

# *Statement of Investment Policy and Objectives for the PG Funds*

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Issued by PG Funds Limited

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# 01. Introduction

## *What is a Statement of Investment Policy and Objectives (SIPO)*

A statement of investment policy and objectives (SIPO) is a document that sets out the investment governance and management framework, philosophy, strategies and objectives of a managed investment scheme and its investment Funds or portfolios.

The most current version of this SIPO, along with other documentation relevant, is available on the Disclose Register at: [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

## *Who is involved*

ROLE	NAME	DESCRIPTION
<b>Supervisor</b>	The New Zealand Guardian Trust Company Limited	Independent supervisor of the Scheme (defined below) under the Financial Markets Conduct Act 2013, responsible for supervising PG Funds Limited as manager of the Scheme.
<b>Custodian</b>	Adminis NZ Limited	Independent entity appointed by the Supervisor to hold assets on behalf of investors.
<b>Administrator</b>	Adminis NZ Limited	Appointed by PG Funds to perform various administrative duties delegated to it, including unit pricing, registry and Fund accounting.
<b>Manager</b>	PG Funds Limited	Manager of the Scheme under the Financial Markets Conduct Act 2013.
<b>Underlying Investment Manager</b>	Perpetual Guardian Investments Limited (PG Investments)	The entity that manages the wholesale Funds underlying the retail Funds in this SIPO.

## *Description of the Scheme and Funds*

The PG Funds scheme (Scheme) is a managed investment scheme under the Financial Markets Conduct Act 2013, managed by PG Funds Limited (we, us, our).

PG Funds Limited was founded in 2013, and in 2024, it was acquired by the Perpetual Guardian Group (PG Group). PG Investments is the investment management company of the PG Group. PG Investments provides a full suite of investment products and services to a wide range of clients of both the PG Group and other organisations.

Each Fund which falls under the Scheme is a separate trust. The Funds which fall under the Scheme, covered in this document are the:

- PG Strategic Growth Fund
- PG High Conviction Fund
- PG Income Opportunities Fund
- PG Global Alternatives Fund
- PG New Zealand Bond Fund

(each a Fund, and together the Funds).

## 02. Governance and monitoring

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### *Governance Structure*

**Board of Directors:** The Board of Directors provides overall oversight, meeting quarterly as guided by the Board Charter. Its responsibilities include monitoring compliance through the Compliance Assurance Programme, overseeing risk management practices, reviewing investment performance, and addressing other key areas. In addition, the Board evaluates overall performance each quarter, maintaining a focus on long-term investment decisions.

**Board Audit, Risk, and Compliance Committee (BARCC):** This is a sub-committee of the PG Group Board. It meets three times a year and is responsible for overseeing risk management, assurance, internal controls, audit functions, and compliance with applicable laws, regulations, and internal policies across the PG Group.

**Investment Committee (IC):** A management-level committee that meets quarterly to oversee the management of investment strategies, monitor portfolio performance, and ensure adherence to investment guidelines.

### *Investment Performance Oversight*

The Investment Committee conducts regular reviews of portfolio performance to ensure outcomes align with the Funds' objectives and benchmarks. These reviews prioritise long-term performance, assessing results against the overarching goals of the investment strategies.

### *Investment Strategy Review*

The Investment Committee undertakes an annual review of the Funds' investment strategies to ensure they remain appropriate and aligned with the Funds' objectives. This process considers market conditions, economic developments, and any other relevant factors. Changes to the strategies are implemented only when necessary to address significant shifts in circumstances or opportunities.

### *SIPO Review and Monitoring*

The SIPO is reviewed at least annually, with additional updates made as needed. Any revisions are formally documented, approved by the Board, and submitted to the Disclose Register. Senior management oversees the review process, with input from the compliance and investment teams to ensure the SIPO remains aligned with regulatory requirements, the Scheme's Trust Deed, and the Funds' overall objectives.

Ongoing compliance monitoring ensures adherence to the SIPO, with any breaches promptly reported to the Supervisor in accordance with legal and contractual obligations. Updates to the SIPO are dated to indicate their effective period, and the most current version is accessible via the Disclose Register ([www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz)) and our website.

