
Pella Investment Funds

Statement of Investment Policy and Objectives

Effective date: 26 March 2025

Issued by FundRock NZ Limited

A. Description of the managed investment scheme

Pella Investment Funds (“Scheme”) is a managed investment scheme. The Scheme offers one single sector investment fund, the Pella Global Generations PIE Fund (“Fund”) which provides investors with exposure to a selection of international equities, subject to the Investment Manager's Responsible Investing Policy.

The Fund is actively managed. The Fund may invest through other managed investment schemes or in direct securities and currencies (including derivatives).

B. Roles and responsibilities

FundRock NZ Limited (“FundRock”) is the licensed manager (“Manager”) of the Scheme. The Manager’s key roles and responsibilities are:

- Preparation of disclosure material.
- Establishing, reviewing and maintaining this Statement of Investment Policy and Objectives (“SIPO”).
- The ongoing management and oversight of the Scheme and the Fund. This includes appointing, managing and monitoring specialist providers for:
 - fund administration; and
 - investment management.
- Monitoring investment performance and outcomes.

Pella Funds Pty Limited (“Investment Manager” or “Pella”) is the Scheme’s investment manager and is responsible for making recommendations and decisions about what the Fund invests in, in accordance with this SIPO. The Fund is invested in accordance with the Investment Manager's investment philosophy and process.

The Investment Manager also participates in reviewing this SIPO.

Key administration functions, being registry, fund accounting and unit pricing, and are currently performed by Apex Investment Administration (NZ) Limited.

Public Trust is the Scheme’s Supervisor. The Supervisor is responsible for supervision of the Manager and the Scheme, including:

- acting on behalf of the Scheme’s investors in relation to the Manager and any contravention of the Manager's issuer obligations;
- supervising the performance by the Manager of its functions and the financial position of the Manager and the Scheme; and
- holding the Scheme property or ensuring that the assets are held in accordance with applicable legislative requirements. BNP Paribas Fund Services Australasia Pty Ltd has been appointed by the Supervisor as Custodian for the Scheme.

C. Investment philosophy

Pella’s investment philosophy targets combining responsible investing with strong financial performance, focusing on long-term wealth growth through equity investment. Equity investments

are viewed as part ownership in businesses, necessitating that these investments reflect both personal and corporate values.

Central to Pella's strategy is the integration of growth potential and risk characteristics into an investment's valuation. Pella targets companies that are not only financially sound and positioned for future growth. Investment decisions are driven by a proprietary model that evaluates the appropriate pricing of stocks based on their risk profiles and growth expectations.

Portfolios are diversified across sectors and regions, enhancing performance stability through market cycles and mitigating risk while seizing diverse growth opportunities. This approach targets lower volatility and strong returns, delivering both financial and Responsible Investing outcomes for clients.

D. Responsible investment and exclusions

Pella's responsible investing strategies are summarized on the Investment Manager's website: <https://www.pellafunds.com/sustainabilitydisclosure>. Pella's investment stewardship policy, proxy voting policy and responsible investing manual can be found at www.pellafunds.com/policies. These provide further details on Pella's approach to responsible investing. Pella's Annual Responsible Investing Report can be found at www.pellafunds.com/responsibleinvestingreport and provides information on Pella's sustainability track record.

Pella's investment approach and strategy

The Fund incorporates several Responsible Investing approaches as defined by the United Nations-sponsored Principles for Responsible Investing (PRI), CFA Institute, and the Global Sustainable Investment Alliance (GSIA)¹.

The Responsible Investing strategies that are included, without any exceptions, are: Environmental, Social and Governance ("ESG") Integration, Negative/Exclusion Screening, Norms-Based Screening, and Stewardship. In addition, the Fund has Carbon Intensity targets and seeks to invest in sustainability-themed investments, whenever those opportunities satisfy the Fund's financial requirements.

Pella's methodology for integrating sustainability strategies

Pella incorporates five strategies to implement sustainability factors into all investment and stewardship decisions. These strategies are:

ESG Integration: Explicitly include ESG risks and opportunities into analysis and investment decisions based on a systematic process and appropriate research sources.

Negative Screening: Exclusions based on activities considered not investable due to a misalignment with Pella's core values and philosophy.

Norms-Based Screening: Exclude companies that do not meet minimum standards of business practices based on international norms and conventions. Pella adheres to the United Nations Global Compact ("Compact") and will exclude companies that severely breach the ten principles underlying the Compact if the company does not implement appropriate remediation action. This is

¹ PRI, CFA, GSIA, [Definitions for Responsible Investment Approaches](#), November 2023.

assessed on a case-by-case basis by Pella, and Pella will document the rationale behind their actions.

