



NANUK FUNDS SCHEME

Statement of Investment Policy and Objectives

3 SEPTEMBER 2025

CONTENTS

1. DESCRIPTION OF THE MANAGED INVESTMENT SCHEME 3

2. INVESTMENT PHILOSOPHY 4

3. INVESTMENT STRATEGY AND OBJECTIVES 6

 Nanuk New World Active PIE 6

4. INVESTMENT POLICIES AND PROCESSES 8

 Responsible Investment 8

 Investment Management Governance 8

 Tactical Asset Allocation and Rebalancing 8

 Liquidity Management 8

 Pricing and Valuation 8

 External Investment Managers 8

 Investment Strategy Review 9

 Conflicts of Interest and Related Party Transactions 9

 Borrowing 9

 Derivatives 9

5. INVESTMENT PERFORMANCE MONITORING 10

6. REVIEW OF SIPO 10



1. DESCRIPTION OF THE MANAGED INVESTMENT SCHEME

Clarity Funds Management Limited (referred to as **Clarity**, the **Manager**, **us**, **our** or **we**) is the licensed manager of the Nanuk 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 the Nanuk New World Active PIE (the **Fund**), the one fund within the Scheme. The Scheme is a registered management investment scheme under the Financial Markets Conduct Act 2013 and is a trust governed by a master trust deed dated 18 June 2024.

The manager of the Fund, Clarity, was founded in 2007 and is a funds management company committed to helping our clients achieve their investment objectives. Clarity's parent company is Investment Services Group Limited (**ISG**), who provides operational functions on an outsource basis to its subsidiaries, including Clarity.

The Fund invests into an Australian Unit Trust (**AUT**), the Nanuk New World Fund Active ETF (**Underlying Fund**). The Investment Manager of the Underlying Fund is Nanuk Asset Management Pty Limited (referred to as **Nanuk**, the **Investment Manager** or **they**).

Nanuk is a specialist investment manager whose investment activities are focused on the broad global themes of environmental sustainability and resource efficiency. Nanuk is responsible for managing the Underlying Fund's investments. Nanuk was founded in 2009 with the objective to develop leading global investment expertise related to the long-term theme of environmental sustainability and to seek to provide its investing clients with attractive returns by accessing the various growth opportunities and market inefficiencies associated with this theme.

Nanuk's investment approach is based on the belief that the natural tension between economic growth and environmental sustainability is resulting in long-term structural changes in many industries and that these changes provide an enduring source of investment opportunities that can be accessed through sound, intelligent research.

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

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**) for tax purposes. Further information about taxes can be found in the Other Material Information document on our website www.clarityfunds.co.nz.

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 or at www.clarityfunds.co.nz.



2. INVESTMENT PHILOSOPHY

We have selected Nanuk based on our belief that their investment philosophy will deliver positive financial outcomes and help achieve the investment objective of the Fund.

Nanuk's approach is based on the belief that the natural tension between economic growth and environmental sustainability is resulting in long term structural changes in many industries and that these changes provide an ongoing source of investment opportunities that can be accessed through sound research.

Nanuk believes that increasing global investment in more sustainable products and services may benefit selected companies in these industries and that investing in a managed portfolio of such companies has the potential to outperform international equities benchmarks over the longer term.

More specifically, Nanuk believes resource constraints and environmental challenges like climate change necessitate significant structural changes in the global economy in coming decades. Large parts of the economy are transforming as a broad range of more efficient and sustainable technologies and practices replace incumbent solutions. Additionally, Nanuk believes the complexity associated with ongoing structural and technological changes leads to inefficiencies in equity markets that have, and will continue, to result in opportunities to generate attractive returns from selective investment in companies that are benefitting from these trends.

In managing the Underlying Fund, Nanuk's approach is primarily bottom up and focused on identifying stocks that Nanuk considers mispriced and then constructing well diversified portfolios of such opportunities. The investment approach is primarily fundamental and supported by quantitative tools which enable coverage and analysis of a large global investment universe. For more information on Nanuk's investment policies see www.nanuk.com.

