

AMANAHA ETHICAL

STATEMENT OF
INVESTMENT
POLICY &
OBJECTIVES
AMANAHNZ
*UNIT TRUST

ISSUED BY AMANAHA TRUST MANAGEMENT (NZ) LIMITED

22 JUNE 2020

THIS DOCUMENT REPLACE SIPO DATED 12 JULY 2019

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.business.govt.nz/disclose. Amanah Trust Management (NZ) 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.

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DESCRIPTION OF THE SCHEME

This Statement of Investment Policy and Objectives (SIPO) applies to AmanahNZ (the 'Scheme'), a registered managed investment Scheme.

The purpose of the Scheme is to provide an attractive risk-adjusted annual return to Scheme members over the long-term, while complying with our Ethical Mandate.

The manager of the Scheme is Amanah Trust Management (NZ) Limited (company number: 4570259), the parent company of the Amanah Ethical group.

The manager is supervised in its role by a licensed supervisor, Trustees Executors Limited (the 'Supervisor'). The terms of agreement to operate the Scheme are outlined in a Trust Deed between the manager and the Supervisor.

The Supervisor is responsible for ensuring that Scheme assets are held in accordance with relevant laws. TEA Custodians (AmanahNZ) Limited, a custodial company of the Supervisor, holds all Scheme assets in its name. All assets are held either by the bank (ASB Bank Limited), or with the U.S.-based broker (DriveWealth) as custodian.

OUTSOURCE

The manager does not outsource its investment functions.

INVESTMENT STYLE/RISK MANAGEMENT POLICY

AmanahNZ can change its investment book from being an "aggressive" based investment (US Equities) to a "conservative" cash based investment (cash USD or NZD dollar) at short notice. Such changes in investment styles are undertaken when management considers it appropriate to protect investors investment value.

The investment policies and objectives of the Scheme are outlined in this SIPO.

EFFECTIVE DATE

This SIPO takes effect from 22 June 2020.

REVIEW DATE

A review of this SIPO is undertaken by the Manager as required. Reviews may arise as a result of regulatory changes or a decision by the manager to change the range of investments available under this SIPO, otherwise it is not anticipated that there will be any material changes to this SIPO. Any changes are undertaken in consultation with the Supervisor. Any amended versions of the SIPO must be approved by the Board of Directors of the Manager and uploaded by the Manager to the Disclose Register on the New Zealand Companies Office website.

AVAILABILITY OF THIS SIPO

The current version of this SIPO is available on the Disclose Register on the New Zealand Companies Office website at www.disclose-register.companiesoffice.govt.nz/ and on the Amanah Ethical website at www.amanahnz.com.

BUSINESS STRUCTURE

Amanah Ethical is the trading name for a group of investment companies that provide ethical investment solutions. Amanah Ethical manages two ethical strategies: AmanahNZ (a Shari'ah-compliant managed investment Scheme) and AmanahNZ KiwiSaver (the manager of Amanah KiwiSaver Plan).

Amanah Ethical holds a 90% shareholding of the AmanahNZ Kiwisaver. The remaining 10% is held by The Federation of Islamic Associations of New Zealand (FIANZ).



INVESTMENT FRAMEWORK

MANAGER

Amanah Ethical's Board of Directors is responsible for making all decisions relating to the business. The Board of Directors are also responsible for the investments of the Scheme's assets, in accordance with all legislative requirements, but responsibility is delegated to a subcommittee called the Investment Committee. The Investment Committee's responsibilities include:

- Implementing the Scheme's Statement of Policy and Objectives (this document, also referred to as a SIPO), as approved from time to time by the Board of Directors; Advising the Manager's Board of Directors as to any changes to the SIPO that it considers should be adopted;
- Advising the Board of Directors as to any changes to the SIPO that it considers should be adopted; Implementing the SIPO;
- Monitoring the scheme's investment performance relative to objectives and in compliance with restrictions.

Executive members of the Investment Committee manage the analytical team whose responsibilities include investment research, providing investment recommendations, monitoring investments and reporting to the Investment Committee, as required.

