



Vision Invest NZ Funds

Statement of Investment Policy and Objectives

Investment Management by Aura Funds Management Pty Ltd

Effective date: 13 April 2023

Issued by FundRock NZ Limited



A. Description of the managed investment scheme

The Vision Invest NZ Funds (Scheme) is a managed investment scheme. The Scheme offers one investment fund, the Vision Income Fund (Fund). The Fund provides investors with exposure to loans to Brethren Community (Community) businesses, other fixed income investments and cash and cash-like investments. The Fund may also invest in other credit funds or managed investment schemes whose investments include loans made to the Community.

The Fund is actively managed. The Fund may invest in direct securities (including derivatives for the purposes of currency hedging) or through other managed investment schemes.

B. Roles and responsibilities

The manager of the Scheme is FundRock NZ Limited (FundRock, Manager, we, us, our).

The Manager's key roles and responsibilities are:

- Preparation of disclosure material.
- Establishing, reviewing and maintaining this Statement of Investment Policy and Objectives (SIPO).
- The ongoing management and oversight of the Fund. This includes appointing, managing and monitoring specialist providers for:
 - Fund administration, and
 - Investment management.
- Monitoring investment performance and outcomes.

FundRock has appointed Aura Funds Management Pty Ltd (Aura) as the investment manager for the Scheme. Aura is responsible for making decisions about what the Scheme invests in, in accordance with this SIPO. Aura is also responsible for selecting and appointing an appropriate loan administrator. The Scheme is invested in accordance with Aura's investment philosophy and process.

Aura also participates in reviewing this SIPO.

Loan administration functions which include assessing and confirming to Aura that loan applications comply with the Lending and Credit Policy, overseeing documentation of loans made by the Fund, and monitoring and reporting to Aura all money paid by borrowers on those loans, are currently performed by Funding Partners Administration Limited (Funding Partners).

Key fund administration functions, being registry, fund accounting, and unit pricing, are currently performed by Adminis NZ Limited.

Public Trust is the Scheme's supervisor (Supervisor). The Supervisor is responsible for supervision of the Manager and the Scheme, including:

- Acting on behalf of the Fund's investors in relation to the Manager and any contravention of the Manager's issuer obligations;
- Supervising the performance by the Manager of its functions and the financial position of the Manager and the Scheme; and
- Holding the Scheme property or ensuring that the assets are held in accordance with applicable legislative requirements. Public Trust has been appointed by the Supervisor as Custodian for the Fund.

C. Investment philosophy

Aura was established in 2010 and is an alternatives investment manager that actively manages a number of high yielding funds with varying risk profiles. The portfolios managed by Aura are designed to generate income while diversifying risk in credit markets. Ultimately, the credit team target high-quality borrowers with sustainable prospects who meet Aura's credit approval and underwriting processes and offer the portfolio further diversity through their business niches.

D. Fund Investment Objectives and Strategies

The investment objective and strategy for the Fund are:

Vision Income Fund

Objective

To generate returns (after fees but before tax) that are above the median 1 year gross term deposit rate paid by the registered New Zealand banks.

Investment Strategy

The Fund strategy is to make and invest in secured and unsecured commercial and small to medium enterprise business loans (supported by personal guarantees and general security agreements). In addition, the fund will hold cash and cash equivalent assets to facilitate investor withdrawals.

To facilitate the payment of returns to investors, the aim is to ensure that the credit quality of each loan is effectively managed. The investment philosophy is that if the loans are a good quality this can help to minimise the risks to investors of not generating a return on their investment or a reduction in capital.

The loans have a diverse range of features including:

- No specific geographic allocation;
- A variety of expiry terms;
- A variety of repayment terms; and
- Fixed and floating interest rates.

Benchmark index

- Not applicable.

Benchmark asset allocation

- 90% New Zealand fixed interest (including loans)
- 10% Cash and cash equivalents

Asset allocation ranges:

- 0%-90% New Zealand fixed interest (including loans)
- 10%-100% Cash and cash equivalents
- 0%-90% International fixed interest*
- 0%-90% currency hedging instruments**

*Investment in international fixed interest is restricted to the Australian fixed income market either through Australian denominated loans, cash or cash equivalents or Vision Invest Australian managed funds.

**Measured on an exposure basis

Permitted investments:

- New Zealand fixed interest (including loans)
- International fixed interest
- Cash and cash equivalents
- Derivative instruments for the purposes of currency hedging
- Managed investment schemes
- Any other investment agreed to by the Manager and Supervisor, and Aura’s investment and credit committee (ICC).

