

# HARBOUR INVESTMENT FUNDS

## Statement of Investment Policy & Objectives (SIPO)

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Issued by Harbour Asset Management Limited

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# Background

This Statement of Investment Policy and Objectives (SIPO) sets out Harbour's investment philosophy and each of the Harbour Investment Fund's investment guidelines, style and objectives.

The SIPO is subject to change from time to time. Where required by the trust deed or law, you will receive prior notification of any material change to an investment strategy or objective. The most current version of this SIPO is available on the offer register at <https://disclose-register.companiesoffice.govt.nz/>. Throughout the SIPO, we use "Harbour", "we", "our" or "us" to refer to the Manager, Harbour Asset Management Limited. Words defined in the Product Disclosure Statement (PDS) have the same meaning when used in the SIPO.

## 1. Description of the managed investment scheme

The Harbour Investment Funds is a managed investment scheme (MIS or Scheme) for the purposes of the Financial Markets Conduct Act 2013 (FMC Act).

The Harbour Investment Funds has 19 investment Funds (Funds) on offer, as listed below:

Harbour Enhanced Cash Fund  
Harbour NZ Core Fixed Interest Fund  
Harbour NZ Corporate Bond Fund  
Harbour Income Fund  
Harbour Long Short Fund  
Harbour NZ Index Shares Fund\*  
Harbour Sustainable NZ Shares Fund  
Harbour Real Estate Investment Fund  
Harbour Australasian Equity Income Fund  
Harbour Balanced Fund  
Harbour Balanced Growth Fund\*\*\*  
Harbour Growth Fund  
Harbour Australasian Equity Fund  
Harbour Australasian Equity Focus Fund  
Harbour T. Rowe Price Global Equity Fund\*\*  
Harbour T. Rowe Price Global Equity Fund (Hedged)  
Epoch Global Quality Select Equity Fund  
Epoch Global Quality Select Equity (Hedged) Fund  
Harbour Sustainable Impact Fund

\* The Harbour NZ Equity Advanced Beta Fund transitioned to the Harbour NZ Index Shares Fund on 1 April 2021.

\*\* The T. Rowe Price Global Equity Growth Fund changed name to the Harbour T. Rowe Price Global Equity Fund on 1 October 2021.

\*\*\*The Harbour Active Growth Fund changed name to the Harbour Balanced Growth Fund on 21 November 2025.

Harbour is the licensed manager of the registered scheme under the FMC Act and the investment manager for all Harbour Investment Funds, and has appointed external investment managers in respect of the Harbour T. Rowe Price Global Equity Fund and Harbour T. Rowe Price Global Equity Fund (Hedged), which is managed by T. Rowe Price Australia Limited, and the Epoch Global Quality Select Equity Fund and Epoch Global Quality Select Equity (Hedged) Fund are managed by Epoch Investment Partners, Inc. Some Harbour Funds may allocate to external managers or to underlying funds managed by related parties. Refer to section 4 Investment Management Policies and section 8 Investment Managers for more information.

Harbour's contact details are available on Disclose <https://disclose-register.companiesoffice.govt.nz/>.

The New Zealand Guardian Trust Company Limited (Guardian Trust) is the Supervisor of the Scheme under the FMC Act. Apex Investment Administration (NZ) Limited (Apex) is the administration

manager for all of the Funds in the Scheme, and Guardian Trust (acting through its nominee company NZGT (Harbour) Nominees Limited or its appointed custodian, Apex) is Custodian for the Funds. Apex provides the registry function for all Harbour Investment Funds.

## 2. About Harbour

### Investment philosophy

Harbour's investment philosophy is focused on consistency – in combining fundamental analysis with the skill of experienced people.

We believe:

- that quality research is the backbone of investment outperformance;
- in the consistency of our investment process;
- in responsible investing; and
- there is no substitute for experience.

Harbour is a client focused, research driven, investment manager. Our combination of quantitative, macro-economic and fundamental analysis across both equity and fixed interest markets is dedicated to producing superior investment results.

### Harbour structure

Investment management activities are managed by Harbour staff who conduct research, analysis & portfolio implementation.

The Board of Directors and Head of Legal, Risk and Compliance oversee the investment management activities and are responsible for reviewing investment performance, compliance with the investment mandates, and processes and outcomes. The Board of Directors aim to meet on a regular basis.

Harbour is part of a group of investment and advisory businesses ultimately owned by FirstCape Group Limited (FirstCape). FirstCape is jointly owned by National Australia Bank Limited (NAB), Jarden Wealth and Asset Management Holdings Limited (Jarden) and funds managed by Pacific Equity Partners (PEP). NAB is a licensed bank in Australia and is the parent company of Bank of New Zealand.

### Fund structure

Harbour Staff are responsible for the overall investment management of the Funds including implementation of the investment strategies, except where this has been delegated to external investment managers; i) T. Rowe Price Australia Ltd in respect of the Harbour T. Rowe Price Global Equity Fund and Harbour T. Rowe Price Global Equity Fund (Hedged); and ii) Epoch Investment Partners, Inc in respect of the Epoch Global Quality Select Equity Fund and Epoch Global Quality Select Equity (Hedged) Fund. The Funds are independent of each other. An investor receives units in a Fund and each unit is of equal value to all other units in that Fund.

A Fund's assets may be invested directly into market securities, invested into other funds managed by Harbour or related parties including the Harbour Wholesale Investment Scheme (Wholesale Funds) or invested in externally managed Funds approved by us. For more information, please refer to the investment strategies and objectives for each of the Funds outlined in Section 3 below.

The Funds are all Portfolio Investment Entities (PIE). On a daily basis each Fund attributes its income or loss, expenses, and tax credits (if applicable) to each investor in proportion to the units they hold and the number of units in the Fund. Tax is paid to the Inland Revenue each year after 31 March by Apex.

If the investor invests through a Portfolio Investor Proxy (PIP) or custodial service, the service will hold the investor's units in the Fund. Taxable income attributed to the PIP or custodial service generally has tax deducted at 0% as the PIP or custodial service is responsible for attributing tax to its investors.

## 3. Investment strategies and objectives

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

### Harbour Enhanced Cash Fund

#### Description of the Fund

The Harbour Enhanced Cash Fund is an actively managed portfolio that holds liquid money market securities, NZ Government Stock, corporate bonds and bank deposits, all denominated in New Zealand Dollars. The Fund is designed to earn a premium over 90-day bank bills, while aiming to avoid the volatility of traditional fixed interest funds. The maximum permitted duration of the Fund is 2 years. The Fund maintains a core holding of highly liquid securities in order to minimise transaction costs and facilitate investor cash flow requirements at short notice. The Fund also uses hedging instruments to manage interest rate risk within prescribed limits.

#### Investment Objective

The investment objective of the Fund is to outperform the benchmark of the portfolio by 0.85% per annum over a rolling 3-year period.

#### Benchmark

S&P/NZX Bank Bills 90-Day Index.

#### Distribution

This Fund does not pay distributions.

#### Investment Style

The Fund aims to generate returns from two activities. The majority of the return will come from capturing the yield premium that the underlying securities offer over cash. This premium is built from the term, credit and liquidity attributes of the underlying instruments. A research-driven investment process and Fund structure balances liquidity considerations with premium capture.

The second source of return is through active management of the interest rate exposure. This is achieved by investing in longer maturity assets when interest rates are expected to decline and reducing this exposure when interest rates are relatively low or expected to rise.

Investment criteria will be subject to our Authorised Investments and further limitations will apply as outlined in the Exposure Limits and Credit Exposure Limits below.

#### Benchmark Asset Allocations

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocations will vary from the benchmark asset allocations as market conditions change and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	45%	0-100%
New Zealand Fixed Interest	55%	0-100%

## Authorised Investments

1. Marketable debt securities
  - a) issued in NZ dollars by the New Zealand Government or Reserve Bank of New Zealand (RBNZ); or
  - b) issued in NZ dollars by other issuers that have a long-term rating of BBB- or higher, or a short-term rating of A-1 or higher with Standard and Poor's.
2. Marketable debt securities include:
  - a) Fixed Rate Bonds with a term to maturity of less than 3 years and 1 month;
  - b) Floating Rate Notes with a term to maturity of less than 5 years and 1 month; or
  - c) Discount securities including bank RCDs, commercial paper, asset-backed commercial paper and Treasury Bills.
3. Term deposits with banks registered with the RBNZ.
4. The Manager may use NZ Bank Bill futures.
5. The Manager may enter into over-the-counter:
  - a) interest rate swaps, overnight index swaps, forward rate agreements; or
  - b) fully collateralised securities lending and repurchase transactions; and
  - c) where the counterparty is an approved counterparty and a current ISDA agreement is in place between the Manager and the counterparty. Approved counterparties must have a long-term credit rating at Standard & Poor's Rating Agency of no less than "A".
6. Where Standard and Poor's ratings are not available, the Manager may use Moody's or Fitch ratings. Where multiple ratings exist, the highest will apply.
7. Unrated securities that satisfy the criteria above may be held, provided that the Manager deems that the securities would most probably achieve a rating of "BBB" or higher if the issuer was to gain a rating. This includes debt issued by Local Authorities.
8. The following investments are not eligible:
  - a) Mortgage-Backed Securities, CDOs, CLO's;
  - b) Non-New Zealand dollar denominated securities, derivatives, currency, collateral or margin;
  - c) Non-New Zealand dollar exchange rate exposure; or Interest Rate Options.

## Exposure Limits

**Duration:** The portfolio modified duration must not exceed 2 years.

**Credit Duration:** The portfolio spread duration must not exceed 2 years.

**Liquidity:** A minimum of 15% of the Fund will be held in Highly Liquid Securities, defined as cash or cash equivalents, New Zealand Government securities, Certificate of Deposits (RCD) with less than

367 days to maturity and issued by a registered bank rated A-1 or better, and Commercial Paper with less than 94 days to maturity and rated A-1 or better.

### Exposures:

- a) The maturity of fixed rate securities must not exceed 3 years and 1 month.
- b) The maturity of floating rate debt securities must not exceed 5 years and 1 month.
- c) Floating rate securities must not exceed 20% of the Fund.
- d) The maturity of Term Deposits must not exceed 7 months.
- e) Exposure to currencies other than the New Zealand Dollar is not permitted.

**Term Deposits:** The maximum exposure to term deposits must not exceed 50%. If client outflows lead exposure to exceed the maximum level, the Manager may hold existing investments until they mature but may not enter new positions until total Term Deposit exposure is back within the 0% - 50% range.

**Unrated Security Assessments:** To be reviewed at least six monthly.

**Derivatives:** The calculation of duration will include the effective duration generated by any interest rate derivative instruments in the Fund.

**Other:** Repurchase transactions in aggregate will not exceed 30% of the portfolio's NAV.

### Credit Exposure Limits

- a) Aggregate credit exposures:

<i>Type</i>	<i>Minimum</i>
Registered banks*, and other AAA, AA+, AA, AA- long term and A-1+ short-term	50%

<i>Type</i>	<i>Maximum</i>
BBB+, BBB, BBB- rated securities	15%
Unrated securities, deemed investment grade by Manager (excluding local authorities)	5%
Securities with a long-term rating of BB+, short-term rating of A-2, or lower	Not permitted

b) Maximum individual issuer exposure limits:

<i>Type of issuer</i>	<i>Rating</i>	<i>Limit</i>
New Zealand Government/RBNZ		100%
Supranationals or Foreign Governments	AAA	15%
Registered banks*		20%
	AAA	10%
	AA+, AA, AA-	6%
Others	A+, A, A-	4%
	BBB+, BBB, BBB-	2%
	A-1+	6%
	A-1	4%
Local Government Funding Authority		20%
Unrated Local Authority		4%
Unrated securities, deemed Investment Grade (excluding local authorities)	Equivalent BBB or higher	1.5%

\*"Registered Bank" means a bank registered by the Reserve Bank of New Zealand.

## Harbour NZ Core Fixed Interest Fund

### Description of the Fund

The Harbour NZ Core Fixed Interest Fund is an actively traded investment grade portfolio that holds New Zealand Government and corporate bonds. Additional diversification may be gained through holdings of liquid Australian investment grade corporate bonds. The Fund also uses hedging instruments to efficiently manage interest rate and credit risks in the portfolio and has the ability to make allocations in the US and Australian rate markets when there are pricing discrepancies relative to New Zealand. Foreign currency exposures are hedged back to NZ dollars (NZD).

### Investment Objective

The investment objective of the Fund is to outperform the benchmark by 1% per annum over a rolling 3-year period.

### Benchmark

Bloomberg NZ Bond Composite 0+Yr Index.

### Distribution

This Fund intends to pay quarterly distributions in March, June, September and December.

## Investment Style

The Fund aims to generate returns from two activities. The majority of returns will come from investing in a diversified range of New Zealand Government bonds and corporate fixed income securities. This enables the Fund to capture the premium (return) above cash that medium to longer-term securities typically offer. Additional returns are targeted from research-driven and active investment decisions. This may include increasing the duration or credit exposure of the Fund when these are offering attractive returns.

We may add diversification to the Fund by investing in securities issued by Australian investment grade corporate entities. The Fund may use hedging instruments to efficiently manage interest rate risk and credit risk in the Fund. The Fund also has the ability to make allocations in the US and Australian rates markets when there are pricing discrepancies relative to New Zealand fixed interest. Non-NZD credit exposure is capped at 20%. Any exposure to foreign currency is hedged back to NZD.

## Benchmark Asset Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocation will vary from the benchmark asset allocation as market conditions change and if we pursue tactical investment opportunities.

