

# Ethical Investment Management Policy and Process Manual

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## Approval of the Policy Manual

<b>Date</b>	<b>24<sup>th</sup> February 2023</b>
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<b>Approved On</b>	<b>7<sup>th</sup> March 2023</b>

## Version Control

Date	Description	Version
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27 <sup>th</sup> April 2021	Initial Documentation	Version 1.00
19 <sup>th</sup> May 2021	Reviewed, updated and approved	Version 2.00
21 <sup>st</sup> July 2021	Review in conjunction with Ethical Investment Policy and adding sections	Version 3.00
21 <sup>st</sup> September 2021	Add in sections	Version 4.00
9 <sup>th</sup> December 2021	Update now that process is finalised	Version 5.00
6 <sup>th</sup> July 2022	Insert process for doing an ethical investment analysis and version two of the ethical investment analysis template.	Version 5.10
3 <sup>rd</sup> November 2022	Updated after full review of process and additions to process	Version 6.00
23 <sup>rd</sup> February 2023	Updated after Investment Meeting 22/02/2023. Added Investment Meeting Agenda Template	Version 7.00

## Guidance Notes

If there is a guidance note relating to this topic from FMA, this will be a trigger for us to update this policy rather than waiting for its next review.

Guidance Notes incorporated:

FMA – February 2023 – Reasonable Grounds for financial advice about financial products

FMA - January 2023 – Managed Investment Schemes Sector Risk Assessment

## Policy Statement

Moneyworks believes that investing to ‘do good’ and to ‘make the planet better’ is a desirable investment option for many investors. This approach to investment can also enhance investment returns as the world changes towards combating climate crises, diversity in the workplace, better treatment of employees and stakeholders, and generally approaching business in a more ethical manner.

We are aware that ‘ethical’ (or ESG, Responsible, Sustainable) investing is a new catch-cry and that many organisations are getting on the band-wagon by labelling their approach and investments as a variation of ethical, when they do not in fact meet the ‘truth’ test.

To ensure that our clients (who want an ethical approach to investment) get a true to label investment offering, we have developed our policies and processes so that it involves deep dive knowledge and monitoring of our providers activities, as well as using the Mindful Money research to provide transparency of actual ‘nasties’ and ‘companies’ that clients are invested in, in conjunction with in-house stock intersections analysis, monitoring of changes to fund managers portfolios and direct conversations with our recommended fund managers.

We use the RIAA Responsible Investment Spectrum to explain risk and ethical investment positioning to our clients, beginning with the understanding that the vast majority of fund managers available in Australasia have ESG awareness and some are heading towards ESG integration, analysing ESG factors for the impact on financial returns. More developed providers have some level of negative screening and some active engagement in their processes. But for our ethical portfolio, we have sought out fund managers that are providing more than these screening processes. We want fund managers who have at a minimum, positive screening and preferably sustainability themed and impact investing offerings.

The goal is to move our clients across the spectrum to introduce norms-based screening, corporate engagement and shareholder activism, positive best in class and eventually sustainability and impact investment over time.

The ethical investment approach has to be consistent with achieving our clients’ goals and objectives.

## 1. Ethical Investment Philosophy Objectives and Risk Management

Moneyworks carries out a robust analysis of the fund managers that we recommend to clients to ascertain their approach to ethical and ESG investing.

The starting point of this analysis is desk-based research and the completion of our proprietary 56 question Ethical Investment Analysis questionnaire. A key part of this process is the in-house stock intersection analysis and investment performance monitoring, to ensure that our fund managers are actually adding value through diversification and through investment performance over the medium to long term. There is a maximum % of nasties that a Fund Manager can have in a portfolio based on the Mindful Money research, depending on the minimum criteria for inclusion for the Hybrid and Ethical portfolios.

This is followed up by interaction with the fund managers (and their representatives) to clarify information that is not available, or that is not clear to fill in the gaps. It is desirable to have a face to face, video conference or phone discussion with fund managers where possible, to understand their approach and clarify the information gained from the desk-based research exercise.

A core part of this analysis involves referring to the research that we subscribe to, starting with full length Lonsec research reports where they are available (not generally available for New Zealand domiciled Fund Managers), considering the Morningstar research and any Zenith research available and running the actual portfolio holdings through the Mindful Money research system.

Mindful Money analyses the actual holdings of fund managers based on the identified 'nasties' categories, which are based on the research run in conjunction with RIAA (usually on an annual basis), to identify what New Zealand consumers concerns are in investing.

The research identifies any companies of concern within each of the 'nasties' categories, which provides Moneyworks with an indication of how 'true to label' the fund manager is. When there are 'nasties' identified, we ask the fund manager for an explanation and rationale as to why they are investing in those companies, with clarification about how they see the ethical issues relating to that investment. The quality of the response from the fund manager is an important indicator to us of the transparency and actual day to day approach to investing in the fund house.

**It is important that we understand the thresholds for the Mindful Money screening as a number of the categories have a very strict criteria (eg Animal Welfare, Alcohol, Weapons), and we need to understand what each of the identified 'nasty' companies are doing, so that we can explain this to clients, or review our clients exposures in each of the Hybrid and Ethical portfolios.**

We understand the role of active engagement and where a fund manager genuinely uses this approach to make a difference in their ethical investing, we share that information with clients where ethical investment is important to them.

Active engagement has to be transparent, regularly reported and based on ethical issues and be achieving change for it to actually be considered to be relevant to the fund managers ethical investing approach. We believe that a truly ethical fund manager will need to be prepared to divest from a holding if there is no change in the ethical stance on relevant issues after extensive active engagement. We expect our recommended active fund managers to actively exercise and think about their proxy voting and the responsibilities that this involves, and not just follow the recommendations of their proxy voting provider.

This document works in conjunction with the Investment Management Policy and Process Manual.

## 2. Investment Research Process

### **Goals for Fund Manager and Investment Selection**

The fund managers and investments selected will align with the goals, mandate and investment philosophy as set out in the Statement of Advice and communicated with our clients through the initial Financial Planning/Investment Planning and subsequent Annual Review process. The long-term performance of the fund manager must help the client reach their investment goals. For our clients this is usually reaching a retirement savings goal.

Moneyworks builds portfolios based on a 10-year return model using Farrellys research, so we are not focused on short term fund manager and investment performance. We prefer to see how a particular manager has performed right through a full market cycle. However, we do monitor relative fund manager performance on all reported time periods on a monthly basis, using Morningstar reported information. We can add a fund manager to our recommendations even though they are a new fund manager or an existing fund manager with a new fund for New Zealand based on a. The fund being a defined index that can have accurately modelled back tested performance or b. The track record of the fund manager and our experience in dealing with them, and our understanding of how the fund is constructed and will operate.

Our ethical investment strategy uses the Responsible Investment Association of Australasia (RIAA) Responsible Investment Spectrum to understand where investment managers are at in the process of investing (from Traditional Investment to Philanthropy) and the Mindful Money/RIAA annual consumer survey to highlight the top 10 ethical concerns of the New Zealand public to identify our immediate focus on ethical investment issues.

### **A. Initial Analysis**

During 2021 and 2022 we reviewed and analysed our existing fund managers to ascertain whether they are likely to achieve status and recommendations in our Hybrid and Ethical portfolios. This initial analysis was reviewed in the period from August to November 2022, using the new in-house Stock Intersections tools and incorporating information gleaned during 2022 about the fund managers and their approaches, and about alternative funds being made available to us in New Zealand.

