



TAHITO

# **TAHITO Ethical Sustainable Fund**

## STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

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Issued by  
Clarity Funds Management Limited, in partnership with TAHITO Limited



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This Statement of Investment Policy and Objectives (**SIPO**) applies to the TAHITO Ethical Sustainable Fund (the **Fund**) and plays an important role in ensuring the effectiveness of the overall accountability framework for the Fund. It does this by clearly articulating the philosophy, strategies, objectives and parameters of the offering.

Clarity Funds Management Limited is the Manager of the Fund and is referred to as “**Clarity**”, “**we**”, “**us**” or “**our**” in this document. We have appointed TAHITO Limited as the investment adviser for the Fund. Any reference to “**you**” or “**your**” refers to a person or entity who invests in the Fund.

The Fund is managed by Clarity as part of our Managed Investment Scheme, consisting of a series of other Funds. As a managed investment scheme, your money will be pooled with other investors’ money and invested in various investments as described in this document. The Fund is divided into units and you invest by buying units. The value of units fluctuates according to the changing value of the assets in which the Fund has invested. The Fund is a Portfolio Investment Entity (**PIE**).

Clarity, founded in 2007, is a funds management company committed to helping our clients achieve their investment objectives. Clarity’s parent company is Investment Services Group Limited (**ISG**) which in turn is majority owned by Shaw and Partners Financial Services Limited (Australia). ISG provides administration and operational functions on an outsource basis to its subsidiaries, including Clarity. ISG is also the parent company of TAHITO Limited.

The supervisor of the Scheme is The New Zealand Guardian Trust Company Limited (the **Supervisor**).

This replaces the SIPO dated 24 December 2024. We may amend the investment policy and objectives for the Fund from time to time, in consultation with the Supervisor. We will notify you of any significant changes to the SIPO and when they will take effect. The most current version is available on the scheme’s register at <https://disclose-register.companiesoffice.govt.nz/> or at [www.tahito.co.nz](http://www.tahito.co.nz).



# TAHITO Investment Philosophy

The TAHITO investment philosophy is based upon indigenous ethical and sustainable investing. We apply ancestral Māori knowledge to benefit future generations. The TAHITO investment process is a unique way of measuring companies using Māori ancestral knowledge combined with sophisticated Environmental, Social and Governance (**ESG**) data capture technology and strong financial analysis.

Our investment philosophy focuses on providing high quality ethical and sustainable investment services to investors. It is based on the following principles:

1. We are ethical and sustainable investors.
2. We are values-based investors. We invest in high quality investments that display connectivity and relational behaviours and qualities, have or are committed to a low environmental impact and have a high level of social and corporate responsibility.
3. We integrate MSCI ESG research on a values basis in our ethical screening.
4. All securities undergo fundamental valuation and financial quality analysis.
5. We take a long-term view.
6. We are active investors.
7. We have a disciplined approach to risk management.

## TAHITO Principles

Māori ethics put people and the environment first because both are fundamental to living and thriving. This thinking falls out of the ancestral Māori worldview which centres on connection and the interdependence of all things. "Everything is interrelated, nothing exists of itself".

The Māori worldview ultimately follows nature's models:

- Its ethics strive for balance and consensuality.
- Its behaviour is complementary and co-operational.
- Its target is reciprocity and harmony.

In applying this investment philosophy, we are endeavouring to select New Zealand and Australian securities that best display the collective and relational values and ethics derived from indigenous Māori culture and ancestry.

## Values Assessment – Te Kōwhiringa Tapu

Companies are assessed against nine indigenous values organised across three pillars. Each value is scored using evidence from annual reports, sustainability disclosures, governance documents, MSCI ESG data, and other publicly available sources. The nine values are weighted to produce a composite Te Kōwhiringa Tapu - values Score.

### Pillar 1: Te Tūhono — Connection

- **Whanaungatanga – tō ao**  
*Relational – understanding all relationships in the interconnected world; internal and external, commercial, social, environmental and cultural.*
- **Whakapapa – tō mana**  
*Interdependent – understanding that the business is interdependent and relies on its total environment to succeed. Serious about ethics. Care for people and the environment and they will care for you.*
- **Whakarongo – tō hiwa**  
*Balanced – the company strives to reach the best balance across all its relationships. Circular economy principles; kia mimiti, kia tukuruā, kia whakahau (reduce, reuse, regenerate).*

