Bay of Plenty Community Trust

Statement of Investment Policy and Objectives

Adopted by the Trustees on 4 Dec 2025 (V10).

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1. INTRODUCTION

The purpose of this Statement of Investment Policy and Objectives ("SIPO") is to provide all parties involved in the portfolio management of the Bay of Plenty Community Trust ("the Trust" or “BayTrust”) and its 100% owned subsidiary BayTrust Charities Limited (BTCL) with a document that sets out the objectives, policies and beliefs which govern investment decisions.

Trust Deed

The Trust Deed provides the Trustees with broad authority to invest the Trust's assets.

The Trustees shall invest the assets of the Trust in a manner which considers the requirements of the Trusts Act 2019, the Community Trusts Act 1999, and all other relevant legislation.

The Trust Deed also outlines that Trustees should have regard to the principles of Te Tiriti o Waitangi in interpreting the Trust Deed and in performing their obligations under the Trust Deed. In alignment with this, Trustees have committed to investing (where able) in a way that is consistent with the principles of the Te Tiriti o Waitangi, partnership, protection and participation.

Effective Date

This SIPO takes effect from 4 Dec 2025 with the asset allocations to be implemented in accordance with advice from the Trust’s Investment Advisor.

Review Dates

This SIPO replaces the previous SIPO V9.

The Trustees intend to review this SIPO in detail every three years or more frequently if there is a significant change in the Trust's circumstances. The Investment Advisor will also undertake an annual high-level review of the SIPO to ensure it remains fit for purpose, and to report any findings through to the Trust's Investment Committee.

Appendix

The Appendix includes additional information on:

- Terms used in this SIPO (Glossary)

2. FINANCIAL OBJECTIVES

The Trustees of the Bay of Plenty Community Trust will invest the assets of the Trust in a broad range of diversified and over-time sustainable investments designed to achieve the following objectives:

1. Maximise the total amount of distributions that can be financed by the investments of the Trust over the long term, subject to a prudent level of portfolio risk and with consideration for environmental and social sustainability.
2. Maintain the Trust's real capital.

3. INVESTMENT OBJECTIVES

The overall investment objective of the Trust is to earn an average annual inflation-adjusted (real*) total return, after investment fees but before spending, of 5.0% over a full market cycle, to be able to achieve its spending policy as outlined under 4.

More specifically, the long-term objectives are to:

- Maintain the real* market value of the Trust in perpetuity.
- Ensure a stable level of spending over time.
- Maintain equity between present and future beneficiaries in perpetuity.
- Align with long term environmental and social sustainability.
- Where investing directly in NZ, the Trust will endeavour to ensure its investments align with the principles of the Te Tiriti o Waitangi; partnership, protection and participation. Where investing offshore the Trust where able should consider in particular the principle of protection as recognised in Te Tiriti o Waitangi.

The Investment Committee recognises that the 5.0% real* return target is a long-term target and will not be achieved in every measurement period.

4. SPENDING POLICY

4.1 The ideal spending policy ensures a balancing of priorities, whereby the needs of current beneficiaries are not sacrificed in the interests of future beneficiaries, nor are future needs sacrificed to those of the present.

4.2 The Trust's spending policy is to have available for spending 4.0% of the average trailing 12 quarter market value (net of investment income, realised capital gains & proceeds of sale of investments).

4.3 The difference between the Trust's 4.0% spending rate and the portfolio's 5.0% real investment objective builds in a partial buffer for population growth in the Bay of Plenty which has historically averaged about 1.0%.

4.4 Large one-time withdrawals from the Trust should be provisioned in advance to ensure appropriate liquidity and risk management.

4.5 As the fund follows a total return approach (rather than a distributed income approach), spending is sourced as needed from the portfolio (including proceeds of investment sales, net investment income, and capital gains).

*A real rate of return is the annual percentage return realised on an investment, which is adjusted for changes in prices due to inflation, as measured by the consumer price index.

5. INVESTMENT BELIEFS

The Trustees have an established set of investment beliefs that guide their investment in the Trust's portfolio:

5.1 Strong governance and well-defined decision-making structures enable sound investment decision making.

5.2 The investment horizon of the Trust is long-term and setting an appropriate strategic asset allocation that is appropriate to the objectives and risk tolerance stipulated is a key investment decision. This decision lies at the core of the Trust's risk and return and will therefore be the primary driver of long-term success.

