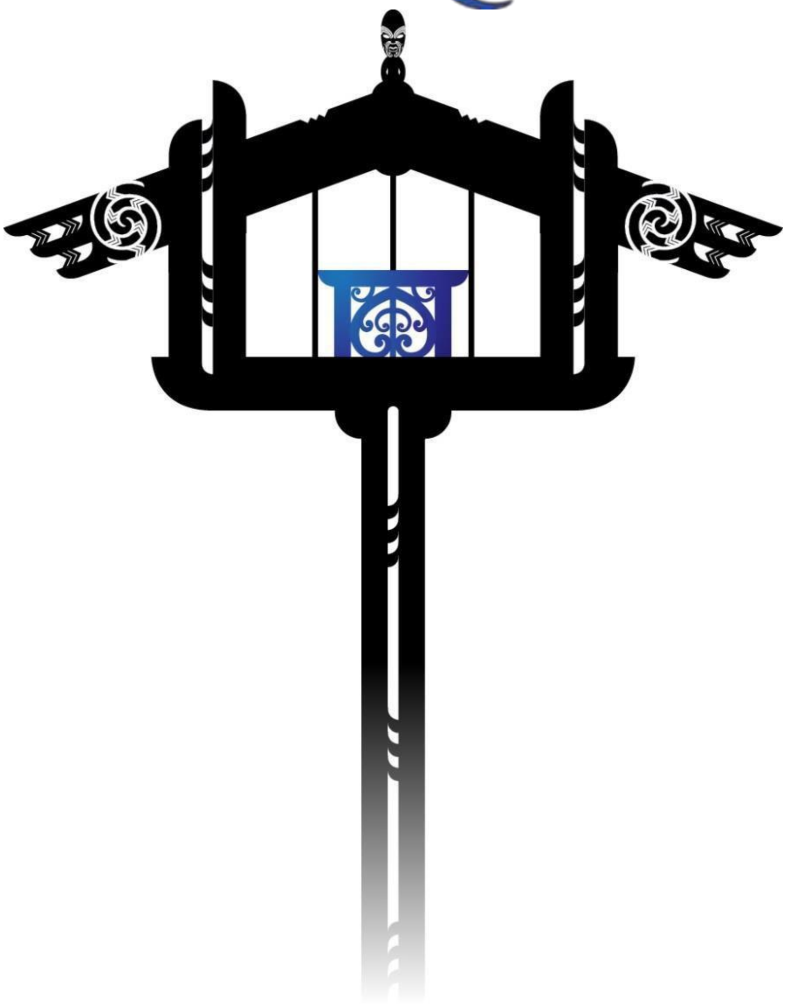

Whai Rawa Unit Trust

Statement of Investment Policy and Objectives

29 September 2017

He Ara Whai Rawa Mō Ngāi Tahu Whānui

A Pathway to Prosperity for Ngāi Tahu Whānui

Contents

1. Introduction

Purpose

The purpose of this Statement of Investment Policy and Objectives ("SIPO") is to document the decisions of Whai Rawa Fund Limited ("the Manager") in respect of the investment of funds within the Whai Rawa Unit Trust ("the Trust").

The SIPO provides all parties involved in the investment management of the Trust with a working document that identifies the investment philosophy, objectives, strategy, implementation, performance measurement criteria, risk management and review procedures to be observed.

It also specifies that the investment management process is to be implemented in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Financial Markets Conduct Regulations 2014 (together the FMCA), Trustee Act 1956 and the Trust's rules as set out in the Whai Rawa Trust Deed dated 6 September 2016.

The SIPO identifies the responsibilities of the parties involved in the management of the Trust's investments; namely the Manager in its capacity as manager of the Trust and any appointed investment manager or underlying fund manager.

This SIPO is effective from 16 September 2017, and replaces all previous SIPOs.

The Trust

The Trust was established by Te Rūnanga o Ngāi Tahu ("TRoNT") in 2006 to build the wealth of Ngāi Tahu Whānui members by encouraging savings and receive distributions from TRoNT.

