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# Coolabah Investment Funds

## Statement of Investment Policy and Objectives

Effective date: 22 November 2021

Issued by Implemented Investment Solutions Limited

This document gives you important information about this investment to help you decide whether you want to invest. The current version of this SIPO, and other useful information about this offer, is available on [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose). Implemented Investment Solutions Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you make an investment decision.



## A. Description of the managed investment scheme

The Coolabah Investment Funds ("Scheme") is a managed investment scheme. The Scheme has on offer two investment funds ("Funds") which provide investors with exposure to Australian and international fixed interest and cash securities.

The underlying funds ("Underlying Funds") into which the Funds invest are actively managed. The Funds may invest in direct securities (including derivatives) or through other managed investment schemes.

## B. Roles and responsibilities

Implemented Investment Solutions Limited ("IIS") is the licensed manager ("Manager") of the Scheme. The Manager's key roles and responsibilities are:

- Preparation of disclosure material.
- Establishing, reviewing and maintaining this Statement of Investment Policies and Objectives ("SIPO").
- The ongoing management and oversight of the Funds. This includes appointing, managing and monitoring specialist providers for:
  - Administration management; and
  - Investment management.
- Monitoring investment performance and outcomes.

Coolabah Capital Investments (Retail) Pty Limited ("Coolabah" or "Investment Manager") is the Scheme's investment manager and is responsible for making recommendations and decisions about what the Scheme invests in, in accordance with this SIPO. The Scheme is invested in accordance with Coolabah's investment philosophy and process. Currently the Funds invest in Underlying Funds managed by Coolabah. The Underlying Funds are:

- Smarter Money Higher Income Fund (an Australian unit trust), and
- Smarter Money Long-Short Credit Fund (an Australian unit trust).

Coolabah also participates in reviewing this SIPO.

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

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

- Acting on behalf of the Scheme's investors in relation to the Manager and any contravention of the Manager's issuer obligations;
- Supervising the performance by the Manager of its functions and the financial position of the Manager and the Scheme; and
- Holding the Scheme property or ensuring that the assets are held in accordance with applicable legislative requirements. Adminis has been appointed by the Supervisor as Custodian for the Funds.

## C. Investment philosophy

Coolabah is the investment manager for the Underlying Funds and a wholly owned subsidiary of Coolabah Capital Investments Pty Ltd ("CCI"). CCI is 65% owned by its portfolio management team, and 35% owned by Pinnacle Investment Management Group Limited (ASX: PNI), a leading Australian-based multi-affiliate investment firm.

CCI is an active manager that aims to deliver low duration investment solutions that outperform traditional fixed-income products on a risk adjusted basis. CCI aims to achieve this through generating “alpha” or capital gains in liquid, high-grade credit, which is in contrast to traditional fixed-income strategies that drive returns through adding more interest rate duration risk, credit default risk or illiquidity risk (or “beta”).

CCI’s style is intensely active in terms of both the frequency with which it manages its assets and its efforts to maximise the probability of asset prices mean-reverting back to fair value.

The CCI investment team have extensive experience in Australian and global credit markets, and utilise extensive quantitative and credit research, plus deep financial and commercial due diligence, in their investment decision making process.

#### **D. Fund Investment Objectives and Strategies**

The Investment objectives and strategies for the Funds are:

##### **Coolabah Short Term Income PIE Fund**

###### **Objectives**

The Fund targets investment returns, after fees and before taxes, of 1.5% to 3.0% per annum above the overnight interbank cash rate as published by the Reserve Bank of New Zealand, over a rolling 12 month period.

###### **Investment Strategy**

###### *Benchmark index:*

- Bloomberg AusBond Bank Bill Index hedged to NZD

###### *Benchmark asset allocation:*

- 90% International fixed interest
- 10% Cash and cash equivalents

###### *Asset allocation ranges:*

- 90%-110% Smarter Money Higher Income Fund (an Australian unit trust)
- -10%-10% funding account (holds NZD cash and cash equivalents<sup>1</sup>)

###### *Appointed investment manager:*

- Coolabah Capital Investments (Retail) Pty Limited

###### *Investment Manager strategy:*

- The Fund invests in the Smarter Money Higher Income Fund<sup>2</sup>.

###### *Permitted investments:*

- International fixed interest
- Cash and cash equivalents
- Derivative instruments including currency hedging instruments
- Managed investment schemes

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<sup>1</sup> Accrued fund expenses and other fund liabilities are not deducted from cash and cash equivalents for this range. Excludes any cash held by the Underlying Fund.

<sup>2</sup> Details of the Underlying Fund’s portfolio strategy and configuration can be obtained by contacting the Manager.

*Rebalancing policy:*

- As the Fund invests in an underlying fund, there is no need for a rebalancing policy.

*Currency hedging policy:*

- The Fund targets a position of being fully hedged back to New Zealand dollars.

*Funding account*

- The purpose of the funding account is to manage non-investment related liquidity amounts primarily attributable to Fund expenses and investor contributions or withdrawals. Large investor contributions or withdrawals may result in the funding account exposure temporarily being outside the -10% to 10% range.

*Other*

- The Fund can borrow up to 10% of the aggregate value of its investments but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, settle securities trades or pay expenses).

## **Coolabah Long-Short Credit PIE Fund**

### **Objectives**

The Fund targets generating investment returns, after fees and before taxes, of 4% to 6% p.a. above the overnight interbank cash rate as published by the Reserve Bank of New Zealand, with less than 5% per annum volatility over rolling 3 year periods.

