



# CarbonFund

**Salt Listed Funds**  
**Statement of Investment Policy and Objectives (SIPO)**  
Dated 9 June 2025

**Issued by Salt Investment Funds Limited**

The commencement date for this SIPO is 9 June 2025 and the most current version is available on the Disclose Register at  
<https://disclose-register.companiesoffice.govt.nz/>

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## 1. Description of the Scheme and Fund

The Salt Listed Funds ("Scheme") is a managed investment scheme registered under the Financial Markets Conduct Act 2013 ("FMCA"). The Scheme was established pursuant to a Master Trust Deed dated 12 October 2018, as amended and consolidated on 9 June 2025 (as further amended from time to time).

The Carbon Fund ("Fund") has been established within the Scheme by way of an Establishment Deed dated 12 October 2018, as amended from time to time.

The Fund is a portfolio investment entity ("PIE") for tax purposes. The Fund is also a stand alone trust, which means that the assets of the Fund cannot be used to satisfy the liabilities of any other fund established within the Scheme.

Salt Investment Funds Limited ("Manager", "we", "our", or "us"), the licensed manager of the Scheme, has listed the units in the Fund on the NZX Main Board (under ticker code CO2).

The Manager is a wholly owned subsidiary of Salt Funds Management Limited ("Salt") and all resources the Manager needs to carry out its functions are provided to it by Salt under a written Management Support Agreement. We have outsourced unit pricing services in respect of the Scheme to Apex Investment Administration (NZ) Limited ("Apex") and registry services to MUFG Pension & Market Services (NZ) Limited (formerly Link Market Services Limited).

The New Zealand Guardian Trust Company Limited is the supervisor of the Scheme ("Supervisor"), and has appointed Apex to hold the assets of the Fund as custodian.

## 2. Investment Philosophy

We and Salt are active managers. Our shared investment philosophy is centred on the belief that market inefficiencies exist that can be exploited over time to deliver superior risk-adjusted returns.

Further, the consideration of environmental, social and governance ("ESG") factors is integral to the research we carry out. Salt analysts consider the potential for ESG factors to influence long term returns on invested capital (positively and negatively).

Salt is a signatory to the United Nations-supported Principles for Responsible Investment. Salt's Responsible Investment Policy is centred upon the six principles defined within this initiative. To find out more about this initiative, please visit <http://www.unpri.org>.

## 3. Investment Objectives of the Carbon Fund

The Fund's primary investment objective is to provide investors with a total return exposure to movements in the price of carbon credits.

The Fund has the ability to buy carbon credits in emission trading schemes in New Zealand and offshore. As a result, the Fund may also provide exposure to the price of carbon offshore.

### Investment Strategy

#### *Investment approach*

The Fund generally gains its exposure through purchasing and holding carbon credits on the New Zealand Emissions Trading Scheme ("NZ ETS"). We may also use derivatives to gain exposure to the NZ ETS.



The NZ ETS is the NZ government's primary response to reducing New Zealand's greenhouse gas emissions. Its objective is to support and encourage global efforts to reduce greenhouse gas emissions by assisting New Zealand to meet its international obligations arising under the 1992 United Nations Framework Convention on Climate Change, the 1997 Kyoto Protocol, and the 2015 Paris Agreement, and assisting New Zealand to meet its 2050 target and emissions budgets. The 2015 Paris Agreement, which was signed by more than 195 countries, sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C. To find out more about the Paris Agreement and how the NZ ETS works go to [www.carbonfund.co.nz](http://www.carbonfund.co.nz).

The Fund can invest in international carbon credits directly by buying and holding units directly in emissions trading schemes. Where direct investment in offshore schemes is difficult to execute, the Fund may hold futures, forwards, swaps or other derivatives that provide exposure to established offshore schemes such as the European Union emissions trading system.

The EU emissions trading system ("EU ETS") is a cornerstone of the EU's policy to combat climate change and its key tool for reducing greenhouse gas emissions cost-effectively. It is the world's first major carbon market set up in 2005 and remains the world's biggest. For more information on the EU ETS see the Other Material Information ("OMI") document available on the Disclose Register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

The Fund may invest in other offshore schemes other than the EU ETS in the future if Salt considers the scheme is sufficiently established and provides a robust investment opportunity to the Fund.

The Fund may invest a small proportion of its assets in financial products (including debt and equity securities) issued by businesses that in our and Salt's opinion earn carbon credits through their core operations ("Carbon-Related Businesses"). Generally, Salt would only look to invest the Fund's assets in Carbon-Related Businesses when it sees an opportunity to provide a superior risk-adjusted return exposure to the price of carbon credits.

