



**CRAIGS**<sup>®</sup>  
INVESTMENT PARTNERS

# Craigs KiwiSaver Scheme

## Statement of Investment Policy & Objectives

23 February 2023

Craigs Investment Partners  
Superannuation Management Limited

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This document replaces the Statement of Investment Policy and Objectives dated 23 November 2022.



**KiwiSaver**<sup>™</sup>  
*Poua he Oranga*

**NZX** Firm

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# Introduction

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## Purpose

The purpose of this Statement of Investment Policy and Objectives (“SIPO”) is to document the investment policies of, and internal guidelines in relation to, the Statement of Investment Policy & Objectives (SIPOs) for the Craigs KiwiSaver Scheme (the “Scheme”).

## Scheme Description

The Craigs KiwiSaver Scheme is registered under the KiwiSaver Act 2006 and was established by the Trust Deed dated 27 June 2007 and is now governed by an amended and restated deed dated 15 November 2016 (as amended).

The Scheme is a managed investment scheme for the purposes of the Financial Markets Conduct Act 2013 (“FMC Act”).

Under the Scheme, members are able to develop their own individual investment portfolios within the Scheme by selecting, in conjunction with any financial advice provider (“Investment Adviser”) or a financial adviser engaged by Craigs Investment Partners Limited (“Craigs Investment Adviser”) if required, investments from a range of securities that have been identified by the Craigs Investment Partners Product Committee (“CIP Product Committee”) as being suitable for investment from time to time (“Investment Options”).

## Ownership, Management and Services

Craigs Investment Partners Superannuation Management Limited (also referred to as “the Manager”, “CIPSML” or “we/us/our” in this SIPO) is the manager of the Scheme. It is a specialist funds management firm responsible for issuing and managing the Scheme. It is a wholly-owned subsidiary of Craigs Investment Partners Limited (“CIP”).

The Manager utilises the following services in relation to the Scheme:

- **CIP Compliance** to provide support and oversight regarding the Scheme’s regulatory and market service licensee obligations.
- **CIP Product Committee, CIP Investment Committee and CIP Private Wealth Research (“CIP PWR”)** to research, review and screen securities for inclusion in the Investment Options list or removal from that list.
- **CIP Client Services** to handle application and redemption requests and answer client queries in relation to the Scheme and to operate as the Scheme Administration Manager and Registrar;
- **The New Zealand Guardian Trust Company Limited** as the Supervisor; and
- **KPMG** as the Auditors.

# Investment Philosophy and Strategy

The Scheme's investment philosophy and strategy is based on the following principles:

- certain KiwiSaver investors wish to have control over where their KiwiSaver funds are invested, rather than rely on external investment managers;
- this is particularly true of investors that have a range of investments and wish their KiwiSaver funds to be invested in a manner that fits with their overall investment portfolio;
- the Scheme enables members to construct and manage a portfolio which meets their particular investment philosophy, strategies and objectives, including as to desired investment outcome, investment timeframe, expected return, risk profile and risk tolerance;
- Scheme members are supported in the above process by access to advice and assistance from their Investment Advisers and also through the screening of investments for the Investment Options list by the CIP Product Committee;
- the Investment Options list makes available to Scheme members a wide range of investment types (equities, investment trusts, managed funds, index funds, listed property trusts and cash). This enables members to create a portfolio that matches their investment strategies;
- Scheme members can adopt their own investment management style for their investment portfolio through how the portfolio is constructed and also the manner in which they monitor and make changes to it; and
- because Scheme members choose their own portfolios, management style, risk profile, etc., there are no pre-assigned security selections (other than the Investment Options list), target asset allocations or ranges or performance benchmarks set for individual Scheme members or for the Scheme as a whole. Individual members will determine these for themselves.

## CIP Product Committee

The CIP Product Committee is responsible for approving and reviewing the Scheme's Investment Options and meets at least quarterly. The Committee forms part of the Scheme's governance structure and is authorised by the CIPSMML Board.

It ensures that all securities listed as Investment Options have been through an appropriate due diligence review ensuring all securities are either:

- Reviewed and recommended by CIP Private Wealth Research and approved as "covered" by the CIP Investment Committee (described below);
- New Zealand or Australian managed funds;
- Listed ETFs; or
- International investment trusts (including listed UK investment trusts).

Where an Investment Option is not covered by CIP Private Wealth Research, a due diligence review is undertaken by the CIP Product Committee, which includes fund performance and risk, administration functions and a review of the issuing manager's structure and processes.

Further details on the CIP Product Committee are available in the Other Material Information document available on the CIP website or from the offer register at [disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz).

## Investment Selection – Investment Options

Each Scheme member will select investments from the list of Investment Options with the benefit of access to advice and assistance from their Craigs Investment Advisers and also through the screening of investments for the Investment Options list by the CIP Product Committee. Investment Options include equities, investment trusts, managed funds, index funds, listed property trusts and cash.

The CIP Private Wealth Research team analysts undertake analysis, or use analysis from chosen providers, which considers data relating to a particular security, the industry and markets it operates in, competitive position, market liquidity together with general and specific economic indicators and commentary.