5.3 Higher levels of return are typically associated with higher levels of risk. For instance, equities are expected to outperform other asset classes in the long term but are likely to be more volatile in the short term and may result in periods of diminished purchasing power. However, a reasonably high allocation to equities is required to support spending while preserving the purchasing power of the Trust Fund. Conversely the primary purpose of a fixed interest allocation is to help maintain spending distributions from the Trust during a period of prolonged economic contraction, without having to sell equities at depressed prices to do so.

5.4 At times markets may become so far removed from fair value that there is a high probability of improving returns by tilting away from the strategic asset allocation. Nonetheless, such deviations must be reasonably constrained as the strategic asset allocation has been specifically designed to reflect the Trust's objectives.

5.5 Staying invested in markets in line with the investment strategy, even during times of financial turmoil, gives the Trust the best opportunity to achieve its long-term goals.

5.6 Assuming that suitably qualified professional managers are used, the majority of portfolio risk is attributable to market risk rather than manager-specific risk.

5.7 Markets are highly competitive but not always perfectly efficient. Active managers can add excess return over benchmarks. In some markets/asset classes, manager structures that include a passive approach may be more appropriate. In choosing between active and passive investment options, both investment characteristics and ESG, sustainability and climate considerations will be considered as well as how much and how ‘active’ the Trust's illiquid portfolio is.

5.8 Diversification, particularly across low or negatively correlated investments, has the potential to improve the risk/return trade-off. This applies at the overall Trust level (in terms of the selection of asset classes), at the asset class level (in terms of the selection of more than one manager) and at the manager level (in terms of the selection of securities).

5.9 BayTrust believes in the principles behind Responsible Investing (of which ESG is a part), in investing in a sustainable manner and in using its capital to drive a more equitable and environmentally sustainable world on the basis that as a perpetual investor this will drive sustainable and superior long-term investment returns.

5.10 BayTrust accepts that climate change poses a serious and immediate risk to both our potential investment returns and to our community and requires urgent action.

5.11 BayTrust believes that by investing a portion of its portfolio into impact investments, it can increase the Trust’s impact around its purpose, particularly for market-based solutions where granting will have a limited impact. This will be achieved without materially compromising its overall investment risk or returns and allow the Trust to address issues that granting is unable or ineffective in addressing.

6. STRATEGIC ASSET ALLOCATION

The Trustees consider that the choice of Strategic Asset Allocation (SAA) has the most influence on the likelihood of the Trust achieving its investment objectives. The Trustees have retained responsibility for this decision, which is made on the advice of the Investment Advisor and/or other investment professionals.

The Policy Asset Allocation Targets for the BayTrust, listed in Table 1, are categorised under two broad asset groups according to the primary roles that each asset class plays in the portfolio:

- Growth Assets
- Defensive Assets

The Trustees confirmed on 21 March 2024 the Trust's move from a '75/25' strategic asset allocation to the '85/15' strategic asset allocation listed in Table 1.

Table 1: BayTrust '85/15' Long Term Strategic Asset Allocation & Rebalancing Ranges

Asset Classes	Policy Target	Policy Ranges
Growth Assets	**85.0%**	**70 – 90%**
Global Equity	30.0%	15 - 45%
Emerging Market Equity	5.0%	0 – 10%
Private Investments[1]	20.0%	10 – 25%
Growth Alternatives	5.0%	0 – 15%
Impact Investments	10.0%	5 – 15%
Infrastructure and Property[2]	15.0%	5 – 20%
Defensive Assets	**15.0%**	**10 – 30%**
Defensive Alternatives	0.0%	0 – 10%
Impact Loans	5.0%	0 – 10%
Global Fixed Income	5.0%	0 – 15%
New Zealand Fixed Income	2.5%	0 – 15%
Cash	2.5%	0 – 15%
Total	**100.0%**	

[1]Includes both Australasian and global private investments
[2]Includes both listed and unlisted investments

6.1 Equities (public and private) have historically outperformed other asset classes and are therefore the Trust's growth engine. It is recognised that a portfolio biased to Growth Assets could be severely impacted during periods of unanticipated inflation or prolonged deflation. Infrastructure and Property can protect the portfolio against inflation.