SUPERVISOR

The Supervisor is responsible for supervising Amanah Ethical, including:

- Acting on behalf of scheme members to minimise any contravention of Amanah Ethical's fiduciary obligations;
- Supervising the financial position of Amanah Ethical and the scheme to ensure they are adequate; and
- Holding the scheme assets, or ensuring that the scheme assets are held in accordance with relevant law.

OUR ETHICAL MANDATE

We have a strict Ethical Mandate that governs all of our investing activities.

Our Ethical Mandate:

- provides a framework for socially responsible/ethical investment policies;
- screens all investments according to the AAOIFI Standards (Accounting and Auditing Organization for Islamic Financial Institutions) to ensure Shari'ah compliance.
- is informed by hundreds of years of scholarly discussion by Clerics of Islam.

Amanah Ethical's Investment Committee uses IdealRatings to screen out all non-compliant investments and receives advice from a formal Islamic Advisory Board, consisting of local and international Islamic scholars and academics.

All investments have:

- Interest-bearing debt less than 30%;
- Interest-bearing investments less than 30%; and
- 66% of the company's assets are involved in a productive activity that is
- "doing something for the good of mankind".
- Furthermore, all investments are prohibited from the following activities:
- Money lending
- Gambling and speculation (including derivatives)
- Alcohol
- Tobacco
- Weapons of war
- Adult entertainment
- Pork

The Investment Committee is responsible for ensuring that all investments are compliant with our Ethical Mandate at all times.

LEVERAGE

Leverage is practiced by many fund managers who borrow money in order to place larger investments. In our opinion, leverage puts your investment at unacceptable risk and can magnify losses. Amanah Ethical therefore avoids all leverage.

HEDGING

Likewise, Amanah Ethical does not use hedging instruments to manage currency risk since we view it as speculative gambling, which is prohibited.

CASH

No interest is received for assets held in the scheme's bank accounts. Amanah Ethical has specifically elected that these bank accounts are non-interest bearing.

PURIFICATION

Amanah Ethical monitors the compliance of all investments on a daily basis. If an investment breaches our Ethical Mandate it is sold at the first opportunity. Where investments do breach the Ethical Mandate, Amanah Ethical, under the AAOIFI Standards, makes a purification payment to a recognised charity committee to look after the sick or impoverished of the sum that infringed the Ethical Mandate.

INVESTMENT OBJECTIVES AMANAH ETHICAL

The primary objective of the Scheme is to provide an attractive risk-adjusted return to scheme members, while strictly complying with our Ethical Mandate. Amanah Ethical only invests for the long-term and may not speculate in the short-term buying and selling of stock.

When selecting investments, factors considered include:

- High quality companies in terms of long-term competitive advantage;
- Track-record of sustainable growth;
- Strong balance sheets and low debt

ASSET ALLOCATION

The fund invests in US listed equities (and cash in NZD or USD dollars).

Any change to this asset allocation requires a decision of Amanah Ethical's Board of Directors, approval of Amanah Ethical's Islamic Advisory Board, approval of the Supervisor, preparation of a new SIPO, preparation of a new Product Disclosure Statement (PDS) and an amendment to Amanah Ethical's MIS Manager's licence that has been approved by the Financial Markets Authority (FMA).

Amanah Ethical does not intend to alter the fund's asset allocation.

MANAGING OUR EQUITY INVESTMENTS

The key requirements in managing our equity investments are:

- Compliance with our Ethical Mandate
- Maintenance of sufficient liquidity

AUTHORISED INVESTMENTS

The Scheme may only hold the stocks of up to 50 corporations listed on approved US stock exchanges (e.g. NYSE, NYSE MKT LLC or NASDAQ), or cash (USD or NZD dollars). All investments must comply with the Ethical Mandate.

The Scheme uses cash as a risk control against high volatility, especially in times of uncertainty to preserve the value of the Scheme. The scheme may, in exceptional circumstances, hold 100% cash. Cash is held in interest-free bank accounts to ensure compliance with the Ethical Mandate.

The target asset allocation for the Scheme is set out in the table below. This means, for example, that the asset allocation can be anywhere between 0% in US equities to 100% in US equities, with the remainder being held in cash.