Stewardship: Executing shareholder rights and fulfilling fiduciary duties to act in the best interest of investors to signal desired corporate behaviours guided by ESG considerations.

Sustainability Themed: Pella has a sustainability-themed target, linked to relative carbon intensity.

ESG Integration, Negative Screening, and Norms-Based Screening are applied at the start of the investment process to exclude companies that do not satisfy Pella’s sustainability requirements. These factors are also tracked during an investment’s holding period to ensure ongoing compliance. Where an investment no longer complies with Pella’s sustainability requirements, Pella will take steps to either seek change through its Stewardship activities or otherwise divest from the investment within one month.

ESG Integration

Pella incorporates ESG risks and opportunities into analysis and investment decisions based on a systematic process and appropriate research sources. It is rare for Pella to invest in companies without a MSCI ESG rating as Pella limits the size of individual positions that are unrated to 3% per position, and at least 70% of the portfolio must be invested in companies with a MSCI ESG rating of BBB or better.

Negative Screening

Pella excludes companies that generate revenue from 13 activities that Pella believes come at a material cost to current or future generations. Pella applies Negative Screening to exclude the following activities based on the revenue derived from such activities:

Activity	Revenue Materiality
Alcoholic beverages manufacturing	0%
Animal cruelty	0% for cosmetic testing, crowd entertainment, intensive animal husbandry.
Correctional facilities	0%
Deforestation	0%
Fossil fuel generation – thermal coal	5% - Pella supports businesses transitioning away from thermal coal and will allow electricity generators that generate up to 5% of their revenue from thermal coal generation but are transitioning away from thermal coal and will fully exit thermal coal powered generation within three years from Pella’s initial investment in the company.
Fossil fuel generation – gas	15% - the threshold reflects the use of standby gas generation for peak load scenarios, which often cannot be provided by renewable energy. This threshold is expected to decline as batteries become a viable alternative to gas for peak load electricity generation.
Fossil fuel mining / exploration	0% - includes oil, thermal coal, and natural gas.

Gambling	0%
GMO seeds manufacturing	0%
Pornography	0%
Tobacco and nicotine alternative products	0% - all companies involved in the production of tobacco and manufacturing of tobacco or nicotine alternative products and companies with significant ownership (due to holding directly, more than 10% of shares) in such companies.
Uranium mining	0%
Weapons	0% - weapons includes all types of weapons including those deemed 'controversial' and weapons deemed 'non-controversial'. This incorporates all guns, bombs, and munitions.

Should companies, eligible at the time of purchase, subsequently become ineligible, they will normally be divested within five working days. However, there may be circumstances, such as suspension, delisting or low liquidity, that may cause divesting to take longer.

Norms-Based Screening

Pella assesses norms-based breaches through qualitative research, MSCI ESG data, and international conventions. It first identifies potential violations against Compact principles, reviewing controversy severity and frequency. Companies with five or more controversies in 12 months are flagged, with forced labour, child labour, and genocide/ethnocide given priority. Pella then engages with company management to understand the issue and response. If the company shows clear rectification efforts within six months, Pella may retain or continue research. If not, it will exit or avoid investment. This ensures investments align with ethical and financial objectives.

Stewardship

Pella targets strong Stewardship for the Fund's holdings throughout the holding period. This includes voting in shareholder meetings and, where suitable, engaging with investee companies via letters, emails, or discussions to improve their ESG practices.

Sustainability-Themed Strategy and Carbon Intensity

Pella's approach to a Sustainability-Themed strategy is to require the carbon intensity of the Fund to be always at least 30% lower than the carbon intensity of the Benchmark. Pella relies on MSCI's calculations of carbon intensity, which is subject to assumptions made by MSCI.

For more information on MSCI's carbon intensity calculation methodology, please see the [MSCI Carbon Footprint Index Ratios Methodology](#).

Reliance on Sustainability-Related Metrics

Pella relies on MSCI to provide the ESG ratings, ESG scores, and carbon intensity for the Fund's holdings and to calculate the Fund's Benchmark aggregate MSCI ESG score and carbon intensity, and to a lesser extent ESG research obtained from third party research providers for additional due diligence. One limitation with this approach is that MSCI does not research every company that Pella might research. In these cases, Pella will conduct its own ESG research and encourage MSCI

to review the company in question. Pella uses publicly available information taken from annual reports, company conference calls, media reports, and communication directly with companies when conducting its proprietary ESG research.

