



MAS Retirement Savings Scheme

Statement of Investment Policy and Objectives (SIPO)

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Signatory of:



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Section 1: **Introduction**

This Statement of Investment Policies and Objectives (SIPO) sets out the way that Medical Funds Management Limited (MFM, we, us, our) as Manager of the MAS Retirement Savings Scheme (the 'Scheme') govern and manage investments held in the Scheme. MFM is a wholly owned subsidiary of Medical Assurance Society New Zealand Limited (MAS).

This SIPO includes information on the investment strategy and objectives, target investment mixes and allowable investment ranges, benchmark indices and authorised investments for the Funds in the Scheme.

The Product Disclosure Statement (PDS) and other documentation relating to the Scheme can be found at mas.co.nz/retirement-savings and on the Disclose Register - Scheme Register at disclose-register.companiesoffice.govt.nz

Section 2: Description of the Scheme

The MAS Retirement Savings Scheme is a registered managed investment scheme under the Financial Markets Conduct Act 2013 (FMCA) and is governed by a Trust Deed as amended from time to time between us, and the Supervisor, Public Trust.

There are seven funds (Funds) you can choose from:

Fund	Minimum suggested investment timeframe	Growth assets vs income assets allocation (%)
Global Equities Fund	12 years	100/0
Aggressive Fund	11 years	90/10
Growth Fund	10 years	80/20
Balanced Fund	7 years	60/40
Moderate Fund	5 years	40/60
Conservative Fund	3 years	20/80
Cash Fund	No minimum	0/100

Please refer to Section 9 for further information about the Funds.

The terms and conditions of the offer of membership of the Scheme are set out in the latest PDS which is available at mas.co.nz/retirement-savings

Section 3: **Our investment philosophy**

Our investment philosophy is based on the following beliefs:

- Asset allocation is the key driver of return and risk. Asset class returns are partly predictable, and returns may revert toward a mean over time.
- Higher long-term returns can be achieved through taking more risk and accepting higher volatility of returns.
- Diversification across and within asset classes reduces risk and volatility of returns. As diversification increases the marginal potential improvement in return decreases and the cost of implementation increases.
- A potential return premium exists for illiquid assets. Investment in such assets is appropriate for Funds with a long-term timeframe and sufficient liquid assets to meet Fund needs.
- Costs and taxes need to be considered as part of the investment decision making process.
- While markets are competitive, active management can add value.

We implement our investment philosophy by:

- Having a robust governance framework that adds value through:
 - managing risk
 - setting return and timeframe expectations
 - setting responsible investment parameters
 - enabling clear decision making
 - establishing accountability
 - optimising controls, monitoring and reporting to ensure Fund objectives are met.
- Having a range of funds that provides member choice of risk tolerances. This provides opportunity for competitive performance through accepting higher short-term volatility, with risk managed through diversification and active management of asset allocation and holdings.
- Identifying investment managers that can outperform a market index over time. The ability to do so may vary between asset classes and over time and therefore appointed investment managers must be consistently monitored.
- Investing responsibly to add value and support a sustainable and healthy future.

Section 4: **Investment strategy and objectives**

Investment strategy

Each Fund has different levels of risk and provides different potential returns.

The investment strategy of a Fund takes into account:

- Investment objectives;
- Benchmark asset allocation (referred to as 'target investment mix' in the PDS);
- Benchmark asset allocation ranges (or limits); and
- The index that the Fund's performance will be measured against.

See Section 9 for more information on the strategies and objectives of the Funds.

Investment objectives

Each Fund has a different investment objective. See Section 9 for more information on the objective and strategy for each Fund.

Benchmark indices

The performance of each Fund is measured against a market index. The market index for a Fund comprises the benchmark index return of each of the asset classes the Fund invests in, weighted by the Fund's benchmark asset allocation to each asset class.

All benchmark indices exclude fees and expenses. The S&P/NZX50 Index includes the value of imputation credits. These are tax credits that a company can attach to its dividends, which reduce the amount of income tax the recipient needs to pay.

The benchmark indices used by the Scheme are outlined in Section 10.

Authorised investments

Our choice of authorised investments for each Fund takes into account the Fund's risk profile, objectives and investment strategy.

