



**Pie Funds**  
*performance that counts*

# Statement of Investment Policy and Objectives

**Pie Funds Management Scheme**

**Issued by**

Pie Funds Management Limited

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# Table of Contents

<b>Introduction</b>	<b>3</b>
<b>Description of The Managed Investment Scheme</b>	<b>4</b>
<b>Purpose and Philosophy</b>	<b>5</b>
<b>Fund Investment Objectives</b>	<b>6</b>
<b>Key Investment Policies</b>	<b>7</b>
<b>Investment Performance Monitoring and Reporting</b>	<b>10</b>
<b>Investment Strategy and SIPO Review</b>	<b>11</b>
<b>Glossary</b>	<b>13</b>
<b>Schedules:</b>	
<b>1. Investment Strategy for Pie Australasian Growth Fund</b>	<b>15</b>
<b>2. Investment Strategy for Pie Australasian Dividend Fund</b>	<b>16</b>
<b>3. Investment Strategy for Pie Australasian Emerging Companies Fund</b>	<b>17</b>
<b>4. Investment Strategy for Pie Global Small Companies Fund</b>	<b>18</b>
<b>5. Investment Strategy for Pie Chairman’s Fund</b>	<b>19</b>
<b>6. Investment Strategy for Pie Cash Plus Fund</b>	<b>20</b>
<b>7. Investment Strategy for Pie Growth 2 Fund</b>	<b>21</b>
<b>8. Investment Strategy for Pie Growth UK &amp; Europe Fund</b>	<b>22</b>
<b>9. Investment Strategy for Pie Multi Strategy Fund</b>	<b>23</b>

# Introduction

This statement of investment policy and objectives (the SIPO) is subject to change from time to time without notice to investors (provided prior written notice is given to our Supervisor).

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

Throughout the SIPO we use 'Pie Funds', 'we', 'our' or 'us' to refer to Pie Funds Management Limited, the manager of the Pie Australasian Growth Fund (the Growth Fund), the Pie Australasian Dividend Fund (the Dividend Fund), the Pie Australasian Emerging Companies Fund (the Emerging Companies Fund), the Pie Global Small Companies Fund (the Global Fund), the Pie Chairman's Fund (the Chairman's Fund), the Pie Cash Plus Fund (the Cash Plus Fund), the Pie Growth 2 Fund (the Growth 2 Fund), the Pie Growth UK & Europe Fund (the Growth UK & Europe Fund) and the Pie Multi-Strategy Fund (the Multi-Strategy Fund).

# Description of the Managed Investment Scheme

The Growth Fund, the Dividend Fund, the Emerging Companies Fund, the Global Fund, the Chairman's Fund, the Cash Plus Fund, the Growth 2 Fund and the Growth UK & Europe Fund (each, a Fund and together, the Funds), are offered under a registered managed investment scheme known as the Pie Funds Management Scheme (the Scheme).

The Scheme was established by a trust deed (the Previous Trust Deed) dated 23 November 2007 (as amended) entered into between Pie Funds and Trustees Executors Limited (the Supervisor), and each of the Funds is a trust which has been established pursuant to the Previous Trust Deed. In order to comply with the requirements of the Financial Markets Conduct Act 2013 (the FMCA), the Previous Trust Deed was amended by substituting it with a governing document dated 20 July 2016 (the Governing Document), under which each of the Funds is now governed.

The Growth Fund was established under the Previous Trust Deed on 23 November 2007. The Dividend Fund, the Emerging Companies Fund, the Global Fund, the Chairman's Fund, the Cash Plus Fund and the Growth 2 Fund were established pursuant to the Previous Trust Deed by supplementary Conditions of Establishment dated 8 September 2011, 28 March 2013, 1 August 2013, 1 September 2014, 15 April 2015 and 6 August 2015 respectively (as amended). The Growth UK & Europe Fund and Multi-Strategy Fund were established under the Governing Document by supplementary Conditions of Establishment dated 20 October 2016 and 1 September 2017, respectively.

Pie Funds focuses on investment predominantly in Smaller Companies, being those companies which Pie Funds determines have a small market capitalisation relative to the exchange that they are listed on. This includes Emerging Companies, which at the time of Pie Funds' investment have a market capitalisation of up to approximately \$250 million (or the equivalent in local currency).

Each of the Funds is a PIE.

The licensed manager of the Scheme is Pie Funds, a boutique fund manager established in 2007, and a licensed managed investment scheme manager under the FMCA. You can contact us at Level 1, 1 Byron Avenue, Takapuna, Auckland 0622, by calling us on 09 486 1701 or by emailing us at [clients@piefunds.co.nz](mailto:clients@piefunds.co.nz).

The Investment Team is responsible for portfolio composition, investment selection and the day to day management of the investments of the Funds in accordance with the SIPO.

The Investment Committee is responsible for monitoring the performance of the Funds against the SIPO and ensuring that the SIPO is adhered to. The Investment Committee also reviews past investment decisions made by the Investment Team, the performance and portfolio composition of the Funds, stock market movements, sentiment and cash levels within the Funds and liquidity levels. The Investment Committee meets at least twice a month or more frequently if required.

