Otago Community Trust

Statement of Investment Policy and Objectives (SIPO)

Adopted on 20 October 2026

Contents

1. Introduction 3
2. Governance 4
3. Investment beliefs 5
4. Investment strategy 5
5. Risk 10
6. Performance measurement, review & reporting 11
7. Appendices 12

Effective date

This Statement of Investment Policy and Objectives ('SIPO') takes effect from the date of approval by the Board, 20 October 2026.

Review date

The date of the next annual SIPO review is September 2027. The SIPO may be reviewed sooner if policies, strategy or market conditions warrant.

1. Introduction

This Statement of Investment Policy and Objectives (the “SIPO”), prepared by the Trustees (the “Trustees”) of the Otago Community Trust (the “Trust”), sets out the beliefs, objectives and policies governing decisions about investment of the Trust’s assets.

This SIPO takes account of the requirements of:

- The Trust Deed;
- The Trusts Act 2019; and
- The Community Trusts Act 1999.

Background

The Trust’s investment portfolio (the “Fund”) began in its current form following the public listing of Trust Bank in 1994, when around $63m was generated by the sale of 30m shares at $2.10 per share. The base capital of the Fund was formally established at $63m in December 1994 and then increased to $131.4m in June 1996 when the remaining shareholding (24m shares) in Trust Bank was sold.

Investment Objectives

The investment objectives of the Trust are:

- To maintain a consistent and sustainable level of distributions which can be financed by the investment of the Fund over the long term; and
- To preserve the real value of capital; and
- To maintain equity between present and future generations with respect to the amounts available for distribution.

The Trust aims to achieve a net real return (after investment fees and inflation) of **4.25% p.a.** over a rolling 15-year period.

Investment Policy

- Investment risk must be managed appropriately for the expected level of return;
- The Fund must be well diversified across various asset classes, across growth and income profiles, across countries, and across individual investments within each asset class;
- An appropriate level of liquidity must be maintained to support annual grants, operational expenses and other cashflow requirements;
- Purely speculative investments must be avoided;
- Trustee legal responsibilities must be satisfied;
- Without compromising the long-term return outcomes of the Fund, Trustees should be conscious of the principles of responsible investing as detailed in the Trust’s Responsible Investment Policy (as set out in this SIPO), and apply those principles as they consider appropriate;
- Investment returns should, from time to time, be considered net of fees and other costs. Costs can be direct or indirect and may include implementation delays, transaction costs, fees, commissions, market impact costs and taxes.

2. Governance

The Trustee's powers and discretions are defined in the Trust Deed. In satisfying its responsibilities, the Trustee may delegate decision-making and implementation to other parties as it sees fit.

The consequent responsibilities of the various parties currently involved in the management of the Trust's assets are outlined below.

Management – CEO

- Providing performance reports to the Board
- Arranging redemptions to meet the Trust's commitment to grants and expenses
- Developing and implementing the annual investment workplan
- Liaising with the Implemented Consultant in relation to day-to-day investment matters and the overall performance of the Fund
- Ensuring appropriate documentation of Trustee decisions.

Trustees

- Agreeing and reviewing investment objectives and policies
- Setting and reviewing on a regular basis a set of investment beliefs
- Setting and reviewing on a regular basis the Trust's reserving policy
- Setting and reviewing on a regular basis asset allocation strategy
- Developing and reviewing on a regular basis asset class strategies
- Selecting and reviewing on a regular basis the Implemented Consultant
- Setting and reviewing on a regular basis the rebalancing policy
- Determining and reviewing on a regular basis currency hedging levels
- Ensuring processes exist to receive and review the internal controls reports of the investment managers and their respective custodians, where applicable
- Ensuring appropriate due diligence is undertaken on prospective impact investments.

Implemented Consultant

- Offering funds or advice on suitable third-party products for each applicable asset class, consistent with the fundamental strategy and the foreign currency hedging policies determined by the Trustees.
- Maintaining the actual asset allocation within the specified rebalancing ranges in accordance with the rebalancing policies set out in the SIPO.
- Providing the Trustees with reports relating to the Fund's investment performance.
- Advising the Trustees of any market developments or best practice changes that may affect the way that the Fund's assets are or should reasonably be invested.
- Attending meetings with the Trustees, as required.
- The provision of advice to Trustees and Management in relation to the setting of key policies such as strategic asset allocation, currency hedging, distributions and reserving.
- Providing education for the Trust as requested, including in respect of current investment themes.

