Adopted by the Trustees

on: **24 September 2019**

Signed:

Chairman

MISS Scheme

SIPO

Statement of Investment Policy and Objectives

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Introduction

This Statement of Investment Policy and Objectives ("SIPO") applies to the MISS Scheme ("Scheme").

The Scheme is a Restricted Workplace Savings Scheme and an Employer Related Scheme in accordance with the Financial Markets Conduct Act 2013.

Purpose

The purpose of the Scheme is to provide retirement and other benefits to individuals employed or engaged by an Employer in the meat industry and to individuals who have ceased employment or engagement by an Employer in the meat industry.

Trustees

The Trustees of the Scheme are currently individuals appointed by either the New Zealand Meat Workers and Related Trades Union Incorporated or the Meat Industry Association of New Zealand (Incorporated) ("Trustees").

Investments

The Scheme's investment policy aims to earn a return after tax, inflation and investment expenses of at least 2.0% per annum over the longer term (10 years).

The Scheme utilises a sector specialist management structure, including the use of manager-of-managers. The investment managers utilised are specified in Schedule 2.

Asset base

The total market value of the Scheme's investment assets (as at 30 June 2019) was $112.5 million.

Effective date

This SIPO takes effect on 24 September 2019.

Review date

The review date of this SIPO is anticipated to be no later than [September 2020] or sooner if market conditions warrant or the investment structure is altered. Changes to this SIPO are undertaken by the Trustees.

Availability

The most current version of this SIPO will available on the register entry for the Scheme on the Disclose website at www.business.govt.nz/disclose and the Scheme's website at www.miss.org.nz

Trust deed

The Scheme is currently expected to continue indefinitely and is governed by a Trust Deed.

The Trust Deed provides the Trustees with broad authority to invest the Scheme's assets. The Trustees shall manage the Scheme in a manner expected to ensure the continuing compliance with the Trustee Act 1956, the Financial Markets Conduct Act 2013 ("FMCA") and any other relevant legislation.

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Roles and responsibilities

Trustees

The Trustees are responsible for the investment of the Scheme's assets, in accordance with legislative requirements, the Trust Deed and this SIPO.

The **Trustees** are responsible for the following:

- Maintaining the investment governance framework, including effective investment policies
- Establishing investment beliefs and an investment process
- Setting and regularly reviewing the investment objectives and risk profile
- Determining the investment strategy for the Scheme and reviewing it as appropriate. This includes the Benchmark Asset Allocation, ranges, other limits and appropriate indices
- Appointing an Investment Consultant to provide advice to the Trustees in respect of their responsibilities
- Implementing the investment strategy and policies. This includes determining the appropriate number of investment managers, and selecting and monitoring those investment managers
- Safe custody of the investment assets
- Monitoring investment performance relative to objectives
- Satisfying the reporting requirements under the FMCA and related legislation and guidance notes
- Ensuring compliance with this SIPO
- Reviewing this SIPO annually.

Investment consultant

The **Investment Consultant** is responsible for the following:

- When requested by the Trustees, evaluating the appropriateness over time of the investment strategy and investment manager structure
- When requested by the Trustees, assisting in the review and selection of investment managers
- Monitoring the actual asset allocations of the Scheme's investment assets, comparing this to the Benchmark Portfolio and reporting the results to the Trustees on a quarterly basis
- Monitoring the investment performance of the Scheme and its investment managers, comparing these to the various objectives and benchmarks, and reporting the results to the Trustees on a quarterly basis

- Monitoring and reporting on compliance of the investment managers with their pooled investment fund guidelines and constraints
- The provision of investment fund data to enable the Scheme to fulfil its obligations under the FMCA
- Assisting the Trustees in the annual review of this SIPO.