# Purpose and Philosophy

Pie Funds' underlying investment philosophy is based upon the premise that the share market often inefficiently prices Smaller Companies due to a lack of coverage by the investment community. We believe this environment breeds opportunity.

We are a high conviction fund manager. This means that our aim is to provide investors in the Funds with above average investment returns by investing in a concentrated portfolio of hand-picked listed Smaller Companies and Medium Companies.

Pie Funds manages each of the Funds directly and investment management is not outsourced. The Global Fund invests directly in globally listed Smaller Companies, cash and in managed funds from around the world that focus on investing in Smaller Companies, and whose managers have similar characteristics to Pie Funds, and may invest in ETFs, unlisted Smaller Companies and in the Other Pie Funds Products.

# Fund Investment Objectives

The investment objectives for each Fund are set out in the table below:

Fund	Investment Objective
<b>Pie Australasian Growth Fund</b>	The Growth Fund will seek to provide investors with long term capital growth by investing predominantly in a concentrated portfolio of hand-picked listed Australian and New Zealand Smaller Companies, where Pie Funds considers value is greatest and the opportunity of earnings growth is high. The Fund may also invest in other types of financial products such as cash and unlisted equities.
<b>Pie Australasian Dividend Fund</b>	The Dividend Fund will seek to provide investors with a regular dividend payment stream as well as long term capital growth by investing predominantly in a portfolio of hand-picked listed Australian and New Zealand Smaller Companies that pay a dividend, where Pie Funds considers value is greatest and the opportunity of earnings growth is high. The Fund may also invest in other types of financial products such as cash and unlisted equities.
<b>Pie Australasian Emerging Companies Fund</b>	The Emerging Companies Fund will seek to provide investors with long term capital growth by investing predominantly in a concentrated portfolio of hand-picked Emerging Companies, where Pie Funds considers value is greatest and the opportunity of earnings growth is high. The Fund may also invest in other types of financial products such as cash and unlisted equities.
<b>Pie Global Small Companies Fund</b>	<p>The Global Fund will seek to provide investors with long term capital growth by investing directly in listed Smaller Companies globally.</p> <p>In addition, the Global Fund will invest in managed funds from around the world, cash and may invest in exchange traded funds (ETFs), unlisted Smaller Companies and in Other Pie Funds Products.</p>
<b>Pie Chairman's Fund</b>	The Chairman's Fund will seek to provide investors with long term capital growth by accessing the higher potential growth of predominantly Smaller Companies. The Fund's strategy is to invest predominantly in Other Pie Funds Products. In addition, the Fund may invest directly in Smaller Companies and cash.
<b>Pie Cash Plus Fund</b>	The Cash Plus Fund will seek to provide investors with a return which outperforms the official cash rate (OCR). The Fund's strategy is to invest predominantly (approximately 80%) with New Zealand registered banks (the intention being with at least two such banks) in cash held on call or term deposit for a duration of no more than 12 months. In addition, the Fund may also invest (approximately 20%) in equities either directly or through the Other Pie Funds Products. We may also invest in bonds and other types of financial products (at our discretion).
<b>Pie Growth 2 Fund</b>	The Growth 2 Fund will seek to provide investors with long term capital growth by investing predominantly in a concentrated portfolio of hand-picked listed Australian and New Zealand Smaller Companies and Medium Companies, where Pie Funds considers value is greatest and the opportunity of earnings growth is high. The Fund may also invest in other types of financial products such as cash and unlisted equities.
<b>Pie Growth UK &amp; Europe Fund</b>	The Growth UK & Europe Fund will seek to provide investors with long term capital growth by investing predominantly in a concentrated portfolio of hand-picked listed UK and European Smaller Companies, where Pie Funds considers the value is greatest and the opportunity of earnings growth is high. The Fund may also invest in other types of financial products such as cash and unlisted equities.

<b>Pie Multi-Strategy Fund</b>	<p>The Multi-Strategy Fund aims to achieve positive long-term returns in a variety of market conditions by investing across a diverse range of assets and global markets.</p> <p>The Multi-Strategy Fund will use multiple investment strategies or themes, giving it the ability to reallocate capital between them to capitalise on market opportunities. With a bias towards equities which may include short selling, the fund will seek investments that help grow and protect capital. To assist in achieving our investment objective, investments may include, but are not limited to, equities long/short, fixed interest, cash (multi-currency), unlisted investments, property, ETFs and derivatives such as Contracts for Difference (CFDs), equity options and futures.</p> <p>As a result of the wide investment parameters, ability to utilise derivatives and leverage its assets, the Multi-Strategy Fund’s return is unlikely to reflect general equity market performance.</p>
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Each of the Funds is an absolute return fund. Where relevant, we may reference an appropriate local market index for comparative purposes in demonstrating a Fund’s returns. However, we do not formally benchmark the performance of the Funds or have benchmark asset allocation or ranges for the Funds against which we monitor and rebalance actual asset allocations.