Environmental, Social and Governance (ESG) Integration

Nanuk addresses ESG considerations and the consideration of norms for responsible business practices through a combination of positive screening, negative screening, ESG integration and stewardship activities. The primary external data source for ESG data and information is Institutional Shareholder Services (**ISS**).

Nanuk has a holistic approach to sustainably themed investment that is central to its investment activities. ESG integration is inherent in the approach, rather than an adjunct to it. Nanuk's approach is implemented using a combination of positive thematic screening, negative exclusionary screening, ESG integration in investment decision making and its stewardship activities. These elements of the approach are described in more detail in [Nanuk's Responsible and Sustainable Investment Statement](#).

Positive Screening

Nanuk invests exclusively in companies that have a material part of their value related to selected activities, industries or technologies that Nanuk believes to be contributing to improving global sustainability and efficiency.

This is implemented through the construction of an investment universe by positive screening for exposure to selected industries, technologies, products and services based on their assessed contribution to improving global sustainability.

The eligible investment universe for the Underlying Fund comprises companies assessed to have greater than 25% of their value related to activities in one or more of the following areas deemed to be contributing positively towards improving global environmental sustainability and resource efficiency: Sustainable Energy, Sustainable Food and Agriculture, Sustainable Cities and Infrastructure, Sustainable Transport, Sustainable Industry, Sustainable Healthcare, Sustainable Consumption and Efficient Business and Economies. Positive screening is undertaken based on internal analysis of each proposed company but is facilitated by the use of external data sources (primarily FactSet for positive screening) providing the relevant categorization of company activities. For more detail on positive screening see [Nanuk's Responsible and Sustainable Investment Statement](#).

Negative Screening (Exclusions)

Nanuk's specific focus on companies whose activities are contributing towards improving global environmental sustainability and resource efficiency naturally avoids investment in many areas of potential ethical, social or environmental concern. This is formalized through a comprehensive ESG-based Negative Screening Framework that seeks to avoid investment in the following areas:

- Companies assessed to be operating in severe, or potentially severe, contravention of established norms for responsible business practices (including Human Rights, Labour Standards, Environmental Practices, Business Malpractice)



2. INVESTMENT PHILOSOPHY

- Companies assessed to have a material level of involvement in selected ethically contentious activities at odds with Nanuk's values and sustainability focus (including Weapons and Defense, Alcohol, Tobacco, Gaming, Pornography, Animal Welfare Abuses, Predatory Lending, Cannabis)
- Companies assessed to have a material level of involvement in selected areas of significant environmental concern (including Oil & Gas Exploration and Production, Coal and Uranium Mining, Hazardous Pesticides, non-RSPO Palm Oil)
- Companies assessed to have a material level of involvement in activities not consistent with the Nanuk's focus on longer term global sustainability (including fossil fuel generation, natural gas, equipment and services provided to excluded industries above).

The applicable materiality thresholds vary from 0% to 30% of revenue depending on the nature and severity of the relevant activities, as set out in Nanuk's ESG-based Negative Screening Framework which can be found in Appendix B of [Nanuk's ESG Policy](#). Negative screening is undertaken systematically using external analysis and data sources (primarily ISS for negative screening) and relies on the completeness and accuracy of company disclosures and external data providers. Compliance with the negative screening is reviewed in detail during daily and monthly company analysis and portfolio reviews and any areas of potential non-compliance investigated immediately.

Proxy Voting

Nanuk believes shareholder voting provides an important opportunity to participate in corporate decision making to encourage better governance and more sustainable corporate behaviour in the interests of both longer-term value creation and more sustainable outcomes. Nanuk seeks to exercise voting rights at all opportunities. Voting decisions are made by relevant portfolio managers and are guided by their beliefs and sustainability focus.