Pella relies on ISS Corporate Governance (a provider of corporate governance solutions) for shareholder voting research, recommendations, and vote submissions. Pella undertakes its own fundamental analysis to determine if a Norms-Based Screening breach has occurred and to determine if a company satisfies Pella's Positive Impact requirements. This analysis is conducted using publicly available information taken from annual reports, company conference calls, media reports, and communication directly with companies. A key focus of this analysis is understanding if a severe controversy occurred and what the company is doing to rectify it. The outcomes are based on Pella's judgment and there is a risk that investors could reach a different conclusion to Pella.

Responsible Investing Targets

Pella targets superior Responsible Investing outcomes compared to its Benchmark. To achieve this, Pella incorporates several Responsible Investing approaches and targets that are not inherent in the Benchmark. These approaches and targets include:

- ESG integration – Pella targets the aggregate ESG score of its funds to be higher than the aggregate ESG score of the Benchmark. In both cases MSCI ESG scores are applied.
- Negative screen – Pella excludes companies that generate revenue from 13 activities that Pella believes come at a material cost to current or future generations (see page 4)
- Norms-based screen – Pella excludes companies whose revenue might not be harmful to current or future generations, but their behaviour is a severe breach of globally accepted behavioural norms. This behaviour may be implicit or complicit. At present, Pella defines severe breaches as forced labour/slavery; child labour; child pornography; genocide or ethnocide.
- Sustainability-themed – Pella targets creating a portfolio with carbon intensity (measured relative to sales and enterprise value) that is at least 30% lower than the Benchmark's carbon intensity.
- Stewardship – Pella targets voting in 100% of its investee shareholder votes. Pella may decide to vote on ESG-related issues on a case-by-case basis recognising that ESG issues may impact the value of shareholders' investment. Pella targets voting in favour of resolutions that Pella believes promote positive ESG outcomes.

Pella measures the Fund's performance relative to the Responsible Investing targets daily and reports on the progress monthly and quarterly. In addition, Pella undertakes a comprehensive annual review of the Fund's performance relative to the Responsible Investing targets and reports the performance in the Annual Responsible Investing Report.

E. Fund investment objectives and strategies

The Investment objectives and strategies for the Fund are:

Objectives

The Fund aims to achieve returns greater than the MSCI All Country World Index Net Total Return (in NZ dollars) ("Benchmark") and with lower volatility than the Benchmark, over the medium to long term and subject to the Investment Manager's responsible investment policies.

Investment Strategy

Benchmark:

- MSCI All Country World Index Net Total Return (in NZ dollars).

Target asset allocation:

- 95% Global equities.²
- 5% Cash and cash equivalents.

Asset allocation ranges:

- 80% - 100% Global equities.³
- 0% - 20% Cash and cash equivalents.⁴

Appointed investment manager:

- Pella Funds Pty Limited (ABN 65 650 744 791).

Permitted investments:

- Cash and cash equivalents.
- Global equities.
- Australasian equities.
- Managed investment schemes.

Rebalancing policy:

- As a single-sector fund, there is no need for a rebalancing policy.

Currency hedging policy:

- The Fund targets a position of being unhedged (to New Zealand dollars).

Other

- The Fund can borrow up to 5% of the aggregate value of its investments but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, settle securities trades or pay expenses).

F. Investment policies

Taxation

The Fund has elected to be a Portfolio Investment Entity (“PIE”) and therefore is taxed under the PIE regime.

The taxation implications of an investment method, such as holding assets directly or investing in a managed investment scheme, are taken into account when determining the most appropriate

² “Global equities” may include Australasian equities.

³ “Global equities” may include Australasian equities.

⁴ Accrued fund expenses and other fund liabilities are not deducted from cash and cash equivalents for this range.

approach for the Fund. Note that taxation is not the sole consideration when choosing an investment method; other factors taken into account include cost and implementation feasibility.

Liquidity

The liquidity risk of the Fund is assessed with reference to liquidity of the underlying assets and securities. The Manager then establishes an appropriate application and redemption frequency for the Fund. The Fund invests predominantly in liquid investments and hence has daily applications and redemptions. Market conditions can, however, change resulting in some assets becoming difficult to sell. Hence if the Fund were to experience liquidity problems, the Manager may defer or suspend redemptions for a period of time.

Related-party transactions

Related-party transactions, other than the types permitted under the FMC Act, are prohibited.