The Trust is a registered managed investment scheme under the FMCA and is currently governed by a Trust Deed dated 6 September 2016.

The Manager of the Trust is Whai Rawa Fund Limited.

The Supervisor of the Trust is Trustees Executors Limited.

The Manager has determined to invest the funds of the Trust in the Conservative Fund within Mercer Investment Trusts New Zealand (MITNZ). Mercer (N.Z.) Limited (Mercer) manages the investments of MITNZ.

2. Responsibilities of the Parties

Manager

The Manager shall:

1. determine the objectives for the investment of the Trust's assets having regard to the nature of the liabilities, tax implications, and the appropriate level of risk; and

2. determine the appropriate number of external investment managers and / or underlying fund managers (together with applicable underlying funds) of the Trust, and select, review and make changes to such manager(s) and funds as appropriate. The selection of such investment manager(s) and underlying fund managers is based on criteria determined by the Manager and includes a review of:

   a) the investment processes carried out by the investment manager and / or underlying fund manager;

   b) the quality of the investment manager's and / or underlying fund manager's personnel and the range of skills offered by the investment and / or underlying fund manager(s);

   c) the ability of the investment manager and / or underlying fund manager to comply with the Manager's reporting requirements;

   d) the performance of the investment manager and / or underlying fund manager(s); and

e) the investment manager's and / or underlying fund manager's ability to meet Qualifying Collective Investment Vehicle flow through requirements and the integrity of the investment manager's and / or underlying fund manager's systems.

3. determine and periodically review the investment strategies and risk management constraints for the investment of the Trust's assets. This may include long term sector allocation mix, trading ranges and method of implementation. For example, the Manager may select a unit trust or pooled investment arrangement (whether offered by a selected investment manager or an alternative underlying fund manager) which, in part or as a whole, is appropriate for the Manager to invest in;

4. establish investment performance criteria for the selected investment manager(s) and/or underlying funds in which the Trust invests;

5. establish and maintain appropriate contractual arrangements with the investment manager and underlying fund manager(s) and any other parties involved in the investment of the Trust's assets;

6. monitor regularly the investment results to assess the progress being made towards the Trust's long term objectives;

7. monitor appointed investment manager(s) and underlying funds to determine whether they have:

   a) performed satisfactorily relative to their objectives;

   b) adhered to the investment guidelines and constraints, and invested in a manner consistent with the stated philosophy and any pooled fund guidelines; and

   c) maintained appropriate safe custody of assets and supporting processes, systems and controls.

8. advise the investment manager and / or underlying fund manager of any material changes to the operation of the Trust;

9. review this SIPO at least every year (in consultation with the Supervisor), or more frequently if appropriate due to material changes in investment conditions or circumstances including investment strategy, policies or the parties included in this SIPO; and

10. ensure compliance by the Trust with this SIPO and the requirements , of the FMCA.

The Trust Deed permits the establishment of more than one investment portfolio, with the objective of enabling the Manager to provide investment choice to Members.

As at the date of this SIPO , the Manager has decided to maintain a single Portfolio and Investment strategy. This will be reviewed each year as part of the SIPO review.

The Manager may appoint an independent investment advisor to provide advice from time to time on asset allocation and other investment matters.

Investment and Underlying Fund Manager

Each selected investment manager and / or underlying fund manager shall:

1. invest the assets of the Trust provided to it in accordance with this SIPO and the governing documents of any investment funds invested in pursuant to this SIPO ;

2. advise the Manager in writing before or concurrent with any changes in the investment objectives, guidelines or constraints of any unit trust or pooled investment fund provided by the investment manager and / or underlying fund manager in which the Manager invests;

3. provide a written copy of its policy on its use of derivatives and advise the Manager in writing of any change to this policy before or concurrent with a change being implemented;

4. each month, provide the Manager with a written report summarising the month and the year-to-date returns, and the asset allocation between investment sectors if appropriate;