3. Investment beliefs

The Trustees have an established set of investment beliefs or philosophies that guide its investment of the Trust's assets:

- The role of the Trustees is primarily one of governance. A robust governance structure that utilises suitably qualified resources with effective decision-making structures and clear accountabilities will improve the likelihood of the Trust's portfolio achieving its long-term investment goals.
- The strategic asset allocation is the key investment decision as this will have the greatest impact on the Trust's financial outcomes.
- Departures from the strategic asset allocation (SAA), including the foreign currency exposure, can enhance risk-adjusted returns, but can also add significant risk relative to the SAA portfolio. Such departures should only be contemplated where confidence in success is commensurate with the risk involved, and there is an appropriate decision-making structure in place.
- Diversification across securities, asset classes and investment managers, has the potential to improve the risk/return trade-off.
- Higher levels of return are typically associated with higher levels of risk. By investing in a portfolio of efficiently diversified financial assets, the Trust is able to achieve returns over the long term that are in excess of the return on cash.
- Markets are highly competitive but not always perfectly efficient. Therefore, the identification and subsequent selection of active managers with genuine skill, while challenging, can add value. Opportunities to add value through active management are not uniformly distributed across asset classes or through time.
- Returns can be enhanced through investing in illiquid assets, but such investments must be considered in light of the associated risks and challenges which may include high fees, irregular valuations, sub-optimal asset allocation and more intensive governance.
- The Trust has a responsibility to consider, in the context of its investment decisions, the negative and positive effects on society and the natural environment of decisions made by the companies, institutions and governments in which it invests.
- The integration of environmental, social and governance (ESG) factors into investment decision making helps to identify opportunities and risks, resulting in better financial outcomes. The Trustees also recognise the increasing impact of climate change as an investment risk and an investment opportunity.

4. Investment strategy

The Trustees are responsible for the asset allocation strategy decision which is made after considering the advice of the Trust's Implemented Consultant.

Asset classes

The Fund may comprise, in varying proportions, the following asset classes:

- New Zealand equities
- International equities
- New Zealand fixed interest
- International fixed interest
- Private Markets (including unlisted property, unlisted infrastructure, private equity and private debt)
- Listed Real Assets
- New Zealand cash

- Impact investments (governed under a separate Impact Investment Policy).

The Trustees will review the suitability of the above asset classes from time to time.

Asset class benchmarks

The Board has adopted the following benchmarks for the asset classes detailed:

	Asset Class	Benchmark Index
Listed Equities	Trans-Tasman Equity	S&P/NZX 50 Index with Imputation Credits
	Overseas Shares (Hedged)	MSCI World Index with net dividends reinvested (100% hedged to NZD)
	Overseas Shares (Unhedged)	MSCI World Index with net dividends reinvested in NZD
	Overseas Shares Index (Hedged)	MSCI World Index with net dividends reinvested excluding New Zealand, Tobacco, Controversial and Nuclear Weapons companies (100% hedged to NZD)
	Overseas Shares Index (Unhedged)	MSCI World Index with net dividends reinvested excluding New Zealand, Tobacco, Controversial and Nuclear Weapons companies in NZD
Private Markets	Unlisted Infrastructure	MSCI Australia Quarterly Private Infrastructure Fund Index (100% hedged to NZD)
	Unlisted Property	Composite: 70% MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index (100% hedged to NZD), & 30% MSCI/Property Council of New Zealand Annual Property Index published quarterly
	Private Equity & Impact Investments*	To be confirmed once implementation of the asset class is finalised
Fixed Interest & Cash	New Zealand Government Bonds	S&P/NZX NZ Government Bond Index
	Developed Markets Government Bonds	JP Morgan Global Government Bond Index (100% hedged to NZD)
	Global Credit	Bloomberg Barclays Global Aggregate Corporate Index (100% hedged to NZD)
	Short Term Bonds	S&P/NZX Bank Bill 90-day Index
	Cash	S&P/NZX Bank Bill 90-day Index

* Note, funds will be held in Listed Equities while the Private Markets and Impact Investment allocations are deployed. In the interim, the benchmarks applicable to Listed Equities will be utilised for benchmarking and performance monitoring purposes.

Strategic asset allocation

The current strategic asset allocation is set out in the table below and was agreed by the Trustees in July 2025.

