

# **ENHANCED CASH PIE**

## **STATEMENT OF INVESTMENT POLICY AND OBJECTIVES**

**2 APRIL 2026**

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## 1. DESCRIPTION OF THE MANAGED INVESTMENT SCHEME

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Clarity Funds Management Limited (referred to as **Clarity**, the **Manager**, **us**, **our** or **we**) is the licensed manager of the Clarity Funds Scheme (**Scheme**), a managed investment scheme. This statement of investment policy and objectives (**SIPO**) sets out the philosophy, strategies, objectives and management frameworks for one fund within the Scheme, the Enhanced Cash PIE (Fund).

There are two other SIPO's that relate to funds within the Scheme, the Clarity Funds SIPO and the TAHITO Te Tai o Rehua Fund SIPO.

As a managed investment scheme, your money will be pooled with other investors' money and invested in various investments as described in this document. The Fund is divided into units and you invest by buying units. The value of units fluctuates according to the changing value of the assets in which the Fund has invested.

The Fund is a Portfolio Investment Entity (**PIE**).

Clarity, founded in 2007, is a funds management company committed to helping our clients achieve their investment objectives. Clarity's parent company is Investment Services Group Limited (**ISG**), which in turn is majority owned by Shaw and Partners Financial Services Limited (Australia). ISG provides administration and operational functions on an outsource basis to its subsidiaries, including Clarity.

The supervisor of the Scheme is The New Zealand Guardian Trust Company Limited (the **Supervisor**).

This replaces the SIPO dated 31 May 2024. We may amend the investment policy and objectives for the Scheme from time to time, in consultation with the Supervisor. We will notify you of any significant changes to the SIPO and when they will take effect. The current version is available on the scheme's register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) or at [www.clarityfunds.co.nz](http://www.clarityfunds.co.nz).

## 2. INVESTMENT PHILOSOPHY

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We aim to provide high quality, straightforward and flexible investment options - uncomplicated funds that our clients can understand and trust.

All our funds are actively managed by an experienced portfolio manager, and we take a disciplined approach to risk management and strongly believe in the importance of diversification. We will seek opportunities to improve the yield of the Fund within this framework.

We endeavour to invest your capital responsibly, conscious of environmental, social and governance issues in the companies we invest in.

### 3. INVESTMENT STRATEGY AND OBJECTIVES

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The investment strategy and objectives for the Fund are set out below including target asset allocation and ranges.

#### Enhanced Cash PIE

**Objective:** The Fund aims to provide investors with regular income in excess of bank deposits whilst preserving capital value. We intend for the Fund to make quarterly distributions.

**Strategy:** The Fund will invest, either directly or through other managed funds, in a well-diversified portfolio of cash and cash equivalents and New Zealand fixed interest securities, including an allocation to yield enhancing assets such as mortgage-backed securities and credit funds.

**Benchmark:** Bloomberg NZBond Bank Bill Index.

**Holdings:** The Fund will be predominantly invested in investment grade rated securities as defined by a recognised external credit rating agency. The Fund will also have an exposure to unrated or non-investment grade securities that may include mortgage-backed securities and credit funds.

**Suitability:** This Fund may be suitable for investors who are looking for a low-risk investment or investors wanting to stage entry into higher volatility investments over a period of time.

The target asset allocation ranges shown below are the expected average asset mix of the Fund over the long term. We will manage the Fund within these ranges.

Asset Sector	Target Asset Allocation %	Range %
CASH, CASH EQUIVALENT AND NEW ZEALAND FIXED INTEREST	100%	0% - 100%

We may also participate in underwriting and sub-underwriting contracts for issues of permitted fixed interest securities.

**Market risk** will be managed by investing in a diversified portfolio of holdings that have, in the Manager's view, low market risk with particular attention given to interest rate risk, maturity risk, credit risk, and industry sector risk.

**Liquidity risk** will be addressed by ensuring that there are regular maturities and sufficient on call funds to meet short term obligations.

**Distribution:** We intend to make quarterly distributions from the Fund broadly in line with the income generated by the investment portfolio. All distribution amounts are at our discretion. Investors have the option to reinvest the distributions into additional units or to have these direct credited into their nominated bank account.

## 4. INVESTMENT POLICIES AND PROCESSES

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We set out below a summary of the key investment management policies and processes that are relevant to management of the Fund.

### Investment Management Governance

The Clarity Investment Committee (**Investment Committee**) is the body responsible for formulating and implementing investment policies, asset allocations, security selection, and overseeing the portfolio management of the Fund. It meets once a month, or more frequently if required.

The scope of the Investment Committee includes:

- Researching and analysing securities, markets and economic conditions.
- Monitoring investment performance.
- Managing investment risk and compliance matters.
- Selecting and monitoring counterparties.

Some of these functions may be delegated to sub committees as the Investment Committee sees fit.

### Investment Strategy Review

The Investment Strategy is the responsibility of the Investment Committee and reviewed at least annually or when market conditions require it. The investment strategy framework is designed for the long term, consequently it is unlikely that changes will be made on a regular basis.

If an external manager is engaged, they will commit to adhering to the investment strategy set by the Investment Committee. We review the external managers ability to meet strategic objectives before we engage them and monitor their performance thereafter.

### Tactical Asset Allocation and Rebalancing

We may make tactical investment decisions that take us away from our strategic asset allocation based on our assessment of market conditions and quantitative fund analysis.

The Fund's holdings are reviewed at least monthly to ensure the individual security positions and asset allocations for the fund are aligned with the Investment Committee's current investment view.

