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INVESTMENT OPPORTUNITY REPORT (CONTINUED)

ALLOCATING RISK TO INVESTMENT OPPORTUNITIES

Our risk budgeting framework allocates active risk budget to each of the opportunities in accordance with their relative attractiveness. The attractiveness of an opportunity is assessed based on forward-looking active risk-adjusted return, alignment with our endowments and investment beliefs, and conduciveness to helping us meet our sustainability goals. Allocations are constrained to be consistent with our liquidity risk appetite.

Each investment opportunity sits within one of four groups – these groups are for reporting purposes only. We set a time-varying target risk allocation for some opportunities according to their point-in-time attractiveness, which is assessed every six months. This target risk allocation is designed to achieve the average allocation of active risk to each opportunity, the opportunity risk budget, over time. Target risk allocations are a guide only as we retain flexibility to use more or less risk than the target, depending on the attractiveness of specific investments. This flexibility is a key component in our total portfolio approach. It ensures that we are able to compare investments across the total portfolio and the investment universe for each investment decision.

TIME-VARYING ALLOCATION APPROACH

Group	Equity, Credit & Arbitrage	Internal Investment Mandates	Real Assets	Static Targets
Opportunities	• Convertible Arbitrage • Natural Catastrophe Reinsurance • Merger Arbitrage* • Life Settlements* • Distressed Credit*	• Direct Arbitrage • Tactical Credit • Strategic Tilting • Active Equities (NZ) • Event-Driven Opportunity	• Timber • Rural Land • Real Estate (Opportunistic) • Real Estate (Value Add) • Real Estate (Core) • Infrastructure (Core) • Infrastructure (Value Add) • Infrastructure (Development) • Energy Growth (Alternative)* • Energy (Shale)*	• Broadband Spectrum • Developed Markets Equity Multi-factor • Global Macro • Opportunistic • Venture Capital • Trend • Exploratory • Buyout • Sustainable Transition • Growth Capital (NZ) • Insurance Run-off
Description	The Equity, Credit and Arbitrage Group is made up of opportunities that are either equity-like, offer credit exposure, or provide a potential arbitrage opportunity.	The Internal Investment Mandate Group includes all of the strategies that are run by Guardians staff.	The Real Assets Group comprises investments or holdings in physical assets.	The Static Target Group contains Opportunities where we do not attempt to time the market (i.e. we do not change our allocation in response to market conditions).

*Terminated opportunity.

PERFORMANCE OF OPPORTUNITIES OVER TIME

Source of value-add	1 year p.a.	5 year p.a.	10 year p.a.
Static Targets	-0.13%	-0.06%	0.00%
Internal Investment Mandates	-0.04%	1.09%	1.35%
Real Assets	-0.47%	0.48%	0.49%
Equity, Credit & Arbitrage	0.21%	0.06%	0.02%
Terminated*	-0.01%	-0.39%	-0.22%
Total**	-0.44%	1.18%	1.64%

* The returns of the terminated opportunities are not included in the returns of the opportunity groupings in the rows above.

** Totals may not equal the sum of underlying components due to rounding. The difference between the -0.44% total shown here and the Fund's total annual value-add performance of -0.24% for the year can be attributed to portfolio completion activities (see page 57), benchmark calculation methodology factors and Guardians' costs.

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