The key principles of the CIP Private Wealth Research team's philosophy can be summarised as:

- 1) A focus on quality across all asset classes;
- 2) An objective to maximise income and income growth and minimise external investment, but not eliminate management fees;
- 3) A conservative approach to risk management; and
- 4) A recognition of the importance of careful and broad diversification.

When considering whether a security should be covered on the list of Investment Options, the CIP Investment Committee considers amongst other things:

- performance data relating to the particular security (e.g. price earnings ratios, net asset values, premiums or discounts);
- sustainability of cash flows and dividends;
- the market or markets it operates in;
- general and specific economic indicators; and
- commentary from other analysts.

The CIP Product Committee is then responsible for determining whether a security should be included as an Investment Option.

A list of the current Investment Options is available on the CIP website:

[craigsip.com/kiwisaver-investment-options](http://craigsip.com/kiwisaver-investment-options)

The Investment Options include the QuayStreet Funds managed by Smartshares Limited:

- QuayStreet Conservative Fund;
- QuayStreet Balanced Fund;
- QuayStreet Socially Responsible Investment Fund;
- QuayStreet Growth Fund;
- QuayStreet Fixed Interest Fund;
- QuayStreet Income Fund;
- QuayStreet Altum Fund;
- QuayStreet New Zealand Equity Fund;
- QuayStreet Australian Equity Fund; and
- QuayStreet International Equity Fund.

Further information about the QuayStreet Funds can be found in the QuayStreet Funds' Product Disclosure Statement.

The QuayStreet Funds Product Disclosure Statement and SIPOs are available on the QuayStreet website:

[quaystreet.com/documents](http://quaystreet.com/documents)

Other Investment Options, including managed funds, index funds and investment trusts, may have SIPOs prepared by their respective manager.

## Changes to Investment Options

We will publish changes made to the list of Investment Options during the quarter on the CIP website.

When a security is removed from the list of Investment Options, this will be communicated to members who hold the security with a recommendation that the member review their portfolio and investment direction and advise us of any changes. A member must confirm to us if they wish to continue holding a removed security. The quarterly personalised reports will identify within the holdings statement whether securities a member holds have been removed from the list of Investment Options.

We will request a new investment direction where a member's current investment direction includes a security which has been removed from the list of Investment Options.

Neither CIPSMML, nor CIP, has any liability to members for any losses incurred as a result of a security being removed from the Investment Options list and any decision to maintain or alter the member's portfolio following that removal.

The Manager reserves the right to sell securities held by a Member if CIPL determines that it is required in order for the Scheme to comply with applicable laws.

We will give member one month's prior written notice before any securities are sold.

## Benchmarks

The Scheme does not select or calculate portfolio benchmarks. Each member is responsible for determining and calculating benchmarks to use to monitor the performance of their portfolio.



# Policies and procedures

## Rebalancing

The Scheme itself is not rebalanced, because it does not have benchmark or target asset allocations. Further, we do not undertake any rebalancing of member portfolios. Each member is responsible for rebalancing his or her portfolio, including determining the regularity with which that is done. Rebalancing instructions will be initiated by the member.

We do recommend that members regularly consider rebalancing their portfolio as part of a regular review of their investment strategy. However, it remains the decision of the member as to whether he or she wishes to diversify or rebalance their portfolio and we will only action member instructions.

## Hedging and risk management

The Scheme does not hedge investments or undertake any risk management on behalf of members. Each member is responsible for managing risk within their portfolio, including hedging against that risk as they see fit. Each member should operate and maintain their own hedging strategy and risk management process in order to mitigate specific risks or adjust underlying investment exposure.

## Scheme Liquidity

The Scheme has regular inflows arising from member contributions and investment income and outflows arising from member withdrawal and transfer requests.

Scheme liquidity and cash flow management is part of the role of the Manager, ensuring sufficient cash is available to pay liabilities as they fall due, including to fund withdrawals.

Liabilities and expenses are attributed to each member as either a fixed cost per member or as a pro-rata allocation based on value invested within the Scheme depending upon the nature of the liability and expense. Member cash is applied to satisfy these member liabilities and expenses.

To ensure members maintain sufficient cash, we may require members to hold a minimum cash balance of either a fixed percentage of their invested funds, or a fixed dollar amount. Where members do not maintain sufficient cash to satisfy liabilities, we are authorised to sell down member holdings to recover cash.

Buy trades are not placed unless a member holds sufficient cash to complete the trade. Liability and expense accruals are included when determining whether a member holds sufficient cash.

## Performance Reporting

Members will receive a statement of holdings and a portfolio performance report at the end of each quarter. These reports will show details of holdings within member portfolios, fees and expenses charged and returns generated by the portfolio. The reports will include the asset allocation of the portfolio as at the end of the relevant quarter.

In addition to this, members may view an up to date valuation of their portfolio, free of charge, on the CIP website client portal or by contacting their Craigs Investment Adviser or the Client Services team.

## Valuations and Pricing

Member portfolio valuations are derived at the end of each business day by applying closing market prices to each security held by a member.

