

Statement of Investment Policy and Objectives

Evidential Investment Funds
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1 Background

This statement of investment policy and objectives (SIPO) sets out the investment governance and management framework, philosophy, strategies and objective for Consilium NZ Limited (Consilium, Manager, we, our, us) and the Evidential Investment Funds (Scheme).

The SIPO describes:

- the nature or type of investments that can be made and any limit on those;
- any limits on the proportion of each type of asset invested in; and
- how the SIPO is developed and amended, and how we measure performance against the objectives of the Scheme.

2 Description of the Managed Investment Scheme (MIS)

The Scheme is a registered managed investment scheme under the Financial Markets Conduct Act 2013 (FMC Act). The Scheme is a trust governed by a trust deed (Trust Deed).

The Funds

The Scheme has two investment funds (Funds) that are available for investment. These are the Evidential Sustainable Global Bond Fund and the Evidential Sustainable Targeted Factor Fund. The SIPO may be revised when deemed appropriate by the Manager, following consultation with the Supervisor. Where the Supervisor considers the change to be material, the Manager will provide investors in the Scheme with three months' notice of such change unless the Supervisor agrees otherwise.

The Manager

Consilium NZ Limited is the manager of the Scheme and has prepared this SIPO. The Manager is responsible for offering and issuing units in the Funds, managing the Funds' investments and administering the Scheme. The Manager is a registered financial service provider (registration number FSP439786) and holds a licence to act as manager of the Scheme issued by the Financial Markets Authority.

The Supervisor

Trustees Executors Limited (Supervisor) is the supervisor of the Scheme. The Supervisor's role is to act on behalf of investors in the Scheme, supervise the Manager in the performance of its functions and to hold, or arrange for the holding of, the Scheme's assets in independent custody. The Supervisor is a registered financial service provider (registration number FSP37383) and holds a licence to act as supervisor of the Scheme issued by the Financial Markets Authority. The Supervisor is independent of the Manager.

Investment manager

The investment manager of the only fund into which the Evidential Sustainable Global Bond Fund invests is DFA Australia Limited (Dimensional). References to the Evidential Sustainable Global Bond Fund include the Underlying Fund, where context requires.

Dimensional is also the investment manager of the Evidential Sustainable Targeted Factor Fund.

Dimensional is a wholly owned subsidiary of US-based Dimensional Fund Advisors LP. Dimensional and its affiliated entities manage funds on behalf of investors around the world from offices in the United States, Canada, the UK, Europe, Asia and Australia.

For more than four decades, Dimensional Fund Advisors LP and its subsidiaries and affiliates have been combining rigorous academic research with practical experience to deliver investment solutions. Using this approach, Dimensional seeks to deliver investment solutions that add value through careful design, implementation and execution.

Dimensional established its Australian office in 1994 and began offering investment solutions to Australian investors with the launch of the first Dimensional wholesale trusts in 1999.

Other parties

There are a number of other parties involved in the Scheme including accountants, tax advisers, auditors and legal advisers.

Further information about the offers and Scheme

Further information about the Scheme and the offer of units in the Funds (Offers) is available from the Companies Office 'Disclose' website www.companiesoffice.govt.nz/disclose. The Product Disclosure Statements and other material information about the Offers are available on the Disclose website. The Scheme's governing documents, including the latest version of this SIPO, are available on the Disclose website. There is also further information on the Manager's website www.evidential.co.nz.



3 Investment objectives

Each Fund has a specific investment strategy and objective and offers a different mix of investments. The investment strategies and objectives for both Funds are set out below.

Evidential Sustainable Global Bond Fund

The fund provides exposure to a broadly diversified portfolio of intermediate term global fixed interest and money market securities, whilst taking into account certain environmental and social considerations. See section 4, “Investment philosophy”, for more information on how the Manager implements these considerations.

The fund aims to hedge all foreign currency exposure to the New Zealand dollar.

The objective of the fund is to maximise the return of the fund after the management fee over the minimum recommended investment timeframe. The objective is managed within portfolio constraints, including portfolio and security maturity, credit quality, diversification, and environmental and social considerations.

The minimum recommended investment timeframe for the fund is three years.

The fund is not managed with the objective of achieving a particular return relative to a benchmark index. However, the benchmark index against which fund returns will be reported in the quarterly fund updates is the Bloomberg Global Aggregate Bond Index hedged to the New Zealand dollar.