INTERNATIONAL EQUITIES	0-100%
CASH (US DOLLARS)	0-100%

DIVERSIFICATION

The Manager seeks to manage risk when investing in equities by using cash (USD or NZD dollars) as a "buffer" in times of market volatility and by diversifying its Investments between industry sectors.

Inside the asset class of equities, the Manager considers the eleven key Standard & Poors industrial sectors, namely Energy, Materials, Industrials, Consumer Discretionary, Consumer Staples, Health Care, Financials, Information Technology, Telecommunication Services, Utilities and Real Estate.

We are unlikely to invest in Financials and Utilities due to the equities in those sectors being non-compliant with the AAOIFI standards.

LIQUIDITY

The manager is responsible for monitoring withdrawal arrangements and ensuring that sufficient Scheme assets are available to satisfy the arrangements.

The Executive Committee will advise the Investment Committee of any upcoming withdrawal requests to ensure that an appropriate level of liquid assets (cash) will be available.

Where sufficient funds are not available, the Executive Committee must notify the Investment Committee that they need to realise further funds from the sale of its investments.

The liquidity of the assets permitted by the Ethical Mandate means that the Manager should be able to realise funds and process Scheme Members' withdrawal requests within three working days. (T+3).

TRADING POLICIES

The trade sheet instruction is effected by the Executive Committee using the custodian's brokerage platform, DriveWealth.

Where a stock is reported to us by IdealRatings or by the Islamic Advisory Board as no longer being Shari'ah compliant it is sold by the Executive Committee using the custodian's brokerage platform, DriveWealth. The Executive Committee then reports this sale to the Investment Committee.

Investments are traded on the open market during normal stock exchange trading hours; the price obtained is then the market price of the stock.

DERIVATIVES

The Ethical Mandate of the Scheme prohibits the use of derivatives.

HEDGING

The Ethical Mandate of the Scheme prohibits the use of hedging instruments.

LEVERAGE

The Ethical Mandate of the scheme and the scheme's Trust Deed and offer documents prohibit the use of leverage

CONFLICTS OF INTEREST/RELATED PARTIES

All scheme assets are held by the Supervisor via its custodial company, TEA Custodians (AmanahNZ) Limited.

The only related party of this Scheme to receive a financial benefit from Scheme assets is AmanahNZ KiwiSaver Limited (AmKL). AmKL is the manager of another Amanah Ethical fund, Amanah KiwiSaver Plan, which invests into the Scheme via its fund, Amanah Growth Fund. Amanah Growth Fund's fees and expenses reimbursements to AmKL may be deducted by redemption of Amanah Growth Fund's units held in the scheme.

All fees and reimbursements for expenses must be approved by two Directors and the Supervisor before processing. All payments from the Scheme's assets are processed by TEA Custodians (AmanahNZ) Limited. Staff members with investment duties are required to disclose any interests they have in US listed equities.

Directors are required to disclose all interests they have prior to appointment and on an ongoing basis at regular meetings — this includes any US listed stock held and any units held in the Scheme.

In the unlikely event of a Director having a conflict of interest the remaining Directors will decide if the conflict can be managed by a recusal by the conflicted Director or if further action may be required including up to removal of the Director in serious circumstances.

TAXATION

The scheme is registered as a Portfolio Investment Entity (PIE). Taxation on the scheme's investment income is calculated by Appello Services Limited (ASL) in accordance with the relevant law. Taxation on investment income for each Scheme member is calculated using the scheme member's prescribed investor rate (PIR). The PIR of an individual scheme member is based on their taxable income over the last two income years; in most circumstances the PIR will be 10.5% , 17.5% or 28%. Non-residents who hold investments in the Scheme may elect to be treated as a notified foreign investor; the PIR for notified foreign investors is 0%.

Any PIE tax payments required by a Scheme member are deducted from their account as a redemption of units and any PIE tax credits to a Scheme member are paid as an application for units, in accordance with the Trust Deed.

Amanah Ethical is responsible for ensuring that PIE tax is paid on behalf of Scheme members, and the preparation and lodgement of any PIE tax filings.

