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# Hyperion Investment Funds

Statement of Investment Policy and Objectives

Investment Management by Hyperion Asset Management  
Limited

Effective date: 27 June 2024  
Issued by FundRock NZ Limited



## A. Description of the Managed Investment Scheme

The Hyperion Investment Funds ('Scheme') is a managed investment scheme. The Scheme has on offer two single sector investment funds (each a 'Fund'):

- the Hyperion Global Growth Companies PIE Fund, which provides investors with exposure to international equities; and
- the Hyperion Australian Growth Companies PIE Fund, which provides investors with exposure to Australian equities.

The Funds are actively managed. The Hyperion Global Growth Companies PIE Fund invests in growth-oriented companies primarily listed on a recognised global exchange, at the time of investment. The Hyperion Australian Growth Companies PIE Fund invests primarily in growth-oriented Australian companies listed within the S&P/ASX 300 Index at the time of investment.

## B. Roles and Responsibilities

FundRock NZ Limited ('FundRock') is the licensed manager ('Manager') of the Scheme. 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 Funds. This includes appointing, managing and monitoring specialist providers for:
  - fund administration; and
  - investment management; and
- monitoring investment performance and outcomes.

Hyperion Asset Management Limited ('Hyperion') is the Scheme's Investment Manager and is responsible for making recommendations and decisions about what the Funds invest in. The Funds are invested in accordance with this SIPO and Hyperion's investment philosophy and process.

Hyperion also participates in reviewing this SIPO.

BNP Paribas Fund Services Australasia Pty Limited ('BNP') is the custodian and administration manager. Apex Investment Administration (NZ) Limited is the registrar.

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

- acting on behalf of each 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. BNP has been appointed by the Supervisor as Custodian for the Funds.

## C. Investment Philosophy

Hyperion is a high conviction growth style manager that specialises in identifying and investing in, what they believe to be, high-quality Australian and global equities. Hyperion's proprietary investment process aims to produce a relatively concentrated portfolio of high-quality companies with earnings that should be sustained and grow in the long run and have above average long-term growth potential.

Hyperion believes that it can achieve consistent above average investment returns over a rolling five-year period by investing in high quality businesses with superior growth prospects and attractive risk-adjusted return profiles. When Hyperion invests capital in listed companies on its clients' behalf, it has the mindset of long-term business owners, not short-term traders.

### **Environmental, Social and Governance Considerations**

Hyperion applies environmental, social (including labour standards) and ethical (incorporating corporate governance) ('ESG') considerations when selecting, retaining or realising the investments of the Funds in addition to other methods in assessing company value. It should be noted that Hyperion does not have a fixed methodology or weightings for taking into account these ESG risks, and each investment opportunity is assessed on a case-by-case basis. Additionally, Hyperion may exclude certain securities or sectors based on ESG factors, as set out in Hyperion's [ESG Policy](http://www.hyperion.com.au/sustainability) available at [www.hyperion.com.au/sustainability](http://www.hyperion.com.au/sustainability).

ESG risks are ordinarily considered by Hyperion as part of the Funds' investment processes. Examples of ESG risks which may be considered by Hyperion include poor workplace health and safety, management culture, high carbon emissions, whether a company has strategies to reduce carbon emissions and climate-related risks, energy efficiency, modern slavery concerns, data protection and privacy and poor corporate governance such as shareholders' rights, executive compensation and board composition. Hyperion's ESG risk integration approach is primarily focused on assessing and managing issues with the greatest materiality to financial and/or operating performance, issues with systemic influence (such as climate change), and adequacy of public disclosure on ESG factors/performance.

Hyperion's detailed long-term based fundamental research is highly structured, and all the key qualitative information and insights are captured in a proprietary research document. This detailed document is regularly updated for each portfolio company. The document addresses ESG and sustainability factors including isolation of potential long-term ESG and climate risks, carbon intensity, composition and quality of management and the board, and company specific ESG initiatives and disclosures. This analysis extends to a company's broader stakeholder group, including its supply chain. This subsequently translates into an 'ESG Score', which encapsulates all ESG and climate research that has been completed and is compared to other holdings. The ESG Score ultimately feeds into the company's 'Business Quality Score', which feeds directly into portfolio weightings through the portfolio construction process.

In terms of the extent to which the ESG considerations are taken into account, Hyperion does not apply a set methodology for taking ESG considerations into account and has no set approach to monitoring or reviewing these standards. Hyperion does not use a weighting system to apply a weight to the standards and considerations. Additionally, Hyperion does not have a set time for monitoring or reviewing investments. As such, Hyperion has no predetermined view about how far ESG considerations are taken into account. Where Hyperion determines that an investment is no longer suitable due to ESG considerations, Hyperion may elect to divest such investment, in accordance with the guidelines set out in Hyperion's ESG Policy.

For more information on how Hyperion excludes securities and sectors, as well as reporting and other ESG-related measures which have been adopted by Hyperion, please download a copy of Hyperion's ESG Policy available at [www.hyperion.com.au/sustainability](http://www.hyperion.com.au/sustainability).

### **D. Fund Investment Objectives and Strategies**

The investment objectives and strategies for the Funds are:

## Hyperion Global Growth Companies PIE Fund

### Objectives

To achieve long-term returns above the MSCI World Net Total Return Index in NZ dollars, and minimise the risk of permanent capital loss.

### Investment Strategy

#### Benchmark index

- MSCI World Net Total Return Index in NZ dollars.

#### Target asset allocation

- 95% international equities.
- 5% cash and cash equivalents.

#### Asset allocation ranges:

- 80% - 100% international equities.
- 0% - 20% cash and cash equivalents.