We have identified a new type of fund that we have added to our portfolios, which we refer to as a 'defined index fund'. These are typically funds developed by either BetaShares or Kernel, using technology to define the parameters for a fund based on identified defined criteria, and that are reviewed at least annually. We have added a step to our process to check whether there is a lower cost 'defined index' fund that could do the job that a fund manager is doing. This is usually applicable when the fund manager has low turnover and a low active share compared to the 'defined index fund'.

A key part of our ongoing process will be monitoring any new funds that are available in New Zealand and assessing them, and seeing if they can be added to or replace existing funds (if they are lower fee, more diversified and as good if not better performing).

### **B. Investment Performance Analysis**

We currently monitor over 500 funds in different categories through our Monthly Morningstar Performance analysis, so we have information readily available on investment performance.

We anticipate that a fund will have consistent investment returns that are in the top half of the analysis compared to their peer universe that we analyse to be considered for the next step of analysis.

### **C. Desk Based Analysis and interaction with Fund Manager**

If a fund's performance passes the consistent investment performance analysis criteria, we progress to the next steps which are:

1. Add the individual holdings of the proposed fund to the stock intersection analysis (having de duplicated the stock names to ensure that we are comparing like with like). Ascertain whether the fund is going to add value by diversification, or whether the fund is lower cost and better performing and can replace an existing fund.
2. This step is important to work out what kind of interaction we are going to get from fund managers and how available information will be on an ongoing basis from the fund manager.
3. The Stock Intersections process requires our recommended fund managers to provide us with an updated portfolio with portfolio weightings in an excel/csv format within 40 days of the end of each Quarter (March, June, September, December). Asking a fund manager for this information gives us insight into the transparency – and we note whether we are required to sign a Non Disclosure Agreement to receive this information.
4. We anticipate that we will have information from the fund manager about the fund and how it works, and will have done general 'intuition' research before engaging in the full Ethical Analysis.
5. At this stage, we get the portfolio run through the Mindful Money analysis screens. This will tell us whether the fund manager is walking the talk and does have a core ethical approach.

6. Carry out desk-top based analysis with inputs from publicly available information on the fund managers website, Lonsec, Morningstar and Zenith research (where Lonsec research is not available).
7. We use our proprietary 65 question Ethical Investment Analysis Template for this analysis.
8. If the results are then favourable, where possible we will arrange a meeting/conference call with the fund manager to further understand their process and systems and get answers to any of our questions.
9. There will be a focus on the processes used, and whether there is 'skin in the game', which are two core features that we like our fund managers to have in place.
10. Review the ESG strategy and philosophy to understand whether this manager has a strong active engagement philosophy that will explain any 'nasties' that come out of the Mindful Money analysis.

#### **D. Ongoing analysis of existing and future funds and investments**

It is important that we monitor the quantitative and qualitative analysis of each fund manager on an ongoing basis. These are the steps that we take:

1. Review the monthly Morningstar Performance analysis reports.
2. Review the quarterly changes to portfolios from the stock intersection analysis to understand the changes to the portfolios.
3. Review the stock intersections analysis every quarter to ensure that the fund manager isn't changing direction and is still adding value through diversification.
4. Review the 6 monthly Mindful Money analysis (to be updated to quarterly with the information from the quarterly stock intersection analysis)
5. Attend webinars about investments where available and appropriate and take notes to share with the team.
6. Read publications including public media, reports from fund manager/investment, fund fact sheets. Including mainstream media, Investment News, Livewire blog.
7. Engage with the fund managers where possible – in person, at roadshows or on video conference or phone discussion, to keep up with their thinking and approach.
8. The indicators that we monitor include
  - a. Consistent fall in relative performance.
  - b. Large changes to quarterly stock holdings that may signal a change in direction
  - c. Loss of key personnel
  - d. Research notifications (mainly Lonsec)
  - e. UNPRI Report or rating report negative results or reduction in rating.

#### **E. Looking for additional fund managers that 'do good' with their investments**

We offer our clients two portfolios:

Hybrid portfolio. Fund managers are committed to ethical investing and are incorporating it into their portfolios via ESG integration, negative screening and active engagement. These fund managers are combined with some of the fund managers from the ethical portfolios. The portfolio has a combination of fund managers who consider ethical investing for the purpose of 'doing good' and 'making the world a better place' and those where ethical investing is ensuring that ESG issues don't cause a financial risk to the investee company.

Ethical portfolio. These are fund managers that are committed to ethical investing, and where possible (currently not really possible with fixed interest – a still developing area), have not only positive (norms based) screening and active engagement approaches, but also have a sustainable offering, and possibly an impact investing offering. These fund managers are working to 'do good' and 'make the world a better place'.

The resources that we will use to find these fund managers, over and above the fund managers already available in New Zealand are:

1. Responsible Returns (certified investment funds)
2. Relationships built through RIAA events
3. General web search and media information and discussions with other advisers.
4. Investment representative providers (eg The Investment Store)

### **3. Fund Manager Criteria**

There are a number of initial criteria that Moneyworks considers before starting a more detailed fund research.

1. Core criteria is that the fund manager is an active manager (unless there are specific characteristics that mean that a 'defined index fund' will enhance the portfolio).
  - a. This means that they are benchmark unconstrained
  - b. They have the ability to be contrarian investors.
2. Will this fund add value to client portfolios by
  - a. Having better relative long-term returns with the same or lower risk?
  - b. Adding diversification to portfolios?
  - c. Replacing an existing fund?
3. Is quantitative and good quality qualitative research available?
4. For KiwiSaver and retail products
  - a. Whether the funds are available to advisers?
  - b. The technology platform available to Moneyworks to access information and to our clients
  - c. Client service attitudes of the manager.
5. For a New Zealand based investment, what are the current Mindful Money 'nasties' exposures? For non New Zealand investments, the portfolio has to be run through the Mindful Money research on request, the New Zealand information is available online.

### Research and Due Diligence

There are a number of different research houses that Moneyworks uses to conduct research and due diligence. It must be noted that there is very limited coverage of New Zealand based funds by the Australian based research houses.

### In-house Stock Intersections Analysis

1. Our in-house Stock Intersections analysis provides us with an 'at a glance' report on whether the holdings in the portfolio are similar or different to other providers. This is done using the filters facility in excel. At present, this analysis is set up by Millie and then split out manually, but Millie is being programmed to make the information available for much quicker and easier reference.
2. We have two Stock Intersections processes – six monthly and quarterly
  - a. Six Monthly: For the information to be suitable for the stock analysis the following steps have to be taken:
    - i. Six monthly download of all information on **all fund managers tracked** in New Zealand from the disclose register
    - ii. Information de duplicated so that companies can be directly compared (for example one fund manager might call the company NAB, another National Australia Bank, another National Australia. These need to be identified as the same company). In the future we may be able to move to using ISIN numbers to simplify the process and make it more accurate.
    - iii. Information added to a master worksheet and the total exposures for all funds summed for each security.
    - iv. Materiality check, all investments with less than a **1%?** Total exposure are deleted from analysis.
    - v. New worksheets for each asset class created and funds added to the worksheet based on their asset type, for easier analysis.
  - b. Quarterly:
    - i. Quarterly holdings received for each **recommended** fund.
    - ii. Same process as for Six Monthly.
    - iii. The new portfolio is compared to the last portfolio and any changes of allocations of more than 0.50% are listed by fund manager and sent to the advisers for consideration.
    - iv. Any added or deleted funds are compared to the aggregate list of 'nasties' in the Mindful Money analysis and the Mindful Money analysis is updated for the quarterly information.
    - v. Any new companies added to the recommended funds are assessed to see if they could be nasties, and if necessary, checked with Mindful Money. These would be manually added to the Mindful Money information if applicable.