The Fund may also buy, hold, and deal with Treasury Units, as explained on page 4.

The Fund is actively managed by us. This means we buy and sell carbon credits on emission trading schemes, or hold cash or other authorised investments based on our own analysis and assessment of the market. This includes our assessment of the price of carbon credits relative to the demand and supply of carbon credits and other factors including technological advancements, politics, regulation, fuel prices and even global weather and climate change.

We do not believe there is an appropriate market index or a suitable cryptocurrency or commodity index or benchmark (as defined in the Financial Markets Conduct (Market Index) Exemption Notice 2024 or the Financial Markets Conduct Regulations 2014) against which to assess either movements in the market in relation to the returns from the assets in which the Fund invests (being primarily carbon credits) or the performance of the Fund as a whole. This is because the Fund is the first fund, listed or unlisted, to invest in carbon credits in New Zealand, the price of carbon credits on the NZ ETS has a very low correlation to other major asset classes, and carbon credits are expected to comprise the vast majority of the Fund's assets. On this basis we will not be assessing performance of the Fund against a market index or a cryptocurrency or commodity index or benchmark in reliance on the exemptions set out in the Financial Markets Conduct (Market Index) Exemption Notice 2024 or the Financial Markets Conduct Regulations 2014, as applicable.

Currency hedging involves offsetting the currency exposure of foreign assets, such as offshore carbon credits, so that we reduce the effect of currency movements on the value of those assets. Where we purchase carbon credits, derivatives, or other securities in an offshore emission trading scheme, the exposure will generally be hedged back to the New Zealand dollar. However, exposures may be partially hedged or completely unhedged at Salt's discretion – see 'Hedging' on page 3 for more information.

### Authorised Investments

The authorised investments for the Fund are:

- carbon credits traded in the NZ ETS;
- carbon credits traded in international emissions trading schemes;
- derivatives (either exchange traded or over-the-counter) including but not limited to swaps, interest rate and forward rate contracts, forward foreign exchange contracts, options, and futures contracts;
- units and other prescribed interests in unit trusts or other pooled funds that invest in the investments referred to above, including unit trusts managed by us or our related parties, irrespective of whether the trust or fund is listed on the NZX Main Board and/or the Australian Securities Exchange;
- the Fund's own units, called Treasury Units (as explained on page 4);
- financial products (including debt and equity securities) issued by Carbon-Related Businesses;
- cash or cash equivalent securities, including; bank accounts, term deposits and other certificates of deposit, commercial paper and government bills; and
- any other investment, right, interest, obligation or property of a nature consistent with the Fund's investment objective.

### Benchmark Asset Allocation Ranges

The Fund will have the following ranges and target asset allocation:\*

Category	Sub category	Minimum (%)	Maximum (%)	Target (%)
Cash and cash equivalents		0%	100%	2%
Commodities	Carbon credits	0%	100%	98%
Other financial products (including debt and equity securities issued by Carbon-Related Businesses)		0%	5%	0%

\* For the purposes of the target asset allocations and ranges, Treasury Units held by the Fund are classified as 'carbon credits'.

Other than as set out in the table above and in the 'Authorised Investments' section, there are no limits on the proportion of each category the Fund may invest in. There are also no limits on the types of investments we can add in the future, by amending this SIPO, as authorised investments for the Fund.

The actual investment mix could vary quite markedly in the normal course of undertaking the Fund's investment strategy.

### *Suitability*

The historical carbon price has been quite volatile relative to traditional asset classes such as shares and bonds. Price fluctuation plays a significant role in the carbon market and carbon dioxide emissions reduction.

Many factors influence the price of carbon credits including political decisions, regulation, fuel prices and even global weather and climate change.

**These unique features mean that the Fund will not be appropriate for all investors. We recommend investors read the additional information (including risks disclosures) set out in the product disclosure statement for the Fund, and obtain financial advice, before investing in the Fund.**

## 4. Investment Policies

Outlined below are the key investment policies that the Fund adheres to. Current versions of these policies are available on the Disclose Register at <http://www.disclose-register.companiesoffice.govt.nz>.

### *Hedging*

Changes in foreign exchange rates relative to the New Zealand dollar introduces volatility in the valuations of those investments which the Fund might hold in currencies other than the New Zealand dollar. To reduce this volatility, the Fund targets a position of fully hedging its overseas assets, although these may be partially hedged or completely unhedged at Salt's discretion. Currency hedges are monitored daily and managed consistent with Salt's Derivatives Risk Policy.

### *Derivatives*

Derivatives are used as an important part of effective portfolio management. The use of derivatives is multifaceted and includes hedging in order to manage overall risk; achieving best execution of transactions and reducing overall transactions costs; and achieving asset exposures in an efficient manner. Because they form part of the overall investment process, derivatives may not be used where this would result in a conflict with the Fund's governing documents or this SIPO. The use of derivatives must also be consistent with Salt's Derivatives Risk Policy.

