

# Evergreen Retirement Trust

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*Statement of Investment Policy and Objectives*

*Effective date: 1 December 2016*

## Contents

Summary.....	3
Description of the Scheme .....	3
Responsibilities of the Trustee.....	3
Responsibilities of the Investment Manager .....	3
Investment philosophy.....	4
GBP Absolute Growth Fund .....	5
Investment Objective.....	5
Investment Strategy.....	5
Strategies.....	5
Permitted investments.....	5
Risk Limits.....	5
Benchmark asset allocation.....	5
Market index .....	6
Currency hedging.....	6
GBP Income Plus Fund.....	7
Investment objective .....	7
Investment strategy .....	7
Strategies.....	7
Permitted investments.....	7
Prohibited investments.....	7
Benchmark asset allocation.....	7
Market index .....	7
Currency hedging.....	8
Policies.....	9
Rebalancing Policy .....	9
Liquidity Policy .....	9
Borrowing.....	9
Monitoring.....	10
Investment Performance.....	10
Compliance.....	10
Investment Strategy Review .....	10
SIPO Review .....	10
Review and amendment.....	10

## Summary

This Statement of Investment Policies and Objectives (**SIPO**) describes the investment framework, including policies, objectives, strategies, governance and monitoring for the Evergreen Retirement Trust (**Scheme**).

### Description of the Scheme

The Scheme was established as a trust under a Trust Deed (dated 1 December 2011, as amended from time to time) (**Trust Deed**) and registered as a superannuation scheme under the Superannuation Schemes Act 1989 on 26 January 2012.

The Scheme will become registered as a superannuation scheme under the Financial Markets Conduct Act 2013 (**FMC Act**) on and from 1 December 2016. By Order in Council dated 2 September 2016 the Scheme has 'restricted legacy scheme' status on its registration under the FMC Act.

New Zealand Guardian Trust Company Limited is the trustee of the Scheme (**Trustee**) and acts as the licensed independent trustee of the scheme under the Financial Markets Conduct (Corporate Trustees) Exemption Notice 2016.

Trustees Executors Limited (**Custodian**) is the custodian and administrator (**Administrator**) of the Scheme.

New Zealand Guardian Trust Company Limited has outsourced the investment management of the Scheme to Evergreen Capital Partners Limited (**ECP**) who have engaged Clearwater Capital LP as the Investment Manager (**Investment Manager, Clearwater, we, us or our**). The governance function for this SIPO is the responsibility of the Investment Manager.

### Responsibilities of the Trustee

The Trustee is responsible for:

- Reviewing the SIPO,
- Ensuring that the assets are invested in a manner to ensure continuing compliance with the relevant legislation,
- Monitoring the actions of the Investment Manager to ensure all decisions remain in the best interest of the Members,
- Supervising the Scheme, including performance by the Investment Manager,
- Acting in accordance with the Trust Deed, and in exercising any powers or performing any duties or acts in the best interests of the investors,
- Holding the Scheme property, or ensuring the Scheme property is held, in accordance with relevant law.

The Trustee may delegate authority to ECP or the Investment Manager where appropriate to ensure compliance with this SIPO.

Where the functions have been delegated by the Trustee to ECP or the Investment Manager, they will ensure any reporting, including of SIPO breaches, are reported to the Trustee.

### Responsibilities of the Investment Manager

The Investment Manager will be responsible for the following:

- Identification and acceptance of new underlying investment assets for each fund onto the Qualified Investments List ("QIL") list of investments, subject to the constraints imposed in this SIPO or the Trust Deed or any other policies advised by the Trustee, and any relevant legislation,
- Rebalancing of fund portfolio assets in a timely manner so as to adhere to benchmark asset allocations,
- Supplying the Trustee and ECP such reports as necessary for the regular review of the investment performance. The reports shall contain such information and in such format as agreed with the Trustee from time to time,

- Identifying underlying investment assets and maintaining benchmark asset allocations so as to remain PIE tax compliant,
- Advising the Trustee and Manager as soon as there is any breach of any investment constraints or any other agreed terms and conditions,
- Participating in the annual review of the SIPO.

The Investment Manager maintains an investment committee in respect of the investment of the Scheme (**Investment Committee**). The Investment Manager appoints the members of the Investment Committee. The current members of the Investment Committee are Kenji Steven, Chris Wells, and Daniel Liptak.

### Investment philosophy

The Investment Manager's investment philosophy is underpinned by a 'total return' bias, designed to deliver absolute or positive returns each year. The Investment Manger operates a 'manager of managers' approach and seeks to invest with other investment managers (**Underlying Manager**), both active and passive, who participate directly in the capital markets.