### Pillar 2: Te Mahi Tahī — Collaboration

- **Whakatau – tō kaha**  
*Consensual – Understand the collective strength across the business. Acts positively and with integrity.*
- **Honotahi – tō wairua**  
*Complementary – Competitive forces are dealt with in a complementary manner. Core principles and values extend beyond physical and material gain.*
- **Mahitahi – tō tapu**  
*Co-operational – Strive to co-operate with all forces and agents in your ecosystem. Strong social, environmental and cultural ethics are imbued in the organisation, measured and acted upon.*

### Pillar 3: Manaaki - Care

- **Utu – tō mauri**  
*Reciprocal – Care for the environment and give back to the local communities. Identify the key drivers to success and repay the source. i.e. stakeholders, people, clients, environment, communities.*
- **Humarie – tō mārama**  
*Harmony – Seek harmony in its business across all systems and relationships. Be clear and transparent, display honesty and integrity, and communicate clearly. Be conciliatory and collaborative in negotiations.*
- **Kawa – tō ora**  
*Cyclical – Success beyond financial. Celebrate and encourage successful behaviours. Long term sustainability.*

## Impact Assessment – Te Utu Pānga

Alongside the Te Kōwhiringa Tapu – Values Score, TAHITO measures a company’s regenerative outcomes against six impact targets called Te Utu Pānga. Each target is scored and weighted to produce a composite Utu Pānga Score. The six targets are:

| Impact Target / Aronga Utu Pānga | Scope and Assessment Criteria  |
|----------------------------------|--|
| Te Pae o Ranginui                | Zero Carbon. Zero contaminating emissions. Net zero targets with credible progress pathways. Scope 1, 2 and 3 emissions disclosure.  |
| Te Poho o Papa-tūā-nuku          | Zero Waste. Zero Pollution. Zero Fossil Fuels. Circular economy adoption. Positive biodiversity and regeneration outcomes.   |
| Te Mana Taurite                  | Race and gender equality aligned to national statistics. Wage ratio within 1:10 aspiration (absolute disqualifier at >80:1). Recognition and enhancement of indigenous rights and values.              |
| Te Hapori Whanui                 | Sustainable and regenerative communities. Monetary and in-kind community contribution measured as a proportion of NPAT. Aspiration: ≥10% NPAT. Minimum benchmark: ≥1% NPAT.                            |
| Te Ngākau Aroha                  | Selflessness and compassionate leadership evidenced in vision, mission, conduct, policies and reporting. Complementary and co-operational behaviours.  |
| Mauri Ohoho                      | Life force and collective wellbeing. Holistic measure of how company values, purpose and behaviours resonate into the integrity, culture and wellbeing of the organisation, community and environment. |

### Our Approach

When we assess the behaviours of companies against these values, we predominantly use information in the public domain. We access this information both through the MSCI ESG Manager platform, and via companies’ public documents such as annual reports, charters and policies. We do also supplement this publicly available information with periodic direct contact with company representatives such as directors and members of the executive and management teams.

We believe that we conduct comprehensive due diligence; however, we acknowledge that we do not have access to all information regarding a company’s activities. Consequently, our investment decisions are somewhat constrained by the information available to us. While we periodically make direct inquiries to companies about issues that may be of concern or fall below our acceptance levels, our Kōwhiringa Tapu holistic positive scoring system typically leads us to exclude a company if there are any elements of doubt.

**Objective:** The Fund will provide actively managed exposure to a portfolio of primarily New Zealand and Australian companies that have been selected in accordance with the TAHITO investment philosophy. The Fund aims to generate a better return than the benchmark over the medium to long term.

**Strategy:** The Fund is an indigenous ethical and sustainable fund which uses positive ESG integrated screens in selecting investments. Māori indigenous values and principles serve as the foundation to the Fund's philosophy and investment selection process. The Fund aims to generate capital growth over the medium to long term by actively investing in a select portfolio of well researched New Zealand and Australian companies.

**Benchmark:** 50% S&P/NZX50 Portfolio Index Gross with Imputation and 50% S&P/ASX200 Accumulation Index in New Zealand dollars.

**Holdings:** The Fund will typically hold shares in 20-30 New Zealand and Australian companies. The Fund may also invest in cash or cash equivalents depending on market conditions. The Fund is actively managed, which means the holdings may differ considerably from the relevant benchmark index.

**Suitability:** The Fund is best suited for investors who:

1. Want their investment funds aligned to a high level of values and principles;
2. Want their investment to be sustainably managed across a well-researched portfolio of primarily New Zealand and Australian equities; and
3. Would like to see their capital applied ethically in investments with positive social and environmental purposes.