The Funds can invest either directly in securities, or in underlying investment funds managed by us or underlying investment managers. The Fund's authorised investments are outlined in Section 11.

Section 5: Investment policies

The investment policy of the Scheme is to invest the assets of each Fund according to the investment strategy described in this SIPO. In doing so, we seek to comply with the requirements of the Scheme's Trust Deed and with all applicable laws.

Responsible investment policy

The Scheme's investments are made according to the following guidelines:

- The Funds will not invest in companies whose principal business activity is:
 - the manufacture or sale of weapons
 - the manufacture or sale of tobacco
 - the exploration, extraction, refining or processing of fossil fuels
 - as a utility that primarily burns fossil fuels.
- Environmental, social and governance (ESG) practices of a company will be evaluated when considering investing in securities of that company.
- We appoint agents who will regularly engage with companies regarding their ESG practices and carefully consider all voting matters.
- More information about our approach to responsible investment can be found at mas.co.nz/responsible-investments

Rebalancing policy

The investment managers rebalance the Funds at least monthly to meet the target asset allocation.

Currency hedging policy

Currency hedging may be used to protect the Funds from changes in exchange rates that adversely affect the value of overseas investments held by the Funds.

Currency hedging is generally implemented by the investment managers using derivatives such as forward foreign exchange contracts or options. Where the Funds invest in an underlying fund, we consider that funds' strategic hedging policy at the time we select it.

The Funds will carry out currency hedging in line with the hedging style, benchmark and ranges set out in the table below for the applicable asset class:

Asset class	Hedging style	Benchmark (%)	Range (%)
International Equities	Active	69% ¹	0-138% ²
Australasian Equities	Active	138% ²	0-138% ²
International Fixed Interest	Passive	100%	Targets 100%
New Zealand Fixed Interest	Not applicable	Not Applicable	Not applicable

¹ equivalent to 50% after allowing for tax at a rate of 28%

² equivalent to 100% after allowing for tax at a rate of 28%

Currency hedging model

For international equities and Australasian equities, the level of currency hedging takes into account the historical level of the New Zealand dollar relative to the US dollar and Australian dollar respectively. If the New Zealand dollar is a defined amount above an historical average level for the relevant currency, the level of hedging may decrease. If the New Zealand dollar is a defined amount below an historical average level for the relevant currency, the level of hedging may increase.

Currency hedging is monitored each business day by the Investment Managers or underlying funds manager to check that it is in line with the applicable policies.

Tactical asset allocation policy

Our investment manager, JBWere (NZ) Pty Limited (JBWere), uses tactical asset allocation to set each Fund's desired investment mix (within the benchmark asset allocation ranges), based on how they believe an asset class is likely to perform over the short term.

They also vary the investment mix to manage risk and cashflow.

Liquidity policy

The Funds invest in authorised investments that are generally readily realisable. In addition, each Fund must hold a minimum on-call cash balance. This balance is based on analysis of the maximum expected drawdown over a one-month period. These dollar values are reviewed annually.

Conflict of interest policy

In order to avoid, mitigate and manage potential conflicts, we have adopted a Conflict of Interest Policy. The key principle is that any potential conflicts of interest are clearly disclosed by any person making decisions on behalf of the Scheme and carefully managed.

More information on conflicts of interests can be found in the MAS Retirement Savings Scheme - Other Material Information document at mas.co.nz/retirement-savings

Market risk management policy

The value of investments can go up and down over time because of changes in market conditions. We spread our investments across different markets to reduce the likelihood or impact of this risk.

Credit risk policy

For cash and New Zealand fixed interest, we apply credit quality criteria (such as credit rating and issuer and class limits) to reduce the likelihood or impact of the risk of default by an issuer of such securities.

Trade allocation and execution policy

Trades for the Funds, other than foreign currency hedging, are executed by JBWere. Their Trade Allocation and Execution Policy ensures that all members are treated fairly and equitably when trades are allocated across Funds with respect to priority of execution of orders and in the allocation of trades.

Foreign exchange hedging is undertaken by a registered Bank and the method of trade execution is set out in an agreement for foreign currency hedging services.

More information on trade allocation and execution can be found in the MAS Retirement Savings Scheme – Other Material Information document at mas.co.nz/retirement-savings

Proxy voting policy

We have contracted Institutional Investor Services to vote on certain securities on our behalf.