6.2 Defensive Assets are included to provide stable returns, liquidity and protection against a prolonged economic contraction. In order to fulfil its deflation hedging role, a significant proportion of the allocation to both New Zealand and Global Fixed Income will be invested in high quality fixed income securities. In addition, Defensive Alternatives aim to dampen volatility while attempting to improve the risk/return profile. Defensive Alternatives represent strategies that may be more complex than standard bond portfolios, but that offer capital protection and safety in periods of equity market declines. In the event of a large market decline, listed New Zealand and Global Fixed Income will be used to fund ongoing capital requirements, such as granting, currency hedge losses and private investment capital calls.

6.3 Impact investments and loans are intended to maximise the Trust's impact in alignment with the Trust's purpose, without materially compromising the overall investment risk and returns and will be sourced and managed by BayTrust’s management team.

6.4 To ensure sufficient liquidity is always available to BayTrust, the Trust’s targeted cash level is set at 2.5%.

6.5 The Strategic Asset Allocation (Table 1) serves as a guide to target asset allocations. However, there may be times when the BayTrust overweights/underweights certain asset classes relative to its target allocations or initiates exposure to other asset classes opportunistically.

7. REBALANCING POLICY

7.1 The objective of rebalancing is to keep the Trust’s portfolio asset allocation at or near the BayTrust policy weights in order to obtain the benefits of diversification and maintain an asset allocation that has been designed to help achieve the stated investment objectives, without incurring additional unintended risks.

7.2 The allocation to each asset class should observe its policy target, unless a specific tactical target has been established for the asset class. Such allocations would be allowed to vary from the policy target within the rebalancing range for each asset class (see Table 1).

7.3 In order to avoid incurring unnecessary transaction costs, rebalancing actions should be timed to coincide with cash outflows (spending drawdowns) to the extent reasonably possible.

7.4 Whilst rebalancing of private investments is not possible due to illiquidity, the policy ranges serve as a guide for the commitment pacing of private managers.

7.5 Minor rebalancing transactions have been delegated by the Investment Committee to the Trust’s Chief Executive Officer with advice from the Trust’s Investment Advisor. Asset allocations can be rebalanced within 2% of the portfolio’s current positioning provided the resulting asset allocation conforms to SIPO guidelines. These transactions include partial manager redemptions and additions to meet operating cash needs and capital calls/distributions for private investments.

7.6 The CEO also has delegated authority for minor rebalancing transactions between Bay of Plenty Community Trust Inc. and its 100% owned subsidiary, BayTrust Charities Limited, for cashflow purposes.

7.7 Major rebalancing transactions will be approved at the Investment Committee meeting or, if time sensitive, by email circular.

7.8 The Investment Committee of the Trust has Board delegated authority with advice from the Trust’s Investment Advisor to rebalance within the above policy ranges.

8. TARGET POLICY PORTFOLIO BENCHMARKING

8.1 The Trust’s portfolio, asset classes and managers will be benchmarked to relevant indices for performance evaluation.

8.2 Investment Objective Benchmark: The long-term return (over rolling 5 to 10-year periods) of the portfolio is to achieve a real return target of 5% (CPI plus 5%).

8.3 Policy Benchmark: A secondary objective in the portfolio benchmarking is to measure whether the portfolio has performed in line with expectations given the allocation to each asset class in the portfolio. To evaluate this, the returns of the Trust will be measured against a blended policy index composed of indices reflecting the allocation and benchmark of asset class in the Strategic Asset Allocation. See Table 2 for a reference to asset class benchmarks.

8.4 Manager Weighted Benchmark: A blend of indices representing the benchmarks for individual managers, weighted by the amount invested in each manager.