Asset Class	Benchmark Asset Allocation (%)	Range (%)
Cash and cash equivalents	5%	0-70%
New Zealand Fixed Interest	85%	30-100%
International Fixed Interest	10%	0-20%

## Authorised Investments

1. New Zealand fixed income investments shall consist of marketable debt securities and bank deposits. These include, but are not limited to, securities:
  - a) issued by the New Zealand Government or Reserve Bank of New Zealand; or
  - b) issued in NZD by other entities that are rated BBB- or higher by Standard & Poor's.
2. We may gain additional diversification through bonds of investment grade Australian corporate entities, defined as those members of the Australian iTraxx index.
3. We may invest in non-NZD securities on a currency hedged basis, issued by New Zealand and eligible Australian entities.
4. We may enter into exchange traded futures and swaps contracts relating to the securities referred to above, as well as Australian and US Government bond futures and interest rate swaps.
5. We may enter into over-the-counter interest rate and credit default swaps, credit default swap indices, and forward rate agreements, as well as fully collateralised securities lending and repurchase transactions, where the counterparty is an approved counterparty and a current ISDA agreement is in place between us and the counterparty. Approved counterparties must have a long-term credit rating at Standard & Poor's Rating Agency of no less than A.
6. Where Standard and Poor's ratings are not available, we may use Moody's or Fitch ratings. Where multiple ratings exist, the highest will apply.

7. Unrated securities that satisfy the criteria above may be held, provided that we deem that the securities would in our judgement achieve a rating of BBB or higher if the issuer was to gain a rating. This includes debt issued by Local Authorities.

### Exposure Limits

**Duration:** The interest rate exposure of the Fund will be limited to +/- 1.5 years from the duration of the portfolio benchmark.

**Liquidity:** A minimum of 10% of the Fund will be held in Highly Liquid Securities, defined as cash or cash equivalents, New Zealand Government securities with less than 5 years maturity, Certificate of Deposits (RCD) with less than 367 days to maturity and issued by a registered bank rated A-1 or better, and Commercial Paper with less than 94 days to maturity and rated A-1 or better.

**Derivatives:** Notional holdings of Australian and US Government bond futures and interest rate swaps should not exceed 20% of the Net Asset Value (NAV) of the Fund (on a 10-year duration equivalent basis).

The calculation of duration will include the effective duration generated by any interest rate derivative instruments in the Fund. The calculation of total credit exposures will include the effective credit risk net of any credit derivative instruments in the Fund.

**Other:** Repurchase transactions in aggregate will not exceed 30% of the Fund's NAV.

### Currency Management

Aggregate non-NZD credit exposures must not exceed 20% of the NAV of the Fund. All non-NZD risk will be hedged to NZD (with the trading tolerance of +/-2% of the Fund's NAV).

### Credit Exposure Limits

- a) The New Zealand fixed income portfolio shall be invested in securities issued by or guaranteed by the New Zealand Government or an Agency of the New Zealand Government within the following limits:

<i>Minimum</i>	<i>Maximum</i>
30%	100%

- b) Total credit exposures to other entities must not exceed the following limits:

<i>Type</i>	<i>Maximum</i>
All other entities	70%
BBB, including unrated securities (excluding local authorities)	7.5%
Subordinate and perpetual debt	10%
Unrated securities (excluding local authorities)	5%

c) Maximum individual issuer exposure limits:

<i>Type of issuer</i>	<i>Rating</i>	<i>Limit</i>
NZ Government		100%
Supranationals or Foreign Governments	AAA	15%
Registered banks	AAA covered and government guaranteed (+ all other bank debt)	10%
	Senior unsecured (+T1 and T2)	6%
	Tier 1 and Tier 2	2%
Others	AAA	8%
	AA+, AA, AA-	6%
	A+, A, A-	4%
	BBB+, BBB, BBB-	1.5%
Local Government Funding Authority (LGFA)		20%
Unrated securities (excluding local authorities)	Equivalent BBB or higher	1.5%

## Harbour NZ Corporate Bond Fund

### Description of the Fund

The Fund is designed for investors seeking income through a diversified portfolio of primarily investment grade corporate bond fixed interest securities. Investments of the Fund are to have what we consider to be a low or low-to-medium investment risk profile so that we can seek to maintain an average credit rating of A-.

### Investment Objective

The investment objective of the Fund is to exceed the return of the benchmark portfolio after fees on a rolling 12-month basis.

### Benchmark

S&P/NZX Investment Grade Corporate Bond Total Return Index.

### Distribution

This Fund intends to pay quarterly distributions in March, June, September and December.

### Investment Style

The Fund aims to capture the credit and liquidity premium attached to corporate bonds, bank securities and local authority stock. This comes in the form of higher yields than normally available from government stock.

The Fund aims to add value through a diversified selection of investment grade fixed interest securities.

The Fund's returns will be mainly derived from the term structure of prevailing market interest rates as well as credit risk premium, which is the margin earned above the risk free or government guaranteed rate.

The primary sources of risk management are diversification, credit research and constraints on exposures such as subordinate-ranking securities.

## Benchmark Asset Allocations

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocations will vary from the benchmark asset allocations, as market conditions change and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	5%	0-100%
New Zealand Fixed Interest	95%	0-100%

## Authorised Investments

We will only invest in the following cash, deposit or other security types:

1. On-call cash or bank deposits at a 'registered bank' under section 69 of the Reserve Bank of New Zealand Act 1989 with a minimum long-term credit rating of A+ from Standard & Poor's rating agency.
2. Debt securities denominated in NZD that have a long-term credit rating of not less than BBB-, or a short-term rating of not less than A-3 from Standard & Poor's rating agency.
3. Debt securities issued by New Zealand entities denominated in non-NZD, on a currency and interest rate hedged basis.
4. Preference shares denominated in NZD and issued under New Zealand or Australian legal jurisdiction with a long-term credit rating of not less than BBB- from Standard & Poor's rating agency.
5. Securities that qualify as Tier 1 or Tier 2 capital for banks registered in New Zealand with a long-term credit rating of not less than BBB- from Standard & Poor's rating agency.
6. Where Standard and Poor's ratings are not available, we may use Moody's or Fitch ratings. Where multiple ratings exist, the highest will apply.
7. Unrated securities provided that we, in our judgement, determine that the issue would have a rating of not less than BBB- from Standard & Poor's rating agency, if a rating was sought.
8. Derivative contracts, where the underlying risk relates to interest rate, foreign currency or credit risk. Eligible derivative contracts include interest rate futures, options, interest rate swaps, credit default swaps, foreign exchange forwards, foreign exchange swaps and cross currency swaps. Options, swaps and credit default swaps must be entered with a counterparty with a minimum long-term credit rating of A at Standard & Poor's and a current ISDA agreement must be in place between the counterparty and the Fund or us.

## Exposure Limits

**Duration:** The duration of the Fund is to be kept within 0.5 years of the duration of the Benchmark.

**Credit Duration:** The credit duration of the Fund is to be kept within 1 year of the modified duration of the Benchmark. (Note: The credit duration is a measure of sensitivity to credit risk premiums, just as normal duration measures sensitivity to interest rate changes. Including this rule ensures we

capture the credit spread risk of reset and floating rate securities that have short duration but long-term credit risk).

**Liquidity:** A minimum of 5% of the Fund will be held in Highly Liquid Securities, defined as cash or cash equivalents, New Zealand Government securities with less than 5 years maturity, Certificate of Deposits (RCD) with less than 367 days to maturity and issued by a registered bank rated A-1 or better, and Commercial Paper with less than 94 days to maturity and rated A-1 or better.

**Credit Exposures:** The credit exposure limits outlined in the following table are not to be exceeded.

**Unrated Security Assessments:** To be reviewed at least 6-monthly.

**Derivatives:** The calculation of duration will include the effective duration generated by any interest rate derivative instruments in the Fund. The calculation of total credit exposures will include the effective credit risk, net of any credit derivative instruments in the Fund. The calculation of total non-NZD exposures will be calculated net of any foreign exchange derivatives in the Fund.

## Currency Management

Aggregate non-NZD credit exposures must not exceed 20% of the NAV of the Fund. All non-NZD risk will be hedged to NZD (with the trading tolerance of +/-2% of the portfolio NAV).

## Credit Exposure Limits

	Max % of Total Fund with Single Issuer	Max % of total Fund with Class of Issue	Credit Rating
<b>Fixed Interest</b>			
New Zealand Government Bonds	100%	100%	
Investment Grade Corporate Bonds (AAA to A-)	10%	60%	A- or better, A-2 or better Commercial Paper
Investment Grade Corporate Bonds (BBB+ to BBB-)			
- Energy sector* Investment Grade Corporate Bonds (BBB+ to BBB-)	5%	25% (including unrated bonds that are not Local Authority)	BBB-, BBB and BBB+, A-3 or better Commercial Paper
- Other Investment Grade Corporate Bonds (BBB+ to BBB-)	3%		
Unrated Corporate Bonds* (Excluding Local Authority Stock)	3%	10%	Equivalent investment grade
NZ Local Government Funding Authority (LGFA)	50%	50%	
Housing New Zealand Limited (or its parent Kāinga Ora)	30%	30%	
Other Local Authority Stock	10%	30%	If not rated, issue must be secured by rates
Registered Banks, including subordinate securities issued by bank-owned entities	12%	60%	A- or better Senior unsecured rating
Subordinate Debt, including Capital Notes and Bank Tier1 and Tier 2 securities	3%	20%	BBB- or better

Perpetual Debt	2.5%	10%	BBB- or better
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\*Energy sector includes the energy generation and energy transmission industries.

Note: Any Subordinate or Perpetual security exposure shall be included in the calculation of total exposure for an Issuer.

Therefore a 2.5% Tier 1 bank holding would then allow a 9.5% senior-ranking exposure. In addition, any long-term bank exposure is to be included in the measurement of short-term exposure limits.

## Harbour Income Fund

### Description of the Fund

The Fund is designed for investors seeking income with scope for capital appreciation and/or with a low tolerance for large declines in investment values. The Fund invests predominantly in New Zealand investment grade fixed interest securities and Australasian equities which pay a sustainable dividend yield. Other tools, such as active management and scope to invest in sub investment grade securities may also be used to enhance returns.

### Investment Objective

The objective is to exceed the Official Cash Rate (OCR) plus 3.5% pa over rolling 3-year periods.

### Benchmark

A composite benchmark composed of indices that reflects the strategic asset allocation of the Fund as follows: 68% S&P/NZX A- Grade Corporate Bond Total Return Index; 16% S&P/ASX 200 Industrials Index (100% hedged to NZ Dollars); and 16% S&P/NZX Portfolio Index.

### Distribution

This Fund intends to pay monthly distributions.

### Investment Style

The Fund will invest in a range of fixed income securities, private credit and equity securities selected to generate steady returns or income while managing downside risk. Returns will be predominantly driven by the mix of New Zealand fixed interest securities and dividend-paying Australasian equities. To enhance expected returns and manage risk, the Fund will be actively managed drawing on Harbour research resources. Diversification is a key technique used to reduce the volatility of investment returns. The Fund also seeks to reduce exposures when we identify significant downside risks. The Fund has a medium-term investment horizon.

### Benchmark Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocations will vary from the benchmark asset allocation as market conditions change and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	8%	5-40%
NZ Fixed Interest	50%	20-90%
International Fixed Interest	10%	0-30%
<b>Total Income Assets</b>	<b>68%</b>	<b>60-100%</b>
Australasian equities	32%	0-40%
International equities	0%	0-20%
<b>Total Growth Assets</b>	<b>32%</b>	<b>0-40%</b>

## Authorised Investments

1. Cash and short duration fixed interest assets.
2. New Zealand Fixed interest securities, predominantly New Zealand investment grade corporate bonds. New Zealand Government bonds, Local Authority bonds, and other NZ dollar denominated bonds are also permitted.
3. International fixed interest.
4. Other income generating assets, such as non-investment grade corporate bonds, convertible bonds, private credit (i.e. debt funding that is not actively traded in public markets), asset-backed securities, preference shares, and securities that qualify as Tier 1 or Tier 2 capital for registered banks.
5. Listed New Zealand & Australian equities.
6. Listed and unlisted Property.
7. Listed international equities.
8. Derivative contracts, where the underlying risk relates to interest rate, foreign currency, equity or credit risk.
9. Units or sub-units of any collective investment vehicle where the underlying assets are principally those listed above.

## Exposure Limits

**Investment grade fixed interest:** The Fund may hold no less than 20% and no more than 90% in investment grade fixed interest and targets an allocation of 45%.

**Non-investment grade fixed interest:** The Fund may hold no more than 20% in non-investment grade fixed interest and targets an allocation of 5%.

**Private Credit:** The Fund may hold no more than 20% in private credit and targets an allocation of 10%.

**Total private credit and non-investment grade fixed interest:** The Fund may hold no more than 25% in private credit and non-investment grade fixed interest combined.

**Income-style equity assets:** The Fund may hold no more than 40% in income-style equity funds selected to generate income and targets an allocation of 27%.

**Growth-style equity assets:** The Fund may have an allocation of no more than 15% to the growth-style equity funds and targets an allocation of 5%.

**Liquidity:** A minimum of 5% of the Fund will be held in Highly Liquid Securities, defined as cash or cash equivalents, New Zealand Government securities with less than 5 years maturity, Certificate of Deposits (RCD) with less than 367 days to maturity and issued by a registered bank rated A-1 or better, and Commercial Paper with less than 94 days to maturity and rated A-1 or better.