Please refer to the Schedules to the SIPO which set out the rationale for the selection of the relevant local market indices against which each Fund is compared for the purposes of demonstrating its returns. The performance of the Funds is quoted net of fees and expenses, but before tax.

## Key Investment Policies

This part of the SIPO sets out the key investment policies that are relevant to achieving the investment objectives for the Funds.

### Market risk management policy - hedging and derivatives

To reduce fund downside volatility and investment drawdowns, we may seek to protect the assets of the Funds in the event of a market correction via:

- the purchase of exchange traded or OTC index or sector put options;
- short selling individual or baskets of listed shares and/or other OTC equity derivatives; and
- short selling exchange traded Futures.

The purpose of this strategy is to hedge market risk. By hedging (offsetting) the market risk (i.e. the risk that the general market will decline), we are aiming to protect the assets of the Funds to reduce the volatility of return in the portfolio. This hedging strategy will be used from time to time at our discretion.

In addition to hedging, we have the option to vary the level of cash and short term deposits that a Fund is holding at any time. If we deem it appropriate, a Fund may be invested 100% in cash and be holding no equity investments to mitigate the risk of a severe decline in the value of the Fund’s units.

### Currency hedging

We actively manage all currency exposure. It is not our intention to 100% hedge the currency at all times; however, this decision is ultimately at our discretion. Overseas transactions may be unhedged.

We take into account the diversification benefits of foreign currency against the benefits to the Funds from currency hedging. Currency hedges are generally rebalanced on a monthly basis to align with the current hedging policy set by the Investment Team (and monitored by the Investment Committee), and may be adjusted during the course of a month should there be significant deposits into or withdrawals from the relevant Fund, a change in the hedging policy or market conditions, or the Investment Team considers it appropriate to do so.

## **Tactical asset allocation policy**

Pie Funds may take short term trading positions in respect of the Funds from time to time where we believe a stock is mispriced. However, short term trading positions are not likely to exceed 10% of the portfolio of a Fund.

## **Liquidity and cash flow management policy**

Currently, the expenses of each Fund are paid out of the management fee Pie Funds receives from the relevant Fund, rather than the assets of the Fund (other than the Cash Plus Fund, where Pie Funds pays all expenses directly).

Pie Funds maintains a cash position for each Fund (i.e. exposure to cash and short term deposits), as the non-cash investments of the Funds may at times not be easily converted into cash to meet withdrawal requests. In order to ensure sufficient liquidity for withdrawals from the Funds, Pie Funds has discretion to increase the level of cash and short term deposits in each Fund up to 100% of the portfolio. The liquidity and cash flow management policy is set by the Investment Team (and monitored by the Investment Committee).

## **Conflicts of interest policy**

Pie Funds recognises the issues conflicts of interest or potential conflicts can present, particularly those between investors and Pie Funds (or individual staff). Pie Funds' policies and processes are designed to proactively and quickly identify and manage conflicts of interest, or potential conflicts, between the interests of Pie Funds (or individual staff) and investors' interests in a manner that is fair to investors, and Pie Funds has adopted the Pie Funds 'Conflicts of Interest between Pie Funds (or individual staff) and Investors' Interests' Policy.

The purpose of the Policy is to facilitate Pie Funds' directors and employees to recognise, disclose and manage conflicts of interest and potential conflicts between Pie Funds (or individual staff) and investors, and set out a procedure to manage and resolve any potential or apparent conflicts in a way that is fair to investors.

Pie Funds also has in place a Code of Conduct, a Code of Ethics and a Disclosure of Interest Policy which support the Conflicts Policy.

## **Investment trade allocation policy**

Pie Funds' Investment and Trade Allocation Policy can be found on the Disclose Register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

## **Proxy voting policy**

Pie Funds' Proxy Voting Policy can be found on the Disclose Register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

## **Pricing and valuation policy**

The pricing and the valuation of the assets of each of the Funds is outsourced to Trustees Executors Limited (TEL), who is responsible for pricing and valuation of the assets of each of the Funds independent of Pie Funds.

TEL undertakes pricing and values the assets of the Funds pursuant to a Services Agreement and Service Level Agreement entered into by Pie Funds and TEL, and in accordance with a documented security pricing and asset valuation methodology.

While pricing and valuation is undertaken by TEL, Pie Funds remains ultimately responsible for the pricing and valuation of the Funds. Pie Funds' Operations Team therefore conduct a review of each daily unit price report provided by TEL against Pie Funds' own data base systems to ensure that the records reconcile.

## **Taxation policy**

Each of the Funds is a PIE. We attribute taxable income earned by the Fund to each investor in accordance with the proportion of their interest in the overall Fund. The income attributed to each investor is taxed at the investor's 'prescribed investor rate' (PIR) which is currently capped at 28%. Unless the investor has a PIR of 0%, Pie Funds effectively pays tax on an investor's behalf to the IRD and undertakes any necessary adjustments to an investor's interests in the relevant Fund (by way of cancellation or issue of units) to reflect that the relevant Fund pays tax at varying rates on behalf of different investors.