Nanuk uses a proxy voting research provider (ISS) for recommendations made under a sustainability and ESG aligned voting policy. For more information, see [ISS's Sustainability Voting Guidelines](#) and the [United States Sustainable Proxy Voting Guidelines](#).

Engagement

Engagement activities provide an opportunity to encourage better governance and more sustainable corporate behaviour in the interests of both longer-term value creation and more sustainable outcomes. Where practical and aligned with clients' interests, Nanuk may seek to influence companies to improve their impact on global sustainability outcomes and the sustainability of their governance and business practices.

Nanuk's approach to engagement with investee companies involves three (3) key strategies, namely:

- Top down engagement with the majority of investee companies
- Selective direct engagement with investee companies on company specific issues
- Selective indirect engagement in collaboration with others via a joint engagement program.

For a more detailed breakdown of Nanuk's positive and negative screening, proxy voting and engagement activities see [Nanuk's Responsible and Sustainable Investment Statement](#).

Policy Governance

Nanuk's ESG Policy is reviewed at least annually by Nanuk, with changes to the policy requiring the approval of Nanuk's Board. Nanuk monitor adherence to its policy with pre and post trade compliance checks in addition to the monthly Investment Risk and Oversight Group.

IMPORTANT: Investors should be aware that Clarity has no control over the Underlying Fund. In addition to Nanuk's own monitoring of adherence to their investment related policies, Clarity conducts a monthly review of the Investment Manager's holdings with regards to their stated investment considerations and processes. If any variation from stated Nanuk policy is identified, Clarity will engage with Nanuk and seek to understand what happened, the impact of it on New Zealand investors and what is being done to resolve. On the basis that sustainability is not the primary objective of the Fund, unless there has been a material and adverse impact on New Zealand investors, Clarity will not exit the Underlying Fund as a result of the variation from policy.



3. INVESTMENT STRATEGY AND OBJECTIVES

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

Nanuk New World Active PIE

Objective: The Fund's performance objective is to provide investment returns which exceed conventional international equity indices, after management fees, over the long term (five (5) years or more).

Strategy: The Fund invests into an Underlying Fund with a diversified portfolio of international equities and a small holding for cash and investment grade interest bearing securities.

Benchmark: MSCI ACWI Net in NZD (Total Return) Index

Holdings: The Fund will invest into the Underlying Fund with a small allocation for cash. The Underlying Fund provides investors with exposure to international equity markets, with no geographical or market defined constraints. It is expected that the Underlying Fund's equity investment exposure will be held primarily in the developed markets of North America, Europe and Asia. The Underlying Fund may also provide exposure to other regions or emerging markets. With global exposure also comes exposure to the impact of currency movements. The Fund also has the ability to invest in investment grade interest bearing securities from time to time.

Suitability: The Fund may be suitable for investors who have a long-term view and a high-risk tolerance seeking exposure primarily to a diversified portfolio of listed international equity securities related to the broad themes of environmental sustainability and resource efficiency.

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

Asset Sector	Target Asset Allocation %	Allowable Ranges %
Cash and Cash Equivalents	3%	0-20%
International Fixed Interest Including investment grade interest bearing securities	0%	0-20%
International Equities Including listed international equities, IPO's and derivatives	97%	70-100%

Within these sectors, the permitted investments of the Underlying Fund are:

Cash and cash equivalents/or investment grade interest bearing securities from time to time where Nanuk considers such holdings to be appropriate.

Listed international equity securities, however investments in IPO securities may be made where the investment case is compelling and where exposure is possible subject to certain constraints. Up to 5% of the Underlying Fund's total assets may be invested into IPO securities, provided that at the time the relevant securities have been approved be listed on a regulated stock exchange and settlement of the IPO proceeds is conditional upon listing.