**Duration:** The Fund's neutral modified duration for fixed interest securities and cash in the portfolio will be 4 years. The allowable range of portfolio duration will be from - 2 years to + 8 years.

**Derivatives:** The calculation of duration, currency, credit and equity exposures will include the effective exposure from any derivatives in the Fund.

**Counterparty exposures:** Over-the-counter derivative contracts must be entered with a counterparty with a minimum long-term credit rating of A at Standard & Poor's and a current ISDA

agreement must be in place between the counterparty and the Fund or us.

**Leverage:** The effective exposure of equity and corporate credit must not result in the Fund being levered with regards to equity and credit risk. The effective fixed interest exposure of the Fund will not be considered to be leveraged if the portfolio duration is within the permitted range for the Fund.

## Currency Management

The neutral foreign exchange position for the Fund is 100% NZD, with an allowable range of +/- 20%. The allowable range of exposure to the Australian Dollar is +/- 10%. The allowable exposure to the currencies in the New Zealand Trade-weighted Index (excluding the Australian Dollar) is +/- 10% in aggregate.

## Harbour Long Short Fund

### Description of the Fund

The Fund is an actively managed, high conviction portfolio investing principally in 'long' and 'short' listed Australasian equities.

The focus is on delivering positive returns through the market cycle by investing in long and short sold equity positions with no particular attention to an equity benchmark.

The Fund is expected to have lower volatility than equity benchmarks.

We can actively allocate investments between Australasian equities, fixed interest and cash. The Fund may also use derivatives to hedge currency and equity risk.

### Investment Objective

The investment objective of the Fund is to deliver positive absolute returns through the economic cycle with low volatility and low correlation of returns with equity markets.

### Benchmark

The Fund does not follow a particular equity benchmark. However, the following is the appropriate market index & has been used to measure performance of the Fund: 15% S&P/NZX 50 Index, 15% S&P/ASX 200 Index, & 70% S&P/NZX Bank Bills 90-Day Index.

The Fund's hurdle rate of return for performance fee calculation is: S&P/NZX Bank Bills 90-Day Index plus 2%.

### Distribution

This Fund does not pay distributions.

### Investment Style

An active research-driven investment process which principally invests in a focused selection of companies highly rated by Harbour investment analysts and largely consistent with the overweight positions in Harbour's core Australasian Equity Fund. As a result, the Fund invests in equities which portfolio managers have high conviction in.

The Fund will hold 'long' equity positions across the NZ and Australian markets reflecting our conviction in companies which can provide medium to long term capital growth. The Fund will also be able to 'short-sell' securities. These will typically be companies which rank poorly on fundamental and quantitative signals. The Fund will also hold cash and utilise currency management to generate returns.

## Benchmark Asset Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocation will vary from the benchmark asset allocation as market conditions change and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range – Net (%)
Cash and cash equivalents	70%	0-130%
Australasian Equities	30%	-30-+60%
NZ Fixed Interest	0%	0-30%

## Authorised Investments

- Investments in shares, warrants, rights, bonus issues, equity swaps, options or securities in companies that are convertible into ordinary shares, and index products that are:
  - listed on the NZX (or have been publicly announced that they will be listed on the NZX);
  - listed on the ASX (or have been publicly announced that they will be listed on the ASX);  
or
  - unlisted but we expect the company to have liquidity either through a future listing or market related event. Exposures to unlisted securities are subject to tight exposure limits.
- Investments in convertible debt instruments, provided the equity to which they convert satisfies the requirements of Item 1 above.
- Options and exchange traded futures in respect of the type referred to in Item 1 above.
- Stock borrowing, and or short selling of investments as described in Item 1-3 above.
- Investments in partly-paid shares in respect of the type referred to in Item 1 above provided that the shares are included or are to be included in the benchmark; or that the aggregate amount of the unpaid portion is fully covered by cash or cash equivalents.
- Spot and forward foreign exchange contracts.
- Cash and cash equivalents.
- On-call cash or bank deposits at a 'registered bank' under section 69 of the Reserve Bank of New Zealand Act 1989 with a minimum long-term credit rating of A+ from Standard & Poor's rating agency.
- Debt securities denominated in NZD that have a long-term credit rating of not less than BBB-, or a short-term rating of not less than A-3 from Standard & Poor's rating agency.
- Preference shares denominated in NZD and issued under New Zealand or Australian legal jurisdiction with a long-term credit rating of not less than BBB- from Standard & Poor's rating agency.
- Securities that qualify as Tier 1 capital for banks registered in New Zealand with a long-term credit rating of not less than BBB- from Standard & Poor's rating agency.

12. Unrated securities provided that we, in our judgement, determine that the issue would have a rating of not less than BBB- from Standard & Poor's rating agency, if a rating was sought.
13. Where Standard and Poor's ratings are not available, the Manager may use Moody's or Fitch ratings. Where multiple ratings exist, the highest will apply.
14. Unrated securities that satisfy the criteria above may be held, provided that we deem that the securities would most probably achieve a rating of BBB or higher if the issuer was to gain a rating. This includes debt issued by Local Authorities.
15. Units or sub-units of any collective investment vehicle where the underlying assets are principally those listed above.

## Exposure Limits

	Minimum percentage of the Net Asset Value of the Portfolio	Maximum percentage of the Net Asset Value of the Portfolio
Cash and cash equivalents	0%	130%
Gross Equity Exposure	0%	200%
Net Equity Exposure	-30%	60%
Unlisted New Zealand and Australian Equities	0%	4%
Maximum individual equity issuer exposure limits either long or short positions:		
Individual company in the S&P/NZX10 or S&P/ASX100 Benchmark	0%	15%
Individual company outside the S&P/NZX10 or S&P/ASX100 but where its market capitalisation is greater than NZ\$500m	0%	10%
Individual company not in the S&P/NZX10 or S&P/ASX100 where its market capitalisation is less than NZ\$500m	0%	8%
Individual unlisted New Zealand or Australian company	0%	2%

**Prohibitions:** Borrowing of cash is not permitted.

**Leverage:** The use of leveraged instruments (including derivatives) must not result in effective equity exposure exceeding the maximum permitted under the portfolio's asset allocation range. Furthermore, aggregate effective exposure across all asset classes—including physical holdings and derivative positions—must not exceed 100% of the portfolio's net asset value. All derivative positions must be measured on a delta-adjusted basis (to reflect the sensitivity of the derivative's price to a change in the underlying asset's price).

**Short-selling:** Short-selling and borrowing of stock is permitted.

**Liquidity:** Alongside cash holdings the Fund invests in securities listed on the NZX and ASX Stock exchanges which can be liquidated if required in a reasonable time period.

## Currency Management

Active management of currency hedging with a range from 0-100% of Australian dollar exposure. Currency exposure is managed in the derivative market using forwards and currency swaps.

## Harbour NZ Index Shares Fund

*(transitioned from Harbour NZ Equity Advanced Beta Fund to Harbour NZ Index Shares Fund on 1 April 2021)*

## Description of the Fund

The Harbour NZ Index Shares Fund is a passive Fund managed against companies in the S&P/NZX 50 Portfolio Index.

## Investment Objective

The Fund's objective is to provide a return (before tax, fees, and other expenses) that closely tracks the S&P/NZX 50 Portfolio Index including imputation credits.

## Benchmark

The benchmark of the Fund is the S&P/NZX 50 Portfolio Index (gross including imputation credits).

## Distribution

The Fund intends to pay 6 monthly distributions in March and September.

## Investment Style

The Fund is passively managed tracking the companies in the S&P/NZX 50 Portfolio Index. The Fund has the ability to implement securities lending. Securities lending involves the transfer of legal title and beneficial interest in securities to a third-party borrower, in some cases against collateral security, and in other cases with other appropriate risk mitigation arrangements.

## Benchmark Asset Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocation will vary from the benchmark asset allocation as market conditions change, and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	1%	0-5%
Australasian Equities (New Zealand only)	99%	95-100%

## Authorised Investments

1. Any equity security listed or contemplated to be listed that are included (or will be included) in the S&P/NZX Portfolio Index.
2. Any right or option to acquire or take up any equity security. For the avoidance of doubt, the Fund will be entitled to take up its pro rata entitlement, which in certain circumstances due to timing when the index provider includes the change, may mean the Fund holds a higher

weight for a period than what is shown below.

3. Index Futures contracts.
4. Cash.

## Exposure Limits

	Minimum percentage of the Net Asset Value of the Portfolio	Maximum percentage of the Net Asset Value of the Portfolio
New Zealand Equities and Dual listed Australian Equities plus Net Delta Weighted Exposure to Derivative Securities	95%	100%
Net Delta Weighted Exposure to Derivative Securities	0%	20%
Cash and Cash Equivalents	0%	5%
Individual company	0%	Benchmark weight +0.5%
Short-term Borrowing for liquidity	0%	5%
Securities Lending	0%	20%

**Prohibitions:** Short selling is not permitted.

**Leverage:** The use of leveraged instruments (including derivatives) must not result in effective equity exposure exceeding the maximum permitted under the portfolio's asset allocation range. Furthermore, aggregate effective exposure across all asset classes—including physical holdings and derivative positions—must not exceed 100% of the portfolio's net asset value. All derivative positions must be measured on a delta-adjusted basis (to reflect the sensitivity of the derivative's price to a change in the underlying asset's price).

**Short term Borrowing:** The Fund may borrow up to 5% of the Net Asset Value for the purpose of meeting redemptions or other expenses.

**Risk Tolerance:** Expected ex ante tracking error less than 0.50% over a 5-year rolling period.

**Securities Lending:** The Fund has the ability to implement securities lending. Securities lending involves the transfer of legal title and beneficial interest in securities to a third-party borrower, in some cases against collateral security, and in other cases with other appropriate risk mitigation arrangements.

**Liquidity:** Alongside cash holdings the Fund invests in securities listed on the NZX which can be liquidated if required in a reasonable time period.

**Currency Management:** All investments will be in NZD.

## Harbour Sustainable NZ Shares Fund

### Description of the Fund

This Fund is designed to track the S&P/NZX 50 Portfolio Index, with exclusions to companies

including but not limited to, large carbon emitters, gambling, firearms, and companies with human and rights violations. For full details of the exclusions for this Fund please see the Environmental, Social and Governance Policy (ESG Policy) on our website at [Responsible Investing » Harbour Asset Management](#). There are positive and negative tilts applied to the remaining companies based on Harbour's proprietary Corporate Behaviour Score.

### Investment Objective

The Fund's objective is to provide a return (before tax, fees, and other expenses) that tracks the S&P/NZX 50 Portfolio Index including imputation credits with exclusions to companies that do not meet Harbours' criteria of Responsible Investing.

### Benchmark

The benchmark of the Fund is the S&P/NZX 50 Portfolio Index (gross including imputation credits).

### Distribution

The Fund intends to pay 6 monthly distributions in March and September.

### Investment Style

This Fund is designed to track the S&P/NZX 50 Portfolio Index, with exclusions to companies including but not limited to, large carbon emitters, gambling, firearms, and companies with human and rights violations. For full details of the exclusions for this Fund please see the ESG Policy on our website at [Responsible Investing » Harbour Asset Management](#). There are positive and negative tilts applied to the remaining companies based on Harbour's proprietary Corporate Behaviour Score, which has been a core part of Harbour's equity investment processes for over a decade. The Fund has the ability to implement securities lending. Securities lending involves the transfer of legal title and beneficial interest in securities to a third-party borrower, in some cases against collateral security, and in other cases with other appropriate risk mitigation arrangements.

### Benchmark Asset Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocation will vary from the benchmark asset allocation as market conditions change, and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	1%	0-5%
Australasian Equities (New Zealand only)	99%	95-100%

### Authorised Investments

1. Any equity security listed or contemplated to be listed that are included (or will be included) in the S&P/NZX 50 Portfolio Index.
2. Any right or option to acquire or take up any equity security. For the avoidance of doubt, the Fund will be entitled to take up its pro rata entitlement, which in certain circumstances due to timing when the index provider includes the change, may mean the Fund holds a higher weight for a period than what is shown below.
3. Index Futures contracts.

#### 4. Cash.

### Exclusions criteria

This Fund has specific exclusions and processes for integrating ESG factors. For further information on the exclusions for this Fund please refer to the ESG Policy on our website at [Responsible Investing » Harbour Asset Management](#).

### Exposure Limits

	Minimum percentage of the Net Asset Value of the Portfolio	Maximum percentage of the Net Asset Value of the Portfolio
New Zealand Equities and Dual listed Australian Equities plus Net Delta Weighted Exposure to Derivative Securities	95%	100%
Net Delta Weighted Exposure to Derivative Securities	0%	20%
Cash and Cash Equivalents	0%	5%
Individual company	0%	Benchmark weight +1.5%
Short-term Borrowing for liquidity	0%	5%
Securities Lending	0%	20%

**Prohibitions:** Short selling is not permitted.

**Leverage:** The use of leveraged instruments (including derivatives) must not result in effective equity exposure exceeding the maximum permitted under the portfolio's asset allocation range. Furthermore, aggregate effective exposure across all asset classes—including physical holdings and derivative positions—must not exceed 100% of the portfolio's net asset value. All derivative positions must be measured on a delta-adjusted basis (to reflect the sensitivity of the derivative's price to a change in the underlying asset's price).

**Short term Borrowing:** The Fund may borrow up to 5% of the Net Asset Value for the purpose of meeting redemptions or other expenses.

