

1 December 2020

mysuper

# Statement of Investment Policy and Objectives

mysuper Superannuation Scheme



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## 1. Description of the scheme

mysuper Superannuation Scheme (**scheme**) is a restricted workplace savings scheme.

### Funds

The scheme offers four investment funds (each a **fund** and together the **funds**), comprising three multi-asset-class funds and a single-asset-class fund.

The multi-asset-class funds are:

- Conservative Fund
- Balanced Fund
- Growth Fund.

The single-asset-class fund is the Cash Fund.

See **Appendix A** for more information on the asset classes our funds invest in.

### easysselect

The scheme also offers a easys**select** option. If you select the easys**select** option, your retirement savings are invested in one of our four funds, based on your age.

## 2. Trustee and manager

Shamrock Superannuation Limited is the trustee and manager of the scheme (**manager, we, us** and **our**). As the manager, we are responsible for managing the investments of the funds.

### 3. Investment philosophy

Our investment philosophy is based on eight key beliefs. We believe:

- investment markets are broadly efficient
- the main driver of investment returns is the long term benchmark asset allocation, and it is important to limit asset allocation movements around this long-term position
- it is difficult to consistently add value by making tactical asset allocation decisions and accordingly the asset allocation is managed on a passive basis
- in some markets, investment managers can achieve above index returns after taking into account the higher fees charged by active managers
- value can be added by efficient implementation, and choosing tax-effective funds, and carefully managing investment costs
- diversification of investment-management risk is important.

The investment strategy of the scheme has been developed in line with the above beliefs. In addition, consistent with the investment beliefs set out above, we have a preference for the investments within each of the various asset classes to be managed on an active basis. This means that the relevant investment manager aims to produce gross returns for each underlying fund (before investment fees and tax), that exceed the applicable index.

An exception to this is the global equities asset class where 100% of assets are managed on a passive indexed basis.

### 4. Investment strategy

#### Investment strategy

Each fund has a different investment strategy. The investment strategy of a fund is made up of the:

- investment objectives
- target investment mix
- target investment mix ranges (or limits)
- index or composite index that performance is measured against.

See **Appendix B** for more information on the investment strategies of our funds.

#### Permitted investments

Our funds are permitted to invest in underlying funds, cash and cash equivalents and derivatives.

## 5. Investment objectives

Each fund has a different investment objective.

See **Appendix B** for more information on the objectives of our funds.

## 6. Investment policy and processes

The investment policy of the scheme is to invest the assets of each fund according to the investment strategy described in the Statement of Investment Policy and Objectives (SIPO), while complying with:

- all applicable laws, and
- the requirements of the scheme's governing document.

The processes set out below are followed when managing the assets of each fund.

### Investment strategy review

We review the investment strategy for each fund as part of our strategic asset allocation process. This is done at least once every three years to set each fund's target investment mix and ranges.

We forecast how each asset class will perform over the long term, both in isolation and in relation to other asset classes. We then use the forecasts to construct the most effective target investment mix and ranges, with the aim of:

- increasing the probability of achieving the investment objectives
- achieving the highest return over time within acceptable risk levels.

As part of the review, the metrics that may be monitored include:

- the probability of a negative yearly return,
- stress testing how each fund would perform in a range of scenarios,
- the expected number of years out of 20 in which returns will be negative
- assessment of concentration of risk factors.

For the Cash Fund it is unlikely that the target investment mix and ranges will change.

### Underlying funds

Our multi-asset-class funds invest into underlying wholesale multi-asset-class funds. Our underlying wholesale multi-asset-class funds gain exposure to asset classes by investing in underlying funds that each focus on investing in a single-asset-class.

Our Cash Fund gains exposure to the cash and cash equivalents asset class by investing into an underlying single-asset-class fund.

See **Appendix A** for more information on the nature and type of investments that our underlying funds invest in.

### Tactical asset allocation

We have decided not to attempt to add any value by making short to medium term tactical asset allocations. Therefore, a passive approach to asset allocation has been adopted.

### Cash management

The administration manager maintains a bank account for managing the scheme's short-term cash flow requirements; in particular, the receipt of contributions from members, employers and government and the payment of benefits, expenses and tax.

When the bank account reaches a funded level, which is more than sufficient to meet the scheme's short-term cash flow requirements, the excess will be transferred to one or all of the underlying investment managers on the advice of the scheme's investment adviser.

Where the bank account is insufficient to meet scheme's short-term cash flow requirements, then the shortfall will be met by transfer from the underlying investment managers. The amount to be transferred to or from the underlying investment manager will be determined by the administration manager in consultation with the investment adviser.

### Rebalancing and limit break reporting

We recognise that market movements and cash flows can result in the actual asset allocations becoming different from the benchmark asset allocations. Therefore, we have adopted the following process for ensuring that actual asset allocation remains close to the benchmark asset allocations.