Investment manager

Each **investment manager** will be responsible for the following:

- Managing the relevant assets of the Scheme in accordance with the signed agreement between the Scheme and the investment manager, and where appropriate, in accordance with the governing documents of the relevant underlying investment fund(s)
- Where appropriate, ensuring that the underlying investment fund governing documents include guidelines setting out eligible investments, performance measures, constraints and exposure limits, derivative limits, monitoring and reporting requirements
- Advising of material changes or variations in respect of their funds or any fund guidelines or constraints.
- Supplying to the Trustees investment performance and positioning reports and at the Trustees' request, attending Trustee meetings to present the reports. The reports shall be in a format and frequency and contain such information as agreed with the Trustees, but shall contain sufficient information to enable the Trustees to prepare annual financial statements, determine any tax obligations and meet their reporting obligations and disclosure requirements under the FMCA
- Rebalancing exposure, where appropriate, to investment funds under their management.
- Certifying quarterly:
    - Compliance (or otherwise) with the signed agreement, or where appropriate, the governing documents of the relevant underlying investment fund(s)

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Investment philosophy and process

Investment beliefs

The Trustees believe that a set of well-founded investment beliefs provides a sound foundation for investment success.

- Effective governance and efficient management can reduce costs and risks, and lead to better investment outcomes
- Risk and return are related. Over the long term investors are rewarded for taking on additional risk
- Broad diversification among asset classes is the cornerstone of modern portfolio management. The differing characteristics of the varying asset classes provide risk-reducing benefits from diversification when they are aggregated into a total portfolio
- Asset allocation has a greater impact on investment returns than decisions concerning which specific securities to invest in
- Markets are behavioural in nature and not always perfect. Active management of securities and asset allocation can sometimes (but not always) add value and reduce risk
- External investment specialists are able to offer greater resources (than in-house) and flexibility in relation to investment strategy design and implementation.

Investment approach

Reflecting the investment beliefs set out above:

- The Scheme is a long-term investor
- An Investment Consultant will be used to assist in the design of the investment strategy and the selection of investment managers
- The Trustees will aim for an investment strategy that includes a diverse set of investment assets.
- The investment structure should not be so complex as to introduce unnecessary costs.
- Sector specialist investment managers will be preferred.
- Manager-of-manager strategies are considered a useful means of implementation.
- Active management is favoured, but if considered appropriate, passive management may be used in some cases.
- As a long-term investor, emphasis will be given to monitoring the Scheme's investment strategy and investment managers over the medium-to-long term, although short-term monitoring also has a role to play.

Investment process

The Trustees, assisted by the current Investment Consultant, determine an appropriate investment strategy for the Scheme as a whole, designed to achieve their investment objectives. Setting the investment strategy is a continual process that aims, first and foremost, to ensure alignment between agreed investment objectives and the structure of the Scheme.

The methodology used by the current Investment Consultant to assist the Trustees in developing the investment strategy for the Scheme involves, as a first step, consideration of:

- expected risk and return relative to the Scheme's objectives
- the overall composition of the Scheme's investments including the adequacy of diversification
- the liquidity of selected investments having regard to expected cash flow requirements
- expected tax consequences
- associated costs of investing and any other relevant matters, including Trustees' preferences and constraints.

The Scheme's Benchmark Asset Allocation is modelled and then formulated with reference to these considerations and its ability to deliver on the Scheme's investment objectives.

The Investment Consultant formulates capital markets forecasts and employs proprietary modelling tools to support these processes. As part of this process, the Investment Consultant also stress-tests the investment strategy to uncover how it might perform under different scenarios.

Reviewing the investment strategy

The investment strategy for the Scheme is periodically reviewed, with a formal strategy review at least every three years. The purpose of the review is to ensure an appropriate balance between risk and return and to maximise the likelihood of achieving the Scheme's stated objectives. Asset allocation modelling is also undertaken on potential alternative asset allocations to assess the impact of possible changes on the Scheme.

The analysis used to test the appropriateness of the Scheme's investment strategy (and any alternative strategies), estimates, among other metrics, the likelihood that the strategy will achieve the performance objectives, the expected return, expected volatility and the probability of a negative return.

Any recommended changes are supported by detailed analysis setting out the rationale for changes and the expected impact on the Scheme.

Potential enhancements considered in formal reviews may include:

- the addition of a new asset class or a new type of investment
- incorporation of new research from the Investment Consultant
- investment environmental factors, including significant market events
- long-term market/industry trends and the outlook for growth.

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Objectives

The Scheme was established to provide retirement and other benefits for the employees of participating employers.