**Securities Lending:** The Fund has the ability to implement securities lending. Securities lending involves the transfer of legal title and beneficial interest in securities to a third-party borrower, in some cases against collateral security, and in other cases with other appropriate risk mitigation arrangements. Third-party borrowers may not have the same ESG approach as the Fund. While it is intended that securities would be called back to maximise proxy voting engagement, it is not certain that this can always be completed.

**Liquidity:** Alongside cash holdings the Fund invests in securities listed on the NZX which can be liquidated if required in a reasonable time period.

**Divestment:** This Fund is designed to invest across the S&P/NZ Portfolio Index and in accordance with the exclusion criteria above. Investments are screened for compliance against the exclusion criteria and if any investments are identified as breaching the exclusions criteria, these investments are investigated and if there is found to be a valid breach of the exclusion criteria the investment

would be subsequently divested, and investors advised accordingly.

**Currency Management:** All investments will be in NZD.

## Harbour Real Estate Investment Fund

### Description of the Fund

The Fund aims to capture the income yield and medium-term capital growth characteristics of real estate assets by investing principally in listed real estate assets and enhance diversification and return potential against the S&P/NZX All Real Estate Index.

### Investment Objective

The investment objective of the Fund is to exceed the benchmark return plus 1% per annum over the medium term.

### Benchmark

The benchmark of the Fund is the S&P/NZX All Real Estate Index (gross including imputation credits).

### Distribution

This Fund intends to pay 6 monthly distributions in March & September.

### Investment Style

The Fund's returns are predominantly derived from investing in a diversified portfolio of New Zealand and Australian real estate securities which can sustain income yield and grow capital over time. The Fund's investment process blends a combination of active company research and use of a quantitative overlay. To diversify risk and enhance medium term returns, the Fund may invest in New Zealand and Australian listed securities that derive their economic value from the control of real estate assets that are not included in listed property benchmark indices, international listed real estate securities, unlisted New Zealand and Australian property securities and debt and convertible securities, where such investments represent attractive risk adjusted investments for the Fund.

### Benchmark Asset Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocation will vary from the benchmark asset allocation as market conditions change, and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	2.5%	0-20%
New Zealand Fixed Interest	0%	0-10%
International Fixed Interest	0%	0-5%
Australasian Equities	12.5%	0-30%
International Equities	0%	0-10%
Listed property	85%	50-100%
Unlisted property	0%	0-10%

### Authorised Investments

- Investments in shares, warrants, rights, bonus issues, options or securities in such companies that are convertible into ordinary shares, and index products that are:
  - listed on the NZX (or have been publicly announced that they will be listed on the NZX);

- b) listed on the ASX (or have been publicly announced that they will be listed on the ASX);  
or
  - c) listed or due to be listed, on recognised exchanges and/or markets throughout the world.
2. Investments in convertible debt instruments, provided the equity to which they convert satisfies the requirements of Item 1 above.
  3. Options and exchange traded futures in respect of the type referred to in Item 1 above.
  4. Investments in partly-paid shares in respect of the type referred to in Item 1 above provided that the shares are included or are to be included in the benchmark; or that the aggregate amount of the unpaid portion is fully covered by cash or cash equivalents.
  5. Spot and forward foreign exchange contracts.
  6. NZ Fixed Interest.
  7. International Fixed interest.
  8. Cash and cash equivalents.
  9. Investments in unlisted listed property securities, units, funds, syndicates or vehicles issued by established real estate entities.
  10. Units or sub-units of any collective investment vehicle where the underlying assets are principally those listed above.

## Exposure Limits

	Minimum percentage of the Net Asset Value of the Fund	Maximum percentage of the Net Asset Value of the Fund
New Zealand Equities and Australian Equities plus Net Delta Weighted Exposure to Derivative Securities	65%	100%
Cash and Cash Equivalents	0%	20%
New Zealand Fixed Interest	0%	10%
International Fixed Interest	0%	5%
New Zealand Equities	0%	15%
Australian Equities	0%	15%
International Equities	0%	10%
New Zealand listed property	50%	100%
Australian listed property	0%	25%
International listed property	0%	10%
Unlisted property securities*	0%	10%

Net Delta Weighted Exposure to Derivative Securities	0%	30%
Maximum individual equity issuer exposure limits:		
Individual company in the Benchmark	0%	Benchmark weight +10%
Individual company not in the Benchmark where its market capitalisation is greater than NZ\$500m	0%	8%
Individual company not in the Benchmark where its market capitalisation is less than NZ\$500m	0%	3%
Securities Lending	0%	20%

\* The exposure limits for unlisted equities and companies prevent us from trading these assets if it would result in our exposure increasing above these limits. However, it does not prevent our exposure moving outside these limits due to market movements or cashflows to/from the Fund. As these assets are generally illiquid, rebalancing is usually not an option available to us and therefore the exposure may sit outside these limits for extended periods of time.

**Prohibitions:** Borrowing is not permitted; leverage is not permitted; short selling is not permitted.

**Securities Lending:** The Fund has the ability to implement stock lending. Stock lending involves the transfer of legal title and beneficial interest in securities to a third-party borrower, in some cases against collateral security, and in other cases with other appropriate risk mitigation arrangements. Third-party borrowers may not have the same ESG approach as the Fund. While it is intended that securities would be called back to maximise proxy voting engagement, it is not certain that this can always be completed.

**Liquidity:** Alongside cash holdings the Fund invests in securities listed on the NZX and ASX Stock exchanges, and recognized exchanges and/or markets throughout the world which can be liquidated if required in a reasonable time period.

## Currency Management

Between 75-100% of the Australian and international exposure will be hedged back-to-back to NZD. Currency exposure is managed in the derivative market using forwards and currency swaps.

## Harbour Australasian Equity Income Fund

### Description of the Fund

The Fund is an actively managed strategy that invests predominantly in New Zealand and Australian listed equities that generate attractive dividend yields as well as cash and fixed interest securities.

### Investment Objective

The Fund's objective is to provide returns by investing in higher dividend yielding companies in the New Zealand and Australian markets.

### Benchmark

The Fund does not follow a particular benchmark. However, the following is the appropriate market index & has been used to measure performance of the Fund: 60% S&P/ASX Industrials Index (equally weighted and 90% hedged to NZD) and 40% S&P/NZX 50 Portfolio Index.

### Distribution

This Fund intends to pay quarterly distributions in March, June, September and December.

## Investment Style

The investment process blends a strong quantitative selection process across Australasia with a quality and fundamental overlay. Each potential investment is then subject to five further quantitative tests including dividend and cash flow yields, dividend growth potential, and relative valuation criteria. A final portfolio of about 40-60 names is then subject to further quality tests and a fundamental analyst score, to assist in refining both the number of stocks (prior to the final portfolio construction process).

## Benchmark Asset Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocation will vary from the benchmark asset allocation as market conditions change, and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents & NZ Fixed Interest	10%	0-35%
Australasian Equities	90%	65-100%

## Authorised Investments

- Investments in shares, warrants, rights, bonus issues, options or securities in such companies that are convertible into ordinary shares, and index products that are:
  - listed on the NZX (or have been publicly announced that they will be listed on the NZX); or
  - listed on the ASX (or have been publicly announced that they will be listed on the ASX).
- Investments in shares, warrants, rights, bonus issues, options or securities in companies that are convertible into ordinary shares, of:
  - unlisted companies domiciled in New Zealand; or
  - unlisted companies domiciled in Australia.
- Investments in convertible debt instruments, provided the equity to which they convert satisfies the requirements of Item 1 above.
- Options and exchange traded futures in respect of the type referred to in Item 1 above.
- Investments in partly-paid shares in respect of the type referred to in Item 1 above provided that the shares are included or are to be included in the benchmark; or that the aggregate amount of the unpaid portion is fully covered by cash or cash equivalents.
- Spot and forward foreign exchange contracts.
- NZ Fixed Interest.
- Cash and cash equivalents.
- Units or sub-units of any collective investment vehicle where the underlying assets are principally those listed above.

## Exposure limits

	Minimum percentage of the Net Asset Value of the Fund	Maximum percentage of the Net Asset Value of the Fund
Listed New Zealand Equities and Australian Equities plus Net Delta Weighted Exposure to Derivative Securities	65%	100%
Unlisted New Zealand and Australian Equities*	0%	5%
Cash and Cash Equivalents & Fixed Interest Investments	0%	35%
Net Delta Weighted Exposure to Derivative Securities	0%	30%
Maximum individual equity issuer exposure limits:		
Individual company in the S&P/NZX10 or S&P/ASX100 Benchmark	0%	10%
Individual company outside the S&P/NZX10 or S&P/ASX100 but where its market capitalisation is greater than NZ\$500m	0%	6%
Individual company not in the S&P/NZX10 or S&P/ASX100 where its market capitalisation is less than NZ\$500m	0%	4%
Individual unlisted New Zealand or Australian company*	0%	2%
Maximum individual fixed interest issuer exposure limits are determined within the underlying limits of the fixed interest Funds.		

\* The exposure limits for unlisted equities and companies prevent us from trading these assets if it would result in our exposure increasing above these limits. However, it does not prevent our exposure moving outside these limits due to market movements or cashflows to/from the Fund. As these assets are generally illiquid, rebalancing is usually not an option available to us and therefore the exposure may sit outside these limits for extended periods of time.

**Prohibitions:** Borrowing is not permitted; short selling is not permitted.

**Leverage:** The use of leveraged instruments (including derivatives) must not result in effective equity exposure exceeding the maximum permitted under the portfolio's asset allocation range. Furthermore, aggregate effective exposure across all asset classes—including physical holdings and derivative positions—must not exceed 100% of the portfolio's net asset value. All derivative positions must be measured on a delta-adjusted basis (to reflect the sensitivity of the derivative's price to a change in the underlying asset's price).

**Liquidity:** Alongside cash holdings the Fund invests in securities listed on the NZX and ASX Stock exchanges which can be liquidated if required in a reasonable time period.

## Currency Management

We hedge between 90-95% of the Australian exposure back to NZD for New Zealand investors. We believe that this is prudent to continue to reduce portfolio volatility back to the base currency of investors for this Fund. The simulated back-testing has used a 90% hedging level.

## Harbour Balanced Fund

### Description of the Fund

The Fund is designed to provide investors with exposure to a wide range of domestic and global assets. The Fund invests approximately 60% in growth assets such as shares, property and infrastructure and approximately 40% into more defensive assets, predominantly investment grade bonds. The Manager will use active management to enhance returns and manage downside risks.

### Investment Objective

The objective is to outperform the benchmark before fees and tax over a rolling 5-year period.

### Benchmark

A composite benchmark which reflects the asset allocation of the Fund as follows: 5% S&P/NZX Bank Bills 90-Day Total Return Index, 9% Bloomberg NZBond Composite 0+ Yr Index, 4.8% Bloomberg Global Agg Corporate Total Return (100% hedged NZD), 5.2% Bloomberg Global Agg Treasury Total Return (100% hedged NZD), 13% Bloomberg Global Agg Total Return (100% hedged NZD), 3% NZ Official Cash Rate + 4%, 40% MSCI All Country World Index (50% hedged to NZD\*\*), 20% S&P/NZX 50 Index Gross with Imputation Credits.

\*\* 20% MSCI All Country World Index (unhedged) in NZD + 20% MSCI All Country World Index Net (100% hedged to NZD)

### Distribution

This Fund does not intend to pay a distribution.

### Investment Style

The Fund will invest in a wide range of domestic and global assets. Returns of the Fund will be predominately driven by share markets though this will be augmented by holding fixed interest securities. To enhance expected returns and manage risk, the Fund will be predominantly actively managed and draw on Harbour's research resources and the views of Harbour's Asset Allocation Committee. The Fund diversifies investments in order to reduce the volatility of its returns. The Fund will employ tactical asset allocation changes within the ranges below to mitigate downside risks or take advantage of upside opportunities.

### Benchmark Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocation will vary from the benchmark asset allocation as market conditions change and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	5%	0-25%
NZ Fixed Interest	11%	0-30%
International Fixed Interest	24%	0-45%
<b>Total Income Assets</b>	<b>40%</b>	<b>20-60%</b>
Australasian equities	20%	0-40%
International equities	40%	20-60%

Unlisted Property	0%	0–10%
Listed Property	0%	0–15%
<b>Total Growth Assets</b>	<b>60%</b>	<b>40–80%</b>
Other	0%	0–30%

## Authorised Investments

1. Cash and cash equivalents includes cash and short duration fixed interest assets.
2. New Zealand Fixed interest securities, including (but not limited to) New Zealand investment grade corporate bonds, New Zealand Government bonds, Local Authority bonds, and other NZ dollar denominated bonds.
3. International fixed interest, predominantly (but not limited to) investment grade corporate and government bonds.
4. Private credit.
5. Listed international equities
6. Listed New Zealand & Australian equities.
7. Unlisted equities
8. Listed and unlisted Property.
9. Asset-backed securities, preference shares, long/short equities, listed infrastructure securities, insurance-linked securities.
10. Derivative contracts, where the underlying risk relates to foreign currency (including spot and forward foreign exchange contracts), interest rate, commodity, or equity risk.
11. Units or sub-units of any collective investment vehicle where the underlying assets are principally those listed above. This can include exchange traded products and exchange traded funds.

## Exposure Limits

**Private credit:** The Fund may hold no more than 10% in private credit and targets an allocation of 3%.

**Unlisted equities\*:** The Fund may hold no more than 10% in unlisted equities and targets an allocation of 3%.

**Total private credit and unlisted equities:** The Fund may hold no more than 15% in combined private credit and unlisted equities.

**Derivatives:** The calculation of duration, currency, credit and equity exposures will include the effective exposure from any derivatives in the Fund.

