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# Bentham Investment Funds

## Statement of Investment Policy and Objectives

Effective date: 24 February 2025

Issued by FundRock NZ Limited



## A. Description of the managed investment scheme

The Bentham Investment Funds (Scheme) is a managed investment scheme. The Scheme has on offer one single sector investment fund, the Bentham Global Income PIE Fund (Fund) which provides investors with exposure to international fixed interest.

The underlying fund into which the Fund invests is actively managed. The Fund may invest in direct securities (including derivatives) 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 Bentham Asset Management Pty Ltd as the investment manager for the Scheme (Bentham or Investment Manager). Bentham is responsible for making recommendations and decisions about what the Fund invests in, in accordance with this SIPO. The Fund is invested in accordance with Bentham's investment philosophy and process. Currently the Fund invests in an underlying Australian unit trust managed by Bentham - the Bentham Global Income Fund (Underlying Fund).

Bentham also participates in reviewing this SIPO.

Key administration functions, being fund registry, fund accounting and unit pricing, are currently performed by Apex Investment Administration (NZ) Limited (Apex NZ).

The supervisor of the Scheme is Public Trust (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.

## C. Investment philosophy

Bentham is a specialist global credit investment manager, with a focus on the preservation of principal and protection against downside risk. Their investment philosophy is based on a strong credit culture and a systematic investment process. Through diversified exposure to the global credit market and active management, Bentham's approach seeks to provide more investment opportunities when compared with managers that focus only on domestic fixed income markets.

## D. Approach to responsible investment

Labour standards, environmental, social, ethical and governance considerations are taken into account by the Investment Manager in the selection, retention, and realisation of investments for the underlying fund, which the Fund invests into.

As the underlying fund invests in many countries, each with their own standards, the standards applied are country and industry specific and every issuer is compared to its particular operating environment. As a result, the Investment Manager does not have a particular set of global or local standards that they take into account. Rather, any labour, environmental, social, ethical and governance issues that could affect corporate fundamentals, trigger regulatory action, or generate public relations risk and lead to unacceptable credit risk are taken into account and assessed against relevant local standards.

Considerations include labour management and supply-chain labour standards. Environmental considerations include: greenhouse gas emissions, climate change vulnerability, energy efficiency, water use, toxic waste, biodiversity and land use. Social considerations include product safety and quality. In relation to corporate governance, considerations include business ethics & fraud, corruption & instability, board structure and remuneration.

If the Investment Manager identifies any issues it considers material, a risk assessment of the probability and potential adverse impact is conducted. This includes engaging directly with senior executives of the Issuer. If the potential risk is considered high, an investment may not occur or may be sold. However, no formal rating systems, criteria, methodologies or weighting systems are applied. Assessments occur prior to the selection of an investment, and when relevant forms part of the quarterly sector review process.

The Investment Manager has incorporated within their Environmental, Social and Governance (ESG) Policy, an explicit exclusion to the support of and investment in tobacco manufacturers/producers. The Fund will, therefore, exclude investments with any revenue from the manufacture and/or production of tobacco products. This does not include any other parts of the supply chain or exposure via structured securities. The Investment Manager also excludes investments based on industry norms. A current norms based exclusion covers investments in companies that manufacture controversial weapons (including anti-personal mines, cluster munitions, nuclear weapons, and biological weapons). Norms based exclusions change from time to time.

Bentham is a signatory of PRI and promotes responsible investment practices.

## E. Fund investment objectives and strategies

The Investment objectives and strategy for the Fund is:

### **Bentham Global Income PIE Fund**

#### Objectives

The Fund provides exposure to an actively managed, diversified portfolio which invests in global credit markets. It aims to generate income with some potential for capital growth over the medium to long term and to outperform its composite benchmark over the suggested minimum investment timeframe (3 years). Foreign currency exposure is fully hedged to New Zealand dollars.

#### Investment Strategy

##### *Benchmark index:*

- 50% Bloomberg AusBond Composite Bond Index hedged to the New Zealand dollar; and

- 50% Bloomberg AusBond Bank Bill Index hedged to the New Zealand dollar.

*Benchmark asset allocation:*

- 100% International fixed interest (via the Underlying Fund)

*Asset allocation ranges:*

- 90%-110% International fixed interest (via the Underlying Fund)
- -10%-10% funding account (holds NZD cash and cash equivalents<sup>1</sup>)

*Permitted investments:*

- International fixed interest;
- Cash and cash equivalents;
- Derivative instruments including currency hedging instruments;
- Managed funds; and
- Equities.

*Appointed investment manager:*

- Bentham Asset Management Pty Ltd

*Investment Manager strategy:*

- The Fund invests in the Underlying Fund<sup>2</sup>.