The Investment Manager's approach seeks to provide an actively managed exposure to global markets. The Investment Manager seeks to preserve capital while maximising returns.

The Investment Manager primarily selects fund managers rather than markets. However, where appropriate, the Investment Manager may make geographic allocation decisions based on region specific opportunities.

The Scheme has the following investment funds (**Fund(s)**), which members may invest in:

- GBP Absolute Growth Fund
- GBP Income Plus Fund

## GBP Absolute Growth Fund

### Investment Objective

The investment objective of the GBP Absolute Growth Fund is to generate positive performance each calendar year with a lower level of volatility than annual return.

The investment objective is set with the explicit recognition that there will be variance in results and periods where an investment fund will fail to meet or exceed the investment objective. The Investment Manager views investment performance over the longer term in keeping with the long term nature of the investment.

### Investment Strategy

The Fund invests primarily directly or indirectly into other investment funds, segregated accounts or other investment vehicles such as ETFs (**Underlying Funds**) that invest a majority of their assets into higher risk 'growth assets' such as shares, currencies, commodities, derivatives, futures contracts and options. The GBP Absolute Growth Fund seeks to gain exposure to Underlying Funds that may have a relatively high level of volatility and commensurate return profile on an individual basis but that complement each other, thereby providing a lower level of volatility while retaining relatively attractive return characteristics for the overall portfolio.

### Strategies

The Investment Manager will seek to invest in various investment strategies with different sources of return that diversify and complement each other:

### Permitted investments

- The GBP Absolute Growth Fund may gain exposure to non-New Zealand domiciled, listed and unlisted Underlying Funds or managed accounts, bank issued structured notes, financial instruments provided by a New Zealand financial institution for currency hedging purposes and cash either in the denomination of the fund or in the denomination of the Underlying Funds.
- The Underlying Funds may be actively or passively managed and will invest either directly or via holding, nominee or other intermediary vehicle.

### Prohibited investments

- Any asset that would prevent the Scheme from being treated as a foreign investment zero-rate PIE.
- The Fund may not make investments in direct equity securities

### Risk Limits

- No more than 20% can be allocated to any one Underlying Fund at the time of investment dealing. Performance over a month may mean that the limit is exceeded and the Investment Manager will seek to rebalance this in accordance with the 'Rebalancing Policy' on page 9, below.
- No more than 30% of the Funds may be allocated to any one Underlying Manager.
- The Investment Manager may not employ leverage to enhance returns.

### Benchmark asset allocation

The Investment Manager looks to invest the assets of the GBP Absolute Growth Fund in accordance with the following benchmark asset allocation:

Asset Class	Target	Target Range
Cash & Cash Equivalents	5%	0-75%
Other (Underlying Funds meeting the criteria set out above)	95%	25-100%

The asset group limit ranges above for the GBP Income Plus Fund refers to the underlying exposure and not the investment vehicle by which the exposure is obtained.

#### *Market index*

The GBP Absolute Growth Fund has no benchmark, however for comparative purposes only, fund performance may be considered in relation to the HFN Hedge Fund Aggregate Index (hedged to the currency of the Fund) as the Fund's 'market index' under the FMC Act.

#### *Currency hedging*

The Absolute Growth Fund may be either fully hedged back to the base currency of the Fund (GBP) or take some directional currency risk where advantageous to the fund.

## GBP Income Plus Fund

### Investment objective

The investment objective of the GBP Income Plus Fund is to generate positive performance each calendar year with a lower level of volatility than annual return.

The investment objective is set with the explicit recognition that there will be variance in results and periods where an investment fund will fail to meet or exceed the investment objective. The Investment Manager views investment performance over the longer term in keeping with the long term nature of the investment.

### Investment strategy

The Fund invests primarily directly or indirectly into other investment funds, segregated accounts or other investment vehicles such as ETFs (**Underlying Funds**) that invest a majority of their assets into lower risk 'fixed income assets' such as notes, bonds and related derivatives, and 'property'. The GBP Income Plus Fund seeks to gain exposure to Underlying Funds that may have a relatively low level of volatility and commensurate return profile.

### Strategies

The Investment Manager will seek to invest in various investment strategies with different sources of return that diversify and complement each other.

### Permitted investments

- The GBP Income Plus Fund may gain exposure to non-New Zealand domiciled, listed and unlisted Underlying Funds or managed accounts, bank issued structured notes, financial instruments provided by a New Zealand financial institution for currency hedging purposes and cash either in the denomination of the fund or in the denomination of the Underlying Funds.
- The Underlying Funds may be actively or passively managed and will invest either directly or via holding, nominee or other intermediary vehicle.