## 03. Investment philosophy

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We believe sound investment returns to investors can be made through effective assessment of both quantitative and qualitative measures to identify companies and investments. We have our own signposts through our investment approach to identify high-quality companies for investment and likewise, warning signs that help us ward off undesirable investments.

# 04. Key investment processes

## *Valuation and pricing*

The valuation of underlying securities and the pricing of each Fund is outsourced to the Administrator. These functions are carried out by the Administrator daily and we have adopted the Administrator's unit pricing policy and framework, unit pricing taxation policy and asset and liability valuation policy. The objective of this policy is to ensure that the investment portfolios are fairly valued and priced, there is appropriate oversight of the outsourced pricing and valuation function, and we comply with Financial Markets Authority requirements and the Scheme's Trust Deed.

## *Conflicts of interest*

Conflicts of interest occur when our investment managers' interests may conflict with those of our clients. We are committed to acting honestly, fairly, and professionally to ensure our clients' best interests are upheld at all times.

To manage potential or actual conflicts of interest, we follow a Conflicts of Interest Policy that outlines processes for identifying, declaring, and monitoring conflicts. We take all reasonable steps to prevent conflicts wherever possible and ensure fairness to investors if they arise. Our Conflicts of Interest Policy is available on the Disclose Register at: [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

### COMMON AREAS OF POTENTIAL CONFLICT AND HOW WE MANAGE THOSE:

- **Broker Selection** - We are committed to achieving "best execution" for all securities transactions carried out on behalf of our clients.
- **Trade Allocation** - All clients are treated equitably, and no client receives preferential treatment. Securities are allocated fairly to ensure consistent and fair treatment across all accounts.
- **Proxy Voting** – We vote proxies in the best interests of our clients. If a conflict of interest arises, we may abstain from voting, ask clients to vote on their own behalf, or engage an independent third party to vote on behalf of our clients.

Our approach ensures that conflicts are managed transparently and fairly, maintaining the integrity of our investment process and prioritising the interests of our clients.

## *Investment*

### EQUITY INVESTMENT PROCESS

Our approach to investing in company shares is guided by four core criteria:

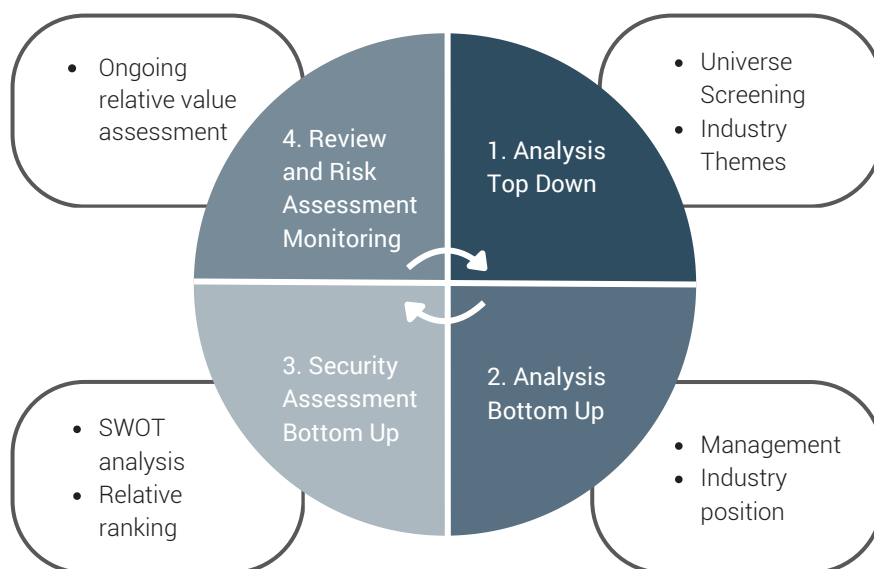
1. **Business Quality** – Emphasis on strong management and sustainable practices.
2. **Financial Structure** – Evaluation of factors such as debt levels and margins.
3. **Industry Trends** – Analysis of key drivers and challenges within the company's broader industry.
4. **Growth Opportunities** – Identification of opportunities specific to the company.

To construct portfolios aligned with our philosophy, our investments employ a combination of top-down and bottom-up analyses, supported by ongoing research and monitoring.

