the constraints within this mandate.
- Where the asset sector holds direct (listed or unlisted) equities (i.e., excluding managed funds that are not managed by BIML), no individual security will have a target weighting in the sector which is 12.5% more than the security's respective benchmark index weighting, or, where the equity is not part of the benchmark index, more than 7.5% of the Fund's total exposure to the Australasian Equities. Any equity that is held at greater than 7.5% of the sector and falls out of the relevant benchmark index will not automatically be sold but will be reviewed and may be retained if appropriate.
- Unlisted equities will normally be held through dedicated separately managed vehicles, reflecting the specialised management required and their diversifying return profile relative to listed equities. The risk exposure resulting from such vehicles is considered within multi-sector funds' overall risk budget settings and those vehicles' own internal guidelines, reflecting their separate management. This exposure may include some overseas companies commercializing New Zealand originated intellectual property, within a strategy focused on New Zealand early-stage businesses.
- Foreign currency exposures are normally 50% hedged, but can be actively managed between 0% and 100%.
- For the Income Funds, where the asset sector holds direct equities, a minimum of 10 direct securities to be held at any one time and no security will represent a weighting in the portfolio of more than 15%.
- No limit on ex-ante tracking error, but ex-post tracking error is expected to be less than 4%, except for any investment in the Booster Tahī LP.

#### **f. International Equities**

- Authorised investments include listed equities, listed and unlisted global equity managed funds and exchange traded funds.
- Where the asset sector holds direct listed equities, (other than exchange traded funds), no individual direct listed security will represent a weighting in the sector above the higher of 7.5%, or 5% more than its benchmark index weighting.
- For the multi-sector funds, total foreign currency exposures are normally 50% hedged, but can be actively managed between 20% and 80%.
- No limit on ex-ante tracking error, but ex-post tracking error is expected to be less than 5%.

#### **g. Commodities**

- Authorised investments include any commodity-linked security.

## **h. Prohibited Investments**

- Short selling.
- Securities lending (except for the New Zealand Fixed Interest sector).

## **i. Derivatives**

- Derivatives may be used, provided that they are backed by cash or relevant physical holdings AND the effective exposures created using any derivatives remain within the overall mandate and guidelines when combined with the underlying portfolio.
- Derivative Instruments that may be used are limited to:
  - Over the counter ('OTC') or Exchange Traded futures contracts.
  - Forward foreign exchange contracts.
  - OTC or Exchange Traded options.
  - OTC FRA's, Swaps or other derivative instruments.
  - An OTC counterparty must have a Standard and Poor's rating of A or better (or manager assessed equivalent).
- For the purpose of valuation and compliance with these requirements, all derivative exposures must be calculated on a mark to market basis.

Where investment is through a managed fund that is managed externally, the investment managers are permitted to use futures, forwards, options and other derivative instruments to assist with the effective management of their portfolios. This can include use to enhance returns or to manage risk and liquidity.

## **Risk Management**

The Manager is a risk mitigator. This means the Manager introduces specific measures in order to minimise unacceptable risks associated with managing investment portfolios. The key risks the Manager is looking to mitigate include: interest rate risk, liquidity risk, credit risk, economic risk, industry risk, currency risk and inflation risk.

The Manager utilises the following policies in order to mitigate the above risks; diversification across income and growth assets (multi-sector funds), diversification between sub-asset classes, diversification between industries, establishment of a minimum credit rating, duration management, establishment of tracking error ranges and having a currency hedging policy. Booster's Liquidity Management Framework policy outlines the key measures used to assess appropriate liquidity constraints for funds, as well as cash-flow and liquidity monitoring and stress-testing relative to these constraints, and the liquidity management tools that may be employed. This is not meant to be an all-inclusive list but rather to serve as an example of some of the risk management policies deployed by the Manager.

## 9. Investment Governance

### a. Investment Committee

The Manager recognises that the development of investment objectives and implementation of appropriate investment strategies is one of its key responsibilities to investors. Due to the specialised nature of investment markets, the Manager utilises its Investment Committee to oversee the investment process, including performance monitoring. The role and powers of the Investment Committee are set out in the Investment Committee Charter. In general, the Committee's role is to review all aspects of investment recommendations, decisions and processes and to approve the SIPO.

### b. External Experts

The Manager engages experts to assist in running the Funds and its investment functions. These may include:

- **External Investment Consultants** – assist with specialised advice in selected areas as required to from time to time, to contribute to the monitoring of the investments under the Manager's stewardship.
- **External fund managers** – manage investments under mandated agreement or by offer documents and within the constraints set by the Manager.
- **Custodian and Custodial Administration Service Providers** – provides for safe keeping of assets, settlement of investment transactions, calculation of returns, maintenance of records of unit holdings and transactions, monitoring of compliance by the external fund managers with their agreements, reporting to the Manager and other related services as specified under the agreement.
- **Administrator** – maintains relevant cash accounts and advises details of net cash flows into and out of the investment options to enable decisions regarding external fund manager applications/redemptions to occur.