Derivative instruments may be employed to gain exposure to underlying investments if the Underlying Manager considers that direct investment may not be practicable and the investment exposure is compelling. These would generally be specific positions with selected counterparties and typically in the form of over-the-counter (OTC) instruments such as total return swaps or warrants or else listed instruments such as convertible bonds. OTC foreign exchange contracts may also be used to facilitate settlement and mitigate currency risk. Derivatives will not be used to gear the Underlying Fund, nor will they be used in a speculative manner. The Underlying Fund will not hold notional derivative exposures that in aggregate relate to underlying assets valued at more than 10% of the Net Asset Value (NAV) of the Underlying Fund (excluding derivatives used solely to hedge foreign exchange risk of the underlying assets).

IMPORTANT: The exclusions criteria that are set out on the next page is applied where the Underlying Fund holds direct securities. Nanuk does not intend to apply these criteria to the same extent for derivative-based investments. Where derivative-based investments are used, the reference index for the derivatives contract may include exposure to excluded securities. Where possible, Nanuk would seek to choose contracts which incorporate their exclusions.



3. INVESTMENT STRATEGY AND OBJECTIVES

Exclusions (negative screening)

Negative screening is undertaken systematically in the construction of Nanuk's investment universe using external analysis and data sources. Compliance with the negative screening framework is reviewed by the investment team during regular company analysis and any areas of potential non-compliance are investigated directly.

Nanuk seeks to avoid investment in companies directly involved in:

- Operating in severe, or potentially severe, contravention of established norms for responsible business practices (including human rights, labour standards, environmental practices and business malpractice)
- Selected ethically contentious activities at odds with Nanuk's sustainability focus (including weapons and defence, alcohol, tobacco, gaming, pornography, animal welfare abuses, predatory lending, cannabis)
- Selected areas of significant environmental concern (including oil & gas exploration and production, coal and uranium mining, hazardous pesticides, non-RSPO palm oil)
- Activities not consistent with Nanuk's focus on longer term global sustainability (including fossil fuel generation, natural gas, equipment and services provided to excluded industries above).

The applicable materiality thresholds which are monitored monthly vary from 0% to 30% of revenue depending on the nature and severity of the relevant activities, as set out in the ESG negative screening framework.

Exceptions to exclusions

Exceptions may be made to the stated exclusions where the businesses resulting in the flag are marked for sale or closure, or the nature of the involvement is trivial and unrelated to the primary operations of a company.

Exclusions related to fossil fuel-based generation do not apply to cogeneration or backup power supply for businesses whose primary activities do not include electricity generation.

The threshold for involvement in distribution and services related to the fossil fuel industry is an aggregate threshold covering involvement in all forms of fossil fuels and all types of related service.

The exclusion relating to weapons and military products relates to products specific to these applications and does not cover military specification versions of products sold for other commercial applications.

Monitoring

Once Nanuk has made the decision to invest in a particular security, that security is subject to ongoing monitoring in respect of its adherence to the screening applied before that investment was made.

Ongoing compliance with the negative screening framework is monitored monthly. If a security is flagged by the monitoring process that has become directly involved with an avoided activity after entering the portfolio, Nanuk will divest that security as soon as practicable.

Distribution

We intend to make annual distributions (if any) from the Fund broadly in line with the income generated by the Underlying Fund. 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

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

Responsible Investment

Whilst sustainability is not the primary objective of the Underlying Fund, ESG outcomes are a natural result of Nanuk's screening and portfolio construction processes, which are implemented to produce a portfolio in line with Nanuk's investment philosophy. Nanuk addresses environmental, social and ethical considerations and the consideration of norms for responsible business practices through a combination of positive screening, negative screening, ESG integration and stewardship activities.

The Underlying Fund is focused on investing in listed global companies whose business activities are assessed to be contributing to or benefiting from the broad themes of environmental sustainability and resource efficiency. This is implemented via an eligible investment universe constructed through positive screening for exposure to selected industries, technologies, products and services related to improving global sustainability.