## INVESTMENT PROCESS STEPS

1. **Top-Down Analysis** - We begin by screening a broad universe of companies using filters based on our core criteria, such as earnings, margins, and leverage. We also research key industry themes to evaluate growth prospects, structural dynamics, challenges, and risks.
2. **Bottom-Up Analysis** - Next, we take a closer look at the candidates identified through our top-down screening. We assess individual company factors, including the quality of management and the company's position within its industry.
3. **SWOT Analysis and Ranking** - We then apply a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis to each company. Using this, we rank the candidates and identify the most suitable investments for inclusion in our portfolios.
4. **Ongoing Monitoring and Risk Assessment** - We continually review and assess the individual investments in our portfolios, as well as the industries they belong to. This ensures our investment process remains dynamic and responsive to changes in market conditions, while staying true to our investment philosophy.

The complete investment process is shown below:



## FIXED INTEREST INVESTMENT PROCESS

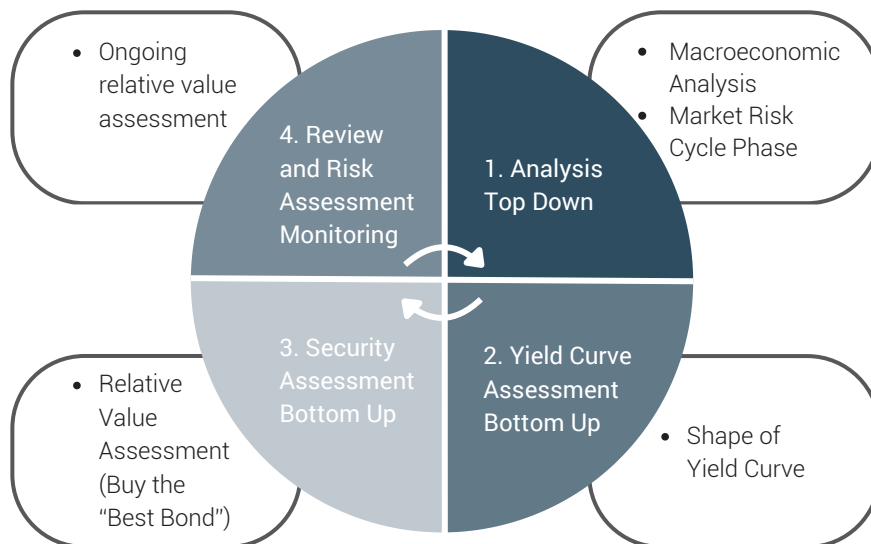
We undertake a top down and bottom-up approach to fixed interest investing. From the top down we assess the macroeconomic environment, in conjunction with geopolitical considerations, and monetary and fiscal policies driving the relative attractiveness of fixed income investments. From the bottom up we undertake an appraisal of issuers. The process steps are described in detail below:

Our fixed income strategy combines top-down macroeconomic analysis with bottom-up issuer assessment to construct robust portfolios.

### INVESTMENT PROCESS STEPS

- 1. Macro Analysis (Top-Down)** - We evaluate global and domestic macroeconomic conditions, considering factors such as geopolitical influences, trade dynamics, and central bank policies. We analyse yield curves to uncover key investment themes and identify potential opportunities in the fixed income market.
- 2. Yield Curve Assessment (Bottom-Up)** -We review current market pricing of assets to assess their relative value. From there, we select bonds that best align with our strategy, focusing on factors such as sector, credit quality, maturity, and duration.
- 3. Security Assessment (Bottom-Up)** - We use our STATIC framework to score issuers, evaluating their stability, transparency, business position, and independent ratings. This structured approach helps us make informed decisions about the bonds we include in our portfolios. STATIC stands for Stable, Too important to fail, Alignment with guidelines, Transparency, Institutional support, and Creditworthiness—providing a consistent, repeatable framework to assess credit strength.
- 4. Ongoing Monitoring** - We continually monitor macroeconomic factors, portfolio positioning, and issuer ratings. This allows us to maintain alignment with our investment objectives and proactively manage risk in a dynamic market environment.