The Fund may enter into transactions with related parties if permitted under section 174 of the FMC Act or consented to by the Supervisor under section 173(2)(a). Examples of such transactions include:

- the Fund investing in another Pella fund;
- parties related to the Fund, including the staff and directors of Pella and their families, and the staff of FundRock and their families from time to time investing in the Fund.

The Manager will report such transactions by related parties to its Supervisor in accordance with section 173(2) of the FMC Act.

Trade allocations and transactions

The Investment Manager has appropriate trade allocation, best execution, brokerage and market conduct policies in place governing their investment management activity in relation to the Fund.

Other relevant policies

Summaries of the key relevant policies are set out below.

Pricing and Asset Valuation Policy

The purpose of this policy is to set out how FundRock manages its unit pricing and asset valuation obligations, and the way in which FundRock exercises its discretions authorised by the Trust Deed and the Fund's establishment documentation.

This policy also links to FundRock's Outsourcing Policy reflecting that it outsources functions including registry, fund administration and unit pricing to third parties. In particular, the policy governs how FundRock selects, monitors and undertakes ongoing due diligence on third party providers.

Within the bounds of what is reasonable and practical FundRock's goals are to:

- have unit prices that reflect fair, realisable value of underlying assets and liabilities;
- ensure equitable treatment of investors entering, exiting or remaining in a Fund;
- have a consistent and objective process for determining unit prices; and
- comply with governing documents, offer documents and the law.

Conflicts of Interest and Related Party Transactions Policy

FundRock's Conflicts of Interest and Related Party Transactions policies set out the principles and procedures relating to the management of conflicts of interest within FundRock. The policies apply to all of FundRock's directors, relevant officers, senior management and employees.

The policy provides guidance on:

- what is meant by a conflict of interest;
- what constitutes a related party transaction; and
- how these are managed.

Investment Management Policy

This document sets out FundRock's policies and procedures in relation to appointing and monitoring investment managers. In particular the policy covers:

- investment management governance;
- investment manager selection and appointment; and
- investment manager monitoring and compliance.

G. Performance monitoring

Investment performance

FundRock monitors investment performance of the Fund on a monthly basis. Performance is measured and assessed on the following basis for 1, 3 and 5 year periods:

- Gross returns (before fees and before tax).
- Net returns (after fees and before tax).
- Benchmark returns.
- Performance relative to Benchmark returns.
- Annualised standard deviation of gross returns.
- Annualised standard deviation of Benchmark returns.
- Annualised tracking error.

Performance against Responsible Investing targets

FundRock assesses the Fund's performance against the Responsible Investing targets on a quarterly basis to continually assess the appropriateness of the Fund's label. If targets have not been met, FundRock will make inquiries of the Investment Manager, as it considers appropriate.

Where the Fund fails to meet a Responsible Investing target for two consecutive quarters, FundRock will review the Fund's label to determine if it remains appropriate. If FundRock determines that the label is no longer appropriate, then the label will be removed. Investors will have no other redress for a target not being achieved.

How FundRock assesses the Fund's performance against each Responsible Investing target

Responsible Investing target	FundRock monitoring process
ESG Integration	FundRock considers the weighted-average ESG score of the Fund for the relevant quarter, relative to that of the

The Fund targets a higher weighted-average ESG score than the Benchmark.	Benchmark. In both cases, MSCI ESG scores are used. The Investment Manager is responsible for calculating and reporting the Fund's ESG score. FundRock relies on the Investment Manager's reporting as part of its performance monitoring process.
Negative screening Pella excludes companies that generate revenue from 13 activities from the Fund's investment universe.	FundRock receives a quarterly attestation from the Investment Manager that the Fund has not invested in ineligible investments in accordance with its negative screening policy. Where there has been an ineligible investment that was not divested within the required timeframe, FundRock will engage with the Investment Manager to understand the reason for, and extent of, the delay, and whether this constitutes a failure to meet the negative-screening Responsible Investing target.
Norms-based screening Pella excludes companies whose behaviour is a severe breach of globally-accepted norms, namely forced labour/slavery, child labour, child pornography, genocide, and ethnocide.	FundRock receives a quarterly attestation from the Investment Manager that the Fund has complied with its norms-based screening policy and processes. Where the Fund is found to be non-compliant with the policy and processes, FundRock will assess whether it is a material failure to meet this Responsible Investing target for the purposes of its performance monitoring.
Sustainability-themed The Fund targets at least 30% lower Carbon Intensity than the Benchmark.	FundRock considers the weighted-average Carbon Intensity of the Fund compared to that of the Benchmark. The Investment Manager is responsible for calculating and reporting the Fund's Carbon Intensity to FundRock. FundRock relies on the Investment Manager's reporting as part of its performance monitoring process.
Stewardship The Fund targets voting in 100% of its investee shareholder votes, and targets voting in favour of resolutions that Pella believes promote positive ESG outcomes.	FundRock receives a quarterly attestation from the Investment Manager that the Fund has voted in all investee shareholder votes and any instances where Pella have voted for resolutions (where relevant) that they believe do not promote positive ESG outcomes. Where a vote has been missed or Pella have not voted in favour of resolutions (where relevant) that promote positive ESG outcomes, FundRock will engage with the Investment Manager to understand the reason for the missed vote and will assess whether this constitutes a failure to meet this Responsible Investing target. FundRock relies on the Investment Manager's reporting as part of its performance monitoring process.