Table 2: Composition of the Target Policy Portfolio Benchmarks

Asset Classes	Benchmark
Growth Assets	**Blend of Asset Class Benchmarks at SAA Weights**
Global Equity	MSCI World Index (Net)
Emerging Market Equity	MSCI Emerging Market Index (Net)
Private Investments	50% MSCI World Index (Net), 50% S&P NZX 50 Index
Growth Alternatives	HFRI Fund of Funds Diversified
Impact Investments	S&P NZX 50 Index
Infrastructure and Property	Weighted blend of underlying strategy benchmarks
Defensive Assets	**Blend of Asset Class Benchmarks at SAA Weights**
Defensive Alternatives	S&P/NZX 90 Day Bank Bill
Impact Loans	S&P/NZX 90 Day Bank Bill
Global Fixed Income	Bloomberg Barclays Global Aggregate Bond Index
New Zealand Fixed Income	Bloomberg NZ Bond Gov 0+ Yr Index
Cash	S&P/NZX 90 Day Bank Bill

Note: Benchmarks are hedged in line with the Trust's currency policy (Table 3).

9. CURRENCY HEDGING

9.1 Currency exposure can introduce additional unrewarded volatility to the portfolio. The currency hedging policy manages the impact of currency fluctuations to portfolio returns over time by limiting the portfolio's total unhedged foreign currency exposure to 40% of total assets.

9.2 The currency hedging policy will be implemented by asset class as outlined in Table 3.

9.3 Where possible hedging will be implemented at the manager level. Where hedged share classes are not available, a passive currency overlay will be used.

Table 3: Currency Hedging Policy

Asset Classes	Hedging Policy
Global Equity	50% - 80% Hedged
Emerging Market Equity	No Hedging
Private Investments	No Hedging
Growth Alternatives	100% Hedged
Impact Investments	No Hedging
Infrastructure and Property	50% - 100% Hedged
Defensive Alternatives	100% Hedged
Impact Loans	No Hedging
Global Fixed Income	100% Hedged
New Zealand Fixed Income	No Hedging
Cash	No hedging

9.4 The neutral Global Equity hedge ratio is 65%, but the ratio can be adjusted in times of large valuation movements. The guidelines for considering a change to the hedge ratio are detailed in Table 4.

Table 4: Global Equity Hedge Ratio Triggers

Action	Trigger	Back to 65%
Increase global equity hedge ratio to 80%	NZD/USD ≤ 0.55	NZD/USD ≥ 0.65
Decrease global equity hedge ratio to 50%	NZD/USD ≥ 0.85	NZD/USD ≤ 0.75

10. MANAGER CONCENTRATION LIMITS

10.1 To provide reasonable assurance that no one manager could have a disproportionately negative impact on the Trust's aggregate results, exposure to any single actively managed fund should be limited to:

- 10% for a growth fund. These funds typically exhibit higher volatility which results in the potential to have bigger impact on portfolio returns.
- 20% for a defensive or multi-manager fund. These funds characteristically have lower risk and/or are more diversified which enables larger positions to be taken.

10.2 In addition, investments should not constitute more than 10% of a third-party pooled fund's assets under management[1]

10.3 The Committee may at its discretion make exceptions to these limits, for example, for the purposes of averaging in, testing a new asset class or manager, or building a relationship

[1]The limit applies at the strategy/fund level, not the individual investment vehicle level

11. LIQUIDITY POLICY

11.1 The portfolio has a 45% soft illiquidity limit and a 50% hard illiquidity limit.

11.2 Illiquid assets are defined as investments that cannot be redeemed, exited or liquidated within 12 months without incurring significant transaction costs.

11.3 A review of the Trust's future illiquid fund commitments will be triggered if illiquid assets represented more than 45% (soft limit) of the portfolio's market value. Where appropriate, steps will be taken to slow down or reduce new commitments.

11.4 No new commitments to illiquid funds will be allowed if illiquid assets represent more than 50% (hard limit) of the portfolio's market value.

11.5 To ensure the portfolio remains liquid across other asset classes, at least 50% of total assets shall be invested in liquid assets, defined as investments that can be redeemed, exited or liquidated within a quarter, without incurring significant transaction costs.

12. RESPONSIBLE INVESTMENT POLICY

12.1 The Trust's managers and advisers will incorporate Environmental, Social and Governance (ESG) considerations in its investment process.

12.2 The Trust will transition its investment portfolio over the next 25 years (in a structured and efficient manner and when opportunities present) with the long-term goal for its entire investment portfolio to be Sustainable by 2050, or earlier if possible.