See **Appendix B** for more information on benchmark asset allocations, operating ranges and maximum permitted range limits of our funds.

We have set appropriate 'maximum permitted range' limits for exposure to underlying asset classes and monitor them on a monthly basis to ensure that maximum permitted range limits are not breached.

The maximum permitted range limits have been designed based on the maximum permitted ranges of the underlying funds, with an appropriate margin.

If at any time, any allocation falls outside of the maximum permitted ranges, we will arrange for a rebalancing to take place so as to restore the allocation to within the maximum permitted ranges within 5 working days.

For the avoidance of doubt, the 'operating ranges' are not limits – they are simply the level of variance from benchmark above which we would normally begin making precautionary adjustments to asset allocations so as to ensure that the asset allocation remain as close to the benchmark asset allocations as possible and to prevent any limit break occurring.

A 'limit break' is any breach of any limits on either the nature or type of investments that may be made by a fund or the maximum permitted range being the proportion of each type of assets that may be invested in.

In determining whether a limit break is material, the following factors will be considered:

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

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

### **Proxy voting**

The funds do not vote on proxies. However, the underlying funds that hold equities may vote on proxies.

### **External fund manager selection and monitoring**

We have a process for selecting our external fund managers, who manage the scheme's assets in the underlying funds. We select external fund managers that we believe are among the best in their class. We take into account both quantitative and qualitative aspects, and look at a number of factors, including:

- **people** – experienced and stable investment teams
- **company** – stable businesses being well-led by experienced company management
- **investment philosophy and process** – a sensible philosophy that is reflected in a disciplined process
- **performance** – managers that have generated strong performance over a number of market cycles.

Once selected, an external fund manager is subject to a rigorous on-going monitoring process. Each external fund manager is regularly assessed against the above criteria. We also regularly compare our external fund managers against other managers we rate highly.

### Currency hedging

We use currency hedging to mitigate currency risk. We 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 categories	Benchmark hedging rate	Benchmark range
Cash and cash equivalents	No foreign currency exposure	-
New Zealand fixed interest	No foreign currency exposure	-
International fixed interest	100% hedged to New Zealand dollar	90% to 110%
Australasian equities	No foreign currency exposure	-
International equities	50% hedged to New Zealand dollar	40% to 60%

### Responsible investment

We integrate environmental, social and governance factors into our investment management process. We do this because we believe that these factors are some of the drivers of long-term investment risks and returns.

For more information about our approach to responsible investment, see the 'Ethical Investment Policy' at [mysuper.co.nz/disclose](https://mysuper.co.nz/disclose)

## 7. Investment performance

Investment performance for the scheme is monitored and reviewed monthly and quarterly.

Performance of the funds is monitored over various periods (gross of tax and fees). Performance is measured on an absolute return basis as well as relative to each fund's benchmark indices and its performance objective.

In monitoring investment performance, the manager considers the reports submitted to it by the underlying investment managers and analysis performed by the investment adviser. The investment adviser also provides attribution analysis.



## 8. SIPO compliance and review

We monitor the funds each month to ensure compliance with the SIPO.

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

We can make changes to the SIPO at any time. Any changes are approved by us in accordance with our policies and procedures.

The most up-to-date version of the SIPO is available on the scheme register which can be found at **[disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz)** (search for 'mysuper Superannuation Scheme').

### Appendix A – Asset classes

The asset classes that our funds and underlying funds invest in are described below:

Asset class	Description
Cash and cash equivalents	Interest-bearing deposits with one or more registered banks (such as term deposits), short-term debt securities, floating rate notes.
Fixed interest assets	Debt securities issued by governments, corporations, local authorities or banks (called issuers). The issuer generally pays a set (or fixed) interest rate for a set period of time. Cash and cash equivalents may also be included in fixed interest assets.
Equities	Investments that give the holder part-ownership of a company, corporation or similar entity, including units, shares, or other equity investments, such as some types of exchange traded futures. These investments are generally listed on a stock exchange. Equities might sometimes be referred to as shares.

The funds and underlying funds may invest in other investments that we consider to be part of the relevant asset class.