### External Research Providers

1. Morningstar is used primarily for quant research however it is noted that the new reports have more qualitative information, but it is often repetitive within the report and it is often only the first two pages that actually add information.

2. Lonsec is used as the core qualitative research on the Australian based funds. Note that it is unlikely that Moneyworks will use a fund unless it is rated Investment Grade or higher by Lonsec (if the fund is researched on Lonsec). This may differ if it is a new fund (where there is an established track record by the fund manager in that area).

### **Desk Based Research**

1. Review of the relevant documents, PDS and SIPO, against the actual fund holdings that are available. This is to ensure that the fund manager is actually managing the funds as mandated in the PDS.
2. Desk-based research of website information on the fund managers ethical investment approach, responsible investment policy, transparency of reporting on active engagement.
3. Have the portfolio run through the Mindful Money screens to see the ethical 'nasties' exposures of the fund manager.

Any potential new fund will have a monitoring period, where the performance of the funds is compared to its peers on the monthly performance spreadsheets prepared using Morningstar data, unless it fills a particular gap in the portfolio and the fund manager is a tried and true fund manager (eg Harbour Sustainable Impact Fund). Regular fund updates are also available to be monitored.

The owners and managers of the fund manager will ideally have 'skin in the game' through personal investment in the fund and where appropriate shareholding of the management company, or a reward structure that recognises their contribution. This is to align the investors interests with the manager's interest.

Transparency is important, and we expect our fund managers to engage with us through their representatives (investment specialists, BDM's) on a regular basis and to have direct access to portfolio managers (where possible) and ESG specialists through roadshows, presentations or webinars, and if possible in face to face meetings. Managers that don't provide regular updates and answer questions in a clear and timely manner are viewed negatively.

Staff stability is considered essential for a fund manager, relevant industry experience is a core requirement for any manager. If there are staff changes, the investment process must remain consistent, this is a feature the research houses provide data on.

Fees are considered in the due diligence process, the research reports provide a basis for peer group fee comparison. Moneyworks will consider the fund if the fee is reasonable for the resources used to manage the fund, the type of fund, the level of expertise and the long-term performance of the fund.

All funds must have independent administrators, custodians and auditor and have regular pricing of units and process withdrawals in a reasonable period (within 10 working days). This is information confirmed by the research houses and from the PDS.

All funds must have the relevant licence from FMA or ASIC or their respective option from that jurisdiction.

### **Risk Assessment (reference to January 2023 FMA Managed Investment Schemes Sector Risk Assessment)**

The Ethical Investment Analysis Template was updated to integrate the information identified in this Guidance note. The following questions and issues were added or enhanced for research and consideration in the future. Additional questions were added to the 2023 Fund Manager Project – Back to Basics – Understanding your process.

#### **Governance Risk**

Does the organisation have the resources (Size/profitability) available to fulfil regulatory and risk management requirements.

Is/or has the organisation entered into a growth phase that has outstripped their staff capacity.

What is the staff turnover – Does this create a good or negative impact?

Does the Board have independent directors? Diversity? Is it over-boarded?

#### **Investment, Operations and Decision-making Risk**

Have the systems, processes and capability kept pace with the growth of the business?

Is the business continually evolving and changing and keeping up with market requirements?

Have you had any unit pricing or valuation errors in the last 24 months? If yes, how did they occur, how were they identified and how were they rectified?  
What do you outsource and how often is that relationship reviewed? Who undertakes that review?

Who makes the final decisions on security selection/asset allocation (for Multi Sector Fund)? What happens if they aren't available?

### **Ethical and ESG additional factors**

The Ethical and ESG policy of the fund manager or investment is considered, while New Zealand based managers have to comply with current legislation, we prefer managers to have a stated and robust ESG and responsible investment policy. We prefer managers to be signatories to the UN Principles of Responsible Investment. We run all our fund managers that we recommend through the Mindful Money Ethical screening system.

We are wary of the research provided on ethical and ESG considerations from Morningstar, Lonsec and other independent research houses as there is little co-relation between the information at present and our experience indicate that it is not as robust as we would like.

As a consequence, while we use this information to inform us, we rely on our own interpretations, understanding and discussions with fund managers to make our final decisions.

We are wary of 'bland' vague statements claiming ethical investment approaches, that do not have any framework behind them to support and genuine ethical approach to investing, and our deep dive provides us with detailed information about whether there is any true ethical approach to investing.

### **Consideration for Adding to Portfolio**

Once the due diligence process has been completed the pros and cons of adding the fund is debated within our internal investment committee.

The final decision to add a fund will rest within this group, which will also decide the weighting within each portfolio to the fund and which fund it will replace in the portfolio or whether it is added for diversification purposes.

### **Removing recommended investments**

Moneyworks does not switch fund managers in portfolios regularly. This is because our clients' portfolios are invested for the long-term, the cost of switching to the client and data that shows picking short term 'winners' or 'next year's best performer' based on historical performance is foolish.

### **Transferring funds or direct securities for a client from a personal portfolio or another adviser**

With reference to the February 2023 FMA Guidance – 'Reasonable grounds for financial advice about financial products', we agreed that our philosophy with regards to existing funds and securities held by clients is:

If we transfer existing funds or securities on to the platform for the purpose of assisting clients to monitor and easily sell the securities and funds, where we do not have third party research available, we will replace them with investments that are fully researched by Moneyworks over an agreed time-period with the clients.

### **Reasons that we may remove a fund manager include:**

1. A significant ratings downgrade by a research house.
2. Material changes in the fund managers situation and operations (eg personnel changes, move to a lack of transparency).
3. If the fund is not fulfilling its goals and objectives in the portfolio – eg
  - a. Underlying nature of the investments has changed (philosophy, mandate, strategy)
  - b. Consistent relative underperformance to peers without clear reasons and without clear strategies to rectify that underperformance).

### **Research analysis inputs – Individual Funds**

1. Monthly performance analysis from Morningstar
2. Stock intersection analysis
3. Changes in portfolios from quarter to quarter of recommended funds



4. Update of Investment Product Summaries when new PDS released
5. Morningstar – reports, ethical information, portfolio Xray, notifications
6. Lonsec – reports, ethical information, notifications
7. Mindful Money – Ethical
8. Responsible Returns Australia – Ethical
9. Fund Managers reports, webinars, presentations, roadshows, meetings
10. Meet the Managers roadshows and Best of Breed study trip
11. In person meetings with our recommended fund managers
12. Fund Managers involvement and participation in collaborative engagements, and industry forums, including presenting at conferences and collaboratively presented webinars.
13. Fund Managers websites, UNPRI reports
14. Media – Financial Times, NZ Herald, Stuff, Newsroom, Bernard Hickey’s The Kaka, Fortune and New York Times newsletters, interest.co.nz, Investment News newsletter, Business Desk

**Research analysis inputs – Model Portfolios**

1. Analysis of current asset allocations – comparing available asset allocations from as many credible sources as possible. Including but not limited to Morningstar, Lonsec, Farrelly’s, Synergy Consilium, Synergy My Fiduciary, Synergy Morningstar.
2. Model portfolio historic performance modelling using historic performance numbers (from 2021). Will be run quarterly from the December 2022 quarter.
3. Model portfolio worksheets

**Disclose and Australian Fund Manager portfolios.** We download the full portfolios for each fund manager that we recommend and any that we are considering adding to portfolios. We also receive a report from Mindful Money as part of our twice yearly analysis that provides a consistently formatted record of the Australian fund managers holdings.

