

BCF KiwiSaver Scheme

Statement of Investment Policy and Objectives

16 November 2022

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1. Introduction

1.1 Purpose

This Statement of Investment Policy and Objectives (“SIPO”) applies to the BCF KiwiSaver Scheme (“the Scheme”).

The purpose of the SIPO is to document the Trustee’s investment policy and objectives for the Scheme, including:

- the nature or types of investments that can be made (and the limits on those);
- the limits on the proportions of each type of asset invested in; and
- the methods used for developing and amending the investment strategy and measuring performance against the Trustee’s objectives for the Scheme.

In addition the SIPO:

- details the investment objectives of the Scheme;
- specifies the investment strategy adopted for the purpose of meeting those investment objectives;
- sets out any constraints that need to be observed in relation to the investment management operations of the Scheme;
- specifies the terms of the investment mandates and constraints that would need to be observed by any investment managers (if appointed);
- sets out the process for reviewing the investment strategy and updating the SIPO; and
- details the process to follow in the event of a breach of the SIPO.

1.2 Review of the SIPO

The SIPO will be reviewed at least every 2 years to assess its ongoing suitability in light of the circumstances of the Scheme and the prevailing economic environment, with the next review due no later than December 2024.

In the event of a major change to the purposes or the circumstances of the Scheme or a major event impacting the Scheme’s investments or investment strategy the Trustee may consider an earlier review. The review will be carried out by the Trustee in conjunction with an Investment Consultant.

The Trustee is responsible for approving and amending the SIPO. Changes to the SIPO will be made by resolution of the directors of the Trustee and the updated SIPO will be lodged on the Disclose Register as required by the Financial Markets Conduct Act 2013 (“FMCA”).

The Scheme (which is offered only to members of the Plymouth Brethren Christian Church) has been registered under the FMCA as a restricted KiwiSaver scheme, and a copy of the current version of the SIPO is available on the Scheme’s register entry at www.disclose-register.companiesoffice.govt.nz (select *Search for a scheme and enter BCF*).

The SIPO is also available for download on the Scheme’s website at www.bcfkiwisaver.co.nz/scheme-investments/.

1.3 Governance of the Scheme

The Trustee of the Scheme is Arotahi Trust Limited.

The details of the Trustee's directors from time to time can be found on the Companies Office website at <https://companies-register.companiesoffice.govt.nz/>.

The FMCA requires the Trustee, when exercising any powers or performing any duties, to exercise the care, diligence and skill that a prudent person of business would exercise in the same circumstances.

The Administration Manager of the Scheme is Melville Jessup Weaver.

1.4 Investment managers

As at the date of this SIPO the Trustee has not appointed an investment manager but may do so in future.

1.5 Scheme details

The Scheme is designated as a restricted KiwiSaver scheme under the FMCA. The purpose of the Scheme is to provide retirement benefits directly to individuals who are members of the Plymouth Brethren Christian Church, in accordance with the FMCA and the KiwiSaver Act 2006.

The Scheme was established by a trust deed date 31 August 2010 and is currently governed by a trust deed dated 9 November 2021 ("Trust Deed"). A copy of the Trust Deed is available on the Scheme's scheme register entry at www.disclose-register.companiesoffice.govt.nz.

1.6 Tax

The Scheme is a portfolio investment entity ("PIE") for the purposes of the Income Tax Act 2007. Its taxable investment income is attributed in appropriate shares to each member and taxed at that member's PIR.

1.7 Document history

The initial SIPO for the Scheme (which began operating in April 2011) was dated 1 December 2010. The SIPO has since been amended as follows:

Amendment Date	Purpose
13 September 2016	To incorporate the changes necessary to ensure compliance with the FMCA and related legislation.
26 July 2019	To reflect changes in the Trustee's investment strategy.

9 December 2020	To reflect changes in the Trustee's investment strategy.
16 November 2022	To reflect changes in the Trustee's investment strategy and make other minor updates.

1.8 Effective date

The SIPO is effective from 16 November 2022 until it is reviewed.

2. Background

2.1 Key provisions

The Scheme operates to enable members of the Plymouth Brethren Christian Church (defined as “Brethren Members” in the Trust Deed) to save for their retirement.

Employed members can choose to contribute to the Scheme from their after-tax pay at the rate of 3%, 4%, 6%, 8% or 10% of their gross (i.e. before-tax) salary or wages. Those members’ employers must contribute to the Scheme (under current legislation) at the before-tax rate of 3% of gross salary or wages.