Nanuk's ESG integration focuses on factors Nanuk believes are material to the sustainability and future performance of companies and the extent to which that will benefit shareholders. These include, but are not limited to, the quality and capability of the board and management, the alignment of interest between management and shareholders, the sustainability of a company's activities (products and services) and the sustainability of relationships with stakeholders.

The activities of companies within Nanuk's investment universe typically demonstrate a connection with the delivery of the UN's Sustainable Development Goals (**SDGs**) although this is not a criteria for inclusion or a targeted objective of the Underlying Fund. Nanuk utilises the services of multiple independent research houses (Sustainable Platform and ISS) to analyse individual companies' and portfolio level contributions to the delivery of SDGs and exposure to controversial industries.

Investment Management Governance

The Clarity Investment Committee (**Investment Committee**) is the body responsible for monitoring the performance of Nanuk as the manager of the Underlying Fund. It meets once a month, or more frequently if required to discuss:

- Investment performance.
- External manager performance.
- Selecting and monitoring counterparties.

Tactical Asset Allocation and Rebalancing

Nanuk at its discretion, may make tactical investment decisions that take the Underlying Fund away from its target asset allocation based on their assessment of market conditions and quantitative fund analysis.

Liquidity Management

It is important for our Fund to maintain an appropriate level of liquidity to be able to meet our cash flow requirements. We maintain liquidity by investing in permitted investments that have satisfactory levels of liquidity themselves. The Fund also holds some operational cash to help us pay redemptions and expenses. We also have the ability to defer or suspend redemptions from the Fund in certain circumstances set out in the Trust Deed.

Pricing and Valuation

APEX Investment Administration (NZ) Limited (**APEX**) manage the pricing and valuations of all Fund assets and calculate the NAV of the Fund on our behalf. Whilst this task has been outsourced, we are ultimately responsible for the pricing and valuation of the Fund's assets. We have established processes for resolving any pricing errors or non-compliance with the pricing methodologies used by APEX.

External Investment Managers

When selecting an external manager, we take the following criteria into consideration:

- A sound, disciplined and transparent investment process



4. INVESTMENT POLICIES AND PROCESSES

- Investment style is consistent with our investment philosophy
- Experience and capability of investment team
- Performance and track record
- Access to the investment management team
- Governance and compliance arrangements

Where Clarity has appointed an external manager, we will periodically assess the suitability and performance of the external manager's portfolio to determine whether in our view, the holdings remain consistent with what is in their disclosure documents. We will report our analysis to the Investment Committee, and in the event we develop any concerns, these will be raised promptly with the External Manager for further discussion. This analysis was undertaken in the course of appointing Nanuk.

Investment Strategy Review

The Investment Strategy Review of the Underlying Fund is the responsibility of Nanuk and is reviewed at least annually, in consultation with the Investment Committee. The investment strategy framework is designed for the long term and consequently it is unlikely that changes will be made on a regular basis.

The investment strategy and asset allocation parameters may be changed. If a change is to be made, after consultation with the Supervisor, investors in the Fund will be notified in accordance with the Financial Markets Conduct Act 2013 (**FMC Act**).

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 or otherwise permitted under the provisions of the FMC Act. We provide the Supervisor with quarterly reporting on related party transactions.

Borrowing

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

Derivatives

Derivatives may be used for investment and risk management purposes, subject to the specific restriction that they cannot be used to gear the portfolio exposure. Derivatives are managed with the following in mind:

- Gearing is not allowed. All long derivative positions are to be backed by cash or cash equivalents.
- Cash and cash equivalents are defined as the liquid securities excluding exchange traded funds.
- Short derivative positions are to be fully backed by authorised investments.
- The counterparty for interest rate swaps and over the counter options must be rated at least BBB- or equivalent by a recognised rating agency.



5. INVESTMENT PERFORMANCE MONITORING

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 our Funds 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 (absolute 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

Compliance with the SIPO is monitored daily by us and a full review of the SIPO is undertaken 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 obtaining 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.