The target asset allocation ranges shown below are the expected average asset mix of the Fund over the long term. The TAHITO Fund will be managed within its given ranges.

| Asset Sector   | Target Asset Allocation % | Range % |
|--|---------------------------|---------|
| <b>Cash and Cash Equivalents</b><br>Including short-term securities, deposits and currency hedging | 2                         | 0 - 30  |
| <b>New Zealand Equities</b>  | 49                        | 30 - 70 |
| <b>Australian Equities</b>   | 49                        | 30 - 70 |
|  | 100                       |         |

The Fund can invest in any of the asset classes and security types listed above either directly or via investment in other managed funds. We may also participate in underwriting and sub-underwriting contracts for issues of permitted equity securities.

There are general restrictions that apply to the stated objectives:

- No more than 10% of the Fund can be held in any single security.
- No borrowing or short-selling is permitted.

**Hedging:** The foreign currency exposure arising from Australian equities will typically be unhedged but we do have the ability to hedge this exposure anywhere in the range from 0-100%. Please refer to the Currency Hedging section of this SIPO for further information.

**Distribution:** We do not make any cash distributions from the Fund.

## Investment Governance

The Board of TAHITO Limited has responsibility for the high-level adherence of the Fund to the TAHITO values and ethics.

The TAHITO Board has delegated responsibility for this to the TAHITO Investment Committee to ensure that the TAHITO screening process and security selection is consistent with the TAHITO values and ethics.

The TAHITO Investment Committee is the body responsible for selecting and allocating securities in accordance with the requirements set out in this SIPO. The Investment Committee meets every six weeks, or more frequently if required. The TAHITO Investment Sub-Committee meets weekly, or more frequently if required.

The responsibilities of this Committee include:

- Analyse and research securities, markets and economic conditions
- Review investment and economic performance of asset sectors
- Monitor performance and investment strategy
- Monitor the TAHITO process
- Strategic/tactical asset allocation reviews
- Investment economic outlook
- Risk and compliance management.

## Environmental, Social, Governance – Sustainability, Ethics and Impact Policy (ESG – SEI Policy)

The TAHITO ESG – SEI Policy describes the TAHITO investment philosophy, and its alignment with indigenous values, ethics and behaviours. The policy outlines the TAHITO positive screening process (T Score) and defines the ways in which ESG data is integrated within the investment decision-making process for the TAHITO Fund.

### TAHITO Exclusions (Negative Screens)

Concurrent with our T Score process, we screen for companies directly involved in what we have identified as undesirable business activities. We primarily use a combination of MSCI screening tools (detailed below) to identify and exclude companies directly involved in the activities listed below. The MSCI screens used are:

- [MSCI Business Involvement Screening Research \(BISR\)](#) for business activities.
- [MSCI ESG Carbon Portfolio Analytics Report](#) and [MSCI Fossil Fuel](#) screen for Reserves and Any Ties to fossil fuels.
- [MSCI Controversies and Global Norms](#) screen for human rights and/or environmental violations.

We may allow companies identified by the MSCI screening tools **into the portfolio**, where the MSCI flag is related to a business activity that is not on our exclusion list below. We may also decide not to invest in additional companies as a result of our positive screening. **For more information on Our Approach see the TAHITO Ethics and Values, page 5.**

*Important to note:*

- *We define ‘directly involved’ as an activity that is named in their business description and / or identified in the MSCI screen for that company, as detailed below. This approach differs from exclusions that relate to sources of revenue.*
- *Exclusions do not extend to companies that may be indirectly involved i.e. providing components for or services to excluded companies.*

TAHITO exclusions:

- **Adult Entertainment:** companies involved in the production, distribution or retailing of adult entertainment products.
- **Alcohol Producers:** companies that produce alcohol. (Note: we do not necessarily exclude companies that may sell alcohol within their business, as long as selling alcohol is not their primary business e.g. Retirement Homes).
- **Civilian Firearms:** companies that manufacture handguns, pistols, shotguns, rifles, revolvers and ammunition intended for civilian use.