Evidential Sustainable Targeted Factor Fund

The fund invests in a diversified portfolio of small and medium capitalisation companies associated with global developed markets (excluding Australia and New Zealand), with an emphasis on companies that are expected to have higher returns. The fund also takes into account certain environmental and social considerations. See section 4, “Investment philosophy”, for more information on how the Manager implements these considerations.

The fund’s currency position is unhedged.

The objective of the fund is to provide capital growth over the minimum recommended timeframe. The objective is managed within portfolio constraints, including geographic exposure, market capitalisation, diversification, and environmental and social considerations.

The minimum recommended investment timeframe for the fund is seven years. The fund is not managed with the objective of achieving a particular return relative to a benchmark index. However, the benchmark index against which fund returns will be reported in the quarterly fund updates for the fund is the MSCI World SMID Index (gross dividends, NZD).

The fund may lend securities for the purpose of generating additional income for the fund. Securities lending is limited to 50% of the Fund’s net asset value and the borrower is required to deliver approved cash or non-cash (bills, bonds or notes issued by approved governments) collateral to the fund.

4 Investment philosophy

The Funds follow an evidence-based investment philosophy that is grounded in economic theory and backed by academic research.

Academic research has identified specific factors that explain systematic differences in returns over time. These factors are supported by sound economic rationale, are persistent across historical time periods, pervasive across markets, robust to alternative specifications and cost effective to capture in well diversified portfolios.

Dimensional has been selected to be involved in the Funds due to their expertise in delivering evidence-based investment solutions.

Evidential Sustainable Global Bond Fund

This fund provides exposure to an evidence-based investment philosophy by holding units in the Dimensional Global Bond Sustainability Trust (hedged to NZD) (Underlying Fund), an Australian unit trust issued by Dimensional.

The Underlying Fund invests in a broadly diversified portfolio of intermediate term global fixed interest and money market securities. Within portfolio constraints, including controls on portfolio maturity, security maturity, credit quality and diversification, and adjusted to take into account certain environmental and social considerations, the objective of the Underlying Fund is to maximise the return of the portfolio.

The Underlying Fund targets sources of higher expected return that have been identified by academic research, and in particular, that performance in fixed interest is largely driven by two factors – bond maturity and credit quality. Bonds that mature further in the future are subject to higher risk of unexpected changes in interest rates. Bonds with lower credit quality are subject to higher risk of default. Extending bond maturities and reducing credit quality therefore increases risk and potential returns.

The Underlying Fund (NZD class units) aims to hedge all foreign currency exposure to the New Zealand dollar.

Evidential Sustainable Targeted Factor Fund

This fund provides exposure to an evidence-based investment philosophy by engaging Dimensional as the investment manager of this fund. This means that Dimensional is responsible for making recommendations and decisions about what the fund invests in.

The fund invests in a diversified portfolio of small and medium capitalisation companies associated with global developed markets (excluding Australia and New Zealand), with an emphasis on companies that are expected to have higher returns.

The fund is targeting sources of higher expected return that have been identified by academic research. These are:

1. The overall market - shares have higher expected returns than bonds.
2. Company size - small company shares have higher expected returns than large company shares.
3. Relative price - low relative price or 'value' shares have higher expected returns than high relative price shares.
4. Profitability - shares with higher profitability have higher expected returns than shares with lower profitability.

The fund also takes into account certain sustainability considerations as set out below.

The fund's currency position is unhedged.

Sustainability

The Funds also consider non-financial factors in order to target sustainability goals.

Carbon footprint reduction goal

The Funds aim to have a reduction in weighted average carbon intensity of at least 50% and a reduction in weighted average potential emissions from reserves of at least 75% relative to the benchmark indices. The carbon intensity and potential emissions from reserves are calculated as set out in the table below.

Note that for the Evidential Sustainable Global Bond Fund, this carbon footprint reduction goal only applies with respect to holdings of bonds from corporate issuers (companies).

Emissions metric	Explanation
Carbon Intensity	Carbon intensity means a company's most recently reported or estimated Scope 1 (direct) + Scope 2 (indirect) GHG emissions in carbon dioxide equivalents (CO ₂ e) normalised by sales (metric tons CO ₂ e per USD million sales). GHG included are carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF ₆) and nitrogen trifluoride (NF ₃).
Potential emissions from reserves	Potential emissions from reserves means an estimate of carbon dioxide produced if a company's reserves of oil, gas and coal were converted to energy, given estimated carbon and energy densities of the respective reserves.