Pie Funds has delegated these functions to the Securities Services division of TEL for each of the Funds.

# Investment Performance Monitoring and Reporting

Pie Funds' Investment Team and Investment Committee monitor each Fund's performance against the Fund's investment objectives and the SIPO.

Investment performance is monitored daily, but the performance of the Funds is also measured monthly, annually and since the inception of the relevant Fund.

Pie Funds receives daily reports from TEL in relation to each Fund's pricing and asset valuations, and also runs daily performance spreadsheets internally to ensure consistency and monitor performance.

The performance of each fund is measured on an absolute returns basis. Performance is measured net of fees but before tax.

Pie Funds does not benchmark the performance of the Funds, but may reference an appropriate local market index for comparative purposes in demonstrating a Fund's returns over particular periods.

Pie Funds reports each Fund's performance to investors by way of monthly fund fact sheets. Quarterly fund updates are also prepared for each Fund in accordance with the FMCA and are made available via the Disclose Register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

# Investment Strategy and SIPO Review

## Investment strategy

Pie Funds believes that in managing a portfolio of predominantly Smaller Companies and Medium Companies it is important to actively manage each Fund because the position of Smaller Companies and Medium Companies can change rapidly.

Each investment opportunity for a Fund is assessed using Pie Funds' unique scorecard system which is based on a number of variables (including the quality of management, Earnings Per Share growth, Forward Price Earnings ratio, gap to Discounted Cash Flow valuation, earnings reversions and evidence of smart money (e.g. director's buying)), and the Investment Team's experience of what drives a company's share price. Each variable is assigned its own weighting and the sum total provides the final score. A company needs to meet our criteria for inclusion in a Fund's portfolio, and then it is subject to regular screening to ensure that it continues to meet the Fund's investment objectives.

An investment strategy review is conducted by the Investment Team for each Fund on a weekly basis.

In addition, the Investment Committee conducts a detailed review of Australasian funds and international/other funds on a rotating basis, using a standard form agenda, including a detailed risk assessment of the Funds' dealing, liquidity, market, currency, portfolio basis and individual stocks, and the Fund's compliance with the SIPO.

In relation to the Global Fund, which invests in managed funds from around the world that focus investment on Smaller Companies (as well as direct investments in globally listed Smaller Companies and cash, and which may invest in ETFs, unlisted Smaller Companies and in the Other Pie Funds Products), all managed funds are subject to a rigorous research process using a range of research tools.

This process includes onsite visits by Pie Funds to the fund managers and completion of detailed due diligence documents covering ownership structure of the fund management companies, operation and compliance, investment process, portfolio composition, investment mandate and strategy, past performance, key personnel and investment decision making processes and reporting protocols and transparency. Where possible we also look for third party confirmation of the fund manager's processes.

Pie Funds routinely and systematically screens all managed funds invested in, including by:

- reviewing all relevant reporting from the fund managers in respect of the managed fund's performance, composition and changes;
- having regular calls with the fund managers during which we can raise any issues or questions; and
- having face to face meetings with the fund managers, which we anticipate would be held at least annually.

Direct investments are subject to the same standards as those applied to the Other Pie Funds Products (being the Growth Fund, the Dividend Fund, the Growth 2 Fund, the Emerging Companies Fund, the Growth UK & Europe Fund and the Multi-Strategy Fund).

## SIPO

The SIPO is reviewed on an annual basis by Pie Funds' Investment Committee. The Investment Committee may also review (and, if necessary, amend) the SIPO on an ad hoc basis on the occurrence of adverse market or other events, such as the poor investment performance of a particular asset in a Fund's portfolio or an adverse market announcement by a Smaller Company to which a Fund's portfolio is exposed.

Pie Funds may make changes to the SIPO in accordance with the requirements of the Governing Document and the FMCA, including the requirement for prior written notice to be given to the Supervisor. Any proposed changes would also be approved by the Investment Committee following an annual or ad hoc review meeting.

The Manager will give at least 30 day's written notice to affected investors in the event the SIPO is proposed to be amended in a manner which materially affects these investors.

The factors which could be taken into consideration by the Investment Committee as part of an annual SIPO review include:

- a change in investment strategy;
- a change in personnel;
- a change to a policy; and
- a change in risk factors.

# Glossary

**Authorised Investments:** Investments that are authorised by the Scheme's Governing Document.

**Conditions of Establishment:** In relation to each Fund, the written conditions of establishment of that Fund agreed between the Pie Funds (as the manager) and the Supervisor and as may from time to time be amended in accordance with the Governing Document.

**Discounted Cash Flow valuation:** A valuation method used to estimate the value of an investment opportunity. Discounted cash flow analysis uses future free cash flow projections and discounts them back to the present date using a discount rate appropriate to the relevant investment in order to arrive at a present value.

**Earnings Per Share (EPS)** The portion of the company's net profit allocated to each outstanding ordinary share. Earnings Per Share serves as an indicator of a company's profitability.