- **Global Sanctions:** companies that have breached global sanctions listed by the United Nations Security Council (UNSC).
- **Fossil Fuels:** companies involved in fossil fuels extraction, mining and or the sale of fossil fuels.  
*Note: We do not invest in companies where production of oil derivatives and other fossil fuel derivatives is their core business i.e. the production of lubricants, asphalt, plastics, synthetic fibre, fertilizers, solvents, other oil derivatives.*
- **Gambling:** companies that own or operate gambling facilities, license their brand name to gambling products.
- **Genetic Engineering (GE):** companies that directly modify the genetic material of an organism, such as inserting, deleting, or altering DNA sequences to achieve desired traits. This can include techniques like CRISPR, gene therapy, and the creation of genetically modified organisms (GMOs). On the other hand, we may invest in companies that use stem cells to understand development, treat diseases, and regenerate damaged tissues.
- **Human Rights & Environmental Violations:** companies that have breached human rights and/or have committed material environment violations.
- **Military Weapons:** companies that manufacture conventional, nuclear, and controversial military weapons, systems, and components, and provide support services to those weapons, systems, components.
- **Nuclear Power:** companies that own or operate active nuclear power plants.
- **Palm Oil:** companies involved in the production of palm oil products.
- **Tobacco, Vaping, e-cigarettes and Nicotine Alternatives:** companies that produce, distribute, retail, license or supply key tobacco products and services. Tobacco products include traditional nicotine-containing products and nicotine alternatives.
- **No Female Board Representation:** companies that do not have at least one female director (excluding temporary vacancies where a replacement is being sought). We apply a positive score to companies that have higher gender equity.
- **Agricultural chemicals:** Companies manufacturing or distributing synthetic pesticides, herbicides, or soil-degrading inputs.

The above is a summary of our exclusions, for more information on the exclusions see our [TAHITO ESG-SEI Policy](#) and for more information on the screens, see the [MSCI Screened ESG Index Methodology](#).

## Ongoing Monitoring

We monitor the companies in which we invest on an ongoing basis against these screens. If our ongoing monitoring determines that a company already in the Fund has become directly involved in any of the above activities, the Investment Committee will be informed and will form a view on the most appropriate course of action to take. These actions may include divesting from the company, or working with company management to determine whether the activity can be discontinued by the company.

## Active Engagement / Stewardship

TAHITO is an active manager with strong conviction and policies on engagement and voting on behalf of investors.

The ESG – SEI Policy is prepared by TAHITO Limited, reviewed and monitored by the TAHITO Investment Committee and approved by the TAHITO Board. The policy is available on our website at [www.tahito.co.nz](http://www.tahito.co.nz), or on request.

The TAHITO investment process integrates ESG with the following order of priority:

1. **Values-based investing:** we seek to align our portfolio of securities with our TAHITO values and principles.
2. **Impact:** we aim to invest capital to drive change in social and environmental purposes e.g. lower carbon emissions.
3. **Risk management:** we use ESG integration to improve the risk-return characteristics of the Fund.

## Conflict of Interest and Related Party Transactions

We have a Conflicts of Interest Policy in place to manage potential or actual conflicts of interest in a way that is fair to investors. This policy provides the process to identify, declare and monitor a potential conflict of interest.

The FMC Act imposes statutory duties on us as the Manager of the Fund to manage conflicts of interest:

- We must in performing any duties or exercising any powers, exercise the care, diligence and skill that a prudent person engaged in that profession would exercise in the circumstances; act honestly in acting as a manager; act in the best interests of investors; and treat investors equitably.
- Where we delegate out some or all of our functions as manager to other parties, we must ensure that those functions are performed in the same manner, and subject to the same duties and restrictions, as if we were performing them directly. We must also monitor the performance of those functions.

We have built these statutory controls into our internal compliance processes and procedures. We will not enter into transactions with related parties who may benefit from those arrangements, except as agreed with our Supervisor and as permitted under the provisions of the FMC Act. We provide the Supervisor with quarterly reporting on related party transactions.

## Corporate Governance and Voting

We form our own views on proposed resolutions and aim to ensure that voting is consistent with our TAHITO values and ethics. We aim to vote on all resolutions where we have the authority to do so. However, we will not seek to interfere with the executive operations of the companies whose securities we hold in the Fund. We will continue to provide appropriate advice and support when requested by such companies and at company meetings and presentations.

We may enlist the services of external research providers to access independent advice on proxy voting and corporate governance issues to determine our voting intentions.

## Trading and Rebalancing

The Fund is actively managed, and the Investment team has the discretion to trade for the Fund within agreed limits (refer Investment Strategy and Objectives on page 6).

Trading will typically occur when the Fund experiences a large cash flow, investment weightings change, market prices move or there is a change in underlying securities. Investment allocations and targets are set by the Investment team in line with investment limits and are subject to Investment Committee approval. We rebalance as required to keep the Fund within the approved investment ranges and according to the Fund's allocations and targets.

