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# Coolabah Investment Funds

## Statement of Investment Policy and Objectives

Effective date: 5 March 2025

Issued by FundRock NZ Limited



## A. Description of the managed investment scheme

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

The Funds invest in actively managed underlying funds ("Underlying Funds").

## B. Roles and responsibilities

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

- Preparation of disclosure material.
- Establishing, reviewing and maintaining this Statement of Investment Policy and Objectives ("SIPO").
- The ongoing management and oversight of the 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 Funds invest in, in accordance with this SIPO. The Funds are invested in accordance with Coolabah's investment philosophy and process.

As at the date of this SIPO, the Funds invest in the following Underlying Funds managed by Coolabah:

Fund	Underlying Fund
Coolabah Short Term Income PIE Fund	Coolabah Short Term Income Fund
Coolabah Floating-Rate High Yield PIE Fund	Coolabah Floating-Rate High Yield Fund
Coolabah Long-Short Credit PIE Fund	Smarter Money Long-Short Credit Fund
Coolabah Active Composite Bond PIE Fund	Coolabah Active Composite Bond Fund (Hedge Fund)

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") for the Coolabah Short Term Income PIE Fund and the Coolabah Long-Short Credit PIE Fund; and by Apex Investment Administration (NZ) Limited ("Apex NZ") for the Coolabah Floating-Rate High Yield PIE Fund and the Coolabah Active Composite Bond PIE Fund.

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 Funds' 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 Coolabah Short Term Income PIE Fund and the Coolabah Long-Short Credit PIE Fund. BNP Paribas Fund Services Australasia Pty Ltd has been appointed by the Supervisor as Custodian for the Coolabah Floating-Rate High Yield PIE Fund and the Coolabah Active Composite Bond PIE Fund.

## 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 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").

The Investment Manager is an active manager. This entails applying bottom-up fundamental analysis of both issuers of the securities and the credit quality and structural features of the securities themselves to build a diversified portfolio of cash and debt investments, including hybrid securities, that offer attractive total returns whilst minimising the risk of capital loss. Active managers seek to exploit mispricings of assets and/or find undervalued securities in order to produce superior performance.

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% Coolabah Short Term Income Fund (an Australian unit trust)
- -10%-10% Cash and cash equivalents (includes the funding account)<sup>1</sup>

##### *Appointed investment manager*

- Coolabah Capital Investments (Retail) Pty Limited

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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 an underlying fund.

### *Investment strategy*

- The Fund invests in the Coolabah Short Term Income Fund<sup>2</sup>.
- The underlying fund is permitted to invest in bonds, such as government and semi-government bonds, bank and corporate bonds, and asset-backed securities, including residential-mortgage-backed securities, and hybrid securities issued in G10 currencies hedged to Australian dollars. It can also invest in cash, cash equivalents, exchange traded and over-the-counter derivatives for hedging purposes. It targets a weighted average 'A' credit rating and interest rate duration of less than 3 months. It does not invest in listed or unlisted shares, or property and is not permitted to use leverage or gearing.

### *Permitted investments*

- International fixed interest
- 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*

- In addition to any borrowing that might be undertaken by an underlying fund into which the Fund invests, the Fund may also borrow up to 10% of the aggregate value of its investments. This additional borrowing is only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, settle securities trades or pay expenses).

## **Coolabah Floating-Rate High Yield PIE Fund**

### **Objectives**

The Fund aims to provide investors with exposure to a portfolio of investment-grade Australian floating-rate notes with enhanced yields.

### **Investment Strategy**

#### *Benchmark index*

- Bloomberg AusBond Credit FRN 0+ Yr Index hedged to NZD

#### *Benchmark asset allocation*

- 95% International fixed interest
- 5% Cash and cash equivalents

#### *Asset allocation ranges*

- 90%-110% Coolabah Floating-Rate High Yield Fund (an Australian unit trust)

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<sup>2</sup> Details of the underlying fund's portfolio strategy and configuration can be obtained by contacting the Investment Manager.