12.3 The Trust will - except where it is unavoidable in the near-term – not invest in industries or sectors that are contrary to New Zealand legislation or current government policies, or where there is clear evidence that it is contradictory to the Trust's mission of benefitting the Bay of Plenty community, or where the investments will negatively impact long-term environmental and social sustainability.

12.4 BayTrust will actively measure (where able) the carbon footprint of its investment portfolio and will use its **best efforts** to ensure the portfolio is carbon neutral as early as practical whilst not materially impacting the risk and return of the Trust's overall investment portfolio. This will be achieved through:

- continuing to focus on transitioning in a robust and evidence-backed way to lower carbon investments based on the following targets (6000 tCO_2e by 2030, 4500 tCO_2e by 2040, and 3000 tCO_2e by 2050) which equates to an ~5% annual reduction in its investment portfolio's carbon footprint from its March 2023 baseline of ~7700 tCO_2e; and

- investing into one (or more) suitable local opportunity(s), preferably in the BOP, by 2030 or earlier that will enable the Trust to offset the portfolio's expected residual emissions of ~3000 tCO_2e by 2050 at the latest.

13. IMPACT INVESTMENT POLICY

13.1 The allocation to impact investments has a target of 15% by 2030 with a cap of 17%, with the intention to maximise the Trust's impact in alignment with the Trust's purpose without materially compromising the overall investment risk and returns.

13.2 Further guidance on the Trust's Impact Investments can be found in the Trust's Impact Investment Policy.

14. ALLOCATION OF RESPONSIBILITIES

Role of the Board

The Board is responsible for:

- Establishing the objectives and policies set out in the SIPO.
- Ensuring a comprehensive enterprise SIPO review by reviewing, updating and approving the objectives and policies on a triennial basis, or earlier if the Investment Committee advise.
- Reviewing outcomes and any recommendations resulting from the Investment Committee's annual high-level review of the SIPO.
- Oversight of compliance with the objectives and policies.
- Selection of the Investment Advisor.
- Approving any new Impact Investments in alignment with the Trust's Impact Investment Policy.
- Approving material endorsements required for the Trust's Impact Investments as per the Trust's DFA Policy and where the investment/commitment is greater than 1% of the Trust's total investments.

Role of the Investment Committee

The Investment Committee's responsibilities include:

- Ensuring compliance with the objectives and policies set out in the SIPO.
- Annual high-level review of the SIPO and reporting on this review including any recommendations through to the Board for decisions.
- Manager selection and monitoring.
- Quarterly review of investment performance taking into account the Trust's long-term objectives.
- Quarterly rebalancing – typically arising from a decision to make strategic tilts or in response to a sizeable cashflow.
- Approving any material endorsements required for the Trust's Non-Impact Investments as per the Trust's DFA Policy.
- Recommending Impact Investments through to the Board for decision in alignment with the Trust's Impact Investment policy.

Role of Staff

The responsibilities of staff involve, but are not limited to:

- The day-to-day management of the Trust.
- Administration of investments (supported by the Investment Advisor).
- Operational rebalancing within 2% of the portfolio's current positioning.
- Management of term deposits and cash.
- Implementation of Investment Committee decisions.
- Approving any immaterial endorsements required for the Trust's Investments as per the Trust's DFA Policy.
- Administration and management of the Trusts' Impact Investments in alignment with the Trust's Impact Investments Policy.

Role of Investment Advisor

Provide ongoing advice and recommendations on portfolio construction and allocations across sub-asset classes and geographies. The advisor will:

- Report performance and positioning.
- Maintain an implementation schedule of attractive investment opportunities.
- Recommend appropriate managers and the role they play in the portfolio.
- Provide necessary due diligence and supporting documentation and analysis on recommended managers (see Appendix for more detail).
- Conduct analysis on other attractive opportunities and help position for access.
- Provide administrative support to staff.

- Monitor all investments and exposures, provide investment recommendations in real-time, as required.

An integral objective of the advisor's mandate is to educate and build the knowledge of the Investment Committee. The advisor will affect this through an active dialogue with the Investment Committee and management team, and education sessions separate to ongoing committee meetings, upon request.

Asset classes - Broad groupings of financial securities such as shares, bonds and cash, usually split into domestic and overseas categories.

Policy portfolio benchmark - A passively managed portfolio representing an alternative to active management. The return of the policy benchmark is used in assessing the performance of the portfolio.

