CASTLE POINT

Castle Point Funds

STATEMENT OF INVESTMENT POLICY AND OBJECTIVES (SIPO)

Issued by Castle Point Funds Management Limited

Effective Date: 12 November 2018

Contents

1. Description of the managed investment scheme

Castle Point Funds Management Limited (Castle Point or we) is a boutique Fund manager which was formed in 2013.

The following funds are offered under a registered managed investment scheme known as the Castle Point Funds Scheme (Scheme):

- Castle Point Ranger Fund ("Ranger Fund")
- Castle Point 5 Oceans Fund ("5 Oceans Fund")
- Castle Point Trans-Tasman Fund ("Trans-Tasman Fund")

The licensed manager of the Scheme is Castle Point. The supervisor of the Scheme is Public Trust (Supervisor). The supervisor is independent of the manager.

The commencement date for this SIPO is 12 November 2018.

2. Investment philosophy

We believe that superior returns can be generated by investing with a long-term perspective and focusing on capital preservation. This is because financial market investors are generally, in our opinion, biased towards short term performance resulting in the inefficient pricing of some assets.

We also believe that having a focused team with a rigorous approach to in-depth research, and a team that is strongly aligned with investors is key to maximising the identification of these opportunities.

We align our interests to yours by having a passionate investment team who are all firm believers in this philosophy and who are invested in our own funds.

3. Investment strategy and objectives

The investment strategy and objective of each fund is below:

Ranger Fund

Investment objective

The objective of the Ranger Fund is to provide equity-like returns over the long run while minimising exposure to extreme share market fluctuations.

The performance objective of the Ranger Fund is to outperform the NZ Official Cash Rate by 5% per annum over the long-term, after all fees (and other expenses) but before tax.

Investment strategy

The investment strategy of the Ranger Fund is to exploit market inefficiencies resulting from a bias to short term performance by financial market investors through investing in a range of Australasian assets.

These inefficiencies exist because, in our opinion, financial market investors tend to:

- focus on recent past performance
- underestimate the effect of capital flows and the resilience of poor returning companies (we call this the 'Value opportunity')
- underestimate the length of time growth companies can earn excess returns (we call this the 'Quality opportunity').

We focus our research time and stock selection on Value and Quality opportunities. We use a disciplined process to identify, research and monitor these opportunities.

Asset allocation

Castle Point has broad discretion on the type and proportion of Australasian assets the Ranger Fund invests into. Given the broad investment mandate of the Ranger Fund there is no target asset allocation or investment mix. There are some restrictions and investment limits on certain assets (see Permitted Investments for details).

There are times in the economic cycle when equity prices can become excessive and the upside from equity investments is limited. Depending on the prevailing investment environment the Ranger Fund might be significantly invested in equities, or might be significantly invested in cash and debt instruments, or it might use derivatives. This allows the Ranger Fund to have capacity to invest when valuations become more attractive.

Permitted investments

The Ranger Fund can invest in the following New Zealand and Australian assets:

- Equities
  - Listed equities (includes ordinary shares, preference shares and rights);
  - Unlisted equities (maximum of 10% of the Ranger Fund's net asset value);

- Fixed Interest
  - Government bonds;
  - Corporate bonds;
  - Unlisted debt instruments (maximum of 10% of the Ranger Fund's net asset value);

- Derivatives
  - Options;
  - Warrants;
  - Futures;
  - Forward foreign exchange contracts;

- Cash and Cash Equivalents
  - Term deposits (up to 12 months);
  - Commercial paper;

- Any other investment agreed to by the Manager and the Supervisor;

- Managed Investment Schemes (whose assets are Permitted Investments above).

The holding of an individual asset can range from -5% (i.e. a short position) to a maximum of 20% of the Ranger Fund's net asset value.

The maximum investment (including Derivatives) in any one company, must not exceed 19% of the issued share capital of that company.

Currency hedging

The Ranger Fund can invest in Australian securities meaning that the Ranger Fund may at times be exposed to currency risk. While the Ranger Fund has discretion to leave foreign currency exposures unhedged the default position is to predominantly hedge Australian dollar exposure back to NZ dollars through the use of forward contracts. The purpose of hedging the Australian dollar exposure is to limit the effect of currency movements on returns from Australian investments.

Where practicable we match the tax treatment of the foreign currency hedge with the asset type e.g. use FDR hedges for equities. This helps to ensure the desired hedge levels are as consistent as possible for clients with different PIRs.

5 Oceans Fund

Investment objective

The objective of the 5 Oceans Fund is to generate a positive return above cash with a focus on protecting investors' capital.

The performance objective of the 5 Oceans Fund is to outperform the NZ Official Cash Rate by 3% per annum over the medium to long-term, after all fees (and other expenses) but before tax.

Investment strategy

The 5 Oceans Fund is designed to have a diversified asset and geographic exposure. The exposure to growth assets can be varied between 30% and 70% of the 5 Oceans Fund depending on the underlying managers' assessment of market risk. This is quite different from traditional diversified funds which often target a set growth allocation and invest accordingly.