Investment objectives

The primary investment objectives underlying the investment policy for the Scheme are to:

- ensure that the Scheme is able to meet benefit payments as and when they fall due
- achieve returns greater than the risk-free rate of return over the long-term
- maximise the Scheme's real rate of return, subject to the Scheme's risk profile
- ensure that the Scheme's assets are invested in a prudent manner.

Performance objectives

More specifically, the Scheme's investment performance objectives are to:

- Achieve, over the long term (rolling ten year periods) a Scheme return, after tax and investment fees, that exceeds inflation by 2.0% per annum
- Achieve, over a rolling three year period, a Scheme return (gross of tax and investment fees) that exceeds the Composite Benchmark Return by 1.25% per annum
- Achieve, over a rolling three year period, a return (gross of tax and investment fees) in each asset class that exceeds the relevant benchmark index return.

Risk profile

Scheme members ultimately bear the the investment risk, as fluctuations in investment performance results, over time, directly affect members' benefits.

The future is uncertain and investment markets are unpredictable. Uncertainty creates both risks and opportunities. Because of this, the Scheme invests in a wide variety of assets. These assets are diversified by type, location and risk factors. Further, they are also managed by a number of specialist investment managers, which helps to mitigate risks and take advantage of opportunities.

To assist manage the risks associated with investing, the Trustees take advice from an Investment Consultant regarding the development of the Scheme's investment strategy, the selection of investment managers, and ongoing market activity.

The Risk Profile of the Scheme's current investment strategy is as follows:

- The Trustees, after taking advice, have designed an investment strategy with the aim of achieving the long term performance objective at least 60% of the time (before the impact of any excess returns from active management). Based on past experience and future expectations, the Trustees acknowledge that returns will vary over time and could be both better and worse than expected, especially over shorter periods.

- The Trustees are advised that even assuming 'normal' market volatility: returns (after tax and fees) in any one year could reasonably be expected to range from 11% down to -1%; a negative return could reasonably be expected every 6 years; and in the event of a crisis, the annual return could be as low as -8%. The risk of adverse results is considered even greater in the event of extreme market conditions.

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Investment strategy

The assets of the Scheme will be diversified across different asset classes to reflect the risk profile and performance objectives of the Scheme.

Permitted investments

The Scheme can be invested in the following general asset classes:

- New Zealand equities, incorporating an allocation to Australian equities (recognising the close economic relationship with Australia)
- Global equities, focusing on large capitalisation stocks from developed markets, but possibly also including emerging market and small capitalisation equities
- Global property and infrastructure, including both listed and direct investments
- Natural resources, which can be sub-categorised into timber and commodities
- New Zealand fixed interest, which can be sub-categorised into sovereign and non-sovereign
- Global fixed interest, which can be sub-categorised into sovereign and non-sovereign
- New Zealand Cash.

The Scheme may also invest in managed funds/collective investments, which the Trustees consider fall within one of the above general asset classes.

Strategic asset allocation

The **Strategic Asset Allocation** ("**SAA**") or **Benchmark Portfolio** and **Ranges** that, in the Trustees' view, best meets their objectives, is set out in Schedule 1.

The exposures to the various asset classes will be monitored, taking into account the underlying exposures in any pooled investment vehicles and the impact of futures and options on an effective exposure basis.

Date

The Strategic Asset Allocation set out in Schedule 1 applies from the date of this SIPO.

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Investment policies

General

In taking decisions on investment strategies, the Trustees will have regard to the overall circumstances of the Scheme, and will comply with all applicable legislative requirements.

Asset allocation policy

In the normal course of events, the Trustees will not alter the asset allocation of the Scheme's investments from the Benchmark Portfolio. However, some drift away from the Benchmark Portfolio may occur due to market fluctuations.