- -10%-10% Cash and cash equivalents (includes the funding account)<sup>3</sup>

#### *Appointed investment manager*

- Coolabah Capital Investments (Retail) Pty Limited

#### *Investment strategy*

- The Fund invests in the Coolabah Floating-Rate High Yield Fund<sup>4</sup>.
- The underlying fund focusses on generating higher income than other traditional fixed income investments by investing in a portfolio of investment-grade Australian floating-rate notes (“FRNs”) and enhancing the yields (or interest-rate) through the use of gearing (or leverage). FRNs, also known as ‘Floating Rate Bonds’, are a type of bond that pay an interest (or coupon) rate which moves up and down with changes in a recognised reference interest rate. The interest (or coupon) rate is the sum of the reference rate and a spread or margin. In Australia, they generally track the returns of the Reserve Bank of Australia’s cash rate plus a spread or margin and have a low or near-zero interest rate risk. The underlying fund retains the ability to switch between cash and debt securities based on the Investment Manager’s valuation views of each sector. The ability to invest 100% in cash is a defensive attribute of the underlying fund. The underlying fund can use repurchase agreements, borrow and use derivatives and this can mean the underlying fund is geared (or leveraged). Leverage limits are in place to assist with risk management. The underlying fund may be leveraged up to a maximum of 400% of NAV. Leverage can amplify gains and also amplify losses. **These features mean that the Fund will not be appropriate for all investors.** At the core of the Investment Manager’s use of leverage is that it is applied against liquid, investment-grade debt securities, which rank ahead of equities and hybrid securities in the corporate capital structure.

#### *Permitted investments*

- International fixed interest
- 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*

- In addition to any borrowing that might be undertaken by an underlying fund into which the Fund invests, the Fund may also borrow up to 10% of the aggregate value of its investments. This additional borrowing is only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, settle securities trades or pay expenses).

<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 an underlying fund.

<sup>4</sup> Details of the underlying fund’s portfolio strategy and configuration can be obtained by contacting the Investment Manager.

## 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% Smarter Money Long-Short Credit Fund (an Australian unit trust).
- -10%-10% Cash and cash equivalents (includes the funding account)<sup>5</sup>

#### *Appointed investment manager*

- Coolabah Capital Investments (Retail) Pty Limited

#### *Investment strategy*

- The Fund invests in the Smarter Money Long-Short Credit Fund<sup>6</sup>.
- The goal of the underlying fund is to generate 'alpha', or risk-adjusted excess returns, through identifying and exploiting mispricings in the underlying assets and/or derivatives related to them. It is permitted to invest in bonds, such as government and semi-government bonds, bank and corporate bonds, and asset-backed securities, including residential-mortgage-backed securities, and hybrid securities issued in Australian dollars or in G10 currencies hedged to Australian dollars. It can also invest in cash, cash equivalents, repurchase agreements, exchange traded and over-the-counter derivatives for hedging and borrowing purposes. The underlying fund targets a weighted average 'BBB' credit rating and interest rate duration of less than 3 months. The underlying fund can take long and short positions, borrow and use derivatives, meaning the underlying fund may be geared (or leveraged). The underlying fund has direct and indirect leverage limits in place to assist risk management. The underlying fund may be leveraged up to a maximum of 500% of NAV. The underlying fund may also take short positions up to a maximum of 200% of NAV. The rules are asset-class specific, with riskier exposures subject to tighter controls. Leverage can amplify gains and also amplify losses. **These features mean that the Fund will not be appropriate for all investors.**

#### *Permitted investments*

- International fixed interest
- 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.

<sup>5</sup> Accrued fund expenses and other fund liabilities are not deducted from cash and cash equivalents for this range. Excludes any cash held by an underlying fund.

<sup>6</sup> Details of the underlying fund's portfolio strategy and configuration can be obtained by contacting the Investment Manager.

### *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*

- In addition to any borrowing that might be undertaken by an underlying fund into which the Fund invests, the Fund may also borrow up to 10% of the aggregate value of its investments. This additional borrowing is only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, settle securities trades or pay expenses).

## **Coolabah Active Composite Bond PIE Fund**

### **Objectives**

The Fund targets return in excess of the Bloomberg Ausbond Composite 0+ Yr Index (hedged to NZD) by 1.0% to 2.0% per annum over rolling 12-month periods.