**Counterparty exposures:** Over-the-counter derivative contracts must be entered with a counterparty with a minimum long-term credit rating of A at Standard & Poor's and a current ISDA agreement must be in place between the counterparty and the Fund or us

**Leverage:** The effective net exposure of equity and corporate credit must not result in the Fund being levered with regards to equity and credit risk. Underlying funds into which the Fund invests may use leverage. Leverage in underlying funds will not be taken into account when determining the effective net exposure of the Fund.

\* The exposure limits for unlisted equities and companies prevent us from trading these assets if it would result in our exposure increasing above these limits. However, it does not prevent our exposure moving outside these limits due to market movements or cashflows to/from the Fund. As these assets are generally illiquid, rebalancing is usually not an option available to us and therefore the exposure may sit outside these limits for extended periods of time.

## Currency Management

International equities (listed and unlisted) (excluding Australasian) have a benchmark hedge ratio (to

NZD) of 50% and will be managed within a tactical range of 0 – 100%.

Hedging of Australian Equities will be managed within a tactical range of between 0 and 100%.

International fixed interest will be 100% hedged to NZD (within a range of 95 – 105%).

Australian private credit hedging will be managed within a tactical range of between 95% and 105%.

Currency exposure of other assets will be managed tactically in a range of between 0 and 100%.

## Harbour Balanced Growth Fund

*(Name changed from Harbour Active Growth Fund to Harbour Balanced Growth Fund on 21 November 2025)*

### Description of the Fund

The Fund is designed to provide investors with exposure to a wide range of domestic and global assets. The Fund invests approximately 70% in growth assets such as shares, property and infrastructure and approximately 30% into more defensive assets, predominantly investment grade bonds. The Manager will use active management to enhance returns and manage downside risks.

### Investment Objective

The objective is to outperform the benchmark before fees and tax over a rolling 5-year period.

### Benchmark

A composite benchmark which reflects the asset allocation of the Fund as follows: 3.5% S&P/NZX Bank Bills 90-Day Total Return Index, 6.5% Bloomberg NZBond Composite 0+ Yr Index, 3.4% Bloomberg Global Agg Corporate Total Return (100% hedged NZD), 4.6% Bloomberg Global Agg Treasury Total Return (100% hedged NZD), 9% Bloomberg Global Agg Total Return (100% hedged NZD), 3% NZ Official Cash Rate + 4%, 46.5% MSCI All Country World Index (50% hedged to NZD\*\*), 23.5% S&P/NZX 50 Index Gross with Imputation Credits.

\*\* 23.25% MSCI All Country World Index (unhedged) in NZD + 23.25% MSCI All Country World Index Net (100% hedged to NZD)

### Distribution

The Fund intends to pay monthly distributions.

### Investment Style

The Fund will invest in a wide range of domestic and global assets. Returns of the Fund will be predominately driven by share markets though this will be augmented by holding fixed interest securities. To enhance expected returns and manage risk, the Fund will be predominantly actively managed drawing on Harbour's research resources and the views of Harbour's Asset Allocation Committee. The Fund diversifies investments in order to reduce the volatility of its returns. The Fund will employ tactical asset allocation changes within the ranges below to mitigate downside risks or take advantage of upside opportunities.

### Benchmark Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocation will vary from the benchmark asset allocation as market conditions change and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	3.5%	0–25%
NZ Fixed Interest	8.5%	0–30%

International Fixed Interest	18%	0–40%
<b>Total Income Assets</b>	<b>30%</b>	<b>10–50%</b>
Australasian equities	23.5%	0–45%
International equities	46.5%	25–65%
Unlisted Property	0%	0–10%
Listed Property	0%	0–15%
<b>Total Growth Assets</b>	<b>70%</b>	<b>50–90%</b>
Other	0%	0–30%

## Authorised Investments

1. Cash and cash equivalents includes cash and short duration fixed interest assets.
2. New Zealand Fixed interest securities, including (but not limited to) New Zealand investment grade corporate bonds. New Zealand Government bonds, Local Authority bonds, and other NZ dollar denominated bonds.
3. International fixed interest, predominantly (but not limited to) investment grade corporate and government bonds.
4. Private credit.
5. Listed international equities
6. Listed New Zealand & Australian equities.
7. Unlisted equities.
8. Listed and unlisted Property.
9. Asset-backed securities, preference shares, long/short equities, listed infrastructure securities, insurance-linked securities.
10. Derivative contracts, where the underlying risk relates to foreign currency (including spot and forward foreign exchange contracts), interest rate, commodity, or equity risk.
11. Units or sub-units of any collective investment vehicle where the underlying assets are principally those listed above. This can include exchange traded products and exchange traded funds.

## Exposure Limits

**Private credit:** The Fund may hold no more than 10% in private credit and targets an allocation of 3%.

**Unlisted equities\*:** The Fund may hold no more than 10% in unlisted equities and targets an allocation of 3%.

**Total private credit and unlisted equities:** The Fund may hold no more than 15% in combined private credit and unlisted equities.

**Derivatives:** The calculation of duration, currency, credit and equity exposures will include the effective exposure from any derivatives in the Fund.

**Counterparty exposures:** Over-the-counter derivative contracts must be entered with a counterparty with a minimum long-term credit rating of A at Standard & Poor's and a current ISDA agreement must be in place between the counterparty and the Fund or us.

**Leverage:** The effective net exposure of equity and corporate credit must not result in the Fund being levered with regards to equity and credit risk. Underlying funds into which the Fund invests may use leverage. Leverage in underlying funds will not be taken into account when determining the effective net exposure of the Fund.

\* The exposure limits for unlisted equities and companies prevent us from trading these assets if it would result in our exposure increasing above these limits. However, it does not prevent our exposure moving outside these limits due to market movements or cashflows to/from the Fund. As these assets are generally illiquid, rebalancing is usually not an option available to us and therefore the exposure may sit outside these limits for extended periods of time.

## Currency Management

International equities (listed and unlisted) (excluding Australasian) have a benchmark hedge ratio (to NZD) of 50% and will be managed within a tactical range of 0 – 100%.

Hedging of Australian Equities will be managed within a tactical range of between 0 and 100%.

International fixed interest will be 100% hedged to NZD (within a range of 95 – 105%).

Australian private credit hedging will be managed within a tactical range of between 95% and 105%.

Currency exposure of other assets will be managed tactically in a range of between 0 and 100%.

## Harbour Growth Fund

### Description of the Fund

The Fund is designed to provide investors with exposure to a wide range of domestic and global assets. The Fund invests approximately 80% in growth assets such as shares, property and infrastructure and approximately 20% into more defensive assets, predominantly investment grade bonds. The Manager will use active management to enhance returns and manage downside risks.

### Investment Objective

The objective is to outperform the benchmark before fees and tax over a rolling 5-year period.

### Benchmark

A composite benchmark which reflects the asset allocation of the Fund as follows: 2% S&P/NZX Bank Bills 90-Day Total Return Index, 4% Bloomberg NZBond Composite 0+ Yr Index, 2% Bloomberg Global Agg Corporate Total Return (100% hedged NZD), 4% Bloomberg Global Agg Treasury Total Return (100% hedged NZD), 5% Bloomberg Global Agg Total Return (100% hedged NZD), 3% NZ Official Cash Rate + 4%, 53% MSCI All Country World Index (50% hedged to NZD\*\*), 27% S&P/NZX 50 Index Gross with Imputation Credits.

\*\* 26.5% MSCI All Country World Index (unhedged) in NZD + 26.5% MSCI All Country World Index Net (100% hedged to NZD)

### Distribution

The Fund does not intend to pay a distribution.

### Investment Style

The Fund will invest in a wide range of domestic and global assets. Returns of the Fund will be predominately driven by share markets though this will be augmented by holding fixed interest securities. To enhance expected returns and manage risk, the Fund will be actively managed and draw on Harbour's research resources and the views of Harbour's Asset Allocation Committee. The Fund diversifies investments in order to reduce the volatility of its returns. The Fund will employ tactical asset allocation changes within the ranges below to mitigate downside risks or take advantage of upside opportunities.

### Benchmark Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocation will vary from the benchmark asset allocation as market conditions change and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	2%	0 – 30%
NZ Fixed Interest	6%	0 – 30%
International Fixed Interest	12%	0 – 40%
<b>Total Income Assets</b>	<b>20%</b>	<b>0 – 40%</b>
Australasian equities	27%	0 – 50%
International equities	53%	25 – 75%
Unlisted Property	0%	0 – 10%
Listed Property	0%	0 – 15%
<b>Total Growth Assets</b>	<b>80%</b>	<b>60 – 100%</b>
Other	0%	0 – 30%

## Authorised Investments

1. Cash and cash equivalents includes cash and short duration fixed interest assets.
2. New Zealand Fixed interest securities, including (but not limited to) New Zealand investment grade corporate bonds, New Zealand Government bonds, Local Authority bonds, and other NZ dollar denominated bonds.
3. International fixed interest, predominantly (but not limited to) investment grade corporate and government bonds.
4. Private credit
5. Listed international equities.
6. Listed New Zealand & Australian equities.
7. Unlisted equities.
8. Listed and unlisted Property.
9. Asset-backed securities, preference shares, long/short equities, listed infrastructure securities, insurance-linked securities.
10. Derivative contracts, where the underlying risk relates to foreign currency (including spot and forward foreign exchange contracts) interest rate, commodity, or equity risk.
11. Units or sub-units of any collective investment vehicle where the underlying assets are principally those listed above. This can include exchange traded products and exchange traded funds.

## Exposure Limits

**Private credit:** The Fund may hold no more than 10% in private credit and targets an allocation of 3%.

**Unlisted equities\*:** The Fund may hold no more than 10% in unlisted equities and targets an allocation of 3%.

**Total private credit and unlisted equities:** The Fund may hold no more than 15% in combined private credit and unlisted equities.

**Derivatives:** The calculation of duration, currency, credit and equity exposures will include the effective exposure from any derivatives in the Fund.

**Counterparty exposures:** Over-the-counter derivative contracts must be entered with a counterparty with a minimum long-term credit rating of A at Standard & Poor's and a current ISDA agreement must be in place between the counterparty and the Fund or us.

**Leverage:** The effective net exposure of equity and corporate credit must not result in the Fund being levered with regards to equity and credit risk. Underlying funds into which the Fund invests may use leverage. Leverage in underlying funds will not be taken into account when determining the effective

net exposure of the Fund.

\* The exposure limits for unlisted equities and companies prevent us from trading these assets if it would result in our exposure increasing above these limits. However, it does not prevent our exposure moving outside these limits due to market movements or cashflows to/from the Fund. As these assets are generally illiquid, rebalancing is usually not an option available to us and therefore the exposure may sit outside these limits for extended periods of time.

## Currency Management

International equities (listed and unlisted) (excluding Australasian) have a benchmark hedge ratio (to NZD) of 50% and will be managed within a tactical range of 0 – 100%.

Hedging of Australian Equities will be managed within a tactical range of between 0 and 100%.

International fixed interest will be 100% hedged to NZD (within a range of 95 – 105%).

Australian private credit hedging will be managed within a tactical range of between 95% and 105%.

Currency exposure of other assets will be managed tactically in a range of between 0 and 100%.

## Harbour Australasian Equity Fund

### Description of the Fund

The Fund is an actively managed strategy that invests predominantly in New Zealand and Australian listed equities. The Fund has a growth-oriented investment approach to generate alpha (return over the benchmark) for investors. The Fund incorporates an ESG strategy involving integration of Harbour's proprietary Corporate Behaviour Survey and external provider scores into investment decision making, company engagement, voting and zero tolerance exclusions. Further information on exclusions and processes is outlined in our ESG Policy at [Responsible Investing » Harbour Asset Management](#).

### Investment Objective

To achieve a gross return of 5.0% per annum above the benchmark over the long term.

### Benchmark

S&P/NZX 50 Index gross including imputation credits.

### Distribution

This Fund does not pay distributions.

### Investment Style

Harbour believes in a growth orientated active investment management approach to generate out-performance for this Fund. Harbour's investment process seeks to identify companies with strong prospective growth in earnings which are under-appreciated by the market. We combine the talents of Harbour's experienced analysts (who place fundamental ratings and ESG scores on companies) with quantitative analysis of growth and quality factors such as Return on Equity. We believe that the combination of company research with consistent screening across the market provides a disciplined approach to investing.

### Benchmark Asset Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocation will vary from the benchmark asset allocation as market conditions change and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	2%	0-10%
Australasian Equities	98%	90-100%

## Authorised Investments

1. Investments in shares, warrants, rights, bonus issues, options or securities in companies that are convertible into ordinary shares and index products that are:
  - a) listed on the NZX (or have been publicly announced that they will be listed on the NZX); or
  - b) listed on the ASX (or have been publicly announced that they will be listed on the ASX).
2. Investments in shares, warrants, rights, bonus issues, options or securities in companies that are convertible into ordinary shares of:
  - a) unlisted companies domiciled in New Zealand; or
  - b) unlisted companies domiciled in Australia.
3. Investments in convertible debt instruments, provided the equity to which they convert satisfies the requirements of Item 1 above.
4. Options and exchange traded futures in respect of the type referred to in Item 1 above.
5. Investments in partly-paid shares in respect of the type referred to in Item 1 above provided that the shares are included or are to be included in the benchmark or that the aggregate amount of the unpaid portion is fully covered by cash or cash equivalents.
6. Spot and forward foreign exchange contracts.
7. Cash and cash equivalents.
8. Units or sub-units of any collective investment vehicle where the underlying assets are principally those listed above.