**Emerging Companies:** Refers to companies the shares in which at the time of investment have a Market Capitalisation of up to approximately \$250 million (or the equivalent in local currency).

**ETF:** An exchange traded fund, a marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund.

**Forward Price Earnings:** A measure of the P/E of a company using forecasted earnings for the P/E calculations.

**Futures:** A financial contract to purchase an asset (or the seller to sell an asset), such as a physical commodity, or an index, at a predetermined future date and price.

**Investment Team:** The Pie Funds investment team currently comprising of Mike Taylor (Founder, CEO and CIO), Mark Devcich (Head of Research & Portfolio Manager), Chris Bainbridge (Portfolio Manager & Senior Investment Analyst &), Christopher Wright (Co-Portfolio Manager & Investment Analyst), Victoria Harris (Co-Portfolio Manager & Senior Investment Analyst), Michael Ross (Investment Analyst), Daniel Sims (Investment Analyst), Amanda Ward (Dealer) and Bianca Fledderus (Assistant Investment Analyst and Assistant Dealer).

**Investment Committee:** The committee currently comprises Mike Taylor, Roy Knill (Non-Executive Director), Mark Devcich, Chris Bainbridge and Christopher Wright.

**Market Capitalisation:** The total value of the company's shares on issue.

**Medium Companies:** Refers to companies the shares in which we determine have a medium Market Capitalisation relative to the exchange that they are listed on, and may also include unlisted smaller companies.

**Other Pie Funds Products:** Growth Fund, the Dividend Fund, the Emerging Companies Fund, the Global Fund, the Growth 2 Fund, the Growth UK & Europe Fund, the Multi-Strategy Fund, and any other managed funds of which Pie Funds is the manager from time to time (other than the Chairman's Fund and the Cash Plus Fund).

**OTC or Over the Counter:** Refers to a security which is not traded on a formal stock exchange.

**PIE:** Portfolio Investment Entity as defined in the Income Tax Act 2007.

**Price Earnings Ratio (P/E):** A ratio used to value a company by comparing its current share price to its per-share earnings.

**Smaller Companies:** Refers to companies the shares in which we determine have a small Market Capitalisation relative to the exchange that they are listed on. Smaller Companies also includes Emerging Companies, and may also include unlisted smaller companies.

# Schedule 1:

## Investment Strategy for Pie Australasian Growth Fund

### **Investment strategy**

The Growth Fund will invest in a small number of growth orientated companies, where we consider value is greatest and the opportunity of earnings growth is high. In particular, Pie Funds intends to invest mostly in listed Australian and New Zealand Smaller Companies, whose potential Pie Funds considers has not been fully realised by the market. The Growth Fund may also invest in other types of financial products such as cash.

At any given time, short-term trading positions are not likely to exceed 10% of the portfolio of the Growth Fund, however turnover and trading activity of this portion of the portfolio is likely to be high.

During periods of uncertainty the Growth Fund can increase its cash position up to a maximum of 100% of the portfolio to reduce downside volatility.

Further information in relation to how the investment strategy is implemented is set out above in the 'Investment Strategy and SIPO Review' section of this SIPO.

We do not formally benchmark the performance of the Growth Fund or have benchmark asset allocation or ranges for the Growth Fund against which we monitor and rebalance actual asset allocations. The Growth Fund is an absolute return fund.

However, we may reference the S&P/ASX Small Ordinaries Accumulation Index (AUD) (XSOAI) for comparative purposes in demonstrating the Growth Fund's returns. This index represents the small cap members of the S&P/ASX 300 Index, but excludes those in the S&P/ASX 100 Index. The index provides a benchmark for small to medium cap investments which pay a dividend. The index assumes the dividends are reinvested and so measures both growth and dividend income. The Growth Fund unit price growth will be slightly different to this index as the Growth Fund may invest in some companies that do not pay dividends.

### **Authorised investments**

Subject to compliance with the Investment Strategy for the Growth Fund, the Growth Fund can directly invest in any of the Authorised Investments.

There are no classes of investment which are expressly prohibited for investment by the Growth Fund.

# Schedule 2:

## Investment Strategy for Pie Australasian Dividend Fund

### **Investment strategy**

The Dividend Fund will invest in a small number of growth orientated companies, where we consider the value is greatest and the possible of earnings growth is high. In particular, Pie Funds intend to invest mostly in listed Australian and New Zealand Smaller Companies, whose potential we do not consider to be fully realised by the market. The Dividend Fund will seek to identify Smaller Companies that exhibit long-term earnings growth and a sustainable dividend distribution policy. The Dividend Fund may also invest in other types of financial products such as cash.

At any given time short-term trading positions are not likely to exceed 10% of the portfolio of the Dividend Fund, however turnover and trading activity of this portion of the portfolio is likely to be high.

During periods of uncertainty the Dividend Fund can increase its cash position up to a maximum of 100% of the portfolio to reduce downside volatility.

Further information in relation to how the investment strategy is implemented is set out above in the 'Investment Strategy and SIPO Review' section of this SIPO.