Listed security prices are updated as markets close. Prices for international securities are converted into New Zealand dollars using a currency exchange rate at the end of each business day in New Zealand.

Unlisted securities are valued using prices published by the product registrars. Where these prices are not updated daily, the latest published price will be used. Prices for unlisted international securities are converted into New Zealand dollars using a currency exchange rate at the end of each business day in New Zealand.

## Trade Allocation and Trade Execution

Trades will only be placed when the Manager receives an instruction from a Scheme member and, for buy trades, where the member has sufficient cash within the Scheme to complete a trade.

Currently we operate two investment days each week (or the next business day if the selected date falls on a public holiday (based on Auckland)), although we may trade more frequently where client trade volumes are large enough to permit. Member trades within each Scheme are aggregated and put to market on a best endeavours basis. Trades will only be placed on market where the aggregated volume reaches a minimum parcel, currently \$30.

## Proxy Voting

The Scheme holds securities on behalf of members and the Manager will exercise any voting power when the Manager believes it is in the best interests of members to do so. Decisions as to how to vote will be made on a case by case basis by the Manager.

## Taxation

The Scheme is taxed as a trust at a standard tax rate of 28%. The Scheme is not a portfolio investment entity.

Tax is calculated for the Scheme then allocated to members based on security holdings and transactions throughout the tax year. This ensures that members who own securities that generate taxable income pay the tax on the income generated by the security.

Tax within the Scheme is deemed to be a final tax. More information on the treatment of the Scheme for tax purposes is included in the 'Other Material Information' supplement.

## Operational Risk

CIP has been contracted to provide operational support for the Scheme and Citibank, N.A. has been appointed as the Scheme custodian. These entities are responsible for managing operational risks. Both have operational controls and procedures which are subject to controls audits performed by independent third party auditors. Each have business continuity plans in place and are regulated entities, under different jurisdictions.

The New Zealand Guardian Trust Company Limited is the supervisor of the Scheme.

## Conflicts of Interest

CIP as the owner of the Manager operates a Conflicts of Interest Policy which is adhered to by the Manager. It is designed to identify potential conflicts that may exist and then ensure any actual or perceived conflict is managed in an appropriate manner. This is typically done by disclosing details of any potential conflict to affected parties. The Policy is constructed to ensure at all times Investment Managers place the interests of the members above their own interests or those of CIP or the Manager.

The Manager may have a relationship with a provider (or with a person associated with that provider) of a security included within the list of Investment Options. The Manager may also have established business relationships with associated entities who undertake functions to meet member's investing requirements (e.g. the CIP Product Committee assesses securities for inclusion on the list of Investment Options). These relationships may give rise to a conflict of interest now or in the future. A conflict of interest for these purposes is an interest or relationship the Manager (or persons associated with the Manager) has that would or could reasonably be expected to influence its choice of financial products to acquire or dispose of within the Scheme.

CIPSMML is required to ensure adequate disclosures are made to CIP Compliance and to members where potential conflict exists. This disclosure covers, but is not limited to:

- i) the basis of any fees members are charged and an estimate of the fee;
- ii) details of every interest or relationship that may have or could reasonably be expected to have an influence over the choice of financial products;

- iii) other remuneration we have or will receive;
- iv) details of any public mandate that Craigs Investment Partners and/or its affiliates may have in relation to the company on which a member is being advised.

## Related party transactions

CIPSMML and CIP have in place processes to ensure that any potential related party benefit (as per the definition in section 172 of the FMC Act) is identified and appropriately managed. Staff receive specific advice and training in relation to related party benefits to ensure that they understand where such benefits might arise in connection with the Scheme. We note, in this context, that CIP is compensated for its administration services from the Scheme's share of the management fee. No separate fee is charged to the Scheme or members for these services.

Arrangements with related parties are discussed and agreed with the Supervisor prior to any activity being undertaken. This ensures any related party activity is clearly identified, that terms are conducted on an arms-length basis and any activity is in the best interest of the members.

As part of its internal risk processes, CIP maintains a restricted securities list to ensure all related parties or potential conflict of interests are identified (e.g. where CIP may be separately acting as lead manager on an IPO). The Scheme is not able to invest in restricted securities whilst the restrictions are in place. Potential issues are identified, transactions and positions are reviewed and any trade is subject to approval by the independent directors of the CIPSMML board.

CIP may execute trades on behalf of the Scheme and be compensated by way of brokerage. Brokerage rates charged are recorded as part of the financial statements. Inter party related revenues are publicly disclosed as part of the annual financial statements.



# Effective date and review

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This SIPO is effective from 23 February 2023.

This SIPO will be reviewed and approved by the CIPSML Board annually, during which the Board will consider whether any changes to the SIPO are required.

CIPSML can change the SIPO from time to time at its discretion without notifying you. Any material changes to the SIPO will be included in the Scheme's annual report.

The current version of the SIPO is available on the Scheme register at [disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz)





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The Craigs Investment Partners Limited Financial Advice Disclosure Statement can be viewed at [craigsip.com/tcs](http://craigsip.com/tcs). Please visit [craigsip.com](http://craigsip.com).