More information on proxy voting can be found in the MAS Retirement Savings Scheme – Other Material Information document at mas.co.nz/retirement-savings

Derivatives policy

A derivative is a financial instrument that derives its value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices.

The Funds may use derivatives for risk management purposes (including to hedge foreign currency exposure). Derivatives may not be used to leverage a Fund.

Gearing policy

Gearing is an investment technique where money is borrowed to potentially enhance returns - if the cost of borrowing is less than the return on the investments made with the borrowed money.

Although the terms of the Scheme's Trust Deed allows Funds to borrow, our current policy is not to do so. Any change in this policy would require the approval of the Supervisor.

Pricing and valuation policy

The nature of the Scheme's authorised investments means that there will be a valuation at close of each business day in almost all cases. Pricing and valuation is undertaken by MMC Limited.

More information about pricing and valuations can be found in the MAS Retirement Savings Scheme – Other Material Information document at mas.co.nz/retirement-savings

Tax policy

The Scheme is a Portfolio Investment Entity (PIE). Tax on investment income is calculated at each member's prescribed investor rate (currently 10.5%, 17.5% or 28% depending on each member's circumstances) and paid annually to Inland Revenue on the members behalf.

Investing in related funds

The Funds in the Scheme may invest into underlying wholesale funds managed by MFM, which help pool assets and provide efficiency of investment. MFM does not charge a management fee to the Funds for investing in these underlying funds.

Section 6: **Investment performance monitoring**

Each month we receive performance reporting from the investment managers. We use this to monitor the performance of each Fund against its market index for the month, quarter and year (refer Section 10 for further information on the market index for each Fund). We also monitor the performance of each asset class against the relevant benchmark index over the same time frames.

Each quarter we monitor the performance of each Fund against other similar funds over the previous three months and the previous year. We also monitor the performance of each asset class against that of other appropriate investment managers over the quarter and year.

Each year we monitor the performance of the Funds against:

- Fund objectives.
- The relevant market index over one, three and five years. This includes consideration of the volatility of Fund returns versus the market index.
- Other similar funds over one, three and five years.

Each year we also monitor the performance of each asset class against:

- The relevant benchmark index over one, three and five year periods. This includes consideration of the volatility of Fund returns versus the benchmark index.
- Other appropriate investment managers over one, three and five years.

Section 7: **Investment strategy review**

Benchmark asset allocation

We review the benchmark asset allocation for each Fund at least once every three years. The term 'benchmark asset allocation' is the commonly accepted industry expression for the term 'target asset mix' used in the PDS.

Factors taken into account in this review include:

- The investment manager's expectations of future returns and risk of individual asset classes.
- The benchmark asset allocations of other similar funds.

Monitoring of investment managers

The role of individual investment managers is reviewed annually. Factors taken into account in these reviews include investment style, resources, organisational strength and investment performance relative to objectives.

We may remove an investment manager and appoint a new investment manager at any time.

Section 8: **SIPO compliance and review**

Compliance

We monitor the Funds each month for compliance with the investment objectives, strategies and policies in this SIPO.

Each Fund has limits on the amount of income assets (such as cash & cash equivalents and fixed interest) and growth assets (such as equities) it can hold. If a Fund moves outside a limit (Limit Break) we will instruct our investment managers to correct the allocation of assets for that Fund within five working days of discovering the Limit Break or as soon as practicable where circumstances are outside our control (such as a suspension in market trading). Breaches of SIPO limits are notified to the Supervisor immediately. If an investment manager fails to remedy a Limit Break this may result in termination of their contract.

See Section 9 for the limits on income and growth assets for each Fund.

Review

We review the SIPO in conjunction with the investment managers annually and on an ad-hoc basis as required. An ad-hoc review may come about as a result of fundamental changes in the investment or regulatory environment or any changes to the Fund's investment objectives.

We will agree any changes to the SIPO with the Supervisor and members will be notified of any material changes.

Section 9: Fund objective and strategy

Global Equities Fund

Description

Usually invests only in growth assets (such as Australasian equities and international equities).

Objective

Aims to provide higher returns over the long term.