*Underlying Fund portfolio construction and permitted investments*

The Underlying Fund invests in global credit and fixed interest markets. The Underlying Fund's investments include, but are not limited to, Australian and global hybrid securities, global high yield bonds, global syndicated loans, investment grade securities, global capital securities, asset backed securities, repurchase agreements, reverse repurchase agreements, equities and derivatives.

The Underlying Fund uses derivatives as a risk management tool, including currency swaps, interest rate swaps and credit default swaps. The Underlying Fund is not intended to be geared through the use of derivatives. If market movements, investments into or withdrawals from the Underlying Fund, or changes in the nature of an investment result in the Underlying Fund being geared through derivatives, this will be addressed by Bentham as soon as reasonably practicable. Where the Underlying Fund uses derivatives, Bentham aims to manage the Underlying Fund so as to keep sufficient liquid assets in the Underlying Fund to meet all obligations associated with the derivatives.

The Underlying Fund may have a net short credit exposure which is not to exceed 35% of the portfolio.

*Rebalancing policy:*

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

*Currency hedging policy:*

- The Fund targets a position of being fully hedged back to New Zealand dollars.

*Funding account*

- The purpose of the funding account is to manage non-investment related liquidity amounts primarily attributable to Fund expenses and investor contributions or withdrawals. Large investor contributions or withdrawals may result in the funding account exposure temporarily being outside the -10% to 10% range.
- FundRock manages the funding account and aims to have a balance of less than NZD 100,000. The funding account balance is monitored daily and surplus amounts of NZD 100,000 or more are invested in the Underlying Fund. FundRock makes no active investment decisions in relation to the funding account cash holding.

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<sup>1</sup> Accrued fund expenses and other fund liabilities are not deducted from cash and cash equivalents for this range. Excludes any cash held by the Underlying Fund.

<sup>2</sup> Details of the Underlying Fund's portfolio strategy and configuration can be obtained by contacting Bentham.

#### *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, settle securities trades or pay expenses).

## **F. Investment policies**

### **Taxation**

The Fund has elected to be a Portfolio Investment Entity (PIE) and therefore is 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 the Fund. Note that taxation is not the sole consideration when choosing an investment method; other factors taken into account include cost and implementation feasibility. More information about the taxation of the Fund can be found in the 'Taxation' section of the Other Material Information (OMI) document for the Scheme.

### **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 predominantly in liquid investments and hence has daily applications and redemptions. Market conditions can, however, change resulting in some assets becoming difficult to sell. Hence if the Fund were to experience liquidity problems the Manager may defer or suspend redemptions for a period of time.

### **Related-party transactions**

Related-party transactions, other than the types permitted under the FMCA Act, are prohibited.

The Fund may enter into transactions with related parties if permitted under section 174 of the FMC Act or consented to by the Supervisor under section 173(2)(a). Examples of such transactions include:

- The Fund's investment in the Bentham Income Fund; and,
- Parties related to the Fund, including the staff of Bentham and their families, and the staff of FundRock and their families from time to time investing in the Fund.

The Manager will report such transactions by related parties to its Supervisor in accordance with section 173(2) of the FMC Act.

### **Trade allocations and transactions**

The Fund currently invests in managed investment schemes rather than trading directly in securities.

### **Other relevant policies**

Summaries of the key relevant policies are set out below.

#### **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 Funds' 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 FundRock's 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; and
- comply with FundRock's governing documents, offer documents and the law.

## Conflicts of Interest and Related Party Transactions Policies

Our Conflicts of Interest and Related Party Transactions Policies set out the principles and procedures relating to the management of conflicts of interest within FundRock. The policy applies to all 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; and
- how these are managed.

## 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.

## G. Performance monitoring

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

- gross return (before fees and before tax);
- net returns (after fees and before tax);
- benchmark index return;
- performance relative to benchmark;
- annualised standard deviation of gross return;
- annualised standard deviation of benchmark index return; and
- annualised tracking error.

FundRock reports investment performance to the Supervisor and to the FundRock Board quarterly. The FundRock Board has responsibility for oversight of Investment Manager performance. The FundRock Board aims to meet at least quarterly.

## H. Investment strategy review

The Fund is a single sector fund that invests into international fixed interest securities through an Australian unit trust. FundRock does not intend to amend the investment strategy, including its benchmark asset allocation. FundRock has appointed Bentham as Investment Manager and the Trust Deed describes the limits on FundRock's ability to terminate that appointment.

## I. 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; and
- 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 FundRock 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.

The current version of this SIPO, and other useful information about the Fund, is available on the Disclose register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

This SIPO was approved by the FundRock Board on 24 February 2025 and takes effect on 24 February 2025.