The data analysis processes are detailed in Appendix 3.

**Research analysis inputs – Big Picture**

1. Farrellys – Asset Allocation
2. Portfolio Construction Forum and Symposium
3. Media – Financial Times, NZ Herald, Stuff, Newsroom, Bernard Hickey’s The Kaka, Fortune and New York Times newsletters, interest.co.nz, CNN, Fox, Podcasts, Investment News newsletter, Business Desk
4. RIAA webinars, newsletters, conferences
5. Mindful Money
6. FT Moral Money newsletters.

Factors considered in investment selection are outlined in Appendix 1.

## 4. Risk Management Framework

The following guidelines are designed to reduce the risk to our clients by maintaining diversification within their portfolio.

**Multi Sector fund allocation:** Maximum 15% exposure to any one fund for the bulk of clients. However, if the portfolio is smaller than \$200,000 or a Conservative risk profile, this allocation may be up to 100% (as there is diversification within the fund).

**Fund Manager or Individual security allocation:** Maximum 10% exposure (apart from a special situation or where relevant – eg, a client has transferred the security or fund into the portfolio and wishes to retain it).

**Cash and Fixed Interest Exposure:** We note that the international frameworks for long term asset allocations allow significant cash holdings (to fulfil cash withdrawal requirements). However, in New Zealand, our clients are either continuing to save for their retirement, or when they are in retirement, if they have access to New Zealand Superannuation income (the vast majority of our clients) then they are unlikely to require that much cash to supplement their income needs.<sup>1</sup> **A**

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<sup>1</sup> As at financial year ending 31/03/2023 a Couple receives \$37,035 after tax and a Single person living alone receives \$24,073 after tax pa (plus winter energy subsidies).

**number of our clients also hold cash and term deposits outside their portfolios. Therefore, our Cash** and Fixed Interest allocations are lower than the international benchmarks.

**Number of funds in a portfolio:** While we need diversification, having too many funds may provide stock holding overlap and reduce diversification. Our guidelines rules of the number of funds held are as follows. These may be higher if a fund is transferred into the portfolio by the client and there are no good reasons for exiting the fund.

Asset Type	Number of Funds
Multi Sector	1-2 Funds
Fixed Interest	2-4 Bond Funds 1-2 Hybrid Funds Term Deposits
Australasian Equities	4-5 funds
International Equities	5-10 funds (including satellite)
Property	2-3 funds (but up to 4 if relevant)
<b>TOTAL</b>	<b>14 – 25 funds</b>

**Fully Growth Portfolios:** For clients that select to use Moneyworks to manage their growth part of their wealth (they may have other wealth elsewhere or just choose to only invest in growth investments) we will run a 98% growth assets and 2% cash portfolio for them, as requested.

## 5. Minimum Standards for inclusion in Moneyworks Portfolios

In addition to our negative screening, Moneyworks applies minimum standards for inclusion in our Hybrid and Ethical portfolios. These are outlined in Appendix Four.

## 6. Client Risk Profile and Risk Tolerance

### Individual client

1. Personal Risk Questionnaire
2. Your Feelings about Money
3. Information risk profiles in financial plan
4. Cashflow management/retirement savings analysis projections (after tax, fees and inflation)
5. Ability to invest
6. Regular discussions with clients when their situation or needs change (eg retirement, receive inheritance, reach their goals).
7. Ethical Preferences Selections.

### Rebalancing clients portfolios (including initial investments)

Moneyworks regularly use the dollar cost averaging philosophies for new Lump Sums for clients.

When a client is changing from the Base portfolio to either the ethical or hybrid portfolios, we will agree with the client the time period that this will be done over. For some clients this may be a period of years, for others it might be much quicker.

### Big Picture

Portfolio Construction Forum Finology.

## 7. Client Ethical Preference

Moneyworks will ask each client the following questions to ascertain their approach to ethical investing:

1. Do they want an ethical analysis Yes or No. Each existing client received an ethical analysis in 2022, and we will continue providing the ethical analysis run each year, so that clients can see the impact that their money is having, even if they remain with the base portfolio.
2. What their 'Degree of ethical exposure' is. This is ranked on a scale of three: (Base (1), Hybrid (2), Ethical (3)), which shows us where their portfolio will sit. Clients may be between these options, so they can have a '½' or a '1 ½' or a '2 ½'. This will guide the adviser in their rebalancing's and recommendations.
3. We will ask clients whether there are any 'nasties' that they have specific concerns about. While we can't guarantee that there will never be any exposure to these companies or

nasties, our data analysis provides information on exactly how much exposure (if any) the client holds based on the most recent publicly available information.

## Appendix One: Factors considered in investment and Fund Manager selection

**Note, this is not a formal checklist, but is a guide to making a decision. Not all factors will be checked or apply to each investment analysed or reviewed.**

Research House Ratings
Ownership Structure (skin in the game? Owner, Manager, Employee?)
Business Viability (FUM\$, fund flows in/out, profitability)
Any regulatory issues?
Focus is on investing as compared to marketing/asset retention
People Experience
People Key Person Risk and depth of experience
People stability
Our personal perception of people and their ethics and motivations
Is the Philosophy coherent and consistent?
Is the Process consistent with the philosophy?
Is the Process Explainable?
Is the Process Transparent?
Is the Process Disciplined?
Is the Process Repeatable?
Has process added value over time?
Does the portfolio reflect the philosophy and process?
What is the portfolio turnover and active share?
Is the portfolio high conviction?
Is the performance reasonable on a risk-adjusted basis over time?
Is the performance in context with the market forces at play?
What are the fee levels? Are any performance related fees realistic?
Are the returns extremely concentrated in one stock or sector?
Are the relative returns competitive with peers/benchmarks?
What is the portfolio ethical score on Mindful Money research?
What is the ethical approach by the fund manager to investing?
Is there greenwashing or lip service paid to ethical investing?
UNPRI Signatory?
Member of RIAA?
Does the fund manager walk the ethical talk?

## Appendix Two: Ethical Investment Analysis Template

### Ethical Investment Analysis

	<b>Investment Name</b>	
	<b>Investment Code</b>	
	<b>Date of Analysis</b>	
	<b>Version of Analysis</b>	
	<b>Fund inception</b>	
1	<b>Fund Manager launch date</b>	
2	<b>Fund Manager ownership</b>	
3	<b>Fund Manager profitability</b>	
4	<b>Asset Classes</b>	
5	<b>Total FUM of business</b>	
6	<b>FUM</b>	
7	<b>ICR &amp; Performance Fees</b>	
8	<b>Buy/Sell Spread</b>	
9	<b>Investment Team</b>	
10	<b>Investment Approach/strategy</b>	
11	<b>Active Engagement Moneyworks with Fund Manager notes</b>	
12	<b>Actual Exposures/Mindful Money analysis</b>	
13	<b>RIAA Certified/Rated (Responsible Returns.com.au)</b>	
14	<b>RIAA Member</b>	
15	<b>RIAA Responsible Leader</b>	
16	<b>B-Corp Status</b>	
17	<b>PRI Signatory</b>	
18	<b>Other Signatories to</b>	
19	<b>Collaborative Engagement memberships</b>	
20	<b>Initiatives supporting</b>	
21	<b>Consistent internal question list for companies?</b>	
22	<b>Active Share/Turnover information</b>	
23	<b>Level of ESG integration (to Board level?)</b>	
24	<b>Philosophy/Policies</b>	
	ESG Awareness	
	ESG Integration (RIAA)	
	Negative Screening (RIAA)	
	Corporate Engagement & Shareholder Action (RIAA)	
	Positive Screening (RIAA)	
	Sustainability Themed (RIAA)	
	Impact Investing (RIAA)	
25	<b>Focus</b>	
26	<b>Research inputs</b>	
27	<b>Proxy Voting services</b>	
28	<b>Voting policy</b>	
29	<b>Screening For</b>	
30	<b>Fully Excludes</b>	
31	<b>Materiality minimums</b>	
32	<b>Responsible Investment Policy?</b>	
33	<b>Active Engagement purpose and policy</b>	
34	<b>How is active engagement managed?</b>	
35	<b>Tracking engagement</b>	
36	<b>Engagement success stories?</b>	
37	<b>Walking the Talk</b>	
38	<b>Carbon Intensity Measures</b>	
39	<b>Climate emissions targets</b>	
40	<b>Carbon Credit/Offsets practice</b>	
41	<b>SDG's alignments</b>	
42	<b>Impact/Sustainability/Other indepth annual report?</b>	