We must act in accordance with the following principles when allocating securities among the different funds offered by Clarity:

- We have a fiduciary duty to ensure that trades are allocated fairly and equitably among all clients without giving unfair preference to any particular fund;
- Allocation decisions may not be influenced by fee arrangements;
- Once a trade has been allocated, no subsequent adjustments or changes to the original allocation are allowed without the approval of the Compliance team; and
- Trade executions must be entered promptly in the trading and accounting systems.

## Liquidity Management

It is important for our Funds to maintain an appropriate level of liquidity to be able to meet our cash flow requirements. We maintain liquidity by investing in permitted investments that have satisfactory levels of liquidity themselves. The Funds also holds some operational cash to help us pay redemptions and expenses.

We assess the liquidity profile of individual securities, whilst all are listed and typically liquid because they are exchange traded, events can occur to change this and we will consider their inclusion within the Fund if our analysis indicates that there is an appropriate risk adjusted return available. Smaller, less liquid securities are typically smaller active positions in the Fund.



## Currency Hedging

The Fund faces currency risk when we invest in securities denominated in foreign currencies. The Fund value may be negatively or positively impacted by the appreciation or depreciation of that currency in New Zealand dollar terms. This is because the value of the portfolio is calculated in New Zealand dollars.

We do not expect the Fund to be hedged initially but we may seek to mitigate the risk of currency exposures in the future by offsetting the impact of currency fluctuations using foreign exchange forward contracts that will lock in an exchange rate for a currency transaction at a future date, known as 'currency hedging'.

Currency hedging provides some protection against changes in currency exchange rates.

We follow the ranges set out below:

| Asset Class         | Hedging Target % | Hedging Rate % |
|---------------------|------------------|----------------|
| Australian Equities | 0 - 100%         | 0 - 100%       |

## Investment Risk Management

We recognise that investment risk exists and is a normal part of investing. Optimal investment returns are derived by clearly identifying, understanding and then managing investment risk. We ensure that investment risk is monitored and managed by:

- Measuring our exposure to individual investments, countries and currencies, and ensuring they are consistent with this SIPO;
- Measuring tracking error and other risk analytics on a regular basis; and
- Reviewing the Fund at our regular Investment Committee meeting.

An investment in the Fund should be regarded as a long-term proposition. There are no guarantees that the return objectives of the Fund will be achieved. We refer to investment risk as the probability that the value of an investment could fall and therefore your return could be negative.

## Key Person Risk Management

People are a critical component to our business. Our policy for managing key person risk is to ensure that:

- All roles have a person clearly identified as a back-up
- The back-up person is highly skilled and has a strong understanding of Te Ao Māori (The Māori World view)
- We have close and open communication with all staff
- All staff are treated with respect and remunerated fairly
- We build a degree of latency into our organisation so that capacity exists to manage the departure of a key person if this should occur.

## Settlement Risk

Clarity may be exposed to settlement risk associated with default at settlement time and any timing differences in settlement between the trade counterparties.

We have adopted a settlement process to ensure that trade settlements occur as agreed. This includes reconciliation of trade instructions to contract notes both by BNP Paribas, as the trade counterparty and custodian, and APEX, as the administration manager and registrar.

## Investment Performance Monitoring

The asset allocation ranges, objectives and other limits stated in this SIPO act as the limits of our investment approach. Our internal processes measure and report against these limits. We review all asset allocation targets and specified limits daily to ensure they are within the parameters stipulated in this SIPO.

Higher levels of cash may be held in the event of large contributions or withdrawals. In such an event, should the cash and cash equivalents exceed the asset allocation range limits, it will not be treated as a SIPO limit breach. Where the Fund invests in an underlying fund, the amount invested in the underlying fund will be allocated to the principal asset sector in which the underlying fund invests for determining compliance with the SIPO.

Investment performance (active returns versus benchmark returns) is formally monitored monthly, with analysis of our over or under performance undertaken by the Investment Committee. Exceptions, including unexpected performance or negative outcomes, are highlighted and any recommended actions are noted. This review considers whether the individual security positions and asset allocations for each fund are aligned with the Investment Committee's current investment view.

Additionally, Clarity is required to provide a monthly report and a quarterly director's certificate to the Supervisor to monitor SIPO compliance.

Investment performance is reported quarterly to investors. Actual performance is measured net of fees and expenses.