### *Liquidity and cash flow management*

The Fund maintains an appropriate level of liquid assets, including cash, in order to manage daily redemption flows from investors and ongoing expenses. The Manager has determined that the investment limit for cash and cash equivalents for the Fund set out above provides an adequate level of liquidity to meet these demands. Overall liquidity and cash flow management are a part of the Fund's daily portfolio monitoring process.

### *Leverage*

The Fund does not intend to borrow money unless for settlement purposes. Any borrowing will be in accordance with any limits set out in, and the requirements of, the Master Trust Deed and the Establishment Deed.

### *Trade allocation and execution*

Salt's Trade Execution Policy incorporates the general principles of fiduciary duty relating to dealing and the allocation of trades across client accounts and supplements other client and contractual guidelines, compliance procedures and legal and/or regulatory restrictions which may apply.

Salt, as our delegated investment manager, must act in the best interests of clients. This means that all clients should be treated fairly and equitably when trading for their portfolios, with respect to priority of execution of orders and in the allocation of trades.

In order to ensure this occurs:

- orders can only be placed through a broker/counterparty on the approved list;
- Salt's Investment Committee must approve new brokers/counterparties; and
- the Portfolio Manager records all orders prior to execution.

The price of any transaction entered on behalf of a client or portfolio must be ascertained as the price which is the best available for the client in the relevant market at the time, considering transactions of the kind and size concerned.

### *Treasury Units*

Under the Master Trust Deed, the Fund may buy, hold and deal with its own units ("Treasury Units") from time to time. The Manager will typically buy Treasury Units through the NZX where they are trading on the NZX Main Board (under the ticker code 'CO2') at a discount to the Fund's net tangible assets ("NTA"). Currently, NTA is the same as the Fund's net asset value per unit, as calculated in accordance with the Master Trust Deed.

The Fund's net asset value benefits from buying and holding Treasury Units at a discount to NTA. This benefit is passed on to unit holders once the Treasury Units are either sold at a premium to NTA on the NZX, or are cancelled at the NTA valuation. The Manager publishes all purchases of Treasury Units through NZX's online Announcements platform. All historical purchases of Treasury Units can be viewed through the same platform.

More information on Treasury Units can be found in the OMI document available on the Disclose Register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

### *Pricing/Valuation*

Pricing and valuation functions are outsourced to the Fund's independent administration manager, Apex. Apex calculates unit prices on every New Zealand business day including regional anniversary days but with the exception of Auckland and Wellington Anniversary Days. The unit price is calculated in accordance with the Master Trust Deed by dividing the Fund's net asset value (determined in accordance with the valuation provisions of the Master Trust Deed) by the number of units on issue. Prices are not calculated on other New Zealand public holidays.

During any period that units in the Fund are quoted on the NZX Main Board units will only be issued weekly (each Friday) although Apex will continue to calculate unit prices every New Zealand business day.

Whilst Apex provides the asset valuations and calculates the unit prices, we retain ultimate responsibility for ensuring that unit prices are determined in accordance with the Fund's Establishment Deed and the Master Trust Deed, and relevant legislation. Accordingly, we reconcile Apex's valuations and performance calculations with our own internally generated estimates.

For unit pricing purposes, Treasury Units held by the Fund are currently valued at the previous day's closing price of 'CO2' on the NZX Main Board.

### *Conflicts of interest*

A conflict of interest can occur when a staff member, senior manager, Director or any other person engaged by us or Salt has a personal interest in a matter or action connected with the activities of us or Salt. These include but are not limited to areas dealing with trade execution, personal trading, Directorships and gifts and hospitality.

All staff members, Directors and any other persons engaged by us and Salt in a governance capacity in connection with the Fund are required to observe the highest standards of business integrity. This includes ensuring that an individual's position and any information acquired is not used in order to gain an improper advantage or cause detriment to our investors.

We and Salt have adopted the following policies to help identify and deal with conflicts in an appropriate manner:

- Conflicts of Interest and Related Party Transactions Policy
- Code of Conduct
- Staff Trading Policy
- Trade Execution Policy
- Soft Dollar Policy
- Internal Trades Policy
- Gifts & Hospitality Policy

### *Related Party Transactions*

We undertake all transactions with related parties of the Scheme in accordance with rules applicable to managed investment schemes under the FMCA. Our Conflicts of Interest and Related Party Transactions Policy outlines how we comply with these obligations.