FundRock reports investment performance and performance against the Responsible Investing targets to the Supervisor and to the FundRock Board. The FundRock Board has responsibility for

oversight of Investment Manager performance. The FundRock Board aims to meet at least quarterly.

To help investors monitor performance against the Responsible Investing targets, a Sustainability Report is made available at www.pellafunds.com/monthlysustainabilityreport for the Fund. Pella also undertakes a comprehensive annual review of the Fund's performance relative to the Responsible Investing targets and reports the performance in the Annual Responsible Investing Report. This report is made available at www.pellafunds.com/monthlysustainabilityreport.

Investors can also obtain a full list of holdings for the Fund from the Disclose website www.companiesoffice.govt.nz/disclose, which is updated every six months.

H. Investment strategy review

The FundRock Board has responsibility for oversight of the Investment Manager's performance and aims to meet at least quarterly.

The Fund is a single sector fund that invests into global equity securities with a portion allocated to cash and cash equivalents for liquidity purposes. FundRock does not intend to amend the Fund's investment strategy (including the Fund's benchmark asset allocations or ranges), although amendments may be made following recommendations by the Investment Manager.

I. SIPO monitoring and review

The FundRock Board is responsible for governance oversight of the SIPO.

The Manager's compliance processes include periodic policy reviews. The SIPO is reviewed annually by FundRock management with the outcomes of the review reported to the FundRock Board. In addition, FundRock management may initiate an ad hoc review, with examples of events that could lead to this being:

- the Investment Manager recommending changes to the SIPO;
- a change in roles and responsibilities; or
- a permanent change in risk and return characteristics of the relevant market.

SIPO reviews take into account the views of FundRock and the Investment Manager and if required the views of external experts.

The Manager can make changes to the SIPO in accordance with the Trust Deed and the FMC Act. Before making changes to the SIPO, the Manager will consider if the changes are in the best interests of investors and consult with the Supervisor. Any changes to the SIPO require FundRock Board approval. The Manager will give notice to fund investors before implementing any material SIPO changes.

The Manager is responsible for monitoring adherence to the SIPO and reporting any breaches to the FundRock Board and the Supervisor.

The current version of this SIPO is available on the schemes register at www.companiesoffice.govt.nz/disclose.

This SIPO was approved by the FundRock Board on 26 March 2025 and takes effect on 26 March 2025.

J. Glossary

Benchmark means the financial index or indices against which a Fund's performance is measured.

Carbon Intensity is defined by Pella as total carbon emissions (scope 1 and 2), measured in millions of tonnes, relative to a company's size. Pella measures carbon intensity in two ways:

- (i) carbon emissions to sales;
- (ii) carbon emissions to enterprise value.

Scope 1 emissions are carbon emissions that occur from sources controlled or owned by an organisation. Scope 2 emissions are indirect carbon emissions associated with the purchase of electricity, steam, heat, or cooling.

FMC Act means the Financial Markets Conduct Act 2013.

FundRock means FundRock NZ Limited, the Manager of the Scheme.

Fund means the investment fund offered within the Scheme, being the Pella Global Generations PIE Fund.

Investment Manager means Pella Funds Pty Ltd.

Manager means FundRock.

Responsible Investing means responsible investment involving strategies that integrate ESG criteria and considerations into investment decisions and management. The document emphasizes the use of ESG factors to manage risks and identify investment opportunities with the potential for responsible growth and sustainable returns.

Scheme means the Pella Investment Funds, a managed investment scheme governed by the Master Trust Deed dated 1 December 2016 and the Scheme Establishment Deed dated 23 December 2024.

Supervisor means the supervisor of the Scheme, which is Public Trust.

Tracking error means the annualised standard deviation of the difference between the returns of the Fund and the benchmark against which its performance is measured.