We do not formally benchmark the performance of the Dividend Fund or have benchmark asset allocation or ranges for the Dividend Fund against which we monitor and rebalance actual asset allocations. The Dividend Fund is an absolute return fund.

However, we may reference the S&P/ASX Small Ordinaries Accumulation Index (AUD) (XSOAI) for comparative purposes in demonstrating the Dividend Fund's returns. This index represents the small cap members of the S&P/ASX 300 Index, but excludes those in the S&P/ASX 100 Index. The index provides a benchmark for small to medium cap investments which pay a dividend. The index assumes the dividends are reinvested and so measures both growth and dividend income, which is considered appropriate for the Dividend Fund as it pays a bi-annual distribution at present.

### **Authorised investments**

Subject to compliance with the Investment Strategy for the Dividend Fund, the Dividend Fund can directly invest in any of the Authorised Investments.

There are no classes of investment which are expressly prohibited for investment by the Dividend Fund.

# Schedule 3:

## Investment Strategy for Pie Australasian Emerging Companies Fund

### **Investment strategy**

The Emerging Companies Fund will invest in a small number of growth orientated companies, where we consider the value is greatest and the possible of earnings growth is high. In particular, Pie Funds intend to invest mostly in Australian and New Zealand Emerging Companies, whose potential we do not consider to be fully realised by the market. The Emerging Companies Fund may also invest in other types of financial products such as cash.

At any given time short-term trading positions are not likely to exceed 10% of the portfolio of the Emerging Companies Fund, however turnover and trading activity of this portion of the portfolio is likely to be high.

During periods of uncertainty the Emerging Companies Fund can increase its cash position up to a maximum of 100% of the portfolio to reduce downside volatility.

Further information in relation to how the investment strategy is implemented is set out above in the 'Investment Strategy and SIPO Review' section of this SIPO.

We do not formally benchmark the performance of the Emerging Companies Fund or have benchmark asset allocation or ranges for the Emerging Companies Fund against which we monitor and rebalance actual asset allocations. The Emerging Companies Fund is an absolute return fund.

However, we may reference the S&P/ASX Emerging Companies Index (Total Return) (AUD) (XECAI) for comparative purposes in demonstrating the Emerging Companies Fund's returns. This index complements the larger capitalisation indices in the S&P/ASX index suite by providing an investable benchmark representing the performance of companies ranked outside the S&P/ASX 300 by capitalisation. The index provides investors with a tool to effectively analyse characteristics of the microcap segment of the market. . The index assumes the dividends are reinvested and so measures both growth and dividend income. The Emerging Companies Fund unit price growth will be slightly different to this index as the Emerging Companies Fund may invest in some companies that do not pay dividends.

### **Authorised investments**

Subject to compliance with the Investment Strategy for the Emerging Companies Fund, the Emerging Companies Fund can directly invest in any of the Authorised Investments.

There are no classes of investment which are expressly prohibited for investment by the Emerging Companies Fund.

# Schedule 4:

## Investment Strategy for Pie Global Small Companies Fund

### **Investment strategy**

The Global Fund will predominately invest directly in globally listed Smaller Companies.

Additionally, the Global Fund will invest in managed funds whose managers have similar characteristics to Pie Funds, including:

- highly experienced investment professionals;
- investment by the portfolio managers in the managed funds;
- a focus on protecting capital as well as providing competitive long term returns; and
- a willingness to protect fund capacity in order to preserve the ability to generate returns.

Further, the Global Fund will invest directly in cash and may invest in ETFs, unlisted Smaller Companies and in the Other Pie Funds Products.

Direct investments are subject to the same standards as those applied to the Other Pie Funds Products (being the Growth Fund, the Dividend Fund, the Growth 2 Fund, the Emerging Companies Fund and the Growth UK & Europe Fund).

During periods of uncertainty the Global Fund can increase its cash position up to a maximum of 100% of the portfolio to reduce downside volatility.

Further information in relation to how the investment strategy is implemented is set out above in the 'Investment Strategy and SIPO Review' section of this SIPO.

We do not formally benchmark the performance of the Global Fund or have benchmark asset allocation or ranges for the Global Fund against which we monitor and rebalance actual asset allocations. The Global Fund is an absolute return fund.

However, we may reference the S&P Global SmallCap (Total Return) Index (USD)(SBERGLU) for comparative purposes in demonstrating the Global Fund's returns. This index comprises the stocks representing the lowest 15% of float-adjusted market cap in each developed and emerging country and is considered an appropriate index for the Global Fund because it broadly reflects the asset class of the fund's ultimate investments. The index assumes the dividends are reinvested and so measures both growth and dividend income. The Global Fund unit price growth will be slightly different to this index as the Global Fund may invest in some companies that do not pay dividends.

### **Authorised investments**

Subject to compliance with the Investment Strategy for the Global Fund, the Global Fund can invest in any of the Authorised Investments listed above, either through investment in other managed funds or directly.

There are no classes of investment which are expressly prohibited for investment by the Global Fund.