VOTING

Amanah Ethical will vote at any unitholders' meetings in a manner that best reflects this SIPO.

INVESTMENT MONITORING AMANAH ETHICAL

PERFORMANCE MONITORING

UNIT PRICE PERFORMANCE

The Scheme issues a unit price on each valuation day (each US market trading day). Amanah Ethical provides a report on the performance of the scheme to the Supervisor each month. In addition, as required by the FMC Act and relevant regulations, Amanah Ethical prepares a quarterly fund update that includes performance information for the scheme.

Amanah Ethical reviews the performance of the scheme relative to major market indices, in particular the Dow Jones Islamic Market US Index (DJIM US). It is noted that this index uses different Shari'ah filters and, unlike Amanah, does not immediately sell stock if they become non-compliant (they rebalance quarterly rather than daily). Furthermore, the index does not have fees, expenses or purification deducted from performance. This index is, however, regarded as the most relevant as at the date of this SIPO.

SCHEME INVESTMENT'S PERFORMANCE

The primary goals of investment reporting/monitoring are to:

- Monitor the returns of the Scheme relative to its investment objectives outlined in this SIPO;
- Assess the extent to which the Scheme's investment objectives are being achieved and are expected to be achieved in the future;
- Monitor the performance of investments against suitable industry standards; and
- Monitor investment risks associated with the Scheme and determine any particular concerns with any investments or the investment strategy.

ASSET MONITORING SYSTEMS

ASL provides asset registry services to the Manager via its "Sandpit" service. Examples of asset information included in the Sandpit are:

- Historical and current asset positions (including profit/ loss calculations) and portfolio weightings
- Historical and current daily market prices of asset positions
- Historical and current benchmark data (including charts)
- Equities performance rankings (including returns information)
- Historical and current equities volatility data

The analytical team monitor the performance of the portfolio on a daily basis using the Sandpit. The analytical team also uses the data in the Sandpit regularly for both internal and external reporting purposes.

RISK GRADES

The Scheme's investments risk is monitored by utilizing the RiskGrades™ objective method of assessing exposure to risk. RiskGrades™ is a powerful tool developed by JPMorgan and RiskGrades™ in 1994. All investments within the Ethical Mandate have a RiskGrades™ assessment and the scheme's investments must not exceed "low to medium" risk as assessed by the RiskGrades™ methodology. 0-100 is low risk; 100-700 is medium risk; 700+ is high risk under the RiskGrades™ risk chart.

ETHICAL MANDATE MONITORING

The scheme has an Ethical Mandate which is outlined in this SIPO and the Trust Deed.

The Investment Committee uses the third-party IdealRatings research and software to screen prospective investments, and current portfolio holdings, for ongoing Shari'ah compliance (as defined by the AAOIFI rulebook).

Amanah Ethical also receives advice from its Islamic Advisory Board in order to stay informed of any evolving ethical scholarly debate. The Islamic Advisory Board also ensures that all investments remain compliant with Shari'ah Law. The Islamic Advisory Board does not take part in the investment selection process.

Amanah Ethical's Investment Committee is responsible for ensuring that all investments of the scheme are and remain compliant with the Ethical Mandate.

SIPO MONITORING

The scheme may only hold "Authorised Investments", as already defined.

The Investment Committee is responsible for ensuring that all investment activities are compliant with the SIPO, the relevant laws, the Trust Deed and the PDS.

Where the Manager believes or has reasonable suspicion to believe that an investment does not comply with the above, the investment must be sold at the first reasonable opportunity.

The Analytical Team monitors compliance daily. A material breach of any limit on the nature or type of investment, or the proportion of each type of asset that may be invested in, is called a limit break.

Where a limit break occurs, this must be reported to the Supervisor in the mandated form within the time required by the relevant law.

VALUATION AND PRICING AMANAH ETHICAL

The pricing (purchase and redemption) and valuation of Scheme Assets is outsourced to Appello Services Limited. Appello Services Limited provide administration services to the Manager, including the investor and asset registries, valuation and unit pricing calculation and investment accounting.

All assets are valued by Appello Services Limited using information from approved sources.