	Asset Class	Asset Allocation	Allowable Range
Listed Equities	Trans-Tasman Equity	11.0%	2% - 22%
	Overseas Shares (Hedged)	8.25%	26% - 46%
	Overseas Shares (Unhedged)	8.25%	
	Overseas Shares Index (Hedged)	8.25%	
	Overseas Shares Index (Unhedged)	8.25%	
Private Markets*	Unlisted Infrastructure	3.0%	0% - 13%
	Unlisted Property	3.0%	0% - 13%
	Private Equity	5.0%	0% - 16%
Impact Investment*	Impact Investment	5.0%	
	Total Growth	**60.0%**	**40%-80%**
Fixed Interest & Cash	New Zealand Government Bonds	10.0%	0% - 20%
	Developed Markets Government Bonds	12.0%	2% - 22%
	Global Credit	9.0%	0% - 19%
	Short Term Bonds	7.0%	0% - 17%
	Cash*	2.0%	0% - 20%
	Total Defensive	**40.0%**	**20%-60%**
TOTAL		**100%**	

* Note, funds will be held in Listed Equities while the Private Markets and Impact Investment allocations are deployed.

Based on the most recent capital market assumptions provided by the Implemented Consultant, the Fund is expected to provide a return, after investment expenses and inflation of **4.25% p.a.** over the next 15 years, with the likelihood of a negative real return 1 year in every 5.

It is the Trustees' policy to review the strategic allocation at least every three years. If there is a significant change in the capital markets or in the circumstances of the Trust a more frequent review may be conducted. The next triennial investment strategy review is scheduled for 2028.

Rebalancing

It is recognised that, as a result of market movements and cash flows, the Fund's asset allocation will deviate from the strategic policy over time. The Implemented Consultant manages rebalancing ranges so that the strategic asset allocation will be broadly maintained but without incurring excessive transaction costs. The Implemented Consultant will review the Fund's asset allocation on a daily basis and, in the event of a breach of these ranges, undertake the necessary transactions to bring the

breached exposure(s) to approximately the policy weight(s) above or other target weights that may be in place at the time.

Redemptions made from the Fund to finance the Trust's normal operating activities will be used by the Implemented Consultant to minimise, to the extent possible, the probability of breaches occurring.

Foreign currency

The Trustees have adopted a policy of fully hedging foreign currency exposures of offshore fixed interest and applying a 50% hedge ratio to global equity exposure. Foreign currency exposure is not actively managed at a strategic level. However, at an asset class level, both market movements and, where applicable, active positions taken by the underlying investment managers can result in currency exposures which vary from the strategic position.

Reserving

The Trust may change its investment strategy and/or granting depending on the outcomes relative to the inflation- adjusted capital, with a goal of avoiding falling significantly below the inflation-adjusted capital. A detailed Reserving policy is shown in Appendix 2.

Liquidity

An appropriate level of liquidity must be maintained to support annual grants, operational expenses and other cashflow requirements. The Trust manages this by investing at least half of the Fund in highly liquid assets (listed equities and fixed interest securities) at all times. The primary sources of liquidity within the Fund are the allocations to Cash, New Zealand Government Bonds and Developed Market Government Bonds.

Derivatives

The Implemented Consultant and the underlying managers in the funds offered by the Implemented Consultant may use derivatives for purposes including risk management and prudent investment management.

In general, derivatives may be used:

- As a hedge to manage exposure to foreign currency or other investment risks; and
- To reduce transaction costs and improve liquidity by using derivative contracts to take a position which would otherwise have been taken by buying or selling physical securities.

In any case, the Implemented Consultant or underlying 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 fund (the fund's net exposure to investment markets exceeding the value of the physical assets) or a net short position in any asset (where the fund value is enhanced when the price of the asset in question falls).

Active management

A mix of active and passive management is used. Active management provides the expectation of a higher return but also results in higher management fees. In adopting an active approach, the Trustees have (where applicable) established minimum excess return and maximum tracking error expectations, as set out in Section 6, in order to:

- Justify the added expense of active management, and
- Preserve the broad characteristics of the chosen asset class benchmarks and, in turn, the integrity of the strategic asset allocation process.

Responsible Investment

The Trustees expect the Implemented Consultant to avoid investing in any company whose activities would be deemed to be unlawful under New Zealand law, notwithstanding that the investment might be domiciled in another country. The Trust therefore would not expect to be invested in companies that are directly or indirectly involved in the following activities:

- produce components that are key and dedicated to the production of anti-personnel mines and/or cluster munitions;
- are involved, either directly or indirectly, in the production of the core nuclear weapon system, or components/services of the core nuclear weapon system, that are considered tailor-made and essential for the lethal use of the weapon.