5. on request by the Manager, provide the Manager with any other information that the Manager may reasonably require to meet reporting obligations and maintenance of disclosures under the FMCA (for example in respect of SIPO Limit Breaks, Related Party Transactions, Pricing Error or Non-Compliance Reports, the PDS, Fund Updates, Annual Reports, and the information required to be disclosed on the 'Disclose Register');

6. within an agreed period following the conclusion of each quarter in respect of the Trust's investments for which the relevant manager is responsible, provide the Manager with a written report setting out:

   - the time weighted returns for the Trust's investments, for the quarter, year to date and for rolling 3 year periods, before tax and investment expenses;
   - an attribution analysis of the returns achieved, including performance against benchmarks;
   - the allocation of the Trust's assets between investment sectors at the end of the quarter;
   - a summary of assets held, accounting and taxation information over the period including balance sheets, financial transactions showing costs, book and market values. Where pooled funds are held, a summary of the major holdings and any changes during the period;
   - a description of the fees and expenses incurred during the reporting period;
   - a statement of compliance with any constraints in the mandate or pooled product guidelines, and with its stated operational constraints, processes and policies; and
   - any other information that the Manager may reasonably require, including information required by the Manager to meet reporting obligations and maintenance of disclosures under the FMCA (for example in respect of SIPO limit breaks, the Product Disclosure Statement, any Fund Update documents and Disclose Register).

7. participate with the Manager in reviewing the SIPO from time to time.

3. Investment Philosophy and Objectives

Investment Philosophy ("Beliefs")

Underpinning the Trust's general objectives and specific investment strategy are the following set of investment "beliefs".

Investment in any activity that is consistent with the laws of New Zealand shall be permitted.

The key determinant of risk and return and, as a result, whether or not investment objectives are achieved, is asset allocation. Investment decisions on specific securities are expected to have a lesser impact.

Risk and return are generally related with investors usually being compensated for accepting risk, or increased volatility of returns, by higher returns over an appropriate time frame.

The Manager believes that investment risk can be reduced by appropriate diversification. Where appropriate, the assets of the Trust should be diversified across investment products, asset classes, countries, industries, durations, and securities. Investments will be managed to ensure the Trust will have sufficient liquidity to meet expected cash flow requirements.

External investment specialists are currently able to offer greater skills, resources and flexibility in relation to investment solution design and implementation.

Investment Performance Objectives (currently pursued through Mercer's Conservative Fund)

a) Long Run Expectations

Based on "steady state" investment assumptions, a conservative investment portfolio's long run performance and risk objectives would be expected to be:

- To achieve a real return before tax and investment management fees of at least 3.0% per annum over any rolling 10 year period.

- To have a low probability of a negative return in any 12 month period of less than 6% (i.e. less than 1 year in 17 on average).

"Steady state" assumptions reflect the long term outlook for investment market returns over a 20 year period with current market conditions not a material factor in their derivation. The objectives were derived using a forward looking stochastic tool used by Mercer, called the Capital Market Simulator (CMS), which allows Mercer to model the expected risk, return and correlations of different combinations of asset classes. The data shown above is based on analysis done using March 2017 "Steady State" capital markets assumptions.

b) Current Expectations

To take into account current market conditions, objectives using "market aware" assumptions have also been derived. Given the strong run in equity markets over the past few years and that interest rates are near all-time lows in most developed countries, the Manager considers it appropriate to have regard to these current conditions in the investment objectives set for the Trust.

The current performance and risk objectives adopted for the conservative investment portfolio are therefore:

- To achieve a real return before tax and investment management fees of at least 2.50% per annum over any rolling 10 year period; and

- To have a low probability of a negative return in any 12 month period of less than 10% (i.e. less than 1 year in 10 on average).

“Market aware” assumptions take into account current valuations which can be useful when markets deviate from fair value. The objectives were derived by Mercer using CMS.

These objectives will be reviewed in the light of:

- Material changes to key long term assumptions for returns, risks and correlations between asset types;
- The perceived risk appetite and level of financial sophistication of Whai Rawa members; and
- The extent, and level, of member savings within Whai Rawa.