Unit prices are calculated using the following methodology:

Total AmanahNZ funds under management less accrued fees divided by Total Units on Issue

Unit Prices are checked in accordance with the Appello Services Limited checker process prior to release to the Manager. The price fixed by Appello Services Limited is final. Appello Services Limited is independent of the Manager and the Supervisor.

While pricing and valuation is outsourced to Appello Services Limited, the Manager is ultimately responsible for pricing and valuation of the Scheme.

RISK MANAGEMENT AMANAH ETHICAL

At the date of this SIPO, the principal risks Amanah Ethical believes are applicable to the scheme, and the techniques used to manage these risks, are listed below:

RISK TYPE	DESCRIPTION OF RISK	RISK MANAGEMENT PROCESSES
Investment Management Risk	Our investment management approach may lead us to choosing investments which underperform, or may result in us misjudging market movements.	<p>We monitor the performance of our investments on a daily basis and ensure they abide by the Ethical Mandate and any performance guidelines set.</p> <p>Investment management activities are undertaken "in-house"; we are not dependent on other Managers to perform investment activities or achieve the outcomes we want.</p>

Market
Risk

The investments of the Scheme are subject to economic, business, technological, political, tax and regulatory conditions. These factors and market sentiment, can affect stock markets and the value of individual investments held by the Scheme.

Investments are diversified, across both asset classes and industries.
We monitor the performance of our investments on a daily basis.
We use research and analysis to establish a view on market factors as best we can and attempt to reduce their impact by adjusting the portfolio's exposure to those areas.

Currency
Risk

The Scheme invests in international assets which are denominated in USD currency. This means there is a risk that the USD changes in value and may affect the value of those assets from a New Zealand perspective.

The Ethical Mandate prevents the Manager from using hedging instruments to reduce foreign currency exposure.
Scheme Members who are concerned about currency risk may consider the use of hedging instruments as part of their investing activities

Ethical Mandate
Risk

Investments may, without the Manager's knowledge, breach the ethical mandate of the Scheme.

We monitor all investment activities to ensure they are compliant with the SIPO (and the Ethical Mandate), the Relevant Law, the Trust Deed and offer documents.
Purification is the method used to cleanse any investment income that may have been generated by a company from non-permissible activities. The Manager, with the assistance of IdealRatings, calculates the required purification for each stock, which is then accumulated and "purified" by a donation to charity. The amount of purification varies between stocks and is based on the portion of the company's income that is derived from non-permissible sources.

Stock Turn
Risk

Strict compliance with the Scheme's ethical mandate may require the Manager to sell investments immediately; this means an investment may need to be sold at the expense of future performance.

The Manager uses a screening service to monitor the compliance of the scheme with its Ethical Mandate on a daily basis. Where the Manager is concerned about the future compliance of the investment, the Manager may prepare to exit the investment in advance.

Third Party Risk	<p>The Manager may choose to outsource its administration, management or investment duties to third parties and therefore lose control of those processes.</p>	<p>The terms of any outsourcing agreements are defined in written agreements with the concerned parties. The outsourcing of any duties of the Manager does not limit the Manager's responsibilities for the duties.</p>
Taxation Risk	<p>The Scheme is a Portfolio Investment Entity (PIE). Scheme income attributable to Scheme Members is taxed at individual Scheme Members' Prescribed Investor Rate (PIR). Where an incorrect PIR is provided, a Scheme Member may be overcharged or may owe tax to Inland Revenue. Taxation laws of the New Zealand jurisdiction are subject to change.</p>	<p>The Manager monitors taxation laws, including any proposed changes, to ensure that they are up-to-date with the current (or any proposed future) taxation position(s) of the Scheme.</p> <p>The Manager requests Scheme Members to provide their PIR on an annual basis.</p>
Liquidity Risk	<p>Liquidity risk is defined in two parts:</p> <ul style="list-style-type: none"> • The ability of the Scheme to meet its obligations to scheme members when due (i.e. ability to make redemption payments); and • The ability of the Manager to sell investments of the Scheme 	<p>The value of the Scheme's investments can change due to conditions beyond the foresight or control of the Manager. The volatility of the prices of international equities may mean that if investments must be sold immediately then a lower return than expected may occur. While the value of the Scheme's Units may change, the Scheme has no external borrowings.</p> <p>The Ethical Mandate prohibits investment in fixed return products or derivatives instruments.</p> <p>The Ethical Mandate of the Scheme requires investments of to be highly liquid to ensure Scheme Members may be repaid when required.</p>
Exit Risk	<p>There is a risk that at the time of requested redemption, the Manager is unable to redeem Units of the Scheme.</p> <p>In certain circumstances, the Manager may, in good faith, form the opinion that it is not practicable, or would be materially prejudicial to the interests of Scheme Members, to realise investments in order to permit redemptions of Units. In such circumstances, the Manager may give notice suspending withdrawals to Scheme Members.</p>	<p>The risk that the Manager cannot redeem a Unit of the Scheme is very low due to the liquidity of the Scheme's Assets. Processing takes 5 working days (T+5).</p> <p>The Directors have the discretion, including in the case of a distressed investor, to redeem Units outside of a quarter end date.</p> <p>The Directors do not believe there are any foreseeable circumstances that suspension notices would be issued as the redemption value of the Scheme is matched to its underlying assets.</p>