### Prohibited investments

- Any asset that would prevent the Scheme from being treated as a foreign investment zero-rate PIE.
- There must be a minimum of two Underlying Funds pursuing different investment strategies.
- No more than 50% of the GBP Income Plus Fund may be allocated to any one Underlying Manager.

### Benchmark asset allocation

The Investment Manager looks to invest the assets of the GBP Income Plus Fund in accordance with the asset group limits set out as follows:

Asset Class	Target	Target Range
Cash & Cash Equivalents	5%	0-75%
Other (Underlying Funds meeting the criteria set out above)	95%	25-100%

The asset group limit ranges above for the GBP Income Plus Fund refers to the underlying exposure and not the investment vehicle by which the exposure is obtained.

### Market index

Income Plus Fund has no benchmark, however for comparative purposes only, fund performance may be considered in relation to the HFN Fund of Funds Aggregate Index (hedged to the currency of the Fund) as the Fund's 'market index' under the FMC Act.

### *Currency hedging*

The Income Plus Fund may be either fully hedged back to the base currency of the Fund (GBP) or take some directional currency risk where advantageous to the fund.

## Policies

A summary of the key investment management policies for the Funds follows.

### Rebalancing Policy

Rebalancing involves the buying and selling of interests in Underlying Funds so the Funds asset allocation is maintained within the target range for the Fund as stated above.

When rebalancing the Fund's portfolio assets, the Investment Manager will take into consideration liquidity requirements of the Fund in the short to medium term and the costs associated with investing or redeeming from an Underlying Fund.

Rebalancing of the Underlying Funds is most likely to occur at month end as part of the investment/redemption cycle, however, we may rebalance the portfolio intra month where there is a likelihood that an asset class range will be breached. To allow rebalancing to occur in these circumstances we will make redemptions and investments from the underlying funds intra month. This will not require the fund to strike a unit price.

Rebalancing is at our discretion.

### Liquidity Policy

As a 'restricted legacy scheme' the Investment Manager is required to take into account any liquidity requirements to meet benefit payments, transfers and fees with rebalancing of asset allocations to meet target allocations. The Investment Manager and ECP have put in place a Liquidity Policy to reflect the Restricted Legacy Scheme status acknowledging the cash flow impact on the Scheme, how liquidity is to be monitored and maintained, balanced with achieving investment performance.

### Borrowing

The Scheme may not borrow to leverage the Fund.

## Monitoring

### Investment Performance

Investment performance is calculated monthly by the Scheme's Administrator, Trustees Executors Limited 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.

The Investment Performance reports are provided to the directors of ECP and the Trustee.

### Compliance

The Investment Manager monitors compliance with this SIPO by reviewing monthly reports setting out compliance (or non-compliance) for the previous month with:

- Benchmark asset allocation ranges,
- Permitted investments, and
- Investment restrictions

If there is a material breach of the SIPO, the directors of ECP and Trustee are notified by email.

## Investment Strategy Review

The review will take into consideration:

- Appropriateness of the benchmark asset allocations,
- The performance of the Underlying Manager.

Where it is recommended that an amendment be made to the Investment Strategy, we will provide a report to ECP of their recommendations. On approval of the recommendations ECP will undertake a review of the SIPO as outlined below.

## SIPO Review

This SIPO takes effect from 1 December 2016 and is reviewed annually by the Chief Compliance Officer/Chief Investment Officer of the Investment Manager, or sooner if market conditions or regulatory changes warrant. The Investment Manager will undertake an ad hoc review of this SIPO if changes in market conditions 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 Underlying Fund invested in.

Any changes are agreed by the Investment Manager and ECP.

If any changes are made to this SIPO then notice will be given to the Trustee, and the Scheme's entry on the Disclose website will be updated accordingly.

The most current version of this SIPO is available on the Scheme's entry on the Disclose website at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).

## Review and amendment

This SIPO has been prepared and reviewed by ECP with the Investment Manager and legal advisers' involvement. The Trustee of the Scheme has also been involved in the review and consent of the SIPO.

This SIPO is reviewed at least annually by the Investment Manager and any changes must be reviewed by ECP and the Trustee.

An ad hoc review of the SIPO will be triggered where there is a proposed material change to the funds which includes the nature or type of investments that may be made by the Scheme, if there are changes to be made to the benchmark, asset allocation ranges or any of the investment policies of the funds.

During a SIPO review ECP will undertake consultation with the Investment Manager and their legal advisers. The Trustee will also be consulted. The SIPO is signed off by the Chief Investment Officer of the Investment Manager, the directors of ECP, and legal advisers before being approved.

The next review of this SIPO is anticipated to be no later than 1 December 2017.