43	<b>Comparative historic returns</b>	
44	<b>Morningstar (Sustainalytics)</b>	
	Sustainability Rating	
	Historical Sustainability Score Percent Rank	
	ESG Rating	
	Carbon Risk Score	
	Fossil Fuel Involvement	
45	<b>Lonsec</b>	
46	Does the organisation have the resources (Size/profitability) available to fulfil regulatory and risk management requirements.	
47	Is/or has the organisation entered into a growth phase that has outstripped their staff capacity.	
48	What is the staff turnover – Does this create a good or negative impact?	
49	Does the Board have independent directors? Diversity? Is it overboarded?	
50	Have the systems, processes and capability kept pace with the growth of the business?	
51	Is the business continually evolving and changing and keeping up with market requirements?	
52	Have you had any unit pricing or valuation errors in the last 24 months? If yes, how did they occur, how were they identified and how were they rectified?	
53	What do you outsource and how often is that relationship reviewed? Who undertakes that review?	
54	Who makes the final decisions on security selection/asset allocation (for Multi Sector Fund)? What happens if they aren't available?	
55	<b>Fund Managers comments on the research house results</b>	
56	<b>Duplication of exposure with other investments</b>	
	<b>Stock Intersections</b>	
	<b>Portfolio Allocation</b>	
	<b>RIAA Spectrum Positioning</b>	
	<b>General Notes</b>	
	<b>Comments</b>	
	<b>Summary paragraph for explaining to clients</b>	
	<b>Additional documentation to share with clients</b>	
	<b>Reviewed by</b>	Carey Church FSP 86101

## Appendix Three: How to do an Ethical Investment Analysis

1. Set up the template and save to the fund manager file in the Ethical & ESG folder
2. Print out a hard copy so that you can see it in front of you, so that you can work out where information belongs when you come across it.
3. Find any Lonsec research (preferably the Product Review & a Sustainability Report) and print out after saving to GDrive file for that company
4. Find any Morningstar research and print out after saving to folder
5. Download the PDS, Additional booklets, fund fact sheets and download to that folder.
6. Go to fund managers website and find ALL the pages, documents on ESG, Ethical, Responsible or Sustainable investing. Print the pages to PDF, save to GDrive folder and print out. Same with any documents, save to GDrive folder and print out.

7. Find any webinars or communications on ESG etc that we have received from the fund manager in the last 12 months, and save to folder. Print out all the relevant information.
8. Find out the ownership information for NZ based businesses, and their financial statements from the Companies Office.
9. For non NZ companies, will have to google and look through their websites to see what you can find out about ownership and profitability
10. Start filling in the form with the information using Lonsec. If there is no Lonsec report, you will just have to start with PDS and Fund Fact Sheets (much harder if no Lonsec docs).
11. Move through all the documents you have in front of you filling in information. If you feel you don't have enough information, highlight it in yellow to come back to.
12. Make a list of questions on either a word document, or on an email, as you are working through, you can delete them if you find the answer later.
13. If the fund is reviewed by Morningstar, then you will hopefully be able to find the (more or less useless) Morningstar/Sustainalytics information on ESG which you can add.
14. Get the research report from Mindful Money to assess the nasties. If this fund looks like it should be added to our recommendations, contact the fund manager to ascertain the rationale behind the nasties.
15. Review the responses to the 'nasties' questions.
16. Arrange a meeting (Video Conference or in person) to discuss any remaining questions with the fund manager.
17. If it is being recommended, ascertain whether it is available on the OneAnswer platform or the wider FNZ platform and what has to be done to make it available to Moneyworks clients. This may be as simple as adding it to OneAnswer, or may require a minimum commitment of \$350,000 in a 3 month time period.
18. Make a recommendation about how and where this fund would fit in to the Model Portfolios, or as a satellite fund for certain clients to the Business Meeting/Investment Meeting, for discussion and consideration by the investment team.
19. Ensure that the following information is added to the Current IPS & PDS folder – PDS, IPS.
20. Ensure that the fund is added to the Model portfolios, with the correct code, and to the Morningstar watchlist and analysis for performance analysis.

## Appendix Four: Minimum Standards for inclusion in a Moneyworks Portfolio

### Minimum standards for inclusion in Moneyworks Portfolios as at 24th November 2022

**This is a living document and will be continually updated as we engage with and research our fund managers.**

The minimum criteria will continue to evolve, and we will have a wish-list of things that we want from fund managers, and want to see them working on. It is our responsibility to actively engage with the fund managers to achieve those outcomes.

Standard - Ethical	Hybrid	Ethical	KiwiSaver
Accessibility to Moneyworks for information and engagement	Minimum criteria as outlined in Additional Information	Minimum criteria as outlined in Additional Information	Minimum criteria as outlined in Additional Information
Active Engagement Register or commentary available ideally with outcomes (could be in impact report)	Preferable, but not a minimum	Minimum requirement	Preferable, but not a minimum
B Corp	N/A	Nice to have	Nice to have
Carbon Emissions Reporting	Preferable, required by 01/01/2025, working towards	Preferable, required by 01/01/2025, working towards	Preferable, required by 01/01/2025, working towards
Contribution of Fund Manager to the community	N/A	Nice to have	Nice to have
Formal Framework for ethical analysis	Preferable	Minimum requirement	Preferable
Impact or Sustainability Reporting annually - metrics	Preferable	Preferable, but working towards minimum requirement	Preferable
Impact or Sustainability Reporting annually - report	Preferable	Minimum requirement	Preferable
Impact or Sustainability Reporting in monthly reports	Preferable	Preferable, but working towards minimum requirement	Preferable
Mapping to SDG's	Nice to have	Preferable, but working towards minimum requirement	Nice to have
Mindful Money Screening maximum score of the portfolio <sup>2</sup>	7.50%	4.00%	5.00%
Performance relative to peers on internal Morningstar tracking	See Additional Information	See Additional Information	See Additional Information

<sup>2</sup> Subject to a 'logic check' where we are satisfied that there are valid reasons for the higher score (to prevent this being a trigger for us to have a high turnover of fund managers in our portfolio if a fund managers 'nasties' go over this score) and subject to future changes in Mindful Money methodology.