Appendix B – Fund objectives and strategy

mysuper Cash Fund

Risk indicator rating (see Product Disclosure Statement for an explanation of the risk indicator)	Establishment date	Description and investment objectives	Performance objectives	Minimum suggested investment timeframe
<div><div>Potentially lower returns ←</div><div>1234567</div><div>← Lowest riskHighest risk →</div><div>Potentially higher returns →</div></div>	30 September 2016	<p><b>Description:</b> A fund that primarily invests in cash and short-term bank securities.</p> <p><b>Investment objectives:</b> To achieve modest, stable returns with a very low level of investment risk – in exchange there will be no significant short-term movements up and down in the value of investments.</p>	To provide a gross return (before tax, fees, and other expenses) above the return of the Bloomberg NZBond Bank Bill Index on a rolling 12-month basis.	1-year

Benchmark Asset Allocation, Range, and Benchmark Index

The assets of the fund will be invested within the investment ranges set out below:

Asset class	Underlying investment manager	Underlying investment fund	Benchmark asset allocation %	Operating range %	Maximum permitted range %	Benchmark index
Cash and cash equivalents	AMP Capital Investors (New Zealand) Limited	AMP Capital NZ Cash Fund	100%	100%	0% to 100%	Bloomberg NZBond Bank Bill Index
Total income assets			100%	100%	0% to 100%	

easysselect Option

Members who have selected the easysselect option will be allocated to the mysuper Cash Fund if they are aged 67 or older. More information on the easysselect option can be found in the Product Disclosure Statement available at [mysuper.co.nz/disclose](https://mysuper.co.nz/disclose)

mysuper Conservative Fund

Risk indicator rating (See the Product Disclosure Statement for an explanation of the risk indicator)	Establishment date	Description and investment objectives	Performance objectives	Minimum suggested investment timeframe
<div><div>Potentially lower returns ←</div><div>1234567</div><div>← Lowest riskHighest risk →</div></div>	1 April 2004	<p><b>Description:</b> A well-diversified portfolio that primarily invests in lower-risk income assets with a conservative allocation to growth assets.</p> <p><b>Investment objectives:</b> To achieve a low likelihood of negative returns over the short to medium term, whilst providing the opportunity for positive real returns (in excess of inflation) over the long term.</p>	<p>To deliver positive stable returns that exceed after tax cash returns* by at least 1% pa, over rolling three-year periods.</p> <p>To deliver a real return (after inflation, tax and investment expenses) of at least 0.25% pa over rolling three year periods.</p> <p>To produce a result in the top half of comparable KiwiSaver funds in the Investment Adviser Investment Survey over rolling three-year periods.</p>	2 years

\* For performance measurement purposes, the Reserve Bank of NZ Official Cash Rate will be used.

Benchmark Asset Allocation, Range, and Benchmark Index

The assets of the fund will be invested within the investment ranges set out below:

Asset class	Underlying investment manager	Underlying investment fund	Benchmark asset allocation %	Operating range %	Maximum permitted range %	Benchmark index
Cash and cash equivalent	AMP Capital Investors (New Zealand) Limited	AMP Capital NZ Cash Fund	35%	30% to 40%	25% to 45%	Bloomberg NZBond Bank Bill Index
New Zealand fixed interest	Fisher Funds Management Limited	Fisher Institutional New Zealand Fixed Interest Fund	25%	20% to 30%	15% to 35%	Bloomberg NZBond Composite Bond 0+ Yr Index
International fixed interest	Implemented Investment Solutions Limited	Hunter Global Fixed Interest Fund	20%	15% to 25%	10% to 30%	Bloomberg Barclays Global Aggregate Bond Index (hedged)
Total income assets			80%	75% to 85%	70% to 90%	
Australasian equities	Salt Funds Management Limited	Salt Dividend Appreciation Fund	10%	5% to 15%	0% to 20%	S&P/NZX 50 Gross Index
International equities	AMP Capital Investors (New Zealand) Limited	AMP Capital Hedged Global Index Share Fund Wholesale Unit Trust Global Index Share Fund	10%	5% to 15%	0% to 20%	MSCI World Index (50% hedged)
Total growth assets			20%	15% to 25%	10% to 30%	

easysselect Option

Members who have selected the easysselect option will be allocated to the mysuper Conservative Fund if they are aged between 60 to 66. More information on the easysselect option can be found in the Product Disclosure Statement available at [mysuper.co.nz/disclose](https://mysuper.co.nz/disclose)

mysuper **Balanced Fund**

Risk indicator rating (See the Product Disclosure Statement for an explanation of the risk indicator)	Establishment date	Brief description and investment objectives	Performance objectives	Minimum suggested investment timeframe
<div><div>Potentially lower returns ←</div><div>1234567</div><div>← Lowest riskHighest risk →</div></div>	27 August 1991	<p><b>Description:</b> A well-diversified portfolio that has a balance of risk through holding growth assets and an allocation to lower-risk income assets.</p> <p><b>Investment objectives:</b> To achieve higher positive real returns (in excess of inflation) over the medium term, accepting that over the short to medium term, returns could be negative.</p>	<p>To deliver a real return (after inflation, tax and investment expenses) of at least 2.00% pa over rolling five year periods</p> <p>To produce a result in the top half of comparable KiwiSaver funds in the Investment Adviser Investment Survey over rolling three- year periods.</p>	5 years

\* For performance measurement purposes, the Reserve Bank of NZ Official Cash Rate will be used.