If any related party benefit is entered into, this requires Board approval and either:

- a certificate is signed pursuant to section 174 of the FMCA by a Director of the Board; or
- Supervisor consent is obtained, and only then when the FMCA requirements have been met.

### *Taxation*

As a listed PIE, the Fund will pay tax on taxable income at the rate of 28%. This is reflected in the unit price.

### *Responsible Investment*

As a signatory to the UN Principles for Responsible Investing initiative, Salt recognises that the generation of long term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems. Our approach to responsible investment can be found at [www.saltfunds.co.nz/sustainable](http://www.saltfunds.co.nz/sustainable).

## 5. Investment Performance Monitoring

Independent of the Fund's Administration Manager, Salt generates daily performance estimates for the Fund based on assets' previous day's values and closing prices, in accordance with the valuation provisions of the Master Trust Deed. The daily performance estimate is then reconciled against the Administration Manager's calculated performance.

The performance of the Fund will be measured on an after fees and expenses and after PIE tax basis over 1 month, 3 months, 6 months, year to date, 1 year, 2 years, 3 years, 5 years, and since inception time periods (when the Fund has been in operation for the required time period). For periods longer than 1 year, we will measure each Fund's performance on annualised basis.

The Fund's performance over these periods will be made publicly available on the Fund's website at [www.carbonfund.co.nz](http://www.carbonfund.co.nz).

## 6. Investment Strategy Review

Salt's Investment Committee, which consists of Salt's Portfolio Managers (who are also the Directors of the Manager) and the Chief Investment Officer hold formal meetings on a quarterly basis where the Fund's investment strategy (including benchmark asset allocation ranges, where relevant) and performance is reviewed. Informal reviews occur on a regular basis amongst members of Salt's investment team.

## 7. SIPO Review

Compliance with the SIPO is monitored on a daily basis by Salt's Operations and Compliance Team.

Salt's Investment Committee is responsible for reviewing the SIPO on an ongoing basis and determining whether any changes are required. A formal review is also undertaken by the Investment Committee on an annual basis. Any recommendations are made by the Investment Committee to the Manager's Board who have final responsibility for approving any amendments. Changes to the regulatory/legal environment or significant adverse market conditions may also result in an ad hoc review of the SIPO.

We will provide the Fund's Supervisor with prior written notice of any changes to the SIPO and investors will be given at least one month's prior notice of any material changes to the SIPO.

## 8. Glossary

In this SIPO, terms have the following meanings unless the context requires otherwise:

<b>Apex and Administration Manager</b>	means Apex Investment Administration (NZ) Limited, the Fund's administration manager.
<b>carbon credit</b>	means a tradable unit that represents the right to emit one tonne of carbon dioxide or the carbon dioxide equivalent of any other greenhouse gas recognized by the NZ ETS or international emission trading scheme. Also called emission units on an emission trading scheme.
<b>Establishment Deed</b>	means the establishment deed for the Carbon Fund dated 12 October 2018, as amended from time to time.
<b>FMCA</b>	means Financial Markets Conduct Act 2013.
<b>Fund</b>	means the Carbon Fund.
<b>Gross asset value</b>	means the Fund's gross asset value, which is its net assets, ignoring the aggregate of any accruals for fees and expenses (including our fees and the Supervisor's fees), calculated in accordance with the Master Trust Deed.
<b>Investment Committee</b>	means Salt's investment committee.
<b>Manager, we, us and our</b>	means Salt Investment Funds Limited, the manager of the Fund and Scheme.
<b>Master Trust Deed</b>	means the master trust deed governing the Scheme and the Fund dated 12 October 2018, as amended and consolidated on 9 June 2025, as further amended from time to time.
<b>Net asset value</b>	means the Fund's gross asset value less the aggregate of any accruals for fees and expenses (including our fees and the Supervisor's fees).
<b>NZ ETS</b>	means the New Zealand Emissions Trading Scheme, the New Zealand Government's main tool for reducing greenhouse gas emissions.
<b>PIE</b>	means portfolio investment entity, a special type of investment vehicle for income tax purposes.
<b>Portfolio Manager</b>	means the portfolio manager within Salt responsible for the Fund.
<b>Salt</b>	means Salt Funds Management Limited, the Manager's parent company and the investment manager of the Fund.
<b>Scheme</b>	means the registered managed investment scheme known as the Salt Listed Funds.
<b>SIPO</b>	means this Statement of Investment Policy and Objectives.
<b>Supervisor</b>	means The New Zealand Guardian Trust Company Limited, the supervisor of the Fund.
<b>Treasury Units</b>	means units in the Fund that the Fund has acquired and holds in its own treasury.



Salt Listed Funds Statement of Investment Policy and Objectives (SIPO)