This ongoing process is shown below:



### ALL INVESTMENT FUNDS

For both equity and New Zealand fixed interest our Investment Team meetings bring together all our recommendations where investment ideas are formally presented and peer reviewed for potential implementation. These meetings are designed to promote collaboration on investment decisions and leverage the team's experience and knowledge, both in New Zealand and overseas, held amongst the team. The individual manager is responsible for final selection of the securities to include within the specific portfolio they are responsible for.

## *External managers*

When we engage third-party managers, we undertake a rigorous selection and monitoring process to ensure they align with our investment objectives and philosophy. Our due diligence process focuses on identifying managers who share our values and commitment to disciplined, high-quality investment practices.

Key Considerations in Manager Selection:

- A well-defined and disciplined investment process.
- An investment style that aligns with our philosophy and the objectives of the Funds.
- The experience and capability of the investment team.
- A proven performance track record.
- Accessibility and transparency of the investment management team.
- Robust governance and compliance frameworks.
- The liquidity of the investment vehicle and its ability to meet the Funds' liquidity requirements.

Once a manager is appointed, we regularly assess their performance, holdings, and adherence to their stated investment process and disclosures. This review ensures the manager's approach continues to align with our expectations and Fund objectives.

Any concerns identified during our assessments are promptly addressed with the manager for resolution. We periodically report our findings to the Investment Committee and retain the discretion to add or remove managers as required to best serve the interests of our investors.

## *Rebalancing*

Rebalancing is the process used to keep the portfolio aligned with its intended investment structure. Each asset in the portfolio has a target position, with bands set around that target (also called "permitted ranges") to accommodate national market movements.

Over time, changes in asset values can cause portfolio weights to move away from their targets. If an asset moves outside its permitted band, the portfolio may no longer reflect the desired risk and return profile.

To address this, a Rebalancing Policy is followed. The portfolio is monitored daily, and when an asset breaches its band, trades are made to return it closer to target. This typically involves reducing positions that have increased in weight and adding to those that have decreased.

Key features of the rebalancing process:

- Target positions with bands – Each asset has a defined target and associated tolerance band. Rebalancing is triggered when weights move outside these bands.
- Daily monitoring – The portfolio is reviewed daily, or in response to significant market movements.
- Efficient execution – Rebalancing is carried out with consideration for transaction costs, liquidity, and tax impacts.
- Consistent application – The approach is applied uniformly across all relevant portfolios to ensure fairness and consistency.

This disciplined process supports the Funds' long-term investment strategy by maintaining alignment with their intended risk profile and investment objectives.

## *Short selling, borrowing, derivatives and foreign currency exposures*

The table below outlines each Fund's permitted use of short selling, borrowing, derivatives, and foreign currency exposure. The Funds are unhedged by default with respect to foreign currency exposure but may choose to hedge this exposure when considered beneficial. Derivatives may be used to adjust exposure to underlying assets, including for the purpose of leverage. Foreign currency derivative positions are not required to be cash-backed; however, such positions are actively monitored and regularly closed out to manage risk.

FUND	SHORT SELL	BORROW CASH	DERIVATIVES	FOREIGN CURRENCY EXPOSURE
PG Strategic Growth Fund	No	No	Yes	0-100%
PG High Conviction Fund	No	No	Yes	0-100%
PG Income Opportunities Fund	No	No	Yes	0-100%
PG Global Alternatives Fund	No	No	Yes	0-100%
PG New Zealand Bond Fund	No	No	Yes	n/a

## 05. Description of Asset Classes

Each Fund has different limits and target exposures across asset classes. The definitions of these asset classes are provided below. Where a Fund invests in other internally managed Funds, we apply a look-through approach to identify the underlying exposures. For externally managed Funds, classification is based on the predominant exposure of the underlying investments in line with the definitions below.