Whilst not considered unlawful the Trust would generally not expect to be invested in companies that are directly or indirectly involved in the following activities:

- the manufacture of tobacco.

The Trust would expect to be divested of any securities within 30 business days upon the Implemented Consultant becoming aware that a security should be excluded based on the criteria described above.

The Trust holds investments through pooled funds and therefore recognises it will have little or no influence over the structure of the product or securities held in the funds. However, in an attempt to influence the ESG consideration of the Fund Managers with which it invests the Trustees have shared the Trust's Responsible Investment Policy with those managers.

The Trustees shall:

- Advise their Implemented Consultant of this policy;
- Require the Implemented Consultant to acknowledge, as part of its mandate from the Trust, that they will take this policy into account when providing investment research, analysis and advice to the Trust and in implementing the Trust's portfolio;
- Require their Implemented Consultant to seek to employ Fund Managers who incorporate ESG into their company analysis and who actively engage with companies on ESG issues;
- Require the Implemented Consultant to report regularly to the Trust on how the Fund Managers are addressing ESG issues as part of their activities, with reference to the UN Global Compact Principles and the UN Principles for Responsible Investment*.
- Require the Implemented Consultant to advise the Trust if they become aware of any actions by the Fund Managers that may result in a breach in relation to this policy.

If there is a breach of the policy, the Trust will require the Implemented Consultant to report the breach to the Trustees as part of their monthly compliance reporting or as soon as is practicable. The Implemented Consultant will also report the following information to the Trustees as soon as they are able to do so:

- Details of the Fund where the breach has occurred
- The nature of the breach and organisations involved
- The timeline involved (when breach occurred, when and how it was discovered, when it was rectified)
- The amounts involved (holding, income and profit/loss experienced by the Trust)
- What enhancements, if any, have been or will be made to processes as a result of the breach.
- The CEO will report any breaches notified to the Board Chair or the Chair of the Audit, Risk and Finance Committee ("AR&FC") and jointly they will decide on a course of action with reference to the circumstances presented.

* Appendices 3 and 4 discuss the UN Global Compact Principles and the UN Principles for Responsible Investment.

5. Risk

The Trustees regard ‘risk’ as the likelihood that the Trust fails to achieve the objectives set out in Section 4 above. To mitigate this risk, the Trustees have adopted a series of strategies to manage investment and related risks. The strategies include, apart from those in Section 4:

- Retaining an appropriately resourced and qualified Implemented Consultant for:
  - Strategic investment advice, and
  - Fund implementation, incorporating:
    - Investment manager selection
    - Operational due diligence of investment managers
    - Rebalancing transactions as required in accordance with the Trust’s rebalancing policy
- Prohibiting leverage of the Trust’s assets;
- Maintaining adequate reserves;
- Periodically reviewing the Trust’s investment objectives;
- Regularly reviewing investment performance.

6. Performance measurement, review & reporting

Fund performance

The Trust's Implemented Consultant measures the returns of the Trust and provides the Trustees with monthly summary reporting and quarterly comprehensive reporting.

The returns of the Trust's assets are monitored by the Trustees and compared with that of the strategic asset allocation specified in Section 4 above.

The performance of each of the Trust's managers will be monitored on a quarterly basis against an appropriate benchmark. The Trustees understand that, in the short term, the Fund may under-perform the benchmark. A greater emphasis will be placed on the longer-term (at least three years) performance of the Fund.

Tracking error and information ratio reporting will be reviewed on a quarterly basis.

The Fund's investment returns should be considered at a total portfolio and at individual asset class level relative to the agreed outperformance and tracking error targets over a rolling three-year period.

The performance targets for each asset class are as follows:

ASSET CLASS	PERFORMANCE TARGET (BEFORE FEES)	TRACKING ERROR
New Zealand equities	1% p.a. above index	2.5-3% p.a.
International equities*	1% p.a. above index	0.5-2.0% p.a.
New Zealand fixed interest	0.5% p.a. above index	1-2% p.a.
International fixed interest	1% p.a. above index	1.75% p.a.
New Zealand cash	Above index	n/a

** applies to active funds only*

Implemented Consultant

The Trustees retain an Implemented Consultant, which is currently Mercer (N.Z.) Limited. The services provided by the Implemented Consultant under the Agreement dated 12 July 2023 include implementation services in relation to investing and rebalancing the Fund and advisory services.