Proxy Voting reporting on Website or in impact report	Preferable, but not a minimum	Minimum requirement	Preferable, but not a minimum
RIAA Certification	Not applicable	Minimum or a suitable plan to get there	Preferable, but not a minimum
RIAA Leader	Not applicable	Working towards	Working towards
Thought leadership – blog, newsletter articles, webinars, communicated to advisers and not just retail clients	Minimum requirement	Minimum requirement	Minimum requirement
Transparency of information (commentary on nasties in MM)	Require an answer within three weeks of query being sent – based on a minimum threshold of the materiality of the holding.	Require an answer within three weeks of query being sent – based on a minimum threshold of the materiality of the holding.	Require an answer within three weeks of query being sent – based on a minimum threshold of the materiality of the holding.
UNPRI Membership	Minimum	Minimum	Minimum

**Additional Information - This document is to be used in conjunction with the following notes and comments:**

**1. Accessibility to Moneyworks**

This standard incorporates the following criteria:

- a. Proportionality – all of the following criteria are to be considered in light of the size of Moneyworks investments with that particular fund, and the size of the fund manager (eg Capital, don't realistically expect to get to speak directly to a Portfolio Manager, this will be through investment specialists).
- b. Access to Portfolio Managers. We anticipate that our queries will be answered clearly and in a timely manner by the Portfolio Manager (anticipate that this will be through an Investment Specialist or BDM initially).
- c. Access to ESG investing specialists – anticipated that we will have direct access through email, personal contact on a proportionate basis. We anticipate that our queries will be answered clearly and in a timely manner.
- d. Access to updated portfolio information in a timely manner (within 40 days of the end of the quarter for recommended investments).
- e. Engagement directly will be on a minimum of an annual basis, preferably in person on a targeted programme (eg adjunct to Best of Breed trip to Australia 1x year, visits to New Zealand fund managers preferably grouped, so that it is easier to compare answers and keep consistency.)
- f. Annual Project. We aim to form a core project to engage with our fund managers annually, as we don't wish to waste their time. We will send them our questions in advance, so that everyone can make the best use of the time. We get better responses when we have prepared well.
- g. Index funds. Where there is no active fund manager, we need to fully understand the index building and review methodology and set up a process for continual review and update when changes are made.
- h. Time period of response will depend on the situation.
- i. Different standards for Ethical and Hybrid information.



**2. Active Engagement register or commentary available ideally with outcomes attached.**

We recognise that outcomes may be commercially sensitive and the published information is likely to be historic. However, we anticipate that fund managers will provide us with information when we are actively engaging with them, as proof of impact of active engagement, even if information is not permitted to be released publicly.

**3. Carbon emissions reporting**

The legal requirements will be changing significantly because of TCFD for larger fund managers over the next 3 years. We will encourage other fund managers to follow suit as more information will be available. The goal is to get some consistency from our fund managers of the reporting framework and metric, so that we can pass this information down to a client level, calculating individual carbon emissions.

**4. Impact/Sustainability reporting (three categories – metrics, reporting and monthly)**

This is a developing category, little consistency of reporting at present where there is reporting. Moneyworks will work with fund managers to encourage them to build towards such reporting.

**5. Mapping to SDG's**

Preferable for the fund managers to have this in place, or be working towards this, or have a good rationale as to why not or why they don't think that this is applicable.

**6. RIAA Certification/Leadership**

Moneyworks to encourage fund managers to work towards RIAA Certification and then RIAA Leaders.

**7. Thought Leadership**

Moneyworks realise that active engagement and encouragement of fund managers may be required to ensure that good quality thought leadership is available for advisers, and not just retail clients, and that this is communicated to advisers, and we don't have to go hunting for it on the fund managers website.

**8. Performance vs Peers**

Over 5 and 10 year time frames, top quartile on our internal monitoring worksheets

Over 3 year time frames, top half on our internal monitoring worksheets.

Shorter than 3 years, monitored for negative trends, but too short to make a comparison for decision making.

**Portfolio Diversification**

1. Asset Classes
2. Geographic were applicable
3. Income Generating
4. Ethical Areas of focus

**Ethical Areas of Focus (to be developed)**

Climate	People
Governance	
Waste	
Water	
Energy	
Social	

<b>Standard – Non Ethical</b>	<b>Hybrid</b>	<b>Ethical</b>	<b>KiwiSaver</b>
Fees, performance fees			
Performance vs peers			
Alpha added by active management - Can an index fund replicate the strategy (particularly if fund is low turnover and active)			
Available on OAPs or FNZ or Available in NZ			
Diversification			
Asset class covered			

**Notes for future discussions with Fund Managers**

1. How do you analyse and assess the concentration of shareholdings? Eg, is the company widely held (where your vote can have an impact), or are there controlling shareholders (founder owners, large investors, state)? How do you deal with the situation if there are controlling shareholders?
2. How do you analyse and assess the linking of compensation in companies to ESG goals? How do you link ESG goals with your remuneration of staff?

## Appendix Five: Ethical Analysis Data process

### Model Portfolio Performance Analysis

Step	Specific Actions to note/errors
Adviser launch an activity template (Model Portfolio Performance Analysis) on Model Portfolio – Ethical Analysis Solve contact, choosing the model portfolios to be analysed	Millie sent a trigger email
Millie sets up a new worksheet for the analysis and then adds the allocation from the relevant model portfolio selected to the worksheet.	Millie selects investments based on the CODE in the master worksheet in Investment Information/Investment Performance Analysis and in the Model Portfolio worksheet. If these do not match, she will go and see if she can find the code from the OneAnswer Product Menu. If she cannot find it, she will send an error message to Carey, but the analysis won't be done for that fund.  It is important to note that ETF's won't be analysed as they are not on the Morningstar performance information list.
Millie adds the performance information for each fund in the portfolio based on the last available information.	
Millie calculates the proportional (weight adjusted) return for the portfolio based on historical performance and allocation in the portfolio.	
The returns are summarised by time period at the front of the worksheet for quick reference.	
This process will be automated to be carried out quarterly from 2023 by Millie	
<b>ISSUES:</b>	
1. If someone other than Carey is launching the analysis, you need to let Carey know who it is for when any Code error messages come through.	

### Ethical Analysis Company Analysis and Difference Analysis

Step	Specific Actions to note/errors
Adviser launch an activity template (Company Analysis and Difference Analysis) on Model Portfolio – Ethical Analysis Solve contact, choosing the model portfolios to be analysed	Millie sent a trigger email This should only be carried out when a new lot of Mindful Money analysis is received.
Millie sets up a new worksheet for the analysis and then finds the last two Mindful Money analyses that are in her file.	

Lists all the companies in the analysis for each Mindful Money file (each one on a separate excel document)	
Creates a spreadsheet where she itemises all the added and deleted companies	
Creates a summary where she deletes duplicates based on the first two words of the company name	There will still be some double ups because of typo's and other differences, but these are easy to eliminate.
<b>ISSUES:</b>	
1. The Mindful Money analysis has to be saved to Millie Information/Ethical Analysis folder for this to work.	