Minimum suggested investment timeframe

12 years

Benchmark allocation and ranges

Asset class	Benchmark (%)	Range (%)
International Equities	70	45-80
Australasian Equities	30	15-50
Other ¹	0	0-30
Total Growth Assets	100	60-100
International Fixed Interest	0	0-13
New Zealand Fixed Interest	0	0-7
Cash & Cash Equivalents	0	0-40
Total Income Assets	0	0-40

¹ Other includes alternative assets such as private equity and hedge funds.

Aggressive Fund

Description

Invests around 90% in growth assets (such as Australasian equities and international equities) and around 10% in income assets (such as cash & cash equivalents and fixed interest).

Objective

Aims to provide higher returns over the long term.

Minimum suggested investment timeframe

11 years

Benchmark allocation and ranges

Asset class	Benchmark (%)	Range (%)
International Equities	62.5	35-70
Australasian Equities	27.5	10-40
Other ¹	0	0-25
Total Growth Assets	90	45-100
International Fixed Interest	6.5	0-19
New Zealand Fixed Interest	3.5	0-11
Cash & Cash Equivalents	0	0-40
Total Income Assets	10	0-55

¹ Other includes alternative assets such as private equity and hedge funds.

Growth Fund

Description

Invests around 80% in growth assets (such as Australasian equities and international equities) and around 20% in income assets (such as cash & cash equivalents and fixed interest).

Objective

Aims to provide strong returns over the long term.

Minimum suggested investment timeframe

10 years

Benchmark allocation and ranges

Asset class	Benchmark (%)	Range (%)
International Equities	55.5	25-65
Australasian Equities	24.5	5-35
Other ¹	0	0-20
Total Growth Assets	80	30-90
International Fixed Interest	12	4-34
New Zealand Fixed Interest	6.5	0-18
Cash & Cash Equivalents	1.5	0-35
Total Income Assets	20	10-70

¹ Other includes alternative assets such as private equity and hedge funds.

Balanced Fund

Description

Invests around 60% in growth assets (such as Australasian equities and international equities) and around 40% in income assets (such as cash & cash equivalents and fixed interest).

Objective

Aims to provide a medium level of return over the medium to long term.

Minimum suggested investment timeframe

7 years

Benchmark allocation and ranges

Asset class	Benchmark (%)	Range (%)
International Equities	41.5	15-50
Australasian Equities	18.5	0-35
Other ¹	0	0-15
Total Growth Assets	60	20-70
International Fixed Interest	22.5	9-48
New Zealand Fixed Interest	14	5-26
Cash & Cash Equivalents	3.5	0-50
Total Income Assets	40	30-80

¹ Other includes alternative assets such as private equity and hedge funds.

Moderate Fund

Description

Invests around 60% in income assets (such as cash & cash equivalents and fixed interest) and around 40% in growth assets (such as Australasian equities and international equities).

Objective

Aims to provide moderate returns over the short to medium term.

Minimum suggested investment timeframe

5 years

Benchmark allocation and ranges

Asset class	Benchmark (%)	Range (%)
International Equities	27.5	0-40
Australasian Equities	12.5	0-25
Other ¹	0	0-10
Total Growth Assets	40	5-50
International Fixed Interest	35	20-59
New Zealand Fixed Interest	19.5	11-32
Cash & Cash Equivalents	5.5	0-50
Total Income Assets	60	50-95

¹ Other includes alternative assets such as private equity and hedge funds.

Conservative Fund

Description

Invests around 80% in income assets (such as cash & cash equivalents and fixed interest) and around 20% in growth assets (such as Australasian equities and international equities).

Objective

Aims to preserve capital while providing a steady return over the short to medium term.

Minimum suggested investment timeframe

3 years

Benchmark allocation and ranges

Asset class	Benchmark (%)	Range (%)
International Equities	14	0-20
Australasian Equities	6	0-10
Other ¹	0	0-5
Total Growth Assets	20	0-30
International Fixed Interest	45	23-62
New Zealand Fixed Interest	25	12-33
Cash & Cash Equivalents	10	5-60
Total Income Assets	80	70-100

¹Other includes alternative assets such as private equity and hedge funds.

Cash Fund

Description

Invests in a range of cash & cash equivalent investments.

Objective

Aims to achieve stable returns over the short term.