The Trustees shall assess the performance of the Implemented Consultant on an annual basis and also undertake a formal review once every three years or sooner should circumstances deem it necessary. Such assessments will also compare the investment performance of the portfolio for which the Implemented Consultant has delegated authority against agreed-upon risk and return objectives.

The qualitative and quantitative measures against which the Implemented Consultant will be assessed are detailed in the Appendix 1.

7. Appendices

APPENDIX 1: Measures for assessing the Implemented Consultant

The Trust assesses Implemented Consultant performance by regularly monitoring reporting on the following quantitative metrics:

- Asset class and total fund performance (and benchmark performance)
- Reporting against SIPO performance targets and tracking error for each asset class
- Manager performance
- Confirmation of asset allocation ranges and SIPO compliance
- Reporting on risk-adjusted returns
- Portfolio liquidity
- Reserving position
- Reporting against overall SIPO investment objective of 4.25% return per annum plus inflation (excluding fees)

Key qualitative measures by which the Trust will assess the performance of the Implemented Consultant:

a) Attendance and contribution to scheduled meetings and timely provision of supporting materials
b) Quality of presentation materials and verbal advice
c) Responsiveness to ad hoc queries
d) Maintaining the actual asset allocation within the specified rebalancing ranges in accordance with the rebalancing policies set out in the SIPO
e) Timely implementation of redemption trades as requested by the Trust
f) Quality of general investment consulting advice and recommendations to the Trust in relation to key aspects of the SIPO
g) Relevance and quality of general education and training on investment matters.
h) Proactive provision to the Trust of new information relevant to the Trust's investment programme, including but not limited to such things as new products, strategies or implementation efficiencies.

APPENDIX 2: Reserving Policy

The reserving policy is a key risk management tool to aid the fulfilment of the Trust's objectives.

For this purpose, the value of independently managed funds plus self-managed funds less all approved but unpaid amounts to grantees or for special initiatives ("Available Funds") is determined monthly. Its adequacy to pay for grants and expenses can then be measured.

Adequacy is determined with reference to the reserving limits within which the value of Available Funds falls.

The Real Capital Value is derived by the Trust's Capital base plus inflation (updated on a quarterly basis).

The Expected Annual Spend is the approximate amount that the Trust plan to use towards grants and funding during the year. The reserving method is to target a reserve of 3x the expected annual spend.

Reserving limits shall be as follows:

- Lower Reserving Limit: The Real Capital of the Trust plus two times the expected annual spend.

- Upper Reserving Limit: The Real Capital of the Trust plus four times the expected annual spend.

If the net asset value of the Fund falls above the upper reserving limit for over six months, Trustees may (but not must) reconsider their position. They will seek advice on what to do next, which could involve changing the investment strategy, distributing more money, raising the capital base, and/or other choices.

If the net asset value of the Fund falls below the lower reserving limit for more than two consecutive quarters, this signals to Trustees that it may be appropriate (but is not necessary) to review its position. If Trustees elect to do so, they will take advice on the appropriate course of action, including adjusting the investment strategy, decreasing distributions and/or other options.

For accounting purposes a capital maintenance reserve is established and maintained which preserves the real value of the initial capital allowing for inflation as measured by the Consumers Price Index (CPI). The total amount of capital and capital maintenance reserve when deflated by the CPI will equal the original capital.

APPENDIX 3: United Nations Global Compact Principles

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

Human Rights

Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2	Make sure they are not complicit in human rights abuses.

Labour

Principle 3	Businesses should uphold the freedom of association and the effective recognitions of the right to collective bargaining;
Principle 4	The elimination of all forms of forced and compulsory labour;
Principle 5	The effective abolition of child labour; and
Principle 6	The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7	Business should support a precautionary approach to environmental challenges;
Principle 8	Undertake to promote greater environmental responsibility; and
Principle 9	Encourage development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principal 10	Businesses should work against all forms of corruption, including extortion and bribery.

APPENDIX 4: Principles for Responsible Investment ("Principles")

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

While not a signatory to the Principles, we recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

Principle 1	We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2	We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4	We will promote acceptance and implementation of the Principles within the investment industry.
Principle 5	We will work together to enhance our effectiveness in implementing the Principles.
Principle 6	We will each report on our activities and progress towards implementing the Principles.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of ESG issues to investment practices. The process was convened by the United Nations Secretary-General.

We believe that committing to the Principles will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society. In aiming to align with the Principles we have appointed an Implemented Consultant that is a signatory to the Principles.

We encourage other investors to adopt the Principles.