### **Investment Strategy**

*Benchmark index:*

- Bloomberg AusBond Bank Bill Index hedged to NZD

*Benchmark asset allocation:*

- 100% International fixed interest

*Asset allocation ranges:*

- 90%-110% the Smarter Money Long-Short Credit Fund (an Australian unit trust)
- -10%-10% funding account (holds NZD cash and cash equivalents<sup>3</sup>)

*Appointed investment manager:*

- Coolabah Capital Investments (Retail) Pty Limited

*Investment Manager strategy:*

- The Fund invests in the Smarter Money Long-Short Credit Fund<sup>4</sup>.

*Permitted investments:*

- International fixed interest

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<sup>3</sup> Accrued fund expenses and other fund liabilities are not deducted from cash and cash equivalents for this range. Excludes any cash held by the Underlying Fund.

<sup>4</sup> Details of the Underlying Fund's portfolio strategy and configuration can be obtained by contacting the Manager.

- Cash and cash equivalents
- Derivative instruments including currency hedging instruments
- Managed investment schemes

*Rebalancing policy:*

- As the Fund invests in an underlying fund, there is no need for a rebalancing policy.

*Currency hedging policy:*

- The Fund targets a position of being fully hedged back to New Zealand dollars.

*Funding account*

- The purpose of the funding account is to manage non-investment related liquidity amounts primarily attributable to Fund expenses and investor contributions or withdrawals. Large investor contributions or withdrawals may result in the funding account exposure temporarily being outside the -10% to 10% range.

*Other*

- The Fund can borrow up to 10% of the aggregate value of its investments but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, settle securities trades or pay expenses).

## **E. Investment Policies**

### **Taxation**

The Funds have elected to be Portfolio Investment Entities (“PIEs”) and therefore are taxed under the PIE regime.

The taxation implications of an investment method, such as holding assets directly or investing in a managed investment scheme, are taken into account when determining the most appropriate approach for a particular Fund. Note that taxation is not the sole consideration when choosing an investment method; other factors taken into account include cost and implementation feasibility.

### **Liquidity**

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

### **Related-party transactions**

Related-party transactions, other than the type described below, are prohibited.

The Funds may invest in other managed investment schemes. If these schemes are managed by related parties (for example where a Fund invests in a Coolabah fund offshore, such as the Underlying Funds), and are permitted under section 174 of the Financial Markets Conduct Act 2013 (“FMC Act”), they are permitted investments for the Fund. The Manager will report transactions in managed investment schemes managed by related parties to its Supervisor in accordance with section 173(2) of the FMC Act.

Parties related to the Funds, including the staff of Coolabah and their families, and the staff of IIS and their families may from time to time invest in the Funds. The Manager will report such

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

### Trade allocations and transactions

The Funds invest in managed investment schemes rather than trading directly in securities.

### Other relevant policies

Summaries of the key relevant policies are set out below.

#### *Unit Pricing and Unit Register Policy*

The purpose of this policy is to set out how IIS manages its unit pricing and unit register obligations, and the way in which IIS exercises its discretions authorised by the Trust Deed and the Funds' establishment documentation.

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

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

- Have unit prices that reflect fair, realisable value of underlying assets and liabilities.
- Ensure equitable treatment of investors entering, exiting or remaining in a Fund.
- Have a consistent and objective process for determining unit prices.
- Comply with IIS's governing documents, offer documents and the law.

#### *Conflicts of Interest and Related Party Transactions Policy*

The Conflicts of Interest and Related Party Transactions Policy sets out the principles and procedures relating to the management of conflicts of interest within IIS. The policy applies to all of IIS's directors, relevant officers, senior management and employees.

The policy provides guidance on:

- What is meant by a conflict of interest.
- What constitutes a related party transaction.

The core policy statement is:

*'As a licensed manager of Managed Investment Schemes, IIS must act honestly and in the best interests of the Scheme participants. IIS recognises that in order to satisfy this duty, it and its Staff must put the interests of Scheme participants ahead of those of itself or the Staff members.'*

#### *Investment Management Policy*

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

- Investment management governance.
- Investment manager selection and appointment.
- Investment manager monitoring and compliance.

## **F. Investment performance monitoring**

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

- Gross return.
- Benchmark index return.
- Performance relative to benchmark.
- Annualised standard deviation of gross return.
- Annualised standard deviation of benchmark index return.
- Annualised tracking error.

IIS reports performance to the Supervisor and to the IIS Board.

## **G. SIPO monitoring and review**

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

The Manager's compliance processes include periodic policy reviews. The SIPO is reviewed annually by the IIS Fund Hosting Due Diligence Committee, including ensuring the investment strategy and asset allocation ranges remain appropriate, with the outcomes of the review reported to the IIS Board. In addition, IIS management may initiate an ad hoc review, with examples of events that could lead to this being:

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

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

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

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

This SIPO was approved by the IIS Board on 22 November 2021 and takes effect on 22 November 2021.

## Glossary

**Act** and **FMC Act** means the Financial Markets Conduct Act 2013.

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

**Coolabah** means Coolabah Capital Investments (Retail) Pty Limited.

**Funds** means the investment funds offered within the Scheme, being the Coolabah Short Term Income PIE Fund and the Coolabah Long-Short Credit PIE Fund.

**IIS** means Implemented Investment Solutions Limited, the Manager of the Scheme.

**Investment Manager** means Coolabah Capital Investments (Retail) Pty Limited.

**Manager** means IIS.

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

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

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

**Underlying Funds** means the Smarter Money Higher Income Fund and the Smarter Money Long-Short Credit Fund (both Australian unit trusts).