Dimensional intends to achieve this carbon footprint reduction goal by ranking companies on metrics relating to carbon emissions and then increasing exposure (i.e. overweighting) to companies with lower emission profiles and decreasing exposure (i.e. by underweighting or excluding) to companies with higher emission profiles.

In relation to the carbon footprint reduction goal, individual companies are evaluated relative to the broad universe of companies and against sector peers rather than against strict individual company sustainability targets, such as absolute maximum emissions criteria or minimum scoring criteria. Also, because the carbon footprint reduction goal is applied at the fund level, the Funds may overweight a company which has a worse sustainability score compared to sector peers or other eligible securities where doing so would not impact the carbon footprint reduction goal.

As part of the sustainability considerations for the Funds, Dimensional calculates a sustainability score for each issuer in the fund's eligible universe. The way that these scores are used in the investment process for each fund is described in further detail below.

Sustainability scoring is calculated as follows:

- 85% of the scoring is based on an issuer's carbon intensity (as defined in the table above); and
- the remaining 15% of the score is equally composed of the issuer's conduct in the following four areas:
 - i. Land use and biodiversity;
 - ii. Toxic spills and releases;
 - iii. Operational waste; and
 - iv. Water management.

The way in which the sustainability scores are utilised in the investment process for each fund is set out below.

Evidential Sustainable Global Bond Fund

At a portfolio level, eligible corporate bonds in the lowest scoring 10% by market value are generally excluded.

In addition, corporate, agency and supranational issuers with high total potential emissions from reserves are generally excluded and agency and supranational issuers whose GHG emissions intensity is within the lowest scoring 10% of the corporate universe are also generally excluded.

At a sector level, corporate issuers are ranked on GHG emissions intensity against sector peers. Issuers with lower emissions intensity relative to peers are generally overweighted and issuers with higher emissions intensity relative to peers are generally underweighted.

Evidential Sustainable Targeted Factor Fund

At a portfolio level, the sustainability scores will be applied as follows:

- Companies whose GHG emissions intensity is in the lowest scoring 10% of the eligible universe will be underweighted or excluded; and
- Companies whose potential emissions from reserves rank in the lowest scoring 5% of the eligible universe will be underweighted or excluded.

At a sector level, companies in the lowest scoring 10% of their sector are generally underweighted or excluded. In addition, companies with higher scores relative to peers are generally overweighted and companies with lower scores relative to peers are generally underweighted.

Company exclusions

The Funds generally exclude companies associated with the following particular business practices, subject to those companies meeting certain business involvement criteria (which include revenue thresholds) as part of the screening process:

Business practice	Business involvement criteria
Coal	Evidence of owning proven and probable thermal or metallurgical coal reserves or revenue from the mining of thermal coal and its sale to external parties.
Factory farming	Greater than 10% of revenue from sectors related to factory farming.
Palm oil	Greater than 10% of revenue from palm oil farming and/or palm oil processing.
Controversial weapons	Involvement in the manufacture of cluster munitions or anti-personnel mines or their key components, chemical and biological weapons, or depleted uranium ammunition and armour.
Nuclear weapons components, systems and support services	Involvement in the manufacture of components of nuclear weapons or systems that are capable of the delivery of nuclear warheads, or provision of support services related to nuclear weapons (such as the repair and maintenance of nuclear weapons).
Tobacco	Involvement in the production of tobacco products or, greater than 10% of total revenue related to tobacco products.
Child labour	Involvement in severe controversies related to child labour practices.

Alcohol	Greater than 10% of revenue from the production, distribution, retailing, licensing or supply of alcoholic beverages, key products and services.
Gambling	Greater than 10% of revenue from the ownership or operation of gambling facilities, or from the support or services to the gambling industry.
Adult entertainment	Greater than 10% of revenue from the production, distribution or retailing of adult entertainment products.
Personal firearms	Involvement in the manufacture of handguns, pistols, shotguns, rifles, revolvers, and ammunition for civilian (non-military) use, or greater than 20% of revenue from distribution of personal firearms.

The exclusion of certain securities based on the specific criteria outlined in the table above are applied at a company level. To implement these exclusions, the Funds generally (a) avoid purchase and (b) divest from companies which, in Dimensional's opinion, are involved in the above activities. Indirect involvement - for example, through ownership structures - may also lead to exclusion. Should Dimensional form the view that existing holdings, eligible at the time of purchase, subsequently become ineligible, they will be divested within a reasonable period of time considering turnover, liquidity and associated trading costs. In most circumstances, Dimensional normally expects to divest within three months. However, there may be circumstances beyond Dimensional's control, such as suspension, delisting or low liquidity, that may cause divesting to take longer. Investments in government or government related securities are generally not subject to the company exclusions identified above.