## Exposure Limits

	Minimum percentage of the Net Asset Value of the Portfolio	Maximum percentage of the Net Asset Value of the Portfolio
Listed New Zealand Equities and Australian Equities plus Net Delta Weighted Exposure to Derivative Securities	90%	100%
Listed Australian Equities	0%	40%
Unlisted New Zealand and Australian Equities*	0%	5%
Net Delta Weighted Exposure to Derivative Securities	0%	30%
Cash and Cash Equivalents	0%	10%
Individual company in the Benchmark	0%	Benchmark weight +10%
Individual company not in the Benchmark where its market capitalisation is greater than NZ\$500m	0%	8%

Individual company not in the Benchmark where its market capitalisation is less than NZ\$500m	0%	3%
Individual unlisted New Zealand or Australian company*	0%	2%

\* The exposure limits for unlisted equities and companies prevent us from trading these assets if it would result in our exposure increasing above these limits. However, it does not prevent our exposure moving outside these limits due to market movements or cashflows to/from the Fund. As these assets are generally illiquid, rebalancing is usually not an option available to us and therefore the exposure may sit outside these limits for extended periods of time.

Harbour does not impose specific sector constraints as tracking error is designed to limit total portfolio risk. The growth orientated investment philosophy can favour stocks in sectors with high return on equity and strong growth potential versus market expectations.

The Harbour Australasian Equity Fund can hold up to 40% in Australian equities. Typically, the Fund would expect to invest about 75% in New Zealand equities and 25% in Australian equities which seeks to both diversify risk and to add to potential returns.

**Underwriting and Sub-underwriting:** Underwriting or sub underwriting of share issues in a company in respect of Item 1.1 above, is permitted up to a maximum exposure of 5% per security; or where the company is not in the Benchmark and where its market capitalisation is less than NZ\$500m, this is limited to a maximum exposure of 3% per security.

Total portfolio underwriting and sub underwriting is to not exceed 10% of the NAV of the Fund. For the avoidance of doubt, the underwriting commitment has to be backed by cash, or securities which can be readily sold to meet the underwriting commitment.

**Prohibitions:** Borrowing is not permitted; short selling is not permitted.

**Leverage:** The use of leveraged instruments (including derivatives) must not result in effective equity exposure exceeding the maximum permitted under the portfolio's asset allocation range. Furthermore, aggregate effective exposure across all asset classes—including physical holdings and derivative positions—must not exceed 100% of the portfolio's net asset value. All derivative positions must be measured on a delta-adjusted basis (to reflect the sensitivity of the derivative's price to a change in the underlying asset's price).

**Liquidity:** Alongside cash holdings the Fund invests in securities listed on the NZX and ASX stock exchanges which can be liquidated if required in a reasonable time period.

## Currency Management

We manage to a 0% hedged benchmark, and when hedging is in place it can typically range from 10-90% of Australian dollar exposure. Currency exposure is managed in the derivative market using forwards and currency swaps.

## Harbour Australasian Equity Focus Fund

### Description of the Fund

The Fund is an actively managed, high conviction portfolio investing principally in listed Australasian equities.

The focus is on delivering strong positive returns through the market cycle by investing in equity positions with no particular attention to an equity benchmark.

The Fund is a research focused equity fund. It may have a higher risk profile than traditional core equity funds. We can actively allocate investments between Australasian equities, fixed interest and cash. The Fund may also use derivatives to hedge currency and equity risk.

The Fund incorporates an ESG strategy involving integration of Harbour's proprietary Corporate Behaviour Survey and external provider scores into investment decision making, company

engagement, voting and zero tolerance exclusions. Further information on exclusions and processes are outlined in our ESG Policy at [Responsible Investing » Harbour Asset Management](#).

## Investment Objective

The investment objective of the Fund is to deliver medium to long term capital growth through investing in quality businesses with strong growth prospects.

## Benchmark

The Fund does not follow a particular benchmark. However, the following is the appropriate market index: 50% S&P/NZX 50 Index (gross with imputation credits) and 50% S&P/ASX 200 Index (total return in AUD with 50% hedged into NZD).

## Distribution

This Fund does not pay distributions.

## Investment Style

An active research-driven investment process which principally invests in a focused selection of companies highly rated by Harbour investment analysts and largely consistent with the overweight positions in Harbour’s core Australasian Equity Fund. As a result, the Fund invests in equities which portfolio managers have high conviction in.

## Benchmark Asset Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocation will vary from the benchmark asset allocation as market conditions change and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents <i>(can include Fixed Income Investment Grade Corporate Bond – NZ or Australia)</i>	5%	0-35%
Australasian Equities	95%	65-100%

## Authorised Investments

1. Investments in shares, warrants, rights, bonus issues, options or securities in such companies that are convertible into ordinary shares, and index products that are:
  - a) listed on the NZX (or have been publicly announced that they will be listed on the NZX); or
  - b) listed on the ASX (or have been publicly announced that they will be listed on the ASX);
2. Investments in shares, warrants, rights, bonus issues, options or securities in companies that are convertible into ordinary shares, of:
  - a) unlisted companies domiciled in New Zealand; or
  - b) unlisted companies domiciled in Australia.
3. Investments in convertible debt instruments, provided the equity to which they convert satisfies the requirements of Item 1 above.
4. Options and exchange traded futures in respect of the type referred to in Item 1 above.
5. Investments in partly-paid shares in respect of the type referred to in Item 1 above provided that the shares are included or are to be included in the benchmark; or that the aggregate

amount of the unpaid portion is fully covered by cash or cash equivalents.

6. Spot and forward foreign exchange contracts.
7. Cash and cash equivalents.
8. On-call cash or bank deposits at a 'registered bank' under section 69 of the Reserve Bank of New Zealand Act 1989 with a minimum long-term credit rating of A+ from Standard & Poor's rating agency.
9. Debt securities denominated in NZD that have a long-term credit rating of not less than BBB-, or a short-term rating of not less than A-3 from Standard & Poor's rating agency.
10. Preference shares denominated in NZD and issued under New Zealand or Australian legal jurisdiction with a long-term credit rating of not less than BBB- from Standard & Poor's rating agency.
11. Securities that qualify as Tier 1 capital for banks registered in New Zealand with a long-term credit rating of not less than BBB- from Standard & Poor's rating agency.
12. Unrated securities provided that we, in our judgement, determine that the issue would have a rating of not less than BBB- from Standard & Poor's rating agency, if a rating was sought.
13. Where Standard and Poor's ratings are not available, the Manager may use Moody's or Fitch ratings. Where multiple ratings exist, the highest will apply.
14. Unrated securities that satisfy the criteria above may be held, provided that we deem that the securities would most probably achieve a rating of BBB or higher if the issuer was to gain a rating. This includes debt issued by Local Authorities.
15. Units or sub-units of any collective investment vehicle where the underlying assets are principally those listed above.

## Exposure Limits

	Minimum percentage of the Net Asset Value of the Portfolio	Maximum percentage of the Net Asset Value of the Portfolio
Cash and Cash Equivalents, Fixed Income, Investment Grade Corporate Bonds – New Zealand or Australia	0%	35%
Listed equities listed or about to list on the NZX or ASX	65%	100%
Unlisted New Zealand and Australian Equities*	0%	5%
Maximum individual equity issuer exposure limits:		
Individual company in the S&P/NZX10 or S&P/ASX100 Benchmark	0%	15%
Individual company outside the S&P/NZX10 or S&P/ASX100 but where its market capitalisation is greater than NZ\$500m	0%	10%

Individual company not in the S&P/NZX10 or S&P/ASX100 where its market capitalisation is less than NZ\$500m	0%	8%
Individual unlisted— New Zealand or Australian company*	0%	2%

\* The exposure limits for unlisted equities and companies prevent us from trading these assets if it would result in our exposure increasing above these limits. However, it does not prevent our exposure moving outside these limits due to market movements or cashflows to/from the Fund. As these assets are generally illiquid, rebalancing is usually not an option available to us and therefore the exposure may sit outside these limits for extended periods of time.

**Prohibitions:** Borrowing is not permitted; short selling is not permitted.

**Leverage:** The use of leveraged instruments (including derivatives) must not result in effective equity exposure exceeding the maximum permitted under the portfolio's asset allocation range. Furthermore, aggregate effective exposure across all asset classes—including physical holdings and derivative positions—must not exceed 100% of the portfolio's net asset value. All derivative positions must be measured on a delta-adjusted basis (to reflect the sensitivity of the derivative's price to a change in the underlying asset's price).

**Liquidity:** Alongside cash holdings the Fund invests in securities listed on the NZX and ASX Stock exchanges which can be liquidated if required in a reasonable time period.

## Currency Management

We manage to a 50% hedged benchmark, and when hedging is in place it can typically range from 10-90% of Australian dollar exposure. Currency exposure is managed in the derivative market using forwards and currency swaps.

## Harbour T. Rowe Price Global Equity Fund

*(Name changed from T. Rowe Price Global Equity Growth Fund to Harbour T. Rowe Price Global Equity Fund on 1 October 2021)*

Harbour has partnered with Baltimore-based global asset manager T. Rowe Price in bringing a global equity PIE Fund to the New Zealand market. The Fund is now a sufficient size to make it more economical for unit holders to directly hold assets managed by T. Rowe Price Australia Ltd (this is in the form of an Investment Management Agreement between Harbour & T. Rowe Price). This allows tax benefits to some investors and also allows Harbour to specify certain exclusions.

## Investment Objective

The Fund's objective is to provide long-term capital appreciation by investing primarily in a portfolio of securities of companies which are traded, listed or due to be listed, on recognised exchanges and/or markets throughout the world. The portfolio may include investments in the securities of companies traded, listed or due to be listed, on recognized exchanges and/or markets of developing countries.

## Benchmark

The benchmark is the MSCI All Country World Index (unhedged) in NZD.

## Distribution

This Fund does not pay distributions.

## Investment Style

T. Rowe Price follows a growth orientated active investment management approach to generate outperformance for the Fund. When evaluating a company's prospects T. Rowe Price analysts consider industry trends, the cash flow generation capability of the company, its balance sheet strength, the quality of its management and the attractiveness of its share price relative to its growth profile. As a growth investor, T. Rowe Price has a natural bias towards emerging market companies. T. Rowe Price recognises these companies can exhibit additional risk such as political risk and therefore takes smaller positions in individual companies

## Benchmark Asset Allocations

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocations will vary from the benchmark asset allocations as market conditions change, and if T. Rowe Price pursues tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	2%	0-10%
International Equities	98%	80-100%
Australasian Equities	0%	0-10%

## Authorised Investments

1. Securities of companies which are traded, listed or due to be listed, on recognised exchanges and/or markets throughout the world.
2. Securities of companies traded, listed or due to be listed, on recognised exchanges and/or markets of developing countries.
3. Index Futures contracts.
4. Cash and spot foreign exchange transactions.

## Exposure limits

**Prohibitions:** Borrowing is not permitted; short selling is not permitted.

**Leverage:** The use of leveraged instruments (including derivatives) must not result in effective equity exposure exceeding the maximum permitted under the portfolio's asset allocation range. Furthermore, aggregate effective exposure across all asset classes—including physical holdings and derivative positions—must not exceed 100% of the portfolio's net asset value. All derivative positions must be measured on a delta-adjusted basis (to reflect the sensitivity of the derivative's price to a change in the underlying asset's price).

## Exclusions criteria

This Fund has specific exclusions, for further information on the exclusions for this Fund please refer to the ESG Policy on our website at [Responsible Investing » Harbour Asset Management](#).

## Investment Process

The Fund invests in a broadly diversified portfolio of global equities, typically comprising around 150 stocks. In following their growth style, the manager has a natural bias towards emerging market stocks, where typically around 15 - 25% of the portfolio will be held. The portfolio will typically not have more than 5% in individual stock, will typically allocate within +/- 10% relative to the sector and country index weights (with the exception of the larger USA market which is typically +/- 20%). In order to ensure investors receive a return that has reference to broader markets, the Fund's performance is expected to have a standard deviation of relative performance around the index (a

tracking error) of 3% - 7%. The Fund is typically fully invested in equities.

The Fund has the same Supervisor, custodian, auditors and investment accountants as the other Harbour Funds.

### **Currency Management**

The Fund's benchmark currency position is to be fully unhedged. At times T. Rowe Price may actively hedge a small portion of the Fund's currency exposure.

### **Funding and Cash Accounts**

The Fund can borrow up to 5% of the aggregate value of its investments but only for purposes of providing short-term liquidity such as funding redemptions, accommodating temporary delay in securities settlements or payment of Fund expenses.

### **Harbour T. Rowe Price Global Equity Fund (Hedged)**

Harbour has partnered with Baltimore-based global asset manager T. Rowe Price in bringing a global equity PIE Fund to the New Zealand market. The Fund is now a sufficient size to make it more economical for unit holders to directly hold assets managed by T. Rowe Price Australia Ltd (this is in the form of an Investment Management Agreement between Harbour & T. Rowe Price). This allows tax benefits to some investors and also allows Harbour to specify certain exclusions.

### **Investment Objective**

The Fund's objective is to provide long-term capital appreciation by investing primarily in a portfolio of securities of companies which are traded, listed or due to be listed, on recognized exchanges and/or markets throughout the world. The portfolio may include investments in the securities of companies traded, listed or due to be listed, on recognized exchanges and/or markets of developing countries.

### **Benchmark**

The benchmark is the MSCI All Country World Index Net (100% hedged to NZD).

### **Distribution**

This Fund does not pay distributions.