### Ethical Analysis De-duplicating process

Step	Specific Actions to note/errors
Adviser launch an activity template (De-duplicating ethical analysis) on Model Portfolio – Ethical Analysis Solve contact when the new Mindful Money worksheet for the 6 months is available	Millie sent a trigger email This should only be carried out when a new lot of Mindful Money analysis is received.
Millie copies the existing information into a master tab for future reference	
Millie then goes line by line in the Mindful Money worksheet and finds where a company has been mentioned multiple times. She then divides the allocation by the number of times that the company has been mentioned and turns the font red so that we can identify it.	The rationale is that Mindful Money process is to include the full exposure within the portfolio to each nasty category. We consider that this over-represents the exposure that clients have, so have decided that the total exposure represented should be the total exposure in the fund managers portfolio.
Millie then does a calculation to ensure that the total score reflects the lower allocation per company.	The Mindful Money analysis incorporates all companies in the total, so the score is often bigger than the total of the listed companies. Only companies with a 0.01% exposure are listed. Millie takes this into account in her calculation.
Sends a completion email.	
<b>ISSUES:</b>	
1. The Mindful Money analysis has to be saved to Millie Information/Ethical Analysis folder for this to work.	

### OAPS Product Menu Download

Step	Specific Actions to note/errors
As part of the FUM and Fund Flow analysis on the 1 <sup>st</sup> of each month, Millie downloads the OAPS Product Menu and saves it to her file.	
When downloaded she compares the funds listed on the menu and identifies any funds that have been deleted, changed or added and sends an email to all advisers with the menu attached and identifying the changes.	

## Ethical Investment Analysis – Annual Review

Step	Specific Actions to note/errors
From 2022 Annual Reviews an email will be sent to Millie as part of the Annual Review activity template. All clients in 2022 will have an ethical analysis carried out and included in their AR document. They can then select yes or no as to whether they want it done every year in the future.	If the client doesn't want the analysis – this box selection will have to be changed by the adviser on Solve. It can be changed back in the future.
Millie will run the ethical analysis based on a OneAnswer portfolio and up to two KiwiSaver funds, and Other investments	A recent rebalancing spreadsheet needs to be in the client file before the annual review (which should be done as part of the annual review process). Millie takes the numbers AFTER the rebalancing would be done.
If a KiwiSaver Fund Name or Other Investment Fund Name is not already on the Mindful Money worksheet, Millie will go to the Mindful Money worksheet to add it.	If the name is NOT exact, Millie will fail and the process will fail. An error message will be sent. The adviser needs to add the Moneyworks Name and the Mindful Money name to the Mapping schedule in Millies folder for it to work in the future.
If the adviser wants any additional funds analysed with information from Mindful Money they need to write the name exactly and the amount to be analysed (separated by an *) in the 'Add fund to Ethical Analysis' box in the Solve template.	Millie will do analysis by individual contact and by Master contact, so if you are adding investments, Millie should allocate it to the persons name that you have added the assets. Eg – if it is a KiwiSaver that we aren't the adviser for, put it with the exact spelling that it is on Mindful Money (copy and paste) on the correct persons individual contact.
Millie sets up a new folder called Ethical Analysis in the clients year folder and sets up a new worksheet. She copies the last Mindful Money information into a worksheet called 'Source Data'. This is where any additional funds identified by the adviser will be added to.	
Millie copies the last rebalancing (subject to it being new enough) into another worksheet.	If there isn't a new enough rebalancing, she sends an error message and stops until she gets Go Ahead email from adviser with a rebalancing worksheet set up. If no portfolio in place, she sends an error message saying no portfolio and continues.
Millie sets up the other worksheets for the analysis and starts calculating the exposure to nasties. This is done in two ways, 1. Nasties by category defined by Mindful Money and 2. By company.	The categories of nasties are defined by Mindful Money/RIAA consumer research published in October of each year (usually).
Millie calculates the dollar weighted average of exposure across each portfolio and each risk profile for KiwiSaver for each client, based on the exposures in the Mindful Money analysis.	This is calculated on a separate worksheet for OneAnswer portfolios and then amalgamated with the KiwiSaver and Other Investment information on the RESULTS worksheet.
Millie analyses the companies that the client is exposed to on a Company Analysis worksheet, then groups these together on the Company Results worksheet. <b>She sorts by total value exposure, then works out the % exposure of total wealth to that company.</b>	
Mindful Money is adding the main companies that our clients are invested in to the analysis from July 2021. If a company has exposure to a nasty	

category – eg Fossil Fuel, the allocation will be to that company in that field at 100% (eg BHP)	
Millie then graphs the companies into total exposure by investment type (eg KiwiSaver person 1, KiwiSaver person 2, OneAnswer portfolio), and simplifies this to the top xx exposures.	As we continue with this project we are able to change the Top xx companies to up to 20 companies if we find that we need to increase the depth of analysis. This number is changed in the Ethical Analysis Template table in the Annual Review and the Stand Alone process heading. It is important that there are always two blank lines in this table as Millie will be looking for them.
Millie copies the information into the Annual Review template as part of the Annual Review populating process. This includes a list of 'Dollar Value exposure to nasties' by investment entity and risk profile. And graphs of '% exposures to nasties' by investment entity and risk profile, and Top xx Company exposures by % by entity and Top xx company exposures by % of total wealth.	Note, some clients have a lot of entities and may need to have the page turned into a landscape page. At present, the template is set up to do this, but if it doesn't happen very often, we can do it manually by adding section breaks for the situations where it needs to be landscape instead of portrait.
Millie identifies the Top xx companies and copies the blurb into the annual review from the template held in Millies file called 'Information on your Top company exposures'.	The number of companies can be changed at any time, but the starting number is 20 companies. We will probably have a one page summary of the main companies as stand alone sheets, shared with clients under 'Additional Financial Information', we may print out one with each AR in 2022 to assist with the project and introducing this information to clients.
As part of populating the Annual Review template, in the Client Details there is a new section from 2022 for clients Ethical Preferences.	Advisers will need to work through this with clients in the 2022 AR and in the financial planning process, with a score of 1 to 5 (5 being strongly against, no ethical exposure if possible.). This will be a core part of the project and the scores have to be added in to the client Solve information. Please note that there can be different scores for each person and a joint portfolio.
<p><b>ISSUES:</b></p> <ol style="list-style-type: none"> <li>1. If a client has a KiwiSaver that Millie can't access (eg Generate), the adviser needs to run the report and save it into the client file in the normal naming fashion (easiest to save as for last years one, then change the date and save it into this years folder. Millie will read the information out of each report if she can't access the informatin online.</li> </ol>	

## ADD STOCK INTERSECTIONS INFORMATION WHEN FINALISED

## Appendix Six: Other in-house tools built to assist with analysis.

Process Name	When	Process Type	Trigger	Business Value
<b>Error! Reference source not found.</b>	1 <sup>st</sup> day of each quarter, February, April, July, October	OAPs – Term Deposit Maturities	Date of Quarter	Set up strategy for each TD maturity
<b>Error! Reference source not found.</b>	8 <sup>th</sup> day of each month	Morningstar monthly investment analysis	Date of Month	Reports on performance of hundreds of funds, sorted by best to worst performer over 3m, 6m, 12m, 3yr, 5yr, 10yr time periods. Funds recommended and being considered highlighted so can track relative performance at a glance.
Quarterly FUM Analysis	4 <sup>th</sup> day of each quarter	FUM analysis	Date of Quarter	Enables us to understand the exposure we have to each fund manager and each fund, particularly in relation to the fund size.
Quarterly Model Portfolio Performance Analysis	End of each quarter February, April, July, October	Model Portfolio Performance Analysis	Date of Quarter	Attached to the Investment Performance process and run each quarter when it is finished.