# Schedule 5:

## Investment Strategy for Pie Chairman's Fund

### **Investment strategy**

The Chairman's Fund's strategy is to invest predominantly in Other Pie Funds Products. In addition, the Fund may invest directly in Smaller Companies and cash.

At any given time, an investment in any one of the Other Pie Funds Products may not exceed 50% of the assets of the Fund. The proportion of each type of asset invested in (including investments in the Other Pie Funds Products) is otherwise at Pie Funds' sole discretion.

During periods of uncertainty the Chairman's Fund can increase its cash position up to a maximum of 100% of the portfolio to reduce downside volatility.

Further information in relation to how the investment strategy is implemented is set out above in the 'Investment Strategy and SIPO Review' section of this SIPO.

We do not formally benchmark the performance of the Chairman's Fund or have benchmark asset allocation or ranges for the Chairman's Fund against which we monitor and rebalance actual asset allocations. The Chairman's Fund is an absolute return fund.

However, we may reference the S&P/ASX Small Ordinaries Accumulation Index (AUD) (XSOAI) for comparative purposes in demonstrating the Chairman's Fund's returns. This index represents the small cap members of the S&P/ASX 300 Index, but excludes those in the S&P/ASX 100 Index. The index provides a benchmark for small to medium cap investments which pay a dividend. The index assumes the dividends are reinvested and so measures both growth and dividend income. The Chairman's Fund unit price growth will be slightly different to this index as the Chairman's Fund may invest in some companies that do not pay dividends.

### **Authorised investments**

Subject to compliance with the Investment Strategy for the Chairman's Fund, the Chairman's Fund can directly invest in any of the Authorised Investments.

There are no classes of investment which are expressly prohibited for investment by the Chairman's Fund.

# Schedule 6:

## Investment Strategy for Pie Cash Plus Fund

### **Investment strategy**

The Cash Plus Fund's strategy is to invest predominantly (approximately 80%) with New Zealand registered banks (the intention being with at least two such banks) in cash held on call or term deposit for a duration of no more than 12 months.

In addition, the Cash Plus Fund may also invest (approximately 20%) in equities either directly or through the Other Pie Funds Products. We may also invest in bonds and other types of financial products (at our discretion).

Further information in relation to how the investment strategy is implemented is set out above in the 'Investment Strategy and SIPO Review' section of this SIPO.

We do not formally benchmark the performance of the Cash Plus Fund or have benchmark asset allocation or ranges for the Cash Plus Fund against which we monitor and rebalance actual asset allocations. The Cash Plus Fund is an absolute return fund.

However, we may reference the NZBond Bank Bill Index (NZD) for comparative purposes in demonstrating the Cash Plus Fund's returns. This index represents the performance of a portfolio of bills with a maturity of 31 days to 90 days. This index provides a benchmark for cash investments which is considered appropriate for the Cash Plus Fund because it broadly reflects the asset class of approximately 80% of Fund's investments.

### **Authorised investments**

Subject to compliance with the Investment Strategy for the Cash Plus Fund, the Cash Plus Fund can directly invest in any of the Authorised Investments.

There are no classes of investment which are expressly prohibited for investment by the Cash Plus Fund.

# Schedule 7:

## Investment Strategy for Pie Growth 2 Fund

### **Investment strategy**

The Growth 2 Fund will invest in a small number of growth orientated companies, where we consider value is greatest and the opportunity of earnings growth is high. In particular, Pie Funds intends to invest mostly in listed Australian and New Zealand Smaller Companies and Medium Companies, whose potential Pie Funds considers has not been fully realised by the market. The Growth 2 Fund may also invest in other types of financial products such as cash and unlisted equities.

At any given time short-term trading positions are not likely to exceed 10% of the portfolio of the Growth 2 Fund, however turnover and trading activity of this portion of the portfolio is likely to be high.

During periods of uncertainty the Growth 2 Fund can increase its cash position up to a maximum of 100% of the portfolio to reduce downside volatility.

Further information in relation to how the investment strategy is implemented is set out above in the 'Investment Strategy and SIPO Review' section of this SIPO.

We do not formally benchmark the performance of the Growth 2 Fund or have benchmark asset allocation or ranges for the Growth 2 Fund against which we monitor and rebalance actual asset allocations. The Growth 2 Fund is an absolute return fund.

However, we may reference the S&P/ASX Small Ordinaries Accumulation Index (AUD) (XSOAI) for comparative purposes in demonstrating the Pie Growth 2 Fund's returns. This index represents the small cap members of the S&P/ASX 300 Index, but excludes those in the S&P/ASX 100 Index. The index provides a benchmark for small to medium cap investments which pay a dividend. The index assumes the dividends are reinvested and so measures both growth and dividend income. The Pie Growth 2 Fund unit price growth will be slightly different to this index as the Pie Growth 2 Fund may invest in some companies that do not pay dividends.

### **Authorised investments**

Subject to compliance with the Investment Strategy for the Growth 2 Fund, the Growth 2 Fund can directly invest in any of the Authorised Investments.