Minimum suggested investment timeframe

No minimum.

Benchmark asset allocation and ranges

Asset class	Benchmark (%)	Range (%)
Cash & Cash Equivalents	100	100-100
Total Income Assets	100	100-100

Section 10: Investment managers and benchmark indices

The performance of each Fund is measured against a market index. The market index for a Fund comprises the benchmark index return of each of the asset classes the Fund invests in, weighted by the Fund's benchmark asset allocation to each asset class. The current benchmark index and manager for each asset class is outlined in the table below:

Asset class	Investment manager	External investment manager	Benchmark index
International Equities	JBWere	BlackRock Inc.	MSCI All Country World Total Return Index (69% hedged to NZD)
Australasian Equities	JBWere	Not applicable	S&P/NZX 50 Gross Index
International Fixed Interest	Bancorp Treasury Services Limited (Bancorp)	Hunter Investment Management (Hunter). PIMCO Australia Pty Ltd via Hunter.	Barclays Global Aggregate Index (hedged to NZD)
New Zealand Fixed Interest	Bancorp	Not applicable	Bloomberg NZ Bond Composite 0+ Yr Index
Cash & Cash Equivalents	Bancorp	Not applicable	S&P/NZX Bank Bills 90-Day Index
Foreign currency hedging	Bancorp	Not applicable	Not applicable

These indices may be updated or changed at any time. More information on the benchmark indices may be obtained from the following webpages:

Source	Webpage
MSCI	msci.com/indexes
S&P indices	us.spindices.com (and refer to New Zealand indices)
Barclays	indices.barclays
Bloomberg	bloomberg.com/professional/product/indices/bloomberg-ausbond-index/

These webpages are current at the date of the SIPO and may change.

Section 11: **Authorised investments**

The Scheme may invest in any cash, assets, property, securities, rights (contractual or otherwise, including derivatives such as futures, options and swaps, and contractual rights under underwriting agreements) or interest (equitable or otherwise) including, without limitation such class or classes of investments agreed with the Manager and includes (without limitation) any of the following (whether or not they are investments authorised by law for the investment of trust moneys by trustees) in New Zealand or elsewhere:

- (a) ordinary and preference shares or capital of any person;
- (b) any share or other interest in any partnership, joint venture or syndicate formed or carrying on business in New Zealand or elsewhere;
- (c) deposits with or loans to any person whether secured or unsecured;
- (d) debentures, bonds, notes or similar obligations of any person whether secured or unsecured;
- (e) bank bills, bonds, commercial paper, structured investment products, options, foreign exchange contracts, hybrid securities, and equity warrants;
- (f) bills of exchange, promissory notes and other forms of negotiable instruments made, drawn or accepted by any person;
- (g) financial futures contracts and swap contracts;
- (h) units, sub-units or other shares or interest in any managed investment scheme established in New Zealand or elsewhere;
- (i) any stock, bonds, obligations, or other securities issued or guaranteed by any government or governmental agency or local municipal or statutory authority of any country;
- (j) underwriting or sub-underwriting contracts;
- (k) foreign exchange (including foreign exchange forward and option contracts);
- (l) any investment fund managed by any associated person of the Manager or Investment Manager either in New Zealand, Australia or elsewhere;
- (m) any securities issued by a person incorporated or carrying on business that are guaranteed by a Bank;
- (n) any instrument or arrangement for hedging or reducing any currency risk or interest rate risk or market movement or commodity price risk or other financial risk whether or not at any particular time the instrument or arrangement constitutes an asset;
- (o) commodities;
- (p) shares, debt and other similar investments in private capital opportunities.

The investments noted above are what the Scheme will usually invest in, however, the Scheme may also invest in any other investment or asset not covered by the above and approved by the Supervisor.

The RIAA Certification Symbol signifies that a product or service offers an investment style that takes into account certain environmental, social, governance or ethical considerations. The Symbol also signifies that the MAS Retirement Savings Scheme adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Superfund Option. The Certification Symbol is a Registered Trade Mark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and the MAS Retirement Savings Scheme's methodology and performance can be found at www.responsiblereturns.com.au, together with details about other responsible investment products certified by RIAA¹.

¹The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Look us up at mas.co.nz
Call us on 0800 672 738



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