Rebalancing policy

- Cashflow is to be used during the year to rebalance asset class allocations. The rebalancing process, undertaken by the Scheme's administrator, is as follows:
  - Compare the actual asset allocation against the Benchmark Portfolio
  - Cash inflow is directed to the most underweight managers / sectors
  - Cash outflow is directed from the most overweight managers / sectors
- The exposures to the various asset classes will be monitored quarterly by the Investment Consultant and reported to the Trustees in a Quarterly Investment Monitoring Report.
- The Trustees have the discretion to allow the asset allocation to vary from the Benchmark Portfolio over the shorter term, provided the mix remains within the Ranges.
- In considering rebalancing, the Trustees can take into account recent volatility and the likelihood market movements may result in asset classes moving back to within the Ranges, along with transactions costs likely to be incurred in any transition.
- In addition to using Scheme cashflows, rebalancing can also be undertaken by selling overweight asset classes to fund underweight asset classes.
- The Investment Consultant is responsible, where appropriate, for rebalancing exposure to investment funds under their management.
- The Trustees, within 5 working days of being aware of asset allocation ranges being exceeded, must reweight the Scheme to be within the permitted ranges. If the reweighting does not occur within this timeframe then the Trustees must report to the Financial Markets Authority ("FMA") as soon as practicable pursuant to regulation 94 of the Financial Markets Conduct Regulations 2014 (and provide the information prescribed in regulation 96).

- A breach of a rebalancing range resulting from market movements that is corrected within 5 working days will not be deemed material for the limit break reporting purposes (see Section 9).

Liquidity requirements

The Trustees require liquidity to meet payment obligations that include:

- Member withdrawals
- Fees and expenses
- Taxation
- Forward foreign exchange commitments
- Rebalancing

The Trustees require a high degree of confidence that during any periods of extreme market volatility, liquidity demands can be met. The Scheme's primary source of liquidity is its Cash investment. Cash investments also play a role in the Scheme's investment strategy, providing a stable return with low volatility. The Scheme's investment strategy supports its liquidity requirements by predominantly investing in listed securities via pooled products (that also provide liquidity), preferably with daily unit pricing.

Illiquid investments

Illiquid investments can take many forms, including direct property, private equity, unlisted funds (such as infrastructure) and timber. In addition to offering a (possible) return premium and less volatility, these assets typically possess different risks to liquid or listed investments, have higher fees, present valuation challenges and require more intensive governance.

As a result, the Scheme's exposure to illiquid investments is restricted to its allocation to Real Assets. The Trustees expect to hold no more than half the Real Assets allocation in illiquid assets, although from time to time, as opportunities arise, this allocation may be more or less.

Taxation policy

The Scheme has a preference to use New Zealand based pooled vehicles qualifying as Portfolio Investment Entities (PIEs). The Trustee, on the advice of their Tax Advisor, may change the Prescribed Investor Rate (PIR) of the respective investment vehicles.

Currency policy

Currency risk is the risk that foreign currency denominated assets will lose value as the result of an adverse exchange rate movement. Unmanaged currency movements can have a material impact on investment returns over the short term.

Currency hedging is essentially protection against changes in currency exchange rates. Those assets which are not hedged will have exposure to currency exchange rate movements, resulting in a benefit when the New Zealand dollar goes down and a decrease in value when the New Zealand dollar goes up.

The currency policy is to hedge total Global Shares investments at 50% (after tax). Australian currency exposure within the Trans-Tasman Shares portfolio will be hedged at the discretion of the investment managers. The benchmark hedging target for the Real Assets and Global Bonds portfolios is 100% (after tax).

In the event that foreign exchange contracts are taxable under the CV method and the overseas securities are taxable under the FDR method[1], the Trustees recognise the need to gross up hedging ratios on a pre-tax basis in order to achieve the desired level of hedging after tax.

The Currency Policy is developed and reviewed with the assistance of the Investment Consultant as part of the Investment Process (see Section 3).

Where appropriate, currency hedging will be implemented by the relevant investment manager(s) (and consideration of their ability to do so will form part of the selection process). Where this is not appropriate, the Trustees may appoint an investment manager to implement Currency Hedging.

Monitoring of currency exposure in accordance with this Policy will occur as per Section 9 of this SIPO.

Derivatives policy

The investment managers must not use derivatives, physical securities or any combination of the two to produce financial exposures that would result in the leverage of the Portfolio. That is, the Portfolio's net exposure to investment markets exceeding the value of the Portfolio's physical assets. Derivatives should only be used to produce financial exposures which would otherwise be obtained through the use of physical securities in the absence of leverage.