The 5 Oceans Fund achieves this by carefully selecting managers that have flexible investment mandates and/or employ risk mitigation strategies. This gives the 5 Oceans Fund a dynamic and flexible exposure to growth assets and greater focus on capital protection in the event of market crashes.

The 5 Oceans Fund does not have a strict target asset allocation rather employs broad ranges for the different asset classes.

Currency hedging can be employed to reduce, or eliminate, the effect of currency movements on some or all of the 5 Oceans Fund's overseas currency exposures.

Asset allocation

The 5 Oceans Fund does not have a strict target asset allocation rather operates within broad investment ranges shown in the table below. The target asset allocation shown is for purposes of calculating the market index as required for fund updates.

Asset Class	Target Asset Allocation (%)	Allocation Ranges (%)
Cash and cash equivalents	7.5	0 – 70
New Zealand Fixed Interest	12.5	0 – 70
International Fixed Interest	25	0 – 70
Australasian Equities	18.5	0 – 50
International Equities	31.5	0 – 70
Listed Property	0	0 – 50
Unlisted Property	0	0 – 50
Other	5	0 – 100
TOTAL	**100**	

Overall the 5 Oceans Fund invests with the following Income / Growth ranges:

	Target Asset Allocation (%)	Allocation Ranges (%)
Total Income Assets	45	30 – 70
Total Growth Assets	55	30 – 70
TOTAL	**100**	

For details of the managers/strategies of the underlying funds into which the 5 Oceans Fund invests please contact Castle Point on **09 300 6060** or **info@castlepointunds.com**.

Permitted investments

The 5 Oceans Fund can invest into any of the asset classes listed in the table above either directly or via other funds.

The Other asset class includes assets that are designed to provide downside protection in market crashes and increase diversification. Examples include options and hedge funds.

Currency hedging

The purpose of hedging the foreign currency exposure is to limit the effect of currency movements on returns from overseas investments.

While the 5 Oceans Fund has discretion to leave foreign currency exposures unhedged, the default position is to hedge foreign currency exposure back to NZ dollars using hedging in underlying funds and/or forward contracts as per the table below:

Sector	Target Hedging (%)
International Fixed Interest	100
Australasian Equities	90 – 100
International Equities	50 – 100
Other	100

For International Equities, hedging is determined by evaluating each underlying currency pair, in terms of exposure, cost of hedging and current valuation vs historical average. Over the long term we expect hedging to average around 75% and generally be in the target range of 50 – 100%.

Where practicable we match the tax treatment of the foreign currency hedge with the asset type e.g. use FDR hedges for equities. This helps to ensure the desired hedge levels are as consistent as possible for clients with different PIRs.

Trans-Tasman Fund

Investment objective

The Trans-Tasman Fund invests in New Zealand and Australian Listed Companies and is benchmarked to the S&P/ NZX 50 Index (incl Imputation Credits).

The performance objective of the Fund is to outperform the benchmark over rolling three-year periods after all fees (and other expenses) but before tax.

Investment strategy

The Fund primarily invests into a portfolio of New Zealand and Australian listed equities. While the Fund is targeted to be fully invested into equities, it will hold a low level of cash for transactional purposes.

The Fund is actively managed, which means that holdings and returns are likely to differ materially from the benchmark.

We believe that superior returns can be generated by investing with a long-term perspective. This is because financial market investors are generally, in our opinion, biased towards short term performance resulting in the inefficient pricing of some assets.

Asset allocation

The Trans-Tasman Fund has the following asset allocation:

Asset Class	Target Asset Allocation (%)	Range (%)
Australasian equities	98	90 – 100
Cash and cash equivalents	2	0 – 10

Permitted investments

The Trans-Tasman can invest in the following permitted investments:

- Shares (fully or partially paid), warrants, rights and options that are
  - o Listed on the NZX or ASX (or are intending to list in near future)
- Options and exchange traded futures over permitted investments
- Forward foreign exchange contracts
- Cash and cash equivalents
- Managed Investment Schemes (whose assets are Permitted Investments above).

The following exposure limits apply.

	Minimum percentage of the Net Asset Value of the Portfolio (%)	Maximum percentage of the Net Asset Value of the Portfolio (%)
New Zealand equities	75	100
Australian equities	0	25
Cash & cash equivalents	0	10
Individual company in the Benchmark	0	Benchmark weight + 10
Individual company not in the Benchmark	0	10

The maximum investment (including Derivatives) in any one company, must not exceed 19% of the issued share capital of that company.

Currency hedging

The purpose of hedging the foreign currency exposure is to limit the effect of currency movements on returns from overseas investments.

While the Trans-Tasman Fund has discretion to leave foreign currency exposures unhedged, the default position is to hedge foreign currency exposure back to NZ dollars using forward contracts as per the table below:

Sector	Target Hedging (%)
Australasian equities	90–100

Where practicable we match the tax treatment of the foreign currency hedge with the asset type e.g. use FDR hedges for equities. This helps to ensure the desired hedge levels are as consistent as possible for clients with different PIRs.