Other

Dimensional may also exclude or underweight specific companies for other factors believed to be important to investors interested in sustainability, such as companies associated with significant environmental controversies.

The Funds are permitted to invest in derivative instruments, including futures. These instruments may cause indirect exposure to securities that would typically be excluded or underweighted. These instruments are generally only used on a temporary basis for managing large cashflows. These instruments are not included when calculating progress against the funds' sustainability goals.

Depending on each sustainability consideration, Dimensional may source data externally from one or several vendors. It may be cross-referenced and supplemented in order to create a proprietary data set. Alternatively, data may be created and maintained internally by Dimensional's portfolio management team, using reported financial data and sector information, among others. Sustainability considerations and sustainability scores are regularly reviewed and updated, generally in accordance with updates from third party service providers.

Dimensional may not have company data for particular sustainability considerations for every security in the eligible universe. In these cases, Dimensional may still invest in these securities. Securities for which data may not be available are typically issued by very small companies, private corporate debt issuers or government-related entities that fall outside the eligible universe of external vendors and for which relevant public information is hard to identify manually. These issuers often have attractive investment characteristics. Dimensional therefore believes that the small risk of holding an immaterial exposure to these types of securities is more than offset by the diversification and investment benefits of holding these companies in aggregate. For companies where carbon intensity data is not available, we apply a sector average value.

Revenue is generally the total sales and revenue from normal operating activities before the deduction of costs and taxes, with a preference placed on audited financial statements. When a breakdown of revenue by business activity is not available, estimates or derivations are applied by the data provider based on ancillary information such as the company structure, business model, supply chain characteristics and company financials.

5 Investment strategy

Benchmark asset allocation

The benchmark asset allocation and asset allocation ranges for the Funds are set out in the following tables:

Evidential Sustainable Global Bond Fund		
Asset class	Benchmark asset allocation	Asset allocation range
Cash and cash equivalents*	0%	0% - 5%
International fixed interest**	100%	95% - 100%

Evidential Sustainable Targeted Factor Fund		
Asset class	Benchmark asset allocation	Asset allocation range
Cash and cash equivalents*	0%	0% - 10%
International equities***	100%	90% - 100%

*Large investor contributions or withdrawals may result in the fund's asset allocation temporarily being outside the range.

**The Underlying Fund will have some exposure to New Zealand fixed interest. It is not expected to be material. The Underlying Fund into which the fund invests may also hold cash and cash equivalents for liquidity purposes. The benchmark asset allocation and ranges for cash and cash equivalents in the Underlying Fund have not been included in this table.

*** International equities includes investments in global listed property securities.

Permitted investments

Evidential Sustainable Global Bond Fund

- International fixed interest
- Cash and cash equivalents
- Financial derivative instruments limited to forward foreign exchange transactions and currency hedging instruments
- Managed investment schemes, collective investment vehicles or exchange traded funds
- Securities received in connection with corporate actions (for example, warrants, convertible debt securities, options)

Please note the comment above regarding the exposure of the Underlying Fund to New Zealand fixed interest.

Evidential Sustainable Targeted Factor Fund

- International equities (including listed property securities)
- Cash and cash equivalents
- Financial derivative instruments including currency hedging instruments.
- Managed investment schemes, collective investment vehicles or exchange traded funds
- Securities received in connection with corporate actions (for example, warrants, convertible debt securities, options).

6 Investment policies

Hedging policy

Evidential Sustainable Global Bond Fund

The fund invests into a class of the Underlying Fund that is hedged to New Zealand dollars. The Underlying Fund aims to hedge all foreign currency exposure to New Zealand dollars, however, the Underlying Fund may not adjust the hedge for slight changes in foreign currency exposure if the manager of the Underlying Fund deems it is more cost-effective not to do so.

Evidential Sustainable Targeted Factor Fund

The fund's currency position is unhedged.

Other relevant policies

Taxation

These Funds are Portfolio Investment Entities (PIEs) and therefore are taxed under the PIE regime.

In determining the investment method of the Funds, the tax implications of how the exposure is obtained is considered. For example, the exposure may be obtained through holding assets directly within the Funds or by investing in another managed investment scheme, and these methods may have different tax outcomes depending on the asset class. The tax outcome, along with other factors such as cost, will contribute to the selection of the best investment method.