Related party policy

The Scheme is prohibited from entering into a transaction that provides for a related party benefit to be given, unless the benefit is permitted under section 173 of the Financial Markets Conduct Act 2013.

Responsible Investment Policy

Responsible investment is not explicitly taken into account in the Scheme's investment procedures and policies.

However, the Trustees recognise that companies, industries and jurisdictions with strong environmental, social and governance ("ESG") credentials may contribute positively towards the Trustees' objective of maximising returns while maintaining an appropriate level of risk.

The Trustees, when making decisions on investment manager selection, will take into account those managers that build ESG considerations into their investment decision-making processes.

However, the Trustees recognise that investment decisions must be made first and foremost with regard to the likely financial risks and returns, and that these financial considerations cannot be secondary to ESG considerations.

[1] **Comparative Value** (CV) tax applies to all income, whether unrealised or realised. CV tax typically applies to offshore fixed interest investments and foreign currency hedging. **Fair Dividend Rate** (FDR) tax applies a fixed rate of tax to investment returns, whether positive or negative, as if the investment return was 5% p.a. FDR tax typically applies to offshore equities or pooled (equity or equity like) funds.

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Investment management

Investment manager structure

The Trustees focus on selecting investment managers who are specialists within their particular investment markets and who have demonstrated capability and conviction in portfolio construction and the execution of investment strategies.

The Trustees seek advice from their Investment Consultant as to suitable investment managers for appointment. The aim is to achieve a level of returns meeting or exceeding the objectives set, from time to time, for the Scheme and which is consistent with the Scheme's risk profile. The Trustees also seek advice from the Investment Consultant that the fees negotiated with each investment manager are consistent with market practice and the expectation for excess returns (after fees).

Where appropriate, the Trustees may select a manager-of-managers, i.e. an investment manager who in turn elects to invest in funds managed by other investment managers (to achieve manager diversification that would otherwise not be practical).

From time to time, the Trustees, with the assistance of the Investment Consultant, will review the investment managers to ensure they remain appropriate for the Scheme.

Investment managers and mandates

The Scheme's investment managers (as at the date of this SIPO) are detailed in Schedule 2.

Investment guidelines

The investment guidelines and constraints of the Scheme will largely be determined by the governing documents of the sector specialist investment managers into which the Scheme invests.

The investment agreement and/or, where appropriate, the investment fund governing documents, shall include guidelines setting out eligible investments, performance measures, constraints and exposure limits, derivative limits, monitoring and reporting requirements.

Any direct investment, either by the Trustees or an investment manager under a segregated mandate, in an Employer in the meat industry is prohibited. Where the Scheme invests via managed funds, the rules of the managed fund will prevail, including those relating to restricted securities. As a result, the Scheme may inadvertently invest in the meat industry.

Any investment in an Employer in the meat industry by an investment manager via a pooled investment fund must be reported to the Trustees by the investment managers on a quarterly basis and is subject to the related party transactions and in-house assets restrictions in sections 172 to 177 of the Financial Markets Conduct Act 2013, which apply to the Scheme as a Restricted Workplace Savings scheme.

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Investment performance monitoring

Monitoring goals

This policy describes the principles and processes governing investment performance monitoring having regard to the investment strategies of the Scheme.

The principal goals of performance monitoring are to:

- Assess the extent to which the Scheme's investment objectives are being achieved
- Assess the extent to which the Scheme' risk profile is being adhered to
- Compare the performance of the Scheme's appointed investment managers against market indices, out-performance targets, and the performance of other relevant professional managers
- Allow the Trustees to continually assess the ability of the investment managers and the products utilised to successfully meet the Scheme's objectives.

Scheme performance

The Trustees will monitor performance of the Scheme each quarter. Performance will be assessed against:

- The Scheme's long-term investment performance objective
- The performance of the Scheme's Composite Benchmarks Return, being the returns of the market indices for each asset class (as set out in Schedule 3), in proportionate weights as per the Benchmark Portfolio.

From time to time the Trustees will also assess the Scheme's risk profile and the Scheme's performance against peer funds.