Notwithstanding the range of permitted investments described above, the Fund shall only make loans pursuant to the specific policy guidelines, benchmark asset allocations, and lending limits described further below:

Specific credit and lending policy guidelines:

Loan type:	Commercial loans (Term Loan or Line of Credit)	
Acceptable locations:	Any location within New Zealand	
Loan amounts:	For Prime ¹ products the minimum loan amount for commercial loans is \$100,000 NZD; the maximum commercial loan exposure to any one borrower group in aggregate is not to exceed 15% of the net asset value of the fund. Any exceptions to this must be approved by the ICC, the Manager and the Supervisor. ² For Alternative Documentation ³ products the minimum loan amount for commercial loans is \$100,000 NZD; the maximum commercial loan exposure to any one borrower group in aggregate is not to exceed \$2,000,000. Any exceptions to this must be approved by the ICC, the Manager and the Supervisor.	
Loan term:	Minimum Loan Term:	1 Year
	Maximum Loan Term Principal and Interest:	10 Years
	Maximum Loan Term Interest Only:	5 Years
	Commercial Overdraft Facilities	Revolving (Subject to Annual Review)
Acceptable purposes:	The following purposes are acceptable: <ul style="list-style-type: none">• Purchase of a new business (new or established);• Purchase of an acceptable security for:<ul style="list-style-type: none">• Own business occupation; or• investment;• Re-finance of an existing debt;• Finance for equipment or vehicles;• Repayment of on Balance Sheet Shareholder / Beneficiary / Associated Entity Loans;• Working capital; or,• Property development	

¹ A new loan where the applicant has to submit the completed application form and all supporting documentation including, but not limited to, 2 full years of financials, tax returns/notice of assessment for the business and each director.

² For the first six months the fund is operational the 15% exposure limit will not apply.

³ A new loan where the applicant cannot/is not required to supply 2 full years of financials, and other supporting documentation. They are required to complete the application in full, and provide a signed declaration from their accountant that they are able to meet all repayments without financial hardship.

Unacceptable purposes:	<p>The following purposes are unacceptable:</p> <ul style="list-style-type: none"> • Cashout without acceptable reason; • Significant speculative risk⁴; or, • Any Credit Contracts and Consumer Finance Act (CCCFA) regulated purpose.
Borrowing entities and mortgagors	<p>The following applicants and Mortgagors are acceptable:</p> <ul style="list-style-type: none"> • New Zealand residents over 18 years of age. Where a related entity's income or profit is required to support individual borrowing's the said entity will need to support legally by the execution of a Guarantee and Indemnity. • Companies and Trusts, subject to: <ul style="list-style-type: none"> • Satisfactory investigation by Vision; • Company borrowings being supported by the personal Guarantee of the Director(s); and • General Security Agreement over the company. • The company must be registered in New Zealand and at least one of the directors must be permanent residents of New Zealand. • Directors are to be identified in accordance with AML/CTF requirements.
Acceptable security	<p>The following security types are acceptable for commercial loans:</p> <ul style="list-style-type: none"> • General Security Agreement for all company / trust borrowings including directors guarantees). <p>Examples:</p> <p>Shop fronts, offices, industrial units, factories, warehouses, mixed residential & commercial use, medical/professional suites and residential property (including house, unit, duplex, townhouse units or apartments).</p>

Rebalancing policy:

- As a single-sector fund, there is no need for a rebalancing policy.

Currency hedging policy:

- It is intended that any Australian dollar currency exposure is 100% hedged back to the New Zealand dollar.

Other

- The Fund can borrow up to 10% of the aggregate value of its investments but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions or pay expenses). Any borrowing must be approved by the Manager and Supervisor, and the ICC.

E. Investment Policies

Taxation

The Fund has elected to be Portfolio Investment Entity (PIE) and therefore taxed under the PIE regime.

The taxation implications of an investment method, such as holding assets directly or investing in a managed investment scheme, are taken into account when determining the most appropriate approach for a particular

⁴ Significant speculative risk is defined as a loan where the loan value amount exceeds the security value provided, reliant on a valuation upswing to protect the capital value of the loan.

fund. Note that taxation is not the sole consideration when choosing an investment method; other factors taken into account include cost and implementation feasibility.