Liquidity and cash flow management

The Funds invest predominantly in liquid investments and hence have daily applications and redemptions. If market conditions change, and the assets become difficult to sell, the Manager may defer or suspend redemptions for a period of time.

Investor contributions and withdrawals and fund expenses are funded through a holding of cash or cash equivalents. The cash accounts are monitored daily to ensure they remain within the respective asset allocation ranges. Large investor contributions or withdrawals may result in the funding account exposure temporarily being outside the ranges specified in section 5, "Investment strategy".

Related party transactions

The Funds may invest in other managed investment schemes. If these schemes are managed by related parties, and are permitted under section 174 of the FMC Act, they are permitted investments for the Funds. The Manager will report transactions in managed investment schemes managed by related parties to its Supervisor in accordance with section 173(2) of the FMC Act.

Trade allocation

The Evidential Sustainable Global Bond Fund invests in another managed investment scheme rather than trading directly in securities. As such, orders to buy or sell units in the Underlying Fund are generally fully allocated.

The Evidential Sustainable Targeted Factor Fund is permitted to invest directly in securities. As investment manager for this fund, Dimensional has appropriate trade allocation, best execution and brokerage policies and processes governing its investment management activity on behalf of the fund.

Pricing and valuation

For the Evidential Sustainable Global Bond Fund, the calculation of unit prices and the valuation of assets of the fund is completed by Adminis NZ Limited (Adminis), an independent external party. This outsourcing arrangement is governed by a Services Agreement and Service Level Agreement between Consilium and Adminis. Accordingly, our unit pricing and valuation policy for the Evidential Sustainable Global Bond Fund adopts the unit pricing and asset valuation policies of Adminis.

For the Evidential Sustainable Targeted Factor Fund, the calculation of unit prices and the valuation of assets of the fund is completed by Apex Investment Administration (NZ) Limited (Apex), an independent external party. This outsourcing arrangement is governed by a Services Agreement and Service Level Agreement between Consilium and Apex. Accordingly, our unit pricing and valuation policy for the Evidential Sustainable Targeted Factor Fund adopts the unit pricing and asset valuation policies of Apex.

External investment management

This policy sets out the process that is followed for appointing and monitoring external investment managers. External investment managers may be managers who are directly contracted to manage a portfolio of assets or may be the manager of an Underlying Fund.

The policy sets out the factors that we are looking for in an external manager, such as an evidence-based investment philosophy, experienced and stable investment teams and proven performance.

Once selected, an external investment manager is subject to a rigorous ongoing monitoring process. Each external investment manager is regularly assessed against a range of criteria.

7 Investment performance monitoring

The investment performance of the Funds is monitored monthly. Performance is monitored over the most recent quarter, annually and rolling three year and five year periods.

The Funds are not managed with the objective of achieving a particular return relative to a benchmark index. However, a benchmark index (see section 3) will be used for comparative purposes to help investors understand the Funds' returns over particular periods.

The Funds' performance against the sustainability goals is monitored on a quarterly basis. If the Funds consistently fail to meet the sustainability goals, we will review the Funds' sustainability label to determine if it remains appropriate.

To help investors monitor the sustainability goals, a quarterly sustainability report is made available on the Manager's website www.evidential.co.nz. For the Evidential Sustainable Global Bond Fund, the sustainability report is produced by Dimensional and relates to the Underlying Fund. For the Evidential Sustainable Targeted Factor Fund, the sustainability report is produced by Dimensional based on the holdings of the fund. The reports contain information about the Funds' performance against the carbon footprint reduction goal.

In addition, investors can obtain a full list of holdings for the Funds from the Disclose website www.companiesoffice.govt.nz/disclose, which is updated every six months.

8 Investment strategy and SIPO review

The investment strategies of the Funds and the SIPO are reviewed annually by the Consilium Due Diligence Committee. As part of its review, the Consilium Due Diligence Committee will seek input from the Consilium Investment Committee. The Consilium Investment Committee may also review (and, if necessary, recommend amendments to) the investment strategy and SIPO as a result of any fundamental changes in the investment environment or any changes to any fund's investment objectives.

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 will be approved by the Consilium Due Diligence Committee and the Supervisor. The Manager will give three months' notice (unless the Supervisor agrees otherwise) of changes to investors in the fund prior to effecting any material changes.

The Manager monitors compliance with the SIPO and will report any breaches to the Consilium Board and the Supervisor. The most up to date version of the SIPO is available on the scheme and offer registers (Disclose), which can be found at www.companiesoffice.govt.nz/disclose.