4. Investment Strategy and Implementation

The investment strategy will be to invest so as to gain exposure to a conservative mix of defensive and growth assets with a benchmark split of 80% defensive assets and 20% growth assets. The actual allocation may vary from time to time but with the exposure to Growth assets always remaining in a band of 5% to 35% of total assets of the Trust.

Defensive assets will in the main consist of interest earning investments and could include fixed interest investments (both sovereign and credit) and cash type assets.

Growth assets will in the main consist of growth orientated investments and could include shares and "real" assets (such as property, infrastructure and natural resources).

Exposure to these asset classes is expected to be by way of an appropriate collective investment vehicle exhibiting the desired risk characteristics and performance objectives. As at the date of this SIPO the Manager has determined to invest in the Conservative Fund within Mercer Investment Trusts New Zealand, with Mercer the investment manager of that fund.

Mercer has determined that the Benchmark strategic asset allocation breakdown between main asset types and the relevant ranges within the Conservative Fund will be:

Defensive assets:		
Fixed Interest	50%	Range 35% to 65%
Cash	30%	Range 20% to 50%
Growth assets:		
Overseas Shares	11%	Range 6% to 16%
Trans-Tasman Shares	5%	Range 0% to 10%
Real assets	4%	Range 0% to 10%

The Manager recognises that it has no direct role in the management of the assets of this Conservative Fund, including the division of investments of the general investment categories of fixed interest, shares and real assets across international and local investments and other more specific “sub class” investment categories.

Investment Process and Review

Mercer, as the underlying fund manager, seeks to achieve the expected return target on a risk-adjusted basis by investing across a wide range of assets, diversified across asset classes, regions, sectors and markets.

It expects to undertake strategic asset allocation reviews of its funds at least every three years, with interim health-checks in-between the reviews. The process takes into account a number of risks, including the probability of achieving the investment objective, expected volatility, expected frequency of negative returns, expected outcomes from different scenarios, liquidity risk and risk-factor analysis.

Mercer adopts a multi-manager approach, in many cases selecting multiple managers for each asset class. Underlying managers are selected based on comprehensive research, are monitored regularly and typically reviewed annually.

Dynamic Asset Allocation

Mercer, as the underlying fund manager, undertakes a dynamic asset allocation process whereby it tilts exposure to asset classes with the goal of reducing risk and enhancing returns of the overall portfolio. The process is designed to reduce exposure to those assets considered over-valued and increase exposure to those assets deemed to be under-valued taking a medium-term view (1-3 years).

Rebalancing

Mercer, as the underlying fund manager will review the breakdown of assets at least monthly and undertake any required rebalancing, particularly in the event that the exposure to Growth Assets has drifted outside of the permitted band specified above. The fund manager is expected to undertake any rebalancing within 5 working days of recognition.

5. Risk Management

The principal risk management policies and constraints which will apply in respect of the investment strategy are:

1. Legal: The investment of the Trust's assets will comply with all legal requirements having regard to the terms of the Trust's Trust Deed.

2. Diversification: An appropriate level of diversification across asset classes, sectors, securities and countries must be maintained. The Trust should not hold more than 10% of its assets in any one security. Government guaranteed securities are not subject to these maximums.

3. Asset Rebalancing: investment managers and underlying fund managers are to maintain appropriate periodic investment rebalancing processes to ensure asset exposure ranges and security guidelines and limits as specified in mandates or pooled product guidelines are maintained.

4. Borrowing: No constraints are placed on the Manager's or investment manager's or fund manager's ability to raise cash for the management of short term cash flow transactions but normally the Trust should not borrow and any borrowing on the security of Trust assets must be disclosed.

5. Liquidity: The Trust primarily requires liquidity to meet payment obligations to members as they arise. Given the general "locked in" nature of member funds and the limited range of benefit types available to members there is not a requirement for a high level of immediate liquidity to be maintained in the investment structure. However material exposure to listed investment markets provides a sound core of liquidity to the Trust.