Active management - Selecting securities with the objective of producing returns that will outperform the market (as represented by a benchmark index).

Passive management (also called **index investing**) - Holding securities according to their weight in the benchmark index with the objective of producing returns broadly in line with the benchmark index.

Outperformance - The value added by active management; that is, the amount by which an active manager beats its benchmark index.

Strategic asset allocation (SAA) - The policy allocation of the portfolio between the various asset classes.

Volatility - The degree to which returns fluctuate over time. This is generally expressed as a statistical measure known as standard deviation.

Correlation - A measure of how two series of returns relate to one another. A positive/negative correlation indicates that the returns tend to move in the same/opposite direction.

Diversification - Spreading investment over a range of asset classes, sectors, regions and securities with the aim of reducing risk.

Hedging - An investment that offsets the return from another investment.

ESG (Environmental, Social and Governance) -An approach to investment that takes into account factors such as environmental and social issues.

Sustainable – Sustainable investing takes into consideration all material factors for risk management and economic value creation, recognising that long term social and environmental factors are a key component of investment decision making. This includes using the Trusts investments to help achieve BayTrust's Purpose and ensuring they align with its Values. Sustainable Investing will also assist in supporting the UN's Sustainable Development Goals (SDG's) which articulate a broad range of environmental and social challenges that need addressing to ensure wellbeing and security for people and the planet now and into the future. It involves investing in sustainable companies:

- whose current earnings do not borrow from their future earnings
- whose sustainability practices, products and services drive revenues, profitability and competitive positioning, and
- that provides goods and services consistent with a low-carbon, prosperous, equitable, healthy and safe society.

Impact investments - as defined in the Trusts Impact Investment Policy are investments made into companies, organisations, and funds with the intention to generate a measurable *Social or Environmental Impact* alongside a *Commercial Return.* Impact Investments may include (but are not limited to) direct ownership of property, public or private equity, loans, shares or investments in social enterprises, cash investments with a specific purpose, or guarantees

Liquidity - A measure of the ease by which investments can be redeemed.

APPENDIX: Return and Risk Assumptions

EQUILIBRIUM ASSUMPTIONS

	REAL ARITHMETIC RETURN	STANDARD DEVIATION	25TH-75TH PERCENTILE RANGE[1]			REAL COMPOUND RETURN
New Zealand Equity	6.5	19.0	4.1	-	9.0	4.8
Developed Market Equity	7.0	18.0	4.7	-	9.4	5.5
Emerging Market Equity	9.5	26.3	6.2	-	12.9	6.5
Global Equity	7.5	18.2	5.2	-	9.9	6.0
Absolute Return	4.0	12.9	2.3	-	5.7	3.2
Equity Hedge Funds	6.0	15.1	4.0	-	8.0	4.9
Venture Capital	12.0	31.0	8.2	-	15.9	7.9
Private Equity	10.0	24.4	6.9	-	13.2	7.4
Commodities	5.0	21.8	2.2	-	7.8	2.8
Natural Resource Equity	6.5	19.0	4.1	-	9.0	4.8
Real Estate Securities	6.5	18.8	4.1	-	9.0	4.9
Real Estate	7.0	21.1	4.3	-	9.8	5.0
Oil & Gas	7.5	23.0	4.6	-	10.5	5.1
Impact Investments	5.0	16.0	2.9	-	7.1	3.8
Impact Loans	3.0	11.0	1.5	-	4.5	2.4
New Zealand Government Bonds	3.0	7.0	2.1	-	3.9	2.8
Developed Market Gov't Bonds	3.0	13.3	1.3	-	4.8	2.2
Dev. Market Inflation Linked Bonds	2.5	12.4	0.9	-	4.2	1.8
Investment Grade Credit	3.5	13.5	1.7	-	5.3	2.6
High Yield Bonds	5.0	15.1	3.0	-	7.0	3.9
Cash	1.0	2.0	0.7	-	1.3	1.0

[1] Over 25-year periods, arithmetic returns are expected to fall within the range half the time.

APPENDIX: Advisors Due Diligence Process

The Trust’s investment advisors conduct comprehensive and best practice due diligence on the Trust's investment Funds, and details of this due diligence process can be obtained upon request.