### *Benchmark index*

- Bloomberg AusBond Composite 0+ Yr Index hedged to NZD

### *Benchmark asset allocation*

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

### *Asset allocation ranges*

- 90%-110% Coolabah Active Composite Bond Fund (Hedge Fund) (an Australian unit trust)
- -10%-10% Cash and cash equivalents (includes the funding account<sup>7</sup>)

### *Appointed investment manager*

- Coolabah Capital Investments (Retail) Pty Limited

### **Investment strategy**

- The Fund invests in the Coolabah Active Composite Bond Fund (Hedge Fund)<sup>8</sup>.
- The underlying fund focuses on mispricings in government and corporate bond markets with the aim of delivering superior risk-adjusted returns over the Bloomberg AusBond Composite 0+ Yr Index. It seeks to have broadly similar interest rate duration risk to the Benchmark Index subject to any active decisions implemented by the investment manager in order to generate excess returns. The underlying fund can take long and short positions, use repurchase agreements, borrow and use derivatives and this can mean the underlying fund is geared (or leveraged). Leverage limits are in place to assist with risk management. The underlying fund does not target a specific level of leverage and does not use leverage simply to increase underlying fund yield. Leverage may be used to obtain additional exposure to mispriced assets that the Investment Manager believes will generate capital gains for the underlying fund. The underlying fund may be leveraged up to a maximum of 250% of NAV. The underlying fund may also take short positions up to a maximum of 250% of NAV. Leverage can amplify gains and also

<sup>7</sup> Accrued fund expenses and other fund liabilities are not deducted from cash and cash equivalents for this range. Excludes any cash held by an underlying fund.

<sup>8</sup> Details of the underlying fund's portfolio strategy and configuration can be obtained by contacting the Investment Manager.

amplify losses. **These features mean that the Fund will not be appropriate for all investors.** At the core of the Investment Manager's use of leverage is that it is applied against liquid, investment-grade debt securities, which rank ahead of equities and hybrid securities in the corporate capital structure.

#### *Permitted investments*

- International fixed interest
- 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*

- In addition to any borrowing that might be undertaken by an underlying fund into which the Fund invests, the Fund may also borrow up to 10% of the aggregate value of its investments. This additional borrowing is 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 types permitted under the FMC Act, are prohibited.

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

- a Fund investing in a Coolabah fund offshore; or,
- a related party of the Investment Manager being appointed to provide investment services for the Funds; or,
- parties related to the Funds, including the staff and directors of Coolabah and their families, and the staff of FundRock and their families from time to time investing 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 Investment Manager has appropriate trade allocation, best execution, and brokerage policies and processes governing their investment management activity on behalf of the Funds.

## **Other Relevant Policies**

Summaries of the key relevant policies are set out below.

### **Pricing and Asset Valuation Policy**

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

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

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

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

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

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

The policies provide guidance on:

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

### **Investment Management Policy**

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

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

## F. Performance monitoring

FundRock 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;
- net return;
- net of fees and gross of tax at an assumed 28% prescribed investor rate ('PIR');
- benchmark index return;
- performance relative to benchmark;
- annualised standard deviation of fund returns (based on monthly returns);
- annualised standard deviation of benchmark index return (based on monthly returns); and
- annualised Tracking Error (based on monthly returns).

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

## G. Investment Strategy Review

The FundRock Board has responsibility for oversight of the Investment Manager's performance and aims to meet at least quarterly. The Funds are expected to be fully invested in Australian unit trusts, with a portion allocated to cash and cash equivalents for liquidity purposes. FundRock does not intend to amend the Funds' investment strategies, although amendments may be made following recommendations by the Investment Manager.

## H. SIPO monitoring and review

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

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

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

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

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

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

The current version of this SIPO is available on the schemes register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

This SIPO was approved by the FundRock Board on 5 March 2025 and takes effect on 5 March 2025.

## 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; the Coolabah Long-Short Credit PIE Fund; the Coolabah Floating-Rate High Yield PIE Fund; or the Coolabah Active Composite Bond PIE Fund.

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

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

**Manager** means FundRock.

**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 Index against which its performance is measured.

**Underlying Funds** means the Coolabah Short Term Income Fund; the Coolabah Floating-Rate High Yield Fund, the Smarter Money Long-Short Credit Fund; and the Coolabah Active Composite Bond Fund (all Australian unit trusts).