**Benchmark Asset Allocation, Range, and Benchmark Index**

The assets of the fund will be invested within the investment ranges set out below:

Asset class	Underlying investment manager	Underlying investment fund	Benchmark asset allocation %	Operating range %	Maximum permitted range %	Benchmark index
Cash and cash equivalent	AMP Capital Investors (New Zealand) Limited	AMP Capital NZ Cash Fund	5%	0% to 10%	0% to 15%	Bloomberg NZBond Bank Bill Index
New Zealand fixed interest	Fisher Funds Management Limited	Fisher Institutional New Zealand Fixed Interest Fund	13.33%	3% to 18%	0% to 23%	Bloomberg NZBond Composite Bond 0+ Yr Index
International fixed interest	Implemented Investment Solutions Limited	Hunter Global Fixed Interest Fund	26.67%	22% to 32%	17% to 37%	Bloomberg Barclays Global Aggregate Bond Index (hedged)
Total income assets			45%	40% to 50%	35% to 55%	
Australasian equities	Salt Funds Management Limited	Salt Dividend Appreciation Fund	13.75%	9% to 16%	4% to 24%	S&P/NZX 50 Gross Index
International equities	AMP Capital Investors (New Zealand) Limited	AMP Capital Hedged Global Index Share Fund Wholesale Unit Trust Global Index Share Fund	41.25%	36% to 46%	31% to 51%	MSCI World Index (50% hedged)
Total growth assets			55%	50% to 60%	45% to 65%	

easys**select** Option

Members who have selected the easys**select** option will be allocated to the mys**super** Balanced Fund if they are aged between 48 to 59. More information on the easys**select** option can be found in the Product Disclosure Statement available at [mysuper.co.nz/disclose](https://mysuper.co.nz/disclose)

mysuper Growth Fund

Risk indicator rating (See the Product Disclosure Statement for an explanation of the risk indicator)	Establishment date	Brief Description and investment objectives	Performance objectives	Minimum suggested investment timeframe
<div><div>Potentially ← lower returns</div><div>1234567</div><div>← Lowest riskHighest risk →</div></div>	1 April 2013	<p><b>Description:</b> A well-diversified portfolio primarily holding growth assets with a low allocation to income assets.</p> <p><b>Investment objectives:</b> To achieve a high level of real returns (in excess of inflation) over the medium to long term, accepting that returns may be negative and subject to large variations in the short term.</p>	<p>To deliver a real return (after inflation, tax and investment expenses) of at least 3.00% pa over rolling eight year periods</p> <p>To produce a result in the top half of comparable KiwiSaver funds in the Investment Adviser Investment Survey over rolling three- year periods.</p>	8 years

\* For performance measurement purposes, the Reserve Bank of NZ Official Cash Rate will be used.

Benchmark Asset Allocation, Range, and Benchmark Index

The assets of the fund will be invested within the investment ranges set out below:

Asset class	Underlying investment manager	Underlying investment fund	Benchmark asset allocation %	Operating range %	Maximum permitted range %	Benchmark index
Cash and cash equivalent	AMP Capital Investors (New Zealand) Limited	AMP Capital NZ Cash Fund	5%	0% to 10%	0% to 15%	Bloomberg NZBond Bank Bill Index
New Zealand fixed interest	Fisher Funds Management Limited	Fisher Institutional New Zealand Fixed Interest Fund	5%	3% to 10%	0% to 15%	Bloomberg NZBond Composite Bond o+ Yr Index
International fixed interest	Implemented Investment Solutions Limited	Hunter Global Fixed Interest Fund	10%	5% to 15%	0% to 20%	Bloomberg Barclays Global Aggregate Bond Index (hedged)
Total income assets			20%	15% to 25%	10% to 30%	
Australasian equities	Salt Funds Management Limited	Salt Dividend Appreciation Fund	20%	15% to 25%	10% to 30%	S&P/NZX 50 Gross Index
International equities	AMP Capital Investors (New Zealand) Limited	AMP Capital Hedged Global Index Share Fund Wholesale Unit Trust Global Index Share Fund	60%	55% to 65%	50% to 70%	MSCI World Index (50% hedged)
Total growth assets			80%	75% to 85%	70% to 90%	

easysselect Option

Members who have selected the easysselect option will be allocated to the mysuper Growth Fund if they are aged between 0 to 47. More information on the easysselect option can be found in the Product Disclosure Statement available at [mysuper.co.nz/disclose](https://mysuper.co.nz/disclose)

**mysuper**

**mysuper**

Freepost 130993

PO Box 242

Wellington 6140

0508 MYSUPER (0508 697 873)

**hello@mysuper.co.nz**