ASSET CLASS	DESCRIPTION OF ASSET CLASS
<b>Cash and Cash Equivalents</b>	Cash at bank.
<b>New Zealand Fixed Interest</b>	New Zealand dollar denominated fixed interest securities, loans, interest rate swaps, term deposits and other yield-bearing investments.
<b>International Fixed Interest</b>	Fixed interest securities, loans, interest rate swaps, term deposits and other yield-bearing investments based outside New Zealand.
<b>Australasian Equities</b>	Australasian-based equity including ordinary, preference and partly paid shares, convertible securities, warrants and exchange-traded Funds (ETFs).
<b>International Equities</b>	Equity based outside New Zealand and Australia, including ordinary, preference and partly paid shares, convertible securities, warrants and exchange traded Funds (ETFs).
<b>Unlisted Equities</b>	Equities which are not listed on a public stock-exchange. These could fall under Australian, New Zealand or International Equities.
<b>Other</b>	Futures, options, commodities, long/short strategies, event-driven strategies, market neutral style premia strategies and other investments that do not meet the criteria of the above categories.

## 06. Fund Schedules

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PG STRATEGIC GROWTH FUND

PG HIGH CONVICTION FUND

PG INCOME OPPORTUNITIES FUND

PG GLOBAL ALTERNATIVES FUND

PG NEW ZEALAND BOND FUND

# PG Strategic Growth Fund

## OBJECTIVE/DESCRIPTION

The Fund aims to achieve long-term capital growth by investing predominantly in international equities, including Exchange Traded Funds (ETFs) listed throughout the world.

## STRATEGY

The Fund employs an active management strategy, focusing on a select group of between typically 10 and 50 predominantly international companies. This focused approach allows careful selection and management of investments and not passively investing to replicate any given index. While the Fund primarily invests in international markets, it retains the ability to invest in shares in Australasia. Typically, the Fund will be fully invested however cash or cash equivalents may be held to reduce risk and increase flexibility. The primary objective of the Fund is to achieve long-term capital growth.

## MINIMUM RECOMMENDED INVESTMENT TIME FRAME

5 years

## PERFORMANCE BENCHMARK

MSCI World Index (Price Return, in NZD)

While the Fund uses this as a benchmark, it is managed without strictly following or being tied to it.

## MARKET INDEX

This Fund is not managed against a specific market index. Nevertheless, we reference the following as a market index for the Fund.

MSCI World Index (Price Return, in NZD)

## TARGET AND PERMITTED RANGES

ASSET CLASS	TARGET	PERMITTED RANGES
Cash and Cash Equivalents	2%	0-30%
International Equities	98%	70-100%
Australasian Equities	0%	0-30%
International Fixed Interest	0%	0-20%
Unlisted Equities	0%	0-10%

# PG High Conviction Fund

## OBJECTIVE/DESCRIPTION

The Fund's primary objective is to achieve long-term capital appreciation through strategic investment in a select group of New Zealand and Australian equities. The strategy allows the Fund to navigate market fluctuations while aiming for sustained growth over extended periods.

## STRATEGY

The Fund employs an active management strategy, focusing on a select group of between typically 10 and 30 companies listed in Australia and New Zealand. This focused approach allows careful selection and management of investments and not passively investing to replicate an index. While the Fund primarily invests in Australasian markets, it retains the ability to invest in shares listed outside this region. Typically, the Fund will be fully invested however cash or cash equivalents may be held to reduce risk and increase flexibility. The primary objective of the Fund is to achieve long-term capital growth.

## MINIMUM RECOMMENDED INVESTMENT TIME FRAME

5 years

## PERFORMANCE BENCHMARK

50% S&P / NZ All Shares (Price Return, in NZD)

50% S&P / ASX 200 (Price Return, in NZD)

While the Fund uses this as a benchmark, it is managed without strictly following or being tied to it.

## MARKET INDEX

50% S&P / NZ All Shares (Price Return, in NZD)

50% S&P / ASX 200 (Price Return, in NZD)

While the Fund uses this as a market index, it is managed without strictly following or being tied to it.

## TARGET AND PERMITTED RANGES

ASSET CLASS	TARGET	PERMITTED RANGES
Cash and Cash Equivalents	2%	0-30%
Australasian Equities	98%	70-100%
Unlisted Equities	0%	0-10%
International Equities	0%	0-30%
International Fixed Interest	0%	0-30%

# PG Income Opportunities Fund

## OBJECTIVE/DESCRIPTION

The Fund aims to provide a higher level of income from a diversified investment portfolio of equity and fixed income securities alongside moderate capital growth over the long-term.