Under current legislation, government contributions of 50 cents for every dollar of member contribution are provided to the Scheme, up to a maximum government contribution of \$521.43 pa, while members are aged between 18 and their qualifying date, which is usually NZ Super age (currently age 65). For more information about government contributions, see the *Other Material Information* document at www.disclose-register.companiesoffice.govt.nz (select *Search for an offer* and enter *BCF*).

Contributions are pooled with the investments of other Brethren Members and invested according to this SIPO.

2.2 Main Pool and Segregated Pool

There are potentially two separate and distinct investment pools within the Scheme, as follows:

- the “Main Pool”, which is intended solely for members of the Plymouth Brethren Christian Church; and
- the “Segregated Pool”, which is intended primarily for any Scheme members who (after joining the Scheme) cease to break bread with Plymouth Brethren Christian Church members, as determined by the Trustee.

If assets are attributed to the Segregated Pool, then both it and the Main Pool will contain their own, separately identifiable, assets.

As at the date of this SIPO, there have been no assets attributed to the Segregated Pool.

3. Investment Options

3.1 Main Pool

As at the date of this SIPO:

- Brethren Members do not have any choice of investment options within the Main Pool.
- Until such time as the assets of the Scheme reach a certain minimum size (as determined by the Trustee) the Trustee's current investment strategy is:
 - to invest the Main Pool's assets principally in term deposits with New Zealand-registered banks; but
 - also to have modest exposures (directly or through other managed investment schemes whose investors are all members of or organisations within the Plymouth Brethren Christian Church) to loans made on arm's length terms to organisations within the Plymouth Brethren Christian Church.

Once the assets of the Main Pool have reached a sufficient size (as determined by the Trustee) the Main Pool's investments may be diversified into other investment types consistent with Plymouth Brethren Christian Church investment principles. Those other investment types may include, without limitation, one or more of the additional Specific Permitted Investments that are listed in clause 4.3 below.

At a later date, the Trustee intends considering whether or not to provide members with a choice of investment options, such as a Balanced Investment Option (which would be the default strategy for new joiners), a Conservative Investment Option and a Growth Investment Option.

3.2 Segregated Pool

All balances in any Segregated Pool must be invested in bank deposits only.

4. Investment Beliefs and Permitted Investments

4.1 Fundamental investment belief

It is a fundamental investment belief of the Trustee that (except as may be necessary in connection with operating the Segregated Pool) the assets of the Scheme can be pooled only with the investments of other members of the Plymouth Brethren Christian Church. This means that, for example:

- investments in stock exchange listed securities are not permitted, as such securities can also be held by persons who are not members of the Plymouth Brethren Christian Church; and
- investments in other managed investment schemes are not permitted unless all investors in those schemes are members of the Plymouth Brethren Christian Church.

The Trustee will decide in its absolute discretion whether or not a particular investment is a permitted investment in terms of this fundamental investment belief. Other than this overarching restriction there are no particular limits on the nature or type of investments that the Trustee may invest in for the purposes of the Scheme.

4.2 Other investment beliefs

Asset allocation drives the large majority of the Scheme's investment returns.

Although the primary determinant of investment returns and risks (and therefore of investment results) is long-term strategic asset allocation, value can be added by making tactical asset allocation tilts from time to time, and accordingly the asset allocation is managed on an active basis within the agreed ranges.

Diversifying the Scheme's investment portfolio will deliver more consistent returns over time.

Direct investments into debt or property securities can be managed effectively by the Trustee so as to generate incremental additional return and/or reduce overall risk.

Good governance and strong decision-making processes will deliver better investment outcomes over time.

Fees, taxes and other costs all materially contribute to reducing the Scheme's real returns. Minimising the Scheme's costs is an important factor in meeting the Scheme's investment return objectives.

4.3 Specific Permitted Investments

For the avoidance of doubt, permitted investments may include (without limitation) any of the following:

- Deposits with banks that are registered under the Reserve Bank of New Zealand Act 1989;
- New Zealand government securities, including Treasury Bills;
- Debt securities issued by New Zealand local authorities;
- Shares in businesses owned by members of the Plymouth Brethren Christian Church;

- Mortgage-backed or other loans to members or organisations within the Plymouth Brethren Christian Church;
- Investments in commercially tenanted or other real property owned by organisations within the Plymouth Brethren Christian Church; and
- Investments in other managed investment schemes established for (and whose other investors are all members of or organisations within) the Plymouth Brethren Christian Church, including for example the UBT Invest NZ Funds (SCH12865) being a managed investment scheme registered under the FMCA which:
 - operates using funds invested by members of and organisations within the Plymouth Brethren Christian Church; and
 - currently includes the UBT Invest NZ Retail Fund, which invests principally in secured and unsecured commercial loans to businesses owned by members of the Plymouth Brethren Christian Church but:
 - has some cash holdings;
 - may make investments in other fixed income investments and cash and cash-like investments; and
 - may also invest in other credit funds or collective investment vehicles whose investments include loans made to the Plymouth Brethren Christian Church community.