## Review of the SIPO

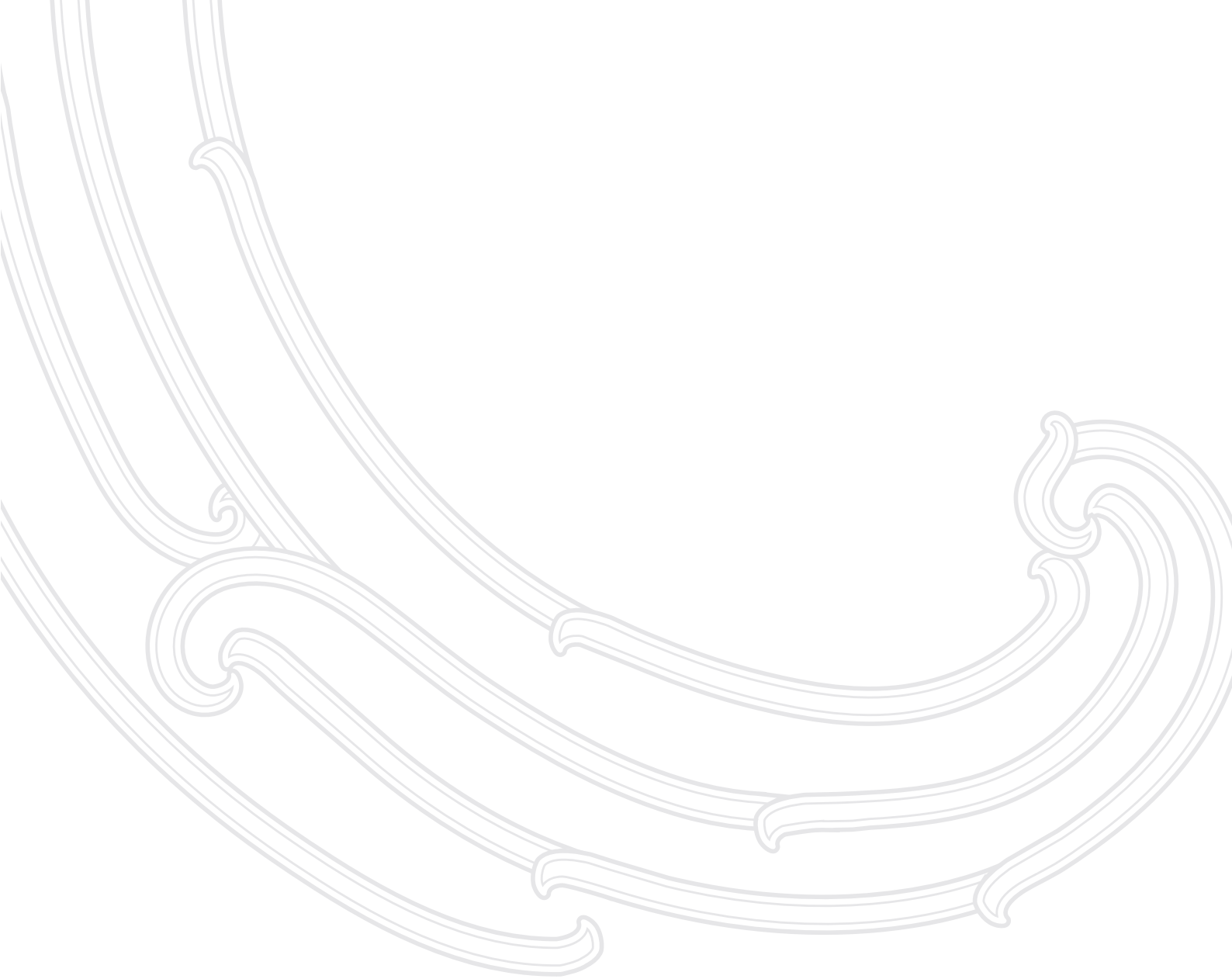
Compliance with the SIPO is monitored daily by us and a full review of the SIPO is undertaken by us annually to ensure that the investment objectives and parameters for the Fund are clearly articulated and remain relevant.

The review is conducted by a senior manager of Clarity in conjunction with TAHITO Limited, and presented to the TAHITO Investment Committee for approval.

Whilst changes are not expected, if they are required we will consult with our Supervisor before making the changes and obtaining Directors' approval of the SIPO. If changes are made that materially impact investors, we will give you at least thirty (30) days written notice of those changes.

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Thank you for taking the time to read this SIPO. Please don't hesitate to contact us at [info@tahito.co.nz](mailto:info@tahito.co.nz) if you have any further questions.



TAHITO

Indigenous Ethical Investing

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