## Appendix Seven: Investment Mandate

As outlined in your Contract of Engagement, you have provided Moneyworks NZ Limited with Investment Authority to manage your funds under a **Contingency** Discretionary Investment Management (DIMs) structure. Your investment mandate is made up of a number of components as follows:

1. Written Authorisation. Moneyworks requires your written authorisation to make any changes to your investment portfolio under the Adviser Discretion. This can be given by email or by signing the meeting notes at the Annual Review or any other agreed method.
2. Contingency DIMs. Under s183 of the Financial Markets Conduct Regulations 2014 an exemption is available from having written authorisation, in the situation of temporary management of your portfolio in situations of absence or incapacity or unexpected contingencies.

We operate under this agreement with you, so that if we have to move quickly and cannot contact you, we can go ahead. We will attempt to contact you, but will always tell you what has happened within 10 working days of the transaction.

If you wish we can limit the % of your portfolio that we can use this authority to manage.

We don't imagine that we will use this authority often, possibly not at all. But it is important for the effective management of your investments that this facility is available to us.

You have the right to withdraw this authority at any time, or to not give us this authority.

3. Use of the independent custodian FNZ and ANZ Investments OneAnswer Portfolio System (WRAP Platform). You have signed an agreement with FNZ/OneAnswer and an Adviser Discretion Authority to enable this to work as administratively efficiently as possible. None of your investments are ever held by Moneyworks, they are all held by the independent custodian.
4. Agreement of your risk profile. This has been established using the Morningstar Risk Profiling tool and through a discussion with your adviser. Your risk profile is clearly stated in this Financial Plan or Annual Review, along with information on the characteristics and research relating to what you can expect of your risk profile. Your risk profile may change as a result of changes in your situation or the economic/investment environment. We will discuss your risk profile with you on a regular basis as is needed.
5. Regular updates of your goals and objectives. At each Annual Review we will update your goals and objectives, to ensure that there is no new information that should be taken into account in your financial planning and investment management.
6. Ethical Investing. In conjunction with you, we will determine what sort of Ethical Investment exposure you wish to have. These will be based around the following definitions:
  - (1)**Hybrid portfolio**, which contains investments that have ESG integration, active engagement on ESG issues and some positive screening. These will be combined with some of the fund managers from the Ethical portfolio that are seeking investments that 'do good' and 'want to make the world a better place.
  - (2)**Ethical portfolio** containing investments that are aiming to 'do good' and 'making the world a better place'.
7. The Rebalancing Worksheet. This worksheet shows you your current investment holdings, the long term benchmarks, and our recommendations for you. This



worksheet is provided to you when any major changes to your portfolio are made, including any unanticipated withdrawals or new investments, whether a new regular investment or a lump sum. Your portfolio will be reviewed annually at your annual review. It may be reviewed more often if there are changes in your financial situation, or there are changes in the Moneyworks investment strategy and philosophy.

8. Available investments. Moneyworks will provide you with information on the investments that are recommended, including information in the format of an Investment Product Summary when available as well as any Product Disclosure Statements or related legal documents. These investments and allocations will be outlined in the Rebalancing Worksheet, or in an email discussion with you. Moneyworks does not recommend any investments that are not publicly available. In general these will be managed funds in New Zealand and Australia, cash, term deposits and direct bonds. Occasionally there may be some direct shares in your portfolio.
9. Corporate Actions. A Corporate Action is an event where a decision has to be made on an investment in your portfolio. Moneyworks will contact you in a timely manner when we are notified of the corporate action. We will make a recommendation to you where suitable, and require confirmation from you of which action to take. We will then communicate this to the independent custodian FNZ.
10. Long Term Benchmarks for different risk profiles. Moneyworks uses the research from Lonsec, Morningstar and Farrelly's to establish the asset allocation for your risk profile. This is adjusted for your personal situation in your own portfolio and recommendations.
11. Online access. You have the ability to view your investment portfolio online at any time. This access needs to be set up. If you need assistance in enabling this access, contact us.
12. Investment reporting. You will receive a portfolio valuation and performance each year at your Annual Review. You will receive a taxation report in hard copy directly from FNZ each year in around May. Moneyworks will also share a soft copy with you via Millie Moneybot and Google Drive. At any time, you can request information on the transactions on your account, or a report on your portfolio from Moneyworks. This will be provided as soon as is feasible. You can view the transactions on your account with your online access at any time.
13. Portfolio Valuations. Your investment assets are valued continuously based on the market value of the assets, and can vary in value from hour to hour. Any report provided to you is a snapshot of the valuation at the time that the report was printed and is not a guarantee of future value of the investments.
14. If you are sick or unable to conduct your affairs. We will work on the basis of your Enduring Power of Attorney. In the absence of an Enduring Power of Attorney, your representative will need to arrange legal instruction for us change your portfolio. Unless we are making a change to the use of a particular fund manager, across the board, we are unlikely to change your portfolio, apart from selling assets to provide cash to fund the tax and fees obligations. Any asset sale will be limited to the provision of 12 months of anticipated tax and fee liability.
15. Fees payable. These are outlined in your Contract of Engagement and in the voluntary disclosure document in your Annual Review. These are deducted from your cash transaction account in your investment portfolio each month. You can view this information in your transactions report and on the front of your portfolio performance report and on your taxation report.
16. Other relevant information. Other relevant information is outlined in this Annual Review document, including whether your distributions are paid to cash or reinvested, method and addresses of communications with you.
17. Changing the authorised signatories under your Investment Authority. This would be an unusual situation, and we would require written proof of the reasons behind the

change. We would also require to either meet the new signatory in person so that we can certify their identification personally, or to have independently certified documentation provided.

18. Termination of portfolio. Moneyworks aims to have 'liquid' investments in your portfolio. As a result, any investment should be able to be cashed in within 15 working days, subject to the termination notice outlined below in point 18. There may be some exceptions with old investments that have a different structure.
19. Contract of Engagement. It is agreed in the Contract of Engagement that if the contractual arrangement between Moneyworks and yourself is terminated, that there is a two month notice period. This enables your investment portfolio to be realised in a methodical dollar cost average manner, or to be transferred to another custodian. There are no penalties associated with the termination of this mandate. Any withdrawal from your portfolio can only be made into the bank account associated with your investment account, as advised by you.

## Appendix Eight: Investment Meeting Template

### Investment Meeting

Meeting Date	Present	Times
After Portfolio Construction Forum (Feb), Summit (August), Fund Manager 1:1's	Carey, Peter, Paul	10.00– 5.00

#### Purpose:

1. To review our recommended fund managers
  - a. Stock Intersections
  - b. Changes to portfolios
  - c. New fund managers to analyse and consider
  - d. Changes, concerns
  - e. Changes to allocations and asset allocations
2. To ensure that we understand what is happening - Historically, Now, Future
  - a. World – Economic and Geopolitics
  - b. Investment Markets
  - c. Investment Managers
  - d. Investment Funds
3. To ensure that we are on the right track
4. To share our knowledge, thoughts and ideas

#### Agenda

Category	Topic	To discuss	Notes
General	Discussion- Learned, Questions, Thoughts, Ideas		
FMA	FMA Guidance Notes		
Fund Managers	Meetings with Fund Managers held/planned		
Fund Managers	Webinars/Reports from Fund Managers to discuss		
Fund Managers	Research Reports – Morningstar, Lonsec, Research IP		
Fund Managers	New Funds available		[Add to investment performance analysis process]
Fund Managers	New Ethical Analysis		
Fund Managers	Specific Fund analysis and commentaries		
Mindful Money	Mindful Money Nasties/ Definitions and changes		[Check minimum standards and mapping]
Performance	Back-testing performance of model portfolios		
Process	Minimum Ethical Standards		
General	General information to discuss (from documents, webinars, media)		
General	Next meeting date		