Investment manager performance

The investment managers will report at least quarterly in accordance with a format agreed with the Trustees.

The investment managers' performance will be monitored quarterly with a view to an annual evaluation of rolling three year results. Performance will be assessed against:

- Market indices and out-performance targets set out in Schedule 3.
- Peers.

Investment manager review and monitoring

The investment managers' roles will be reviewed by the Trustees on a regular basis. Factors taken into account in these reviews will include investment style, people, policies, procedures, organisational strength, investment performance relative to objectives, and any other factors considered relevant to the investment manager's continuing ability to meet the applicable investment objective.

The Trustees will receive and scrutinise the Investment Consultant's investment manager research, ensuring, where possible, that the investment managers within the Scheme's structure are highly regarded by the Investment Consultant. However, the Trustees reserve the right to appoint investment managers that are not highly regarded by the Investment Consultant.

The Trustees will formally review an investment manager if its rating from the Investment Consultant falls below an acceptable level (and otherwise at their discretion). The review shall involve scrutinising the reasons for the Investment Consultant's downgrading and a consideration of suitable alternatives.

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Limit breaks

The Financial Markets Conduct Act 2013 requires reporting of material breaches of limits (i.e. limit breaks, as defined in section 167 of the FMCA) to the FMA.

For the purposes of compliance with the legislation, the Trustees' compliance monitoring will include:

- Asset allocation – to ensure the Scheme's asset allocation does not fall outside the ranges referred to in the Investment Strategy, including currency exposure
- Related Party transactions – to ensure the Scheme does not invest in an Employer in the meat industry without the knowledge of the Trustees or in contravention of legislation
- Investments not permitted – to ensure the Scheme does not invest in asset not permitted under this SIPO.

Materiality

Whether or not a limit break breach of this SIPO is material is determined at the discretion of the Trustees. In considering whether or not a limit break is material, the Trustees will give consideration to:

- The nature of the breach
- The cause of the breach, including whether or not the breach is the result of sharp short-term market movements
- The size of the breach.

A breach of a range resulting from market movements, which is corrected within 5 business days, will not ordinarily be considered material for limit break reporting purposes.

Monitoring process

The Trustees will monitor the Scheme for compliance on a quarterly basis, including:

- Reporting from the investment managers certifying:
    - Compliance with the investment agreement or the governing documents of the investment product
- Reporting from the Investment Consultant regarding the asset allocation of the Scheme's investments, including currency exposure

Resolution and reporting

The Trustees will maintain a Compliance Register to record any breaches.

Where the Trustees become aware of a breach, the Investment Consultant will be instructed to remedy the breach immediately.

Where the Trustees determine that a material breach of this SIPO has occurred and that breach is not resolved within 5 working days, the Trustees will immediately report the limit break to the FMA, otherwise the Trustees will report the limit break to the FMA each quarter.

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Review

Effective date

This SIPO takes effect from 24 September 2019.

Review date

The review date of this SIPO is anticipated to be no later than 30 September 2020 or sooner if market conditions warrant or the investment structure is altered.

Review process

The Trustees are responsible for the review of this SIPO.

Schedule 1

Strategic asset allocation

The **Strategic Asset Allocation** ("**SAA**") or **Benchmark Portfolio** and **Ranges** that, in the Trustees' view, best meets Scheme's objectives, is as follows:

Benchmark portfolio

Asset Class	Benchmark (%)	Range (%)
Trans-Tasman Shares	8.5	4.5 – 12.5
Global Shares	21.5	16.5 – 26.5
Real Assets	10	5 - 15
Total Growth Assets	**40**	**35 - 45**
New Zealand Fixed Interest	14	9 - 19
New Zealand Short Duration	10	5 - 15
Global Fixed Interest	26	21 - 31
Cash	10	5 - 15
Total Income Assets	**60**	**55 - 65**
Foreign Currency Exposure[1]	10.75	

Currency hedging (on an after tax basis[2])

Asset Class	Benchmark (%)	Range (%)
Tran-Tasman Shares[3]	n/a	n/a
Global Shares	50	45 – 55
Real Assets	100	95 – 105
Global Fixed Interest	100	95 - 105

[1] Based on nil exposure within the Trans-Tasman Shares portfolio, as per note 3 below.