Liquidity

The liquidity risk of the Fund is assessed with reference to liquidity of the underlying assets and securities. The Manager then establishes an appropriate application and redemption frequency for the Fund. The Fund invests a significant portion of its assets in relatively illiquid loans and hence has monthly applications and redemptions. We may need to delay or suspend withdrawals if there are insufficient liquid assets to meet withdrawal requests. To mitigate this risk we maintain at least 10% of the assets in liquid investments (such as on call and short term bank deposits).

Related-party transactions

Related-party transactions, other than the type described below, are prohibited.

The Fund may invest in other managed investment schemes. If these schemes are managed by related parties, and are permitted under section 174 of the FMC Act, they are permitted investments for the Fund. The Manager will report transactions in managed investment schemes managed by related parties to its Supervisor in accordance with section 173(2) of the FMC Act.

The Fund may make loans to borrowers that are related parties and if permitted under section 174 of the FMC Act, they are permitted investments for the Fund. The Manager will report transactions in relation to related party loans to its Supervisor in accordance with section 173(2) of the FMC Act.

Trade allocations and transactions

The Fund may invest directly in securities as well investing in other managed investment schemes. For those securities into which the investment manager invests directly, they have policies and procedures covering trade allocation and arms-length transactions.

Other relevant policies

Summaries of the key relevant policies are set out below.

Credit and Lending Policy

The purpose of this policy is to outline the credit policy, procedures and rules that Funding Partners applies when originating new loans from the Fund.

Pricing and Asset Valuation Policy

The purpose of this policy is to set out how FundRock manages its unit pricing and asset valuation obligations, and the way in which FundRock exercises its discretions authorised by the Trust Deed and the Fund's establishment documentation.

This policy also links to FundRock's Outsourcing Policy reflecting that it outsources functions including registry, fund administration and unit pricing to third parties. In particular, the policy governs how FundRock selects, monitors and undertakes ongoing due diligence on third party providers.

Within the bounds of what is reasonable and practical our goals are to:

- Have unit prices that reflect fair, realisable value of underlying assets and liabilities.
- Ensure equitable treatment of investors entering, exiting or remaining in a Fund.
- Have a consistent and objective process for determining unit prices.
- Comply with our governing documents, offer documents and the law.

Conflicts of Interest and Related Party Transactions Policy

FundRock's Conflicts of Interest and Related Party Transaction Policy sets out the principles and procedures relating to the management of conflicts of interest within FundRock. The policy applies to all of FundRock's directors, relevant officers, senior management and employees.

The policy provides guidance on:

- What is meant by a conflict of interest.
- What constitutes a related party transaction.

The core policy statement is:

'As a licensed manager of Managed Investment Schemes, FundRock must act honestly and in the best interests of the Scheme participants. FundRock recognises that in order to satisfy this duty, it and its Staff members must put the interests of Scheme participants ahead of those of itself or Staff members.'

Investment Management Policy

This document sets out FundRock's policies and procedures in relation to appointing and monitoring investment managers. In particular the policy covers:

- Investment management governance,
- Investment manager selection and appointment, and
- Investment manager monitoring and compliance.

F. Investment performance monitoring

FundRock monitors investment performance of the Fund on a monthly basis. Performance is measured and assessed on the following basis for 1, 3 and 5 year periods:

- Gross return.
- Performance relative to the median 1 year term deposit rate paid by the major New Zealand banks.
- Annualised standard deviation of gross return.

FundRock reports performance to the Supervisor and to the FundRock Board.

The FundRock Board has responsibility for oversight of investment manager performance. The FundRock Board aims to meet at least quarterly.

G. SIPO monitoring and review

The FundRock Board is responsible for governance oversight of the SIPO.

The Manager's compliance processes include periodic policy reviews. The SIPO is reviewed annually by FundRock management with the outcomes of the review reported to the FundRock Board. In addition, FundRock management may initiate an ad hoc review, with examples of events that could lead to this being:

- The investment manager recommending changes to the SIPO.
- A change in roles and responsibilities.
- A permanent change in risk and return characteristics of the relevant market.

SIPO reviews take into account the views of FundRock and the investment manager and if required the views of external experts.

The Manager can make changes to the SIPO in accordance with the Trust Deed and the FMC Act. Before making changes to the SIPO, the Manager will consider if the changes are in the best interests of investors and consult with the Supervisor. Any changes to the SIPO require Board approval, as well as written approval of the Supervisor. The Manager will give notice to Fund investors before implementing any material SIPO changes.

The Manager is responsible for monitoring adherence to the SIPO and reporting any breaches to the FundRock Board and the Supervisor.

This SIPO was approved by the FundRock Board on 12 April 2023 and takes effect on 13 April 2023.