4. Investment policies

Rebalancing policy

The actual asset allocation of each fund is monitored daily to account for market movements, together with any inflows and outflows. Rebalancing occurs if actual allocations have deviated sufficiently from desired levels to justify any costs of trading that would be incurred.

If any of the limits set out in Section 3 are breached Castle Point must rebalance the fund to within the permitted limits within 5 business days, unless written approval is obtained from the Supervisor.

Derivative policy

Derivatives can only be used in accordance with the investment strategy of each fund and are used for:

- risk management
- hedging (including currency)
- implementing investment opportunities.

Valuation policy

Fund valuations are carried out by the Administrator on a daily basis and reconciled with our own valuations.

The overriding aim of our valuation policy is that investments are fairly valued so that clients entering or leaving a fund are not disadvantaged or advantaged in any way.

Liquidity policy

Fund liquidity is constantly monitored to ensure there is sufficient liquidity to meet redemptions and expenses as they may occur. We consider the liquidity of every asset of each fund when evaluating its position size.

Responsible investment policy

Castle Point believes that environmental, social and governance (ESG) factors can have an impact on long term investment outcomes. Castle Point incorporates ESG factors into its own research of direct securities.

Proxy voting

Castle Point votes proxies in the best interests of its clients.

Conflicts of interest

Castle Point must act honestly, fairly and professionally and in accordance with the best interests of its clients at all times. Specifically, it must take "all reasonable steps" to identify and, wherever possible, prevent any potential or actual conflicts of interest between Castle Point and its clients, and among its clients.

Trade allocation/execution

Castle Point has a duty to obtain "best execution" of the securities transactions being effected for its clients' accounts.

It is Castle Point's standard policy that no client for whom we have investment decision responsibility shall receive preferential treatment over any other client. In allocating securities among clients, it is policy that all clients should be treated fairly and that, to the extent possible, all clients should receive equivalent treatment.

Borrowing and leverage

Each Fund is permitted to borrow up to 15% of the Fund's value for events such as:

- transaction settlement mismatches,
- mismatch between withdrawals and selling underlying assets,
- to cover shortfalls due to payment of expenses and/or fees.

Explicit leveraging of a Fund's assets is not permitted.

5. Investment performance monitoring

Performance for each fund is monitored daily by Castle Point and portfolio holdings are reconciled daily against the records of the Administrator and the relevant Custodian. Performance is also monitored by the Investment Committee on a quarterly basis.

Investment performance is reported monthly through fund fact sheets which are available on our website. Performance is monitored over multiple periods including 1 month, 3 months, and 1, 3, and 5 years (as applicable).

Performance is measured net of fees but before any tax on an absolute basis and with reference to the fund's return objective(s).

6. Investment strategy and SIPO review

Investment strategies and the SIPO are reviewed annually by the Castle Point Investment Committee who in turn report to the Board. If there is any material change to a fund's investment strategy or to the regulations or market conditions affecting a fund an ad hoc review is undertaken. Any changes to the SIPO are made in consultation with the Supervisor. We will not implement any material changes to the SIPO until we have given investors at least one month's prior notice.

The process for selecting external investment managers involves identification, due diligence, appointment and ongoing monitoring. Due diligence involves both quantitative and qualitative analysis with a focus on philosophy, process, people and performance. In particular, we look for managers that share our philosophy of long-term investing with a capital preservation focus. Monitoring encompasses daily, monthly and quarterly performance reporting from underlying managers. In addition, underlying managers are reviewed quarterly by the Investment Committee.

Compliance with the SIPO is independently monitored daily by the operations team and any positions outside of mandate are communicated to the investment team for rectification. Any SIPO breaches are reported to the Supervisor.

The most current version of this SIPO is available on the schemes register (Disclose) at **https://disclose-register.companiesoffice.govt.nz**

Definitions / glossary

Administrator	means MMC Limited. This is an independent entity, appointed by Castle Point, who is responsible for unit pricing, registry and fund accounting.
Custodian	is appointed by the Supervisor to hold fund assets on behalf of investors. Custodian together means the Public Trust in its capacity as custodian of the Ranger Fund and the 5 Oceans Fund and also means MMC Limited, as custodian of the Trans-Tasman Fund.
FDR	means the Fair Dividend Rate a method for calculating tax on certain overseas assets. See **http://www.ird.govt.nz/toii/fif/calc-methods/calc-method-fdr/** for further information.
Investment Committee	is an oversight body that reports to the Castle Point Board and contains independent investment expertise.
PIR	means Prescribed Investor Rate. This is the tax rate that certain Portfolio Investment Entity (PIE) funds will use to calculate your tax paid. Current rates are 10.5%, 17.5% or 28% depending on the individual investor's taxable income. See **http://www.ird.govt.nz/toii/pir/about/** for further information.
SIPO	means this Statement of Investment Policy and Objectives.
Supervisor	means the Public Trust. This is an independent entity responsible for supervising Castle Point as manager.


CASTLE POINT