6. Taxation: As the Trust is a Portfolio Investment Entity (PIE) investment returns will be attributed to members at their nominated personal tax rates, or the default tax rate as applicable.

7. Asset lending: The assets of the Trust are not to be used for the purposes of lending nor for backing the credit position of other parties.

8. Derivatives: The use of futures, options and other synthetic investments (derivatives) by an investment manager or underlying fund manager or their delegates is permitted only as a hedge to manage exposure to foreign currency or other investment risks or to reduce transaction costs and / or improve liquidity by taking a position which would otherwise have been taken by buying or selling the actual stock. In particular, derivatives will not be used in a speculative manner that would gear the funds.

9. Currency Hedging: Overseas assets with foreign currency exposure should generally be fully hedged back to NZ dollars with the exception of overseas shares, which are to be 50% hedged on a net of tax basis. The level of currency hedging within overseas shares is managed and may change over time depending on the investment managers view of the relative strength (or weakness) of the New Zealand dollar.

10. Where the Manager determines that an appropriate investment vehicle is a unit trust or pooled investment arrangement it is recognised by the Manager that the strict enforcement of the investment guidelines, constraints and requirements may not be possible in the overall best interests of the Trust. Where such an investment is made, the Manager may continually reassess the overall suitability of such an investment vehicle in light of these guidelines.

6. Investment Performance Monitoring

Objectives

The principal objectives of performance monitoring are to:

- Assess the extent to which the Trust's long term objectives are being achieved;
- Compare the performance of the selected investment vehicles against the performance of other relevant assets, market indices and comparable products or peer group;
- Assess the performance of appointed investment manager(s) and underlying fund manager(s) where active decisions have been taken around the strategic asset allocation or active management is undertaken within asset classes (as opposed to passive);
- Confirm that all investment constraints have been complied with; and
- Ascertain the existence of any particular weakness in the product(s) utilised.

Satisfactory Performance

The Manager will review the Trust's performance against its objectives at least quarterly. The investment performance will generally be considered unsatisfactory:

- If it fails to match the long term investment performance objective set out in Section 3 measured over any 10 year period;
- If, over rolling 3 year periods, the overall investment performance on the Conservative Fund is below the return that would have been earned by investing the Benchmark asset mix on a passive basis; or
- If, over rolling 3 year periods, peer group or appropriate product comparisons at the Conservative Fund level show the Trust returns to have been below average.

Benchmark Indices

The Manager will adopt the various investment sector benchmark indices used from time to time by the Mercer Investment Trusts New Zealand in respect of the Conservative Fund for investment performance measurement and reporting for its own performance review purposes.

7. Limit Breaks

The Financial Markets Conduct Act 2013 requires reporting of material breaches of the SIPO (limit breaks) to the Financial Markets Authority.

Materiality

Whether or not a breach of this SIPO is material is determined at the discretion of the Manager. In considering whether or not a breach is material, the Manager 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; and
- 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 deemed material for limit break reporting purposes.

Monitoring Process

The Manager will monitor the investments of the Trust for compliance on a monthly basis, including reporting from the investment and underlying fund managers certifying compliance with the investment agreement (or, in the case of an underlying fund manager, the governing and offer documents of the relevant investment product).

Resolution and Reporting

Where the Manager becomes aware of a breach, the relevant investment or underlying fund manager will be instructed to remedy the breach immediately.

Where the Manager determines that a material breach has occurred and that breach is not resolved within 5 business days, the Manager will immediately report the limit break to the Supervisor; otherwise the Manager will report the limit break to the Supervisor each quarter.

8. SIPO Reviews

The original SIPO for Whai Rawa was adopted on 29 May 2006 with reviews in May 2007, May 2008 and in June 2009. A revised SIPO in line with the new asset allocation position was put in place September 2010 and reviewed September 2011, September 2012, July 2013, September 2015, September 2016 and September 2017.

The date of the next SIPO review is September 2018 or sooner if conditions warrant.

SIPO reviews are approved by the Board of the Manager. The Manager may use professional investment advice if considered appropriate. The investment manager's views will be sought on any SIPO review.