Words or phrases used in this SIPO and not defined in this glossary have the same meanings as in the Trust Deed.

AAOIFI means the Accounting and Auditing Organisation for Islamic Financial Institutions.

AMANAH TRUST MANAGEMENT (NZ) LIMITED means a registered company which is the Manager of AmanahNZ.

AMANAHNZ means a managed investment scheme established under the Trust Deed in accordance with the relevant law.

AMANAHNZ KIWISAVER LIMITED means a registered company which is a related body of the Manager, and is the manager of Amanah KiwiSaver Plan.

APPELLO SERVICES LIMITED means a registered company which provides administration services to the Manager, including the investor and asset registries, valuation and unit pricing calculation and investment accounting.

AUTHORISED INVESTMENT means, in accordance with the Trust Deed and this SIPO, the stocks of up to 50 corporations listed on approved stock exchanges (NYSE, NYSE MKT LLC or NASDAQ), or cash (USD or NZD dollars).

ETHICAL MANDATE means the ethical mandate of the Scheme, which limits investing activities of the Scheme to “authorised investments”, as defined by the Trust Deed of the Scheme and this SIPO.

FINANCIAL RATIOS means the financial screening criteria outlined by AAOIFI.

FMC ACT means the Financial Markets Conduct Act 2013.

INVESTMENT COMMITTEE means the Investment Committee of the Manager, which is responsible for the investment decisions of the Scheme.

ISLAMIC ADVISORY BOARD means the body appointed by the Directors of the Manager which reviews the compliance of the Scheme's investments with its Ethical Mandate.

MANAGER means Amanah Trust Management (NZ) Limited, the Manager of AmanahNZ.

PDS means the Scheme's product disclosure statement.

PIE means a portfolio investment entity as that term is defined in the Income Tax Act 2007.

PIR means the Prescribed Investor Rate as that term is defined in the Income Tax Act 2007.

PROHIBITED BUSINESS ACTIVITIES are business activities determined to be “harmful”; these include alcohol, tobacco, gambling, defence/weapons, adult entertainment and financial institutions that deal with interest. Companies that source significant income from the production or sale of pork or other haram meat are also prohibited.

PURIFICATION means the process undertaken to “cleanse” investments of non-permissible income.

RISKGRADES means a tool developed by J P Morgan and Riskmetrics providing a scale for assessing the market risk of a stock.

SCHEME means AmanahNZ, a registered managed investment scheme established under the Trust Deed in accordance with the relevant law.

SCHEME ASSETS means the scheme property of AmanahNZ.

SCHEME MEMBERS means persons holding Units in the scheme.

SHARI'AH COMPLIANT means compliant with Shari'ah law, as defined from time to time, by AAOIFI.

SIPO means this statement of investment policy and objectives.

SUPERVISOR means Trustees Executors Limited.

TRUST DEED means the Trust Deed dated 9 November 2016 between the Manager and the Supervisor.

UNIT means a unit in AmanahNZ.