4.4 How these views are expressed

The Trustee's investment strategy for the Scheme has been developed in accordance with the above investment beliefs.

4.5 Custody of investments

The assets of the Scheme are held by and in the name of the Trustee.

4.6 Investments of the Main Pool and any Segregated Pool to be separated

The Main Pool and any Segregated Pool shall contain their own separately identifiable assets. Commingling, for investment management purposes, of the assets of the Main Pool and any Segregated Pool shall not be permitted.

5. Investment Strategy

5.1 Investment Objective

The current investment performance objective for the Main Pool is to provide a return (before investment costs and tax) which exceeds the return from the S&P/NZX 90 Day Bank Bills Index over a rolling one year period.

5.2 Benchmark Asset Allocation

The Trustee's current benchmark (or target) asset allocation and permitted ranges for the Main Pool are as follows:

Asset Class	Benchmark	Range Limit	Operating Range
Cash and Cash Equivalents	70%	60-95%	65-85%
New Zealand Fixed Interest	30%	5-40%	15-35%

The assets held in any Segregated Pool (currently nil) are to be 100% invested in New Zealand bank deposits.

In the above table:

- **Cash and Cash Equivalents** means investments in short term and highly liquid securities, such as government treasury bills and short-term bank deposits.
- **New Zealand Fixed Interest** means debt securities issued by New Zealand entities. This category includes but is not limited to government, local authority and corporate debt, and investments in managed investment schemes whose underlying holdings are primarily of a New Zealand Fixed Interest nature.

The Trustee may alter the benchmarks and ranges at any time by amending this SIPO (see clause 1.2).

5.3 Variations from Benchmark Asset Allocation

Subject to the permitted investment ranges, the Scheme's actual asset allocations may vary materially from the benchmark asset allocation mix during any period between:

- when the Trustee divests from a direct loan investment or from an investment in another managed investment scheme; and
- when the Trustee identifies an alternative New Zealand Fixed Interest investment (or investments).

The Scheme's actual asset allocations will also vary from the benchmark asset allocation mix as market conditions change.

The Trustee may adjust the Scheme's asset allocation mix away from the benchmark mix from time to time (subject to the permitted investment ranges) in order to pursue tactical investment opportunities or to seek to protect asset values during periods of market volatility.

5.4 Investments to be diversified and high quality

To the extent practicable, investments shall be well diversified. Currently, in order to achieve this:

- assets held in bank deposits must be invested in deposits with at least four New Zealand registered banks;
- no more than 30% of the total net assets of the Scheme shall be deposited with any one bank;
- no more than 10% of the total net assets of the Scheme shall be invested directly or indirectly in New Zealand Fixed Interest securities (excluding cash and cash equivalents) issued by any single entity other than the New Zealand Government; and
- no more than 30% of the total net assets of the Scheme shall be invested into other managed investment schemes.

5.5 Review of Investment Objective and Benchmark Asset Allocation

Once the assets of the Main Pool have reached a certain critical size (to be determined by the Trustee), it is the Trustee's intention to review the Investment Strategy and Investment Objective, the Benchmark Asset Allocation and the Specific Permitted Investments for the Main Pool.

6. Investment Managers

6.1 Trustee may appoint an investment manager

The Trustee may, in its absolute discretion, delegate the investment of some or all of the assets of the Scheme to one or more investment managers.

At the date of this SIPO, however, the Trustee has decided not to make such an appointment, as the current strategy involves investing Scheme assets only in:

- term deposits with New Zealand-registered banks; and
- loans made on arm's length terms to organisations within the Plymouth Brethren Christian Church, with those loan investments made and held either:
 - directly; or
 - through holding units in other managed investment schemes whose investors are all members of or organisations within the Plymouth Brethren Christian Church.

6.2 Investment manager restrictions

If the Trustee decided to appoint an investment manager to invest some or all of the assets of the Scheme, the investment manager would be required to:

- invest the relevant assets of the Scheme consistently with Section 5 as amended from time to time;
- adhere to the investment restrictions contained in Section 4;
- provide reports to the Trustee and any Investment Consultant as and when (and in the form) required by the Trustee;
- provide information on changes in its personnel; and
- attend Trustee directors' meetings when requested.

6.3 Investment Consultant

The Trustee may appoint an Investment Consultant to assist the Trustee in investment matters as required from time to time.