### **Investment Style**

T. Rowe Price follows a growth orientated active investment management approach to generate outperformance for the Fund. When evaluating a company's prospects T. Rowe Price analysts consider industry trends, the cash flow generation capability of the company, its balance sheet strength, the quality of its management and the attractiveness of its share price relative to its growth profile. As a growth investor, T. Rowe Price has a natural bias towards emerging market companies. T. Rowe Price recognises these companies can exhibit additional risk such as political risk and therefore takes smaller positions in individual companies.

### **Benchmark Asset Allocation**

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update). Actual asset allocation will vary from the benchmark asset allocation as market conditions change, and if T. Rowe Price pursues tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	2%	0-10%
International Equities	98%	80-100%
Australasian Equities	0%	0-10%

## Authorised Investments

1. Securities of companies which are traded, listed or due to be listed, on recognised exchanges and/or markets throughout the world.
2. Securities of companies traded, listed or due to be listed, on recognised exchanges and/or markets of developing countries.
3. Derivative contracts, where the underlying risk relates to foreign currency (including spot and forward foreign exchange contracts).
4. Index Futures contracts.
5. Cash

## Exposure limits

**Prohibitions:** Borrowing is not permitted; short selling is not permitted.

**Leverage:** The use of leveraged instruments (including derivatives) must not result in effective equity exposure exceeding the maximum permitted under the portfolio's asset allocation range. Furthermore, aggregate effective exposure across all asset classes—including physical holdings and derivative positions—must not exceed 100% of the portfolio's net asset value. All derivative positions must be measured on a delta-adjusted basis (to reflect the sensitivity of the derivative's price to a change in the underlying asset's price).

## Exclusions criteria

This Fund has specific exclusions and processes for integrating ESG factors. For further information on the exclusions for this Fund please refer to the ESG Policy on our website at [Responsible Investing » Harbour Asset Management](#).

## Investment Process

The Fund invests in a broadly diversified portfolio of global equities, typically comprising around 150 stocks. In following their growth style, the manager has a natural bias towards emerging market stocks, where typically around 15 - 25% of the portfolio will be held. The portfolio will typically not have more than 5% in individual stock, will typically allocate within +/- 10% relative to the sector and country index weights (with the exception of the larger USA market which is typically +/- 20%). In order to ensure investors receive a return that has reference to broader markets, the Fund's performance is expected to have a standard deviation of relative performance around the index (a tracking error) of 3% - 7%. The Fund is typically fully invested in equities.

The Fund has the same Supervisor, custodian, auditors and investment accountants as the other Harbour Funds.

## Currency Management

The Fund's benchmark currency position is to be fully hedged to NZ dollars. Currency exposure is managed in the derivative market using forwards and currency swaps.

## Funding and Cash Accounts

The Fund can borrow up to 5% of the aggregate value of its investments but only for purposes of providing short-term liquidity such as funding redemptions, accommodating temporary delay in securities settlements or payment of Fund expenses.

## Epoch Global Quality Select Equity Fund

Harbour has partnered with New York-based manager Epoch Investment Partners, Inc (Epoch) to bring a global equity Portfolio Investment Entity (PIE) fund to the New Zealand market. This Fund holds securities directly in a range of global equity markets.

### Investment Objective

The Fund's objective is to provide long-term capital appreciation by investing primarily in a portfolio of securities of companies which are traded, listed or due to be listed, on recognised exchanges and/or markets throughout the world. The portfolio may include investments in the securities of companies traded, listed or due to be listed, on recognised exchanges and/or markets of developing countries.

### Benchmark

The benchmark is the MSCI All Country World Index (unhedged) in NZD.

### Distribution

This Fund does not pay distributions.

### Investment Style

The strategy focuses on companies that reinvest in their businesses to grow free cash flow. Epoch seeks companies that are good capital allocators, using capital effectively to fund internal projects or to make acquisitions. Epoch's research indicates that companies that make investments, internally or externally, which generate a marginal return on invested capital that exceeds their marginal cost of capital are likely to increase in value. The Epoch Global Quality Select Equity Fund pursues attractive total returns by investing in a portfolio of companies with persistent, high return on invested capital (ROIC), achieved through their allocation to the growth-oriented uses of free cash flow, namely investment in internal projects and acquisitions. The portfolio generally holds around 40 stocks from equity markets worldwide, with risk controls to diversify the sources of growth and reduce volatility.

### Benchmark Asset Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

This Fund aims to be fully invested and uses cash for operational purposes as opposed to a source of added value.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	2%	0-10%
International Equities	98%	80-100%
Australasian Equities	0%	0-10%

### Authorised Investments

1. Securities of companies that are traded, listed or due to be listed, on recognised exchanges and/or markets throughout the world, including in developed and developing countries.
2. Index Futures contracts.
3. Cash and spot foreign exchange transactions.

### Exposure limits

**Prohibitions:** Borrowing is not permitted; short selling is not permitted.

**Leverage:** The use of leveraged instruments (including derivatives) must not result in effective equity exposure exceeding the maximum permitted under the portfolio's asset allocation range. Furthermore, aggregate effective exposure across all asset classes—including physical holdings and derivative positions—must not exceed 100% of the portfolio's net asset value. All derivative positions must be measured on a delta-adjusted basis (to reflect the sensitivity of the derivative's price to a change in the underlying asset's price).

### Exclusions criteria

This Fund has specific exclusions and processes for integrating ESG factors. For further information on the exclusions for this Fund please refer to the ESG Policy on our website at [Responsible Investing » Harbour Asset Management](#).

### Investment Process

The strategy focuses on companies that reinvest in their businesses to grow free cash flow. Epoch seeks companies that are good capital allocators, using capital effectively to fund internal projects or to make acquisitions. Their process tends to avoid companies that raise new capital for acquisitions, are exposed to commodities or have a high degree of financial leverage. As a result, the portfolio tends to be underweight financials, utilities and energy, while overweight healthcare and consumer discretionary names. This is an active strategy which aims to outperform the MSCI All Country World Index over rolling five-year periods, however this is a relatively concentrated portfolio, which, at times, will perform differently to the index.

The Fund invests in a high-conviction manner, holding approximately 40 companies. There are concentration limits in place at a stock, sector and country level. The Fund is typically fully invested in equities.

The Fund has the same supervisor, custodian, auditors and investment accountants as the other Harbour Funds.

### Currency Management

The Fund's benchmark currency position is to be fully unhedged.

### Funding and Cash Accounts

The Fund can borrow up to 5% of the aggregate value of its investments, but only for the purposes of providing short-term liquidity such as funding redemptions, accommodating a temporary delay in securities settlements or payment of Fund expenses.

### Epoch Global Quality Select Equity (Hedged) Fund

Harbour has partnered with New York-based manager Epoch Investment Partners, Inc (Epoch) to offer a global equity Portfolio Investment Entity (PIE) fund to the New Zealand market. This Fund holds securities directly in a range of global equity markets.

### Investment Objective

The Fund's objective is to provide long-term capital appreciation by investing primarily in a portfolio of securities of companies which are traded, listed or due to be listed, on recognised exchanges and/or markets throughout the world. The portfolio may include investments in the securities of companies traded, listed or due to be listed, on recognised exchanges and/or markets of developing countries.

### Benchmark

The benchmark is the MSCI All Country World Index (hedged to NZD).

## Distribution

This Fund does not pay distributions.

## Investment Style

The strategy focuses on companies that reinvest in their businesses to grow free cash flow. Epoch seeks companies that are good capital allocators, using capital effectively to fund internal projects or to make acquisitions. Epoch's research indicates that companies that make investments, internally or externally, which generate a marginal return on invested capital that exceeds their marginal cost of capital are likely to increase in value. The Epoch Global Quality Select Equity (Hedged) Fund pursues attractive total returns by investing in a portfolio of companies with persistent, high return on invested capital (ROIC), achieved through their allocation to the growth-oriented uses of free cash flow, namely investment in internal projects and acquisitions. The portfolio generally holds around 40 stocks from equity markets worldwide, with risk controls to diversify the sources of growth and reduce volatility.

## Benchmark Asset Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

This Fund aims to be fully invested and uses cash for operational purposes as opposed to a source of added value.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	2%	0-10%
International Equities	98%	80-100%
Australasian Equities	0%	0-10%

## Authorised Investments

1. Securities of companies that are traded, listed or due to be listed, on recognised exchanges and/or markets throughout the world, including in developed and developing markets.
2. Derivative contracts, where the underlying risk relates to foreign currency (including spot and forward foreign exchange contracts).
3. Index Futures contracts.
4. Cash.

## Exposure limits

**Prohibitions:** Borrowing is not permitted; short selling is not permitted.

**Leverage:** The use of leveraged instruments (including derivatives) must not result in effective equity exposure exceeding the maximum permitted under the portfolio's asset allocation range. Furthermore, aggregate effective exposure across all asset classes—including physical holdings and derivative positions—must not exceed 100% of the portfolio's net asset value. All derivative positions must be measured on a delta-adjusted basis (to reflect the sensitivity of the derivative's price to a change in the underlying asset's price).

## Exclusions criteria

This Fund has specific exclusions and processes for integrating ESG factors. For further information on the exclusions for this Fund please refer to the ESG Policy on our website at [Responsible Investing » Harbour Asset Management](#).

## Investment Process

The strategy focuses on companies that reinvest in their businesses to grow free cash flow. Epoch seeks companies that are good capital allocators, using capital effectively to fund internal projects or to make acquisitions. Their process tends to avoid companies that raise new capital for acquisitions, are exposed to commodities or have a high degree of financial leverage. As a result, the portfolio tends to be underweight financials, utilities and energy, while overweight healthcare and consumer discretionary names. This is an active strategy which aims to outperform the MSCI All Country World Index over rolling five-year periods, however this is a relatively concentrated portfolio, which, at times, will perform differently to the index.

The Fund invests in a high-conviction manner, holding approximately 40 companies. There are concentration limits in place at a stock, sector and country level. The Fund is typically fully invested in equities.

The Fund has the same supervisor, custodian, auditors and investment accountants as the other Harbour Funds.

### Currency Management

The Fund's benchmark currency position is to be fully hedged to NZ dollars, Currency exposure is managed in the derivative market using forwards and currency swaps.

### Funding and Cash Accounts

The Fund can borrow up to 5% of the aggregate value of its investments, but only for the purposes of providing short-term liquidity such as funding redemptions, accommodating a temporary delay in securities settlements or payment of Fund expenses.

## Harbour Sustainable Impact Fund

### Description of the Fund

The Fund is designed to provide investors with exposure to a diversified range of global and domestic investments which make a positive environmental or social impact while aiming to exceed the return benchmark. All investments are assessed against the United Nations Sustainable

Development Goals (SDG's). The Fund invests approximately 60% in growth assets such as impact global and domestic public and unlisted equities and approximately 40% into more defensive assets, predominantly impact and green bonds that meet our research criteria. The Manager will use active management to enhance returns and manage downside risks.

### Objective

The investment objective is to exceed the Official Cash Rate (OCR) plus 4% over rolling 5-year periods. The impact objectives are to make measurable positive influence on SDG's which could include climate, natural capital, resource sustainability, wellness, social inclusion and thriving communities and infrastructure. More information on the goals is contained at [sdgs.un.org](https://sdgs.un.org).

### Benchmark

A composite benchmark which reflects the asset allocation of the Fund as follows: 5% S&P/NZX Bank Bills 90-day Index, 35% S&P/NZX A-Grade Corporate Bond Total Return Index, 15% S&P/NZX 50 Portfolio Index, 10% S&P/ASX 200 Index (50% hedged to NZD), 17.5% MSCI All Country World Index (unhedged) in NZD, 17.5% MSCI All Country World Index Net (100% hedged to NZD).

### Reporting

A key aspect of the Fund is to engage and report progress and impact associated with influencing the UN Sustainable Development Goals. Investors in the Fund will receive both financial and impact reports.

## Distribution

The Fund does not intend to pay distributions.

## Investment Style

The Fund will invest in a wide range of domestic and global assets. Returns of the Fund will be predominately driven by share markets though this will be augmented by holding fixed interest securities. Given nature of the Fund (i.e. making investments that make a positive environmental and social impact), we would expect the Fund to be structurally biased towards healthcare, industrials and technology companies, with lesser exposure to communication services and energy compared to broader market funds. The Fund has a long-term (five year plus) investment horizon.

## Benchmark Allocation

The benchmark asset allocation is our intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update).

Actual asset allocation will vary from the benchmark asset allocation as market conditions change and if we pursue tactical investment opportunities.

Asset Class	Benchmark asset allocation (%)	Range (%)
Cash and cash equivalents	5%	0 -20%
NZ Fixed Interest	22.5%	10-60%
International Fixed Interest	0%	0-30%
Australasian equities	20%	0-40%
International equities	35%	15-55%
Other	17.5%	0-45%

## Authorised Investments

1. Cash and short duration fixed interest assets.
2. New Zealand Fixed interest securities, predominantly in corporate bonds in companies which make a positive environmental or social impact.
3. International fixed interest, predominantly in corporate bonds in companies which make a positive environmental or social impact.
4. Other includes non-investment grade corporate bonds, impact unlisted equity (including venture capital) securities and funds, and impact private credit securities and funds.
5. Listed New Zealand & Australian equities.
6. Listed international equities. This includes, but is not limited to, Developed Markets, Emerging Markets and Small Companies.
7. Derivative contracts, where the underlying risk relates to foreign currency (including spot and forward foreign exchange contracts), interest rate or equity risk.
8. Units or sub-units of any managed collective investment vehicle where the underlying assets are principally those listed above. This can include exchange traded products.