## STRATEGY

The Fund combines quantitative analysis overlaid with qualitative, fundamental research across Australasian investments. The Fund primarily invests in select equities that typically offer compelling dividend yields, fixed interest securities and cash. Through this approach the Fund provides diversification of investment types and income streams and providing investors with the potential for regular distributions.

## MINIMUM RECOMMENDED INVESTMENT TIME FRAME

3 years

## PERFORMANCE BENCHMARK

NZ Official Cash Rate + 2.5%

## MARKET INDEX

While this Fund is not managed against a specific market index, the following is provided as its returns are likely to be useful to investors when assessing the performance of the Fund as a whole.

50% Bloomberg NZ Bond Composite 0+ Yr (Total Return, in NZD)

25% S&P / ASX 200 (Price Return, in NZD)

25% S&P / NZ All Shares (Price Return, in NZD)

## TARGET AND PERMITTED RANGES

ASSET CLASS	TARGET	PERMITTED RANGES
Cash and Cash Equivalents	2%	0-30%
Australasian Equities	50%	20-80%
New Zealand Fixed Interest	48%	0-60%
International Equities	0%	0-40%
International Fixed Interest	0%	0-40%
Unlisted Equities	0%	0-10%

# PG Global Alternatives Fund

## OBJECTIVE/DESCRIPTION

The Fund aims to deliver attractive long-term returns by investing in a diversified portfolio of global alternative strategies through managed Funds. These may include but are not limited to equity long/short strategies, fixed interest strategies focused on factors such as capital structure or rate spreads, global macro strategies such as thematic and relative value, and style premia strategies such as value, momentum and interest carry. The Fund is designed to complement traditional equity and bond portfolios by providing exposure to differentiated sources of return with a focus on capital growth, diversification, and risk-adjusted outcomes.

## STRATEGY

The Fund employs an active, multi-asset strategy focused on identifying and allocating capital to a carefully selected group of global alternative investments. The Fund invests through external Fund managers who demonstrate strong alignment with the Fund's objectives, possess specialist expertise, and maintain a disciplined investment process. External managers are selected based on rigorous due diligence, including assessment of their track record, investment philosophy, risk management practices, and structural alignment with investors.

## MINIMUM RECOMMENDED INVESTMENT TIME FRAME

5 years

## PERFORMANCE BENCHMARK

NZ Official Cash Rate + 3%

## MARKET INDEX

While this Fund is not managed against a specific market index, the following information is provided because the returns may still be helpful for investors when assessing the Fund's overall performance. The weightings shown are based on an estimated look-through of the Fund's underlying managed Fund exposures. However, when categorising underlying Funds into asset classes for the Target and Permitted Ranges, externally managed Funds are classified based on the predominant exposure of their underlying investments.

45% MSCI World (Price Return, in NZD)

20% Bloomberg Global Agg Total Return Index (Price Return, in NZD)

35% S&P / NZX Bank Bills 90-Day Index (Total Return, in NZD)

## TARGET AND PERMITTED RANGES

The Fund targets exposures to the following investments:

ASSET CLASS	TARGET	PERMITTED RANGES
Cash and Cash Equivalents	2%	0-20%
Other	98%	80-100%
International Equities	0%	0-50%

# PG New Zealand Bond Fund

## OBJECTIVE/DESCRIPTION

The Fund is designed to provide regular income from predominantly New Zealand investment grade corporate bonds.

## STRATEGY

The Fund predominantly invests in select New Zealand corporate fixed interest securities. The Fund employs active duration management, adjusting the portfolio's sensitivity to interest rate changes based on market conditions and economic outlooks. This approach allows for tactical positioning in response to anticipated interest rate movements, potentially enhancing returns and mitigating risks associated with bond price fluctuations.

## MINIMUM RECOMMENDED INVESTMENT TIME FRAME

3 years

## PERFORMANCE BENCHMARK

Bloomberg NZ Bond Composite 0+ Yr (Total Return, in NZD)

## MARKET INDEX

Bloomberg NZ Bond Composite 0+ Yr (Total Return, in NZD)

## TARGET AND PERMITTED RANGES

ASSET CLASS	TARGET	PERMITTED RANGES
Cash and Cash Equivalents	0%	0-20%
New Zealand Fixed Interest	100%	80-100%