If the Trustee decided to appoint an Investment Consultant, the responsibilities of the Investment Consultant would include:

- to assist the Trustee in reviewing the Scheme's investment objectives and strategy, including the SIPO, when requested by the Trustee;
- to provide advice on the investment mandate of any investment manager;
- to assist the Trustee in the appointment of investment managers;
- to monitor the performance of any duly appointed investment managers;
- to provide general advice to the Trustee on investment matters when requested;
- to attend Trustee directors' meetings when invited; and
- to provide the Trustee with such additional information as it may require from time to time upon request from the Trustee.

7. Investment Monitoring

7.1 Monitoring compliance

The Trustee monitors compliance with the SIPO, and the Scheme's performance against the Investment Objective set out in clause 5.1, over rolling six month periods, through the reporting provided to it by the Administration Manager. Compliance with this SIPO is formally reviewed by the Trustee at each Trustee meeting, based on that information. Any required changes to the SIPO will be made as outlined in clause 1.2.

7.2 Rebalancing

If at any time the Trustee identifies that the Main Pool's allocation to an asset sector falls outside a Range Limit, the Trustee must arrange for a rebalancing (such that the actual allocation is brought back within the Range Limit) to take place within 5 working days of becoming aware of the variation.

If the allocation to an asset sector remains within a Range Limit but exceeds the Operating Range, the Trustee shall consider rebalancing (such that the actual allocation is brought back within the Operating Range) based on its view of market conditions, likely risk and return of various investments, fees and costs, and any other such matters.

For the avoidance of doubt, the Operating Ranges are not limits – they simply describe the level of variance from benchmark beyond which the Trustee may begin making precautionary adjustments to asset allocations so as to prevent any limit break occurring.

For the avoidance of doubt, if the actual allocation to an asset sector varies from the benchmark but to an extent that is within the Operating Range, the Trustee may nevertheless at its discretion arrange for a rebalancing such that the allocation corresponds to or is nearer benchmark.

If at any time the Trustee identifies a breach of any of the diversification requirements set out in clause 5.4, the Trustee must arrange for a rebalancing (such that the Scheme's actual asset allocation conforms to that requirement) to take place within 5 working days of becoming aware of the breach.

7.3 Limit break reporting

If the Trustee determines that a "limit break" (see below) has occurred, and the required rebalancing is not made within the 5 working day period contemplated in clause 7.2 then the Trustee must report this to the Financial Markets Authority ("FMA") as soon as practicable pursuant to regulation 94 of the Financial Markets Conduct Regulations 2014, together with the information prescribed in regulation 96.

Where the Trustee determines that a "limit break" has occurred but it is corrected within 5 working days, the Trustee must report it to the FMA following the quarter-end as required by the Financial Markets Conduct (Restricted Schemes—Disclosure and Reporting) Exemption Notice 2022.

7.4 Limit breaks

For the purposes of this SIPO, a "limit break" is any material breach of any limits on either the nature or the type of investments that may be made by the Scheme or the proportion of each type of assets that may be invested in, in each case as set out in this SIPO.

Whether or not a breach of any limits on either the nature or the type of investments that may be made by the Scheme is “material” will be determined at the discretion of the Trustee. In considering whether or not the breach is material, the Trustee will give consideration to:

- the nature of the breach;
- the size of the breach;
- its size in relation to the Scheme;
- the presence of any loss to members;
- whether the breach was the result of (or occurred in the context of) a related party transaction;
- whether there is any pattern to the breach or it is simply one-off;
- whether the breach causes a statement in the Scheme’s register entry to be false or misleading;
- how quickly it was possible to remedy the breach; and
- the duration of the breach.

7.5 Monitoring Investment Performance

Performance against the Investment Objective set out in clause 5.1 shall be monitored by the Trustee at each regular Trustee meeting (these meetings typically occur quarterly).

As noted in clause 5.1, as at the date of this SIPO the Scheme’s investment performance is benchmarked against the S&P/NZX 90 Day Bank Bills Index over a rolling one year period.

7.6 Conflicts of interest

As at the date of this SIPO the Trustee and its directors are not aware of any financial or other interest, relationship or other association of the Trustee (or its directors) that would, or could reasonably be expected to, materially influence the investment decisions of the Trustee in respect of the Scheme by way of creating any actual or potential conflict of interest.

However, the Scheme serves the Plymouth Brethren Christian Church community and as such the Trustee may invest in other Plymouth Brethren Christian Church community bodies with which one or more of the directors of the Trustee are associated.

If this is the case then it is our current policy that any such director will not be involved in deciding whether or not the Scheme will go ahead with that investment.

For details regarding how the Trustee will manage conflicts of interest more generally, see section 8 of the *Other Material Information* document for the Scheme which is available at www.disclose-register.companiesoffice.govt.nz (select *Search for an offer* and enter *BCF*).