### c. Custody

The Manager will ensure that appropriate custody arrangements comply with the requirements of relevant legislation and the Scheme's governing documents. In respect of investment in external pooled vehicles, due diligence will include consideration that adequate custodian arrangements are in place to ensure the appropriate safekeeping of the underlying assets.

## 10. Performance Monitoring

A regular review is undertaken of the investment performance of all Funds and external fund managers against their stated performance objectives. The Funds' objectives will be reviewed by the Manager on an annual basis.

The aim of performance monitoring is to:

- Assess how the Funds are performing against investment and return objectives.
- Review performance of the Funds' appointed fund managers (internal and external) to ensure it is consistent with the expected range of outcomes, in the context of their style and approach.
- Identify any concerns or weaknesses in fund managers.
- Assess the benefits of tactical asset allocation strategies within the allowable ranges.
- Allow the Manager to continually assess the ability of fund managers and the investment consultant to contribute successfully to the Funds' objectives.

Judgments regarding the performance of fund managers and consultants should be made on a time frame that relates to the time horizon of each investment and not on short term performance. In the short term, the following indicators should be monitored as indicators of continued prudent and professional management:

- Adherence to investment policy.
- Adherence to investment constraints and mandate parameters.
- Legislative compliance.
- Consistency of investment style.
- Organisational stability and personnel.

Where applicable, the performance of each of the Funds' asset classes will be compared with the returns on an appropriate benchmark index which may change from time to time.

### **Benchmark Indices**

Each multi-sector Fund's benchmark index will be a weighted composite index based on representative market indices used in respect of the underlying assets. Single-sector Funds will have a single benchmark index. Where a Fund invests all or some of its investments in underlying funds, the market indices used will be dependent on:

- The market indices relevant to the underlying fund in which the assets are currently held; and
- The market indices relevant to any directly held assets.

Where the investments of a multi-sector Fund included in this SIPO are made in underlying funds managed by the Manager, the Fund's benchmark index that is currently appropriate is based on some or all of the market indices shown in the following table.

The actual benchmark that is relevant to any particular Fund will depend on the underlying fund in which exposure to each asset type is being obtained. Up to date details in respect of any Fund can be obtained by contacting the Manager.

<b>Asset type or single sector fund</b>	<b>Performance benchmark</b>	<b>Where to find more information</b>
International Equities	MSCI World Total Return Index (Ex-Australia) MSCI World Total Return Index (Ex-Australia) hedged into New Zealand dollars MSCI Emerging Markets Total Return Index	<a href="http://www.msci.com/indexes">www.msci.com/indexes</a>
Australian Equities	S&P/ASX 200 Total Return Index S&P/ASX 200 Total Return Index hedged into New Zealand dollars S&P/ASX 200 Industrials Accumulation Index	<a href="https://www2.asx.com.au/markets/trade-our-cash-market/overview/indices">https://www2.asx.com.au/markets/trade-our-cash-market/overview/indices</a>
New Zealand Equities	S&P/NZX 50 Gross Index with Imputation S&P/NZX 50 High Dividend Index with Imputation	<a href="https://www.spglobal.com/spdji/en/documents/methodologies/methodology-sp-nzx-index.pdf">https://www.spglobal.com/spdji/en/documents/methodologies/methodology-sp-nzx-index.pdf</a>
Property	S&P/NZX All Real Estate Industry Group Gross with Imputation Index FTSE EPRA / NAREIT Developed ex Australia Rental Index hedged into New Zealand dollars	<a href="https://www.spglobal.com/spdji/en/documents/methodologies/methodology-sp-nzx-index.pdf">https://www.spglobal.com/spdji/en/documents/methodologies/methodology-sp-nzx-index.pdf</a>  <a href="http://www.ftse.com/products/indices/epra-nareit">www.ftse.com/products/indices/epra-nareit</a>
International Fixed interest	Barclays Global Aggregate Bond Index (NZD Hedged)	<a href="http://www.bloombergindices.com/bloomberg-barclays-indices/">http://www.bloombergindices.com/bloomberg-barclays-indices/</a>
New Zealand Fixed Interest	Bloomberg NZBond Composite Index Bloomberg NZBond Credit Index	<a href="https://assets.bbhub.io/professional/sites/10/Bloomberg-Index-Publications-AusBond-and-NZBond-Index-Methodology-2022-12-05.pdf">https://assets.bbhub.io/professional/sites/10/Bloomberg-Index-Publications-AusBond-and-NZBond-Index-Methodology-2022-12-05.pdf</a>
Income Securities Portfolio	Bloomberg NZBond Bank Bill Index	
Corporate Bond Fund	Bloomberg NZBond Credit Index	
Cash & Cash Equivalents; and Enhanced Cash Portfolio	S&P/NZX Call Rate Deposit Index	<a href="http://us.spindices.com/indices/fixed-income/sp-nzx-call-rate-deposit-index">http://us.spindices.com/indices/fixed-income/sp-nzx-call-rate-deposit-index</a>