[2] Hedged to the New Zealand Dollar on a net of tax basis for a 28% tax payer.

[3] Australian currency exposure within the Trans-Tasman Shares portfolio will be hedged at the discretion of the investment manager(s).

Schedule 2

Investment managers and mandates

AMP Capital Investors (New Zealand) Limited

Asset Class	Fund	Allocation	Out-performance target (p.a.)
Global Fixed Interest	AMP Capital Global Short Duration Fund[2]	7.5%	2.0%

ANZ New Zealand Investments Limited

Asset Class	Fund	Allocation	Out-performance target (p.a.)
Global Shares	ANZ Wholesale International Share Fund	21.5%	2.0%
New Zealand Fixed Interest	ANZ Wholesale Sovereign Bond Fund ANZ Wholesale High Grade Bond Fund	7.0%* 7.0%*	0.75%
Cash	ANZ Wholesale Cash Fund	10%	0.2%

*The investment manager is responsible for maintaining a 50/50 investment in these funds (within a margin of +/- 10%), rebalancing between the funds as required.

Fisher Funds Management Limited

Asset Class	Fund	Allocation	Out-performance target (p.a.)
Global Fixed Interest	50% Fisher Institutional Core International Bond Fund (Wellington) 50% Fisher Institutional International Bond Fund (PIMCO)	9.25%* 9.25%*	1.0%

*The investment manager is responsible for maintaining a 50/50 investment in these funds (within a margin of +/- 10% of the target weight), rebalancing between the funds as required.

[2] The Fund's performance objective is outperforming the S&P/NZX 90 Day Bank Bill Index on a rolling three year basis. Following advice from the Investment Consultant, the Trustees are using this Fund as part of its Global Fixed Interest allocation in the expectation that the Fund will reduce the risk associated with rising interest rates and not unduly compromise returns over the medium term (1 – 3 years).

Mercer (N.Z.) Limited

Asset Class	Fund	Allocation	Out-performance target (p.a.)
Real Assets	Mercer Real Assets Investment Option	10.0%	1.0%

Nikko Asset Management New Zealand Limited

Asset Class	Fund	Allocation	Out-performance target (p.a.)
Trans-Tasman Shares	Nikko AM Core Equity Fund	8.5%	3.0%

Harbour Asset Management Limited

Asset Class	Fund	Allocation	Out-performance target (p.a.)
New Zealand Short Duration	Harbour NZ Short Duration Fund	10.0%	0.85%

Schedule 3

Benchmarks

Performance for the Scheme (Composite Benchmark Return) and each asset class and investment manager will be measured against market indices as follows:

Asset Class	Index
Trans-Tasman Shares	S&P/NZX 50 Index (including imputation credits)
Global Shares	MSCI All Country World Accumulation Index (50% after tax hedged into NZD)
Real Assets	Mercer Composite Index[3]
New Zealand Fixed Interest	50% S&P/NZX NZ Government Bond Index / 50% S&P/NZX A-Grade Corporate Bond Index[4]
New Zealand Short Duration	S&P/NZX 90 Day Bank Bill Index
Global Fixed Interest	Bloomberg Barclays Global Aggregate Index (100% after tax hedged into NZD)
Cash	S&P/NZX 90 Day Bank Bill Index

[3] Effective from 1 October 2018, the Mercer Composite Index is comprised of: 25.5% FTSE EPRA/NAREIT Global Real Estate Index (with net dividends reinvested) (100% hedged to NZD on an after tax basis); 17% 70% Mercer/IPD Australia Monthly Property Fund Index Core Wholesale (100% hedged to NZD on an after tax basis) and 30% Property Council/IPD New Zealand Property Index; 25.5% FTSE Global 50/50 Infrastructure & Utilities Index (100% hedged to NZD on an after tax basis); 17% MSCI Australia Quarterly Unlisted Infrastructure Index (100% hedged to NZD on an after tax basis); and 15% Bloomberg Commodities Index Total Return (100% hedged to NZD on an after tax basis).

[4] Effective from 1 January 2019.