### External Investment Managers

Clarity may appoint external investment managers or invest in funds managed by external investment managers. It is currently expected the Fund will be predominantly invested in the Amova Wholesale NZ Cash Fund.

### Liquidity Management

It is important for the Fund to maintain an appropriate level of liquidity to be meet its cash flow requirements. The Fund will invest in some securities that do not have daily liquidity. We manage liquidity by holding some cash, ensuring the majority of the Fund is invested in highly liquid investments, and staggering the Fund's investment in less liquid assets.

### Responsible Investment

Clarity believes that environmental, social and governance (ESG) factors are an important determinant of long term investment returns and global sustainability. As a responsible investor and as part of our fiduciary duty, Clarity has implemented a Responsible Investment Policy that sets out: the factors considered in the investment research and management process and how the policy is practically implemented. For more information, see our website [www.clarityfunds.co.nz/about-us/responsible-investing](http://www.clarityfunds.co.nz/about-us/responsible-investing).

## 4. INVESTMENT POLICIES AND PROCESSES

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### Market Risk Management

The Fund may decrease in value from adverse movements in the market value of securities held. A reduction in a securities value can be caused either by broader market movements and events, or security specific performance and events. We seek to reduce the negative impact on the Fund specific to poor company performance through, diversification, research and oversight by the Investment Committee.

### Trade Allocation and Execution

Trading will be conducted in the best interests of clients. We seek to achieve the best execution, taking into account the following trading criteria:

- Size and nature of the trade including price and cost of the transaction.
- Liquidity and the likelihood of execution.
- Counterparty credit rating and quality.
- Any other relevant considerations.

Third parties or 'counterparties' are used to execute trades. We have agreements in place with selected counterparties. These arrangements are reviewed periodically and subject to oversight and approval processes.

All trades are allocated on an equitable basis.

It's important to note that if an order is not fully executed due to lack of liquidity, then the part of the order that is executed is generally allocated in proportion to the relative size of each order.

This process applies to all investments including initial public offerings and secondary placements.

### Settlement Risk Management

The Fund may be exposed to settlement risk associated with default at settlement time and any timing differences in settlement between the trade counterparties.

We have adopted a settlement process to ensure that trade settlements occur as agreed. This includes reconciliation of trade instructions to contract notes to trade counterparty and custodian, and APEX, as the administration manager and registrar.

### Pricing and Valuation

APEX manage the pricing and valuations of all fund assets and calculating the Net Asset Value (NAV) of the Fund on our behalf. Whilst this task has been outsourced, we are ultimately responsible for the pricing and valuation of fund assets. We have established processes for resolving any pricing errors or non-compliance with pricing methodologies by APEX.

### Conflicts of Interest and Related Party Transactions

We have a Conflicts of Interest Policy in place to manage potential or actual conflicts of interest in a way that is fair to investors. This policy provides the process to identify, declare and monitor a potential conflict of interest.

The FMC Act imposes statutory duties on us as the Manager of the Fund to manage conflicts of interest:

- We must in performing any duties or exercising any powers, exercise the care, diligence and skill that a prudent person engaged in that profession would exercise in the circumstances; act honestly in acting as a manager; act in the best interests of investors; and treat investors equitably.
- Where we delegate out some or all of our functions as manager to other parties, we must ensure that those functions are performed in the same manner, and subject to the same duties and restrictions, as if we were performing them directly. We must also monitor the performance of those functions.

We have built these statutory controls into our internal compliance processes and procedures. We will not enter into transactions with related parties who may benefit from those arrangements, except as agreed with our Supervisor and as permitted under the provisions of the FMC Act. We provide the Supervisor with quarterly reporting on related party transactions.

### Borrowing

The Fund's Establishment Deed allows us to make all decisions relating to borrowing by or lending from the Fund (including stock lending). As at the date of this SIPO, no borrowing has occurred for the Fund. Our policy is that borrowing is not permitted, however this may change in the future, in consultation with the Supervisor.

## **5. INVESTMENT PERFORMANCE MONITORING**

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The asset allocation ranges, objectives and other limits stated in this SIPO act as the limits of our investment approach. Our internal processes measure and report against these limits. We review all asset allocation targets and specified limits daily to ensure they are within the parameters stipulated in this SIPO.

Higher levels of cash may be held in the event of large contributions or withdrawals. In such an event, should the cash and cash equivalents exceed the asset allocation range limits above, it will not be treated as a SIPO limit breach.

Investment performance (active returns versus benchmark returns) is formally monitored monthly. Analysis of our over or under performance is undertaken by the Investment Committee. Exceptional performance (positive or negative) is highlighted and reviewed, and any recommended actions noted. The monthly review considers whether asset allocations and individual security positions for the fund are aligned with the Investment Committee's current investment view.

Additionally, we are required to provide a monthly report and a quarterly director's certificate to the Supervisor to monitor SIPO compliance. Investment performance is reported monthly to investors. Performance is measured net of fees and expenses.

## **6. REVIEW OF SIPO**

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Compliance with the SIPO is monitored daily by us and a full review of the SIPO is undertaken by us annually or when material changes are made to the Fund to ensure that the investment objectives and parameters for the Fund are clearly articulated and remain relevant.

The review is conducted by a senior manager of Clarity and presented to the Investment Committee for approval.

Whilst changes are not expected, if they are required, we will consult with our Supervisor before making the changes and obtain Directors' approval of the SIPO. If changes are made that materially impact investors, we will give you at least thirty (30) days written notice of those changes.