There are no classes of investment which are expressly prohibited for investment by the Growth 2 Fund.

# Schedule 8:

## Investment Strategy for Pie Growth UK & Europe Fund

### **Investment strategy**

The Growth UK & Europe Fund will invest in a small number of growth orientated companies, where we consider value is greatest and the opportunity of earnings growth is high. In particular, Pie Funds intends to invest mostly in listed UK and European Smaller Companies, whose potential Pie Funds considers has not been fully realised by the market. The Growth UK & Europe Fund may also invest in other types of financial products such as cash and unlisted equities.

At any given time short-term trading positions are not likely to exceed 10% of the portfolio of the Growth UK & Europe Fund, however turnover and trading activity of this portion of the portfolio is likely to be high.

During periods of uncertainty the Growth UK & Europe Fund can increase its cash position up to a maximum of 100% of the portfolio to reduce downside volatility.

Further information in relation to how the investment strategy is implemented is set out above in the 'Investment Strategy and SIPO Review' section of this SIPO.

We do not formally benchmark the performance of the Growth UK & Europe Fund or have benchmark asset allocation or ranges for the Growth UK & Europe Fund against which we monitor and rebalance actual asset allocations. The Growth UK & Europe Fund is an absolute return fund.

However, we may reference the Morningstar UK Small Cap NR GBP Index for comparative purposes in demonstrating the Growth UK & Europe Fund's returns. This index represents UK small cap stocks. These stocks fall between the 90<sup>th</sup> and 97<sup>th</sup> percentile in full market capitalisation in the UK. In aggregate, this index represents approximately 7% of the full market capitalisation in the UK. This index includes dividends when measuring price growth. The Growth UK & Europe Fund unit price growth will be slightly different to this index as the Growth UK & Europe Fund may invest in some companies that do not pay dividends.

### **Authorised investments**

Subject to compliance with the Investment Strategy for the Growth UK & Europe Fund, the Growth UK & Europe Fund can directly invest in any of the Authorised Investments.

There are no classes of investment which are expressly prohibited for investment by the Growth UK & Europe Fund.

# Schedule 9:

## Investment Strategy for Pie Multi-Strategy Fund

### **Investment strategy**

The Multi-Strategy Fund's investment objective is to deliver positive returns regardless of the movement in equity, interest rate or currency markets.

The fund aims to achieve positive long-term returns in a variety of market conditions by investing across a diverse range of assets and global markets.

The Multi-Strategy Fund will use multiple investment strategies or themes, giving it the ability to reallocate capital between them to capitalise on market opportunities. With a bias towards equities which may include short selling, the fund will seek investments that help grow and protect capital. To assist in achieving our investment objective, investments may include, but are not limited to, equities long/short, fixed interest, cash (multi-currency), unlisted investments, property, ETFs and derivatives such as Contracts for Difference (CFDs), equity options and futures. Unlisted investments will be limited to a maximum of 15% of the fund at the time of investment.

There is no defined asset allocation strategy for this fund. Instead, the portfolio manager will actively invest the fund in the assets he/she determines is the most appropriate with the aim to maximise returns. The Multi-Strategy Fund can increase its cash position up to a maximum of 100% of the portfolio to reduce downside volatility.

Further information in relation to how the investment strategy is implemented is set out above in the 'Investment Strategy and SIPO Review' section of this SIPO.

### **Short Selling**

The Multi-Strategy Fund may short sell, including through the use of derivatives which derive their value from underlying assets. When going short through derivatives, the derivatives will simulate the sale of an underlying security that a seller has borrowed, to be subsequently repurchased in the future, with the hope that this is done for a lower price than it was initially sold for. Short selling differs from long positions in that long positions are shares which a fund has bought and owns with the objective of selling at a higher price than the fund initially purchased it for. The fund will make money on short positions if the share price falls while conversely it will make money on long positions if the share price increases. Further, the fund will lose money on its long positions if the share price falls and will lose money on short positions if the share price increases.

### **Benchmark**

We do not formally benchmark the performance of the Multi-Strategy Fund or have benchmark asset allocation or ranges for the Multi-Strategy Fund against which we monitor and rebalance actual asset allocations. The Multi-Strategy Fund is an absolute return fund. However, we may reference a composite index (67% MSCI World Total Return (Net) Index (USD)/33% NZBond Bank Bill Index (NZD)) for comparative purposes in demonstrating the Multi-Strategy Fund's returns.

The MSCI World Total Return (Net) Index (USD) is a free float-adjusted market capitalisation index that is designed to measure the equity market performance of developed markets. The NZBond Bank Bill Index (NZD) represents the performance of a portfolio of bills with a maturity of 31 days to 90 days. The combination of these two indices is considered an appropriate benchmark as they broadly reflect the asset class of the fund's ultimate investments.

## **Authorised investments**

Subject to compliance with the Investment Strategy for the Multi-Strategy Fund, the Multi-Strategy Fund can directly invest in any of the Authorised Investments.

There are no classes of investment which are expressly prohibited for investment by the Multi-Strategy Fund.