#### Appointed Investment Manager:

- Hyperion Asset Management Limited.

#### Permitted investments:

- Equities.
- Cash and cash equivalents.
- Other managed investment schemes or collective investment vehicles.

#### Rebalancing policy:

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

#### Currency policy:

- The Fund targets a position of being unhedged (to New Zealand dollars).

#### Other

- The Fund is not permitted to own more than 15% of any one company (measured by share capital).
- Individual stock weightings are not permitted to exceed 13% of the total value of the portfolio<sup>1</sup>.
- The Fund can borrow up to 5% 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).
- Short selling of equity securities is not permitted.

## Hyperion Australian Growth Companies PIE Fund

### Objectives

To achieve long-term returns above the S&P/ASX 300 Accumulation Index in NZ dollars, and minimise the risk of permanent capital loss.

### Investment Strategy

#### Benchmark index

- S&P/ASX 300 Accumulation Index in NZ dollars.

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<sup>1</sup> Market movements may result in individual stock weightings exceeding 13% of the total value of the portfolio. The Investment Manager will remedy this within a reasonable period of time.

#### *Target asset allocation*

- 95% Australian equities.
- 5% cash and cash equivalents.
- 0% global equities

#### *Asset allocation ranges:*

- 80% - 100% Australian equities.<sup>2</sup>
- 0% - 20% cash and cash equivalents.
- 0% - 10% global equities

#### *Appointed Investment Manager:*

- Hyperion Asset Management Limited.

#### *Permitted investments:*

- Equities.
- Cash and cash equivalents.
- Other managed investment schemes or collective investment vehicles.

#### *Rebalancing policy:*

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

#### *Currency policy:*

- The fund targets a position of being unhedged (to New Zealand dollars).

#### *Other*

- The Fund is not permitted to own more than 15% of any one company (measured by share capital).
- Individual stock weightings are not permitted to exceed 13% of the total value of the portfolio<sup>3</sup>.
- The Fund can borrow up to 5% 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).
- Short selling of equity securities is not permitted.

## **E. Investment Policies**

### ***Taxation***

Each Fund has elected to be a Portfolio Investment Entity ('PIE') and is therefore taxed under the PIE regime.

At the date of this document, each Fund calculates the taxable income accruing from investments in global shares listed outside of New Zealand and Australia using the Fair Dividend Rate ('FDR') method.

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

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<sup>2</sup> While the Hyperion Australian Growth Companies PIE Fund primarily invests in Australian equities, it may also, at times, invest in global equities (including New Zealand equities) outside of Australia.

<sup>3</sup> Market movements may result in individual stock weightings exceeding 13% of the total value of the portfolio. The Investment Manager will remedy this within a reasonable period of time.

## ***Liquidity***

The liquidity risk of the Funds is assessed with reference to liquidity of the underlying assets and securities. The Manager then establishes an appropriate application and redemption frequency for the Funds. The Funds invest predominantly in liquid investments and hence have daily applications and redemptions. Market conditions and other factors can, however, change resulting in some assets becoming difficult to sell. Hence if a Fund were to experience liquidity problems or if major markets were closed, 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 Financial Markets Conduct Act 2013 ('FMC Act'), are prohibited.

The Funds 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:

- parties related to the Funds, including the staff and directors of Hyperion and their families, and the staff of FundRock and their families from time to time investing in the Funds.

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***

As the Funds invest directly in securities, the Investment Manager has appropriate trade allocation, best execution, brokerage and soft dollar policies and processes governing their investment management activity on behalf of the Funds.

## ***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 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 Outsourcing 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; and
- 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; and
- 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 Funds on a monthly basis. Performance is measured and assessed on the following basis for one, three and five year periods:

- Gross return
- Net of fees and gross of tax at an assumed 0% PIR
- Benchmark index return
- Performance relative to benchmark
- Annualised standard deviation of gross return\*
- Annualised standard deviation of benchmark index return\*
- Annualised Tracking Error\*

*\* Standard deviations and tracking error calculated based on monthly returns.*

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. Investment Strategy Review**

The FundRock Board has responsibility for oversight of the Investment Manager's performance and aims to meet at least quarterly. The Funds are expected to be fully invested in equity securities with a portion allocated to cash and cash equivalents for liquidity purposes. FundRock does not intend to amend the Funds' investment strategies, although amendments may be made following recommendations by the Investment Manager.

In addition, investors can obtain a full list of holdings for the Funds from the Disclose website [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose), which is updated every six months.

### **H. 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, including ensuring the investment strategy and asset allocation ranges remain appropriate, 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; or
- 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 and all SIPO changes will be advised in the annual report for the Scheme.

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 is available on the schemes register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

This SIPO was approved by the FundRock Board on 27 June 2024 and takes effect on 27 June 2024.



## Glossary

**Act** and **FMC Act** means the Financial Markets Conduct Act 2013.

**Hyperion** means Hyperion Asset Management Limited.

**Benchmark index** means the financial index or indices against which a Fund's performance is measured.

**Fund** means an investment fund offered within the Scheme, being the Hyperion Global Growth Companies PIE Fund or the Hyperion Australian Growth Companies PIE Fund.

**FundRock** means FundRock NZ Limited, the Manager of the Scheme.

**Investment Manager** means Hyperion Asset Management Limited.

**Manager** means FundRock.

**Scheme** means the Hyperion Investment Funds, a managed investment scheme established under a master trust deed dated 1 December 2016 and a scheme establishment deed dated 10 November 2021 and offered in accordance with the Act.

**Supervisor** means the supervisor of the Scheme, which is Public Trust.

**Tracking error** means the annualised standard deviation of the difference between the returns of the Funds and the benchmark against which its performance is measured.