## Exposure Limits

Asset Class	Benchmark asset allocation	Range
Cash and cash equivalents	5%	0 -20%

Investment grade fixed interest (New Zealand and Global)	22.5%	10-60%
Non-investment grade fixed interest	5%	0-20%
Impact private credit	7.5%	0- 15%
Australasian equities	20%	0-40%
International equities	35%	15-55%
Impact unlisted equities (including venture capital)	5.0%	0-10%
<i>Total impact private credit and impact unlisted equities (including venture capital)</i>	12.5%	0-20%
<i>Total equities (including unlisted equities and venture capital)</i>	60%	45-75%

**Liquidity:** This Fund will have investments in impact unlisted equity and private credit which are less liquid securities. To ensure the daily liquidity of the Fund is maintained, these investments have exposure limits in place. Further, Harbour will consider the composition of the underlying investors and consider a range of liquidity scenarios prior to making capital commitments.

**Derivatives:** The calculation of duration, currency, credit and equity exposures will include the effective exposure from any derivatives in the Fund.

**Counterparty exposures:** Over-the-counter derivative contracts must be entered with a counterparty with a minimum long-term credit rating of A at Standard & Poor's and a current ISDA agreement must be in place between the counterparty and the Fund or us.

**Leverage:** The effective exposure of equity and corporate credit must not result in the Fund being levered with regards to equity and credit risk. Underlying funds into which the Fund invests may use leverage. Leverage in underlying funds will not be taken into account when determining the effective net exposure of the Fund.

**Commitments to impact private credit and impact unlisted equities:** Harbour will invest money committed to impact unlisted equity and credit in a mix of equities, bonds and cash prior to the money being called.

## Currency Management

The neutral position of the Fund is to have foreign currency exposure of 22.5%. The allowable range of currency exposure to foreign currencies for the overall Fund is +/- 15%. The foreign currency exposure arises due to investments in securities and funds which are denominated in currencies other than NZ dollars. Spot and forward foreign exchange contracts are used to manage foreign exchange risk.

## Impact Committee

An Impact Committee is established to assist Harbour to achieve its objectives for the benefit of investors in the Fund. The Committee oversees Harbour's adherence to the UN Sustainable Development Goals and the qualitative judgements made by the portfolio management team. The Committee will also consider the latest developments in environmental and social issues which Harbour ought to consider in the management of the Fund and consider management recommendations for external impact data providers. Members of the Committee comprise members of Harbour together with independent members appointed by the Manager. The independent Committee members do not participate in the management or operation of the Fund, they provide advice and opinions for Harbour to then consider as part of its management role and disclose any interests as part of conflicts procedure.

## 4. Investment management policies

In order to meet the investment objectives of the Harbour Investment Funds, we follow key investment management policies. Some of these are outlined below.

### Currency Hedging Policy

The objective of currency hedging is to reduce, eliminate or change the effects of foreign exchange movements on assets not held in NZD. Harbour implements a disciplined tactical approach to currency hedging involving a fundamental scoring framework including an econometric model that draws on valuation, technical and relative economic cycle factors to provide input for our currency strategy. Based on Harbour's internal fundamental currency analysis, hedging provides an opportunity to enhance returns and reduce portfolio volatility.

Please refer to Currency Management under each of the Harbour Investment Funds as each Fund has its own currency hedging framework.

### Operational Risk Policy

Operational risk consists of failures in operational processes or the systems that support them. This includes errors and omissions, system breakdown, natural disasters, breach of policies and procedures, legal or regulatory failures, breach of confidentiality and deliberate fraudulent activity both internal and external.

We have an Operational Risk Policy, which provides awareness of what constitutes operational risk, possible risk indicators and the importance of adherence to control policies, procedures and standards to ensure that Harbour operates in a sound control environment. The Risk Committee meets quarterly to review Harbour's operational risk.

### Derivatives Policy

The use of derivatives is governed by the Harbour Derivative Risk Statement (DRS). The DRS summarises the policies in place covering the use of derivatives, controls on their use, and the processes for assessing compliance with those controls. These policies and controls are intended to ensure proper use of derivatives. Derivatives are not to be considered in isolation, but as part of the investment operations of the responsible party as a whole and the investment strategy being implemented.

The DRS will be reviewed by management regularly and understood by all persons responsible for managing, monitoring or implementing the investment processes of Harbour as the Investment Manager.

### Pricing/Valuation Policies

Harbour has employed the services of Apex to provide specialist account administration for third party mandates, and custody and administration services for the Harbour Wholesale Funds, and the Harbour Investment Funds.

Harbour outsources the valuation of its scheme assets to Apex. Apex values the scheme assets as part of its Unit Pricing and Investment Accounting service to Harbour as Fund Manager. Using their own pricing sources, Apex complete security pricing and asset valuations independently of Harbour. Apex has a documented security pricing and asset valuation methodology.

For scheme assets outside of New Zealand and Australia, Apex utilise sub custodian JP Morgan for valuation of the scheme assets. JP Morgan has a documented security pricing and valuation policy.

Some scheme assets may require bespoke valuations due to various factors. In such instances, Harbour engages with Apex and the Supervisor to determine what process to follow to accurately price these investments. When necessary, Harbour may also seek independent valuation assistance.

Apex provides an annual Internal Controls Report, which includes an Independent Assurance Report in accordance with International Standard on Assurance Engagements (New Zealand) 3402: “Reports on Controls at a Service Organisation”. This report outlines the control objectives for the investment management, report keeping and administration of client’s assets by Apex, together with the specific policies and procedures established to meet each of these objectives.

A copy of Harbour’s Pricing and Valuation policy can be found on the Disclose website.

## ESG Considerations

As part of our investment philosophy and stewardship process, Harbour recognises there are many factors that influence our analysis, and that environmental, social and governance (ESG) considerations have grown in significance as potential value drivers. In particular, Climate change has been a key area of focus and has been embedded in our investment process through our extensive research programme.

We believe that ESG factors can be a useful barometer of the quality of a company. Companies who manage ESG issues well are generally more likely to create long term shareholder value, with a reduced risk profile, compared with those companies who do not. Consequently, Harbour has integrated ESG factors directly into portfolio analysis. ESG factors are assessed in conjunction with existing comprehensive financial analysis. Our primary ESG tool is our proprietary Corporate Behaviour Survey, which we augment with external ESG specialists and broker research.

Active ownership is another important part of our approach to ESG considerations that involves constructively engaging with company boards and management to promote better behaviour and improve ESG outcomes over time. It also involves exercising our influence in shareholder meetings of these companies which we do by evaluating each proposal, augmented by proxy advisor research and then casting our vote by proxy on all resolutions.

Before consideration of companies in our investment process, we screen companies using a baseline standard of responsible behaviour based on business activity. Therefore, for most of our directly managed Funds we exclude companies that do not meet this baseline behaviour.

For more information on Harbour’s ESG approach including baseline exclusions, Fund specific exclusions (located in appendix one of the ESG Policy), and our process for integrating our ESG factors please refer to the ESG Policy on our website at [Responsible Investing» Harbour Asset Management](#).

## Harbour External Manager Selection and Monitoring Policy

Harbour’s multi-asset client portfolios and Funds may allocate to external investment managers.

Harbour follows the External Manager Selection and Monitoring Policy to confirm the process behind the selection and ongoing monitoring of external investment managers by Harbour. See section 8 for more information on external manager selection.

## Conflicts of Interest

Actual or perceived conflicts of interest for directors and employees of FirstCape group companies can arise from any competing interests. For example, directors and employees of FirstCape group companies may invest in Harbour funds from time to time. Decisions made by directors or employees may be influenced by their investment in Harbour funds. Directors and employees are required to disclose conflicts of interest and there are processes for recording and managing these conflicts.

FirstCape group companies’ employees are required under the terms of their individual employment agreements to disclose and register potential or actual conflicts of interest to FirstCape so that these can be effectively managed.

Directors are required to disclose conflicts of interests at the beginning of each meeting, and these

are recorded in the meeting minutes.

We may use related parties to provide services to the Funds, including staffing services and banking facilities and services. All related party services are conducted on arms' length commercial terms (as if the parties were independent) and follow the rules on related party transactions that apply to Managed Investment Schemes under the FMC Act.

For more information on related-party transactions under the FMC Act go to:

[fma.govt.nz/library/guidance-library/related-party-transactions-under-the-financial-markets-conduct-act-2013/](http://fma.govt.nz/library/guidance-library/related-party-transactions-under-the-financial-markets-conduct-act-2013/)

## 5. Limit Breaks

The investment teams monitor compliance with the SIPO, specific investment parameters and benchmark asset allocation on a daily basis. Where underlying securities within Funds are directly managed by Harbour Fund SIPO limits are monitored at both pre-trade, post trade and end of day monitoring times using rules-based checking software including the Bloomberg Asset Investment Manager (AIM) platform.

The Legal, Risk & Compliance team monitors compliance with the SIPO and specific exposure limit rules for each Fund. Harbour's Head of Legal, Risk and Compliance provides formal compliance sign off for each of the Funds at the end of each month and ensures there is independent monitoring from the investment teams who execute the trades. Any proposed changes to the SIPO rules coded in Harbour's systems requires Compliance's approval.

Any limit breaks, errors or breaches are reported immediately to the Head of Legal, Risk and Compliance, Harbour Board and the Audit, Risk and Regulation Committee. Material limit breaks are reported to all clients as well.

Judgement for materiality of the limit break resides with the Head of Legal, Risk and Compliance who will consider the cause of the limit break, the economic impact on the investor and how often the limit break has occurred.

Where a Fund has exposure limits for unlisted equities and companies, we are prevented from trading these assets if it would result in our exposure increasing above these limits. However, it does not prevent our exposure moving outside these limits due to market movements or cashflows to/from the Fund. As these assets are generally illiquid, rebalancing is usually not an option available to us and therefore the exposure may sit outside these limits for extended periods of time.

### Limit Break Reporting

Under section 167(1) of the FMC Act, a "limit break" is "a material breach of any limits in the SIPO".

All limit breaks are reported to the Supervisor at the end of each quarter.

## 6. Investment performance monitoring

Performance for the Funds is calculated (in the unit price) each business day by Harbour's custodians and administration manager, Apex. Apex distribute a daily performance report to key Harbour investment personnel. The specialised performance team at Apex monitor the performance of each Fund and investigates any variances.

In addition, Fund performance is also monitored on a daily basis by the management team and reported to the Board at each meeting. This daily performance monitoring is complemented by daily attribution analysis provided by the Bloomberg AIM system as well as the numbers provided by Apex. The portfolio manager monitors this each day. Unusual performance (positive or negative) movement is not expected given the investment process followed. Performance is monitored on over a monthly, quarterly, six-monthly, annually as well as annualised two, three and five year

periods (where applicable). Apex provides Harbour with the month end performance numbers. Performance is measured on an absolute return basis and is calculated both net of fees & expenses and net of fees, expenses and tax.

Performance also is measured against the Fund's benchmark. For the Funds holding units in the Wholesale Funds, this is using the gross performance return against the gross benchmark return.

Performance for the Funds is published monthly on the Harbour website ([www.harbourasset.co.nz](http://www.harbourasset.co.nz)) and quarterly in the fund update.

## 7. Compliance with and review of the SIPO

Harbour management and the Investment Committee will review this SIPO every two years (or more frequently if required). The Investment Committee assists the Harbour Board with the review, maintenance, and monitoring of the Scheme's assets.

Harbour may propose amendments to the SIPO in accordance with the Trust Deed and the FMC Act. Harbour would consult with the Investment Committee and Supervisor (Guardian Trust) regarding the proposed amendments. If approved by both, then Harbour may amend the SIPO. Harbour must give notice to investors if the changes are deemed material by our legal advisors and the Supervisor.

Compliance with the SIPO is monitored continuously by Bloomberg AIM.

The most current version of the SIPO is available on Disclose and on our website ([www.harbourasset.co.nz](http://www.harbourasset.co.nz)).

## 8. Investment Managers

Harbour is the manager and investment manager for all of the Harbour Funds. T. Rowe Price has been appointed in turn by Harbour as external investment manager of the Harbour T. Rowe Price Global Equity Fund and Harbour T. Rowe Price Global Equity Fund (Hedged). Epoch Investment Partners has been appointed as the external investment manager of the Epoch Global Quality Select Equity Fund and Epoch Global Quality Select Equity (Hedged) Fund. However, from time to time, Harbour may invest a Fund in an underlying fund which is externally managed.

### External Investment Manager Selection

Harbour chooses to utilise external investment managers to expose our investors to areas of the market where we believe it is beneficial to have an allocation, but where we do not have the resources to manage the funds directly.

In selecting a suitable external investment manager, Harbour utilises both quantitative and qualitative inputs to assess a manager's capability. Once their capability is assessed, we then determine whether they are suitable for inclusion within the Fund in question. An "external manager selection & monitoring checklist" is completed for each external manager selected.

Harbour's Investment team monitors the investment performance of external investment managers, which includes review of the performance objectives and portfolio activity of the respective funds.

Here is an example of Harbour's external investment manager selection process. After a comprehensive due diligence process, Harbour selected T. Rowe Price to undertake investment management of the Harbour T. Rowe Price Global Equity Fund and the Harbour T. Rowe Price Global Equity Fund (Hedged) based on Harbour's assessment of T. Rowe Price's thorough investment process, extensive research capabilities and skilled and collaborative team.

As the Fund's issuer, Harbour reviews T. Rowe Price's suitability as part of the asset allocation committee review.