

Private Wealth Series

More about Private Wealth Series

Other Material Information

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Find out more about Private Wealth Series

This document tells you more about Private Wealth Series (PWS or Scheme) and its five funds (Funds). The document goes into greater detail on:

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Understand more about fees, expenses and transaction costs.
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Understand how the Governing Document guides what we do.

It should be read with the current Product Disclosure Statement and Statement of Investment Policy and Objectives (SIPO) for the Scheme, along with any other documents held on the Scheme and Offer Disclose Register entries at companiesoffice.govt.nz/disclose

In this document:

- 'you' and 'your' means you and any other persons who are or become investors in Private Wealth Series
- 'we', 'us', 'our' and BNZISL refer to BNZ Investment Services Limited, the manager of Private Wealth Series.

This information is provided as a guide only and is current as at the date of this document. It is not intended as a replacement for legal, tax or financial advice. This information is subject to changes to the law and government policy, and changes to Private Wealth Series, from time to time.

Investments in Private Wealth Series are not bank deposits or other liabilities of Bank of New Zealand (BNZ) or any other member of the National Australia Bank Limited (NAB) group. They are subject to investment risk, possible delays in repayment, possible loss of income and possible loss of principal invested. No person (including the New Zealand Government) guarantees (either fully or in part) the performance or returns of Private Wealth Series Funds or the repayment of capital. NAB, the ultimate owner of BNZ, is not a registered bank in New Zealand but a licensed bank in Australia and is subject to the supervision of the Australian Prudential Regulation Authority.

See section 5 'Related parties and managing conflicts of interest' for details of the proposed change of ownership of BNZISL.

1. More about fees

There are other fees and expenses that may be incurred.

Fees and expenses of underlying funds

Where we invest in underlying funds (managed by us or by our underlying investment managers) or use BNZ bank accounts, we will pay the fees and expenses from the annual Fund charges we receive. Currently, there are no additional fees payable by you. We will let you know if this changes.

Buy/Sell spread

Whenever you make a change which requires you to buy or sell units in a Fund, the estimated transaction cost the Fund incurs when it transacts will be reflected in the relevant unit price ("known as a spread"). For example, spreads will generally apply when making an application, switching to a different fund, or making a withdrawal or closing your account.

The indicative spread applied to the unit price for transactions is available in the Product Disclosure Statement. The table below sets out the range of our estimated transaction costs in normal market conditions.

The cost of buying or selling investments can change as market conditions change. The costs are more likely to move significantly when markets are stressed. Therefore, these spread ranges may increase or decrease at any time, without notice to you.

➔ You can locate the current buy/sell spreads at bnz.co.nz/privatewealthspreads and more information about spreads at bnz.co.nz/buysellsreads

| Fund | Estimated spread ranges for applications and withdrawals |
|-----------------------------------|--|
| International Equity Fund | 0 - 0.30% |
| Australasian Equity Fund | 0 - 0.50% |
| International Fixed Interest Fund | 0 - 0.30% |
| New Zealand Fixed Interest Fund | 0 - 0.30% |
| Cash Fund | 0.00% |

Fee rebates

We, at our sole discretion, may choose to offer fee rebates to one or more investors in the Funds from time to time. The level of any fee rebates will be determined by us alone.

BNZISL determines the form of the fee rebate, which may be:

- a cash payment to a bank account nominated by an investor
- a cash payment to a bank account nominated by a custodial service
- a payment resulting in the issue of additional units to an investor or custodial service
- any other form as determined by BNZISL.

We may change the amount, frequency or form of any fee rebate at any time, including starting or stopping fee rebates for any investor at any time.

2. More about investment risk

All investments involve risk. Risk is the likelihood of not getting all your money back or getting a different return than you expect. In addition to the risks set out in Section 4 of the Product Disclosure Statement, there are other risks that may affect Private Wealth Series and the Funds. The table below is a summary of these risks and how we seek to reduce or manage them.

| Risk | Description and how we manage risk |
|---------------------------|--|
| Concentration risk | <p>The risk that the value of a Fund changes because it has a high exposure to an underlying investment fund or specialist investment manager, or to a specific company, sector, country, region, or financial market. We seek to manage and reduce this risk by ensuring that each Fund's investments are varied across companies, markets and/or managers.</p> |
| Interest rate risk | <p>Interest rate changes can have a negative impact on a Fund's investment returns. This is particularly relevant for the PWS Cash Fund, PWS NZ Fixed Interest Fund and PWS International Fixed Interest Fund. These Funds invest exclusively in income assets (cash and fixed interest), which are particularly impacted by interest rate changes. The listed Funds invest in a wide range of cash and fixed interest investments across different markets, and maturing at different times, to seek to reduce or manage this risk.</p> |
| Derivative risk | <p>A derivative is a financial instrument that has its value based on the value of an actual financial asset, index or rate (such as a particular currency, equity, or fixed interest investment). The performance of a derivative and the actual financial asset, index or rate it is based on may not be identical. In addition, where derivatives are used to increase the exposure to selected investments, gains or losses in the value of the derivative may be more than the gains or losses of the actual financial asset, index or rate. The use of, and exposure to, derivatives in the Funds, and the underlying investment funds in which they invest, is limited. Derivatives may be used to manage risks, make investments in a more efficient manner and/or enhance returns, but cannot be used to leverage the Funds. We regularly monitor derivatives positions to ensure that their implementation is consistent with the Statement of Investment Policy and Objectives.</p> |
| Currency risk | <p>The risk that the value of a Fund changes due to ups and downs in the exchange rate between the New Zealand dollar and other currencies. This risk arises when a Fund has investments in countries other than New Zealand. The degree of currency risk within each Fund will depend on how much foreign currency exposure is hedged to the New Zealand dollar. Hedging seeks to reduce the effect of changes in the exchange rate between the New Zealand dollar and foreign currencies. We aim to fully hedge the international fixed interest foreign currency exposure, and the foreign currency exposure arising from the Australian equities held within the Australasian Equities asset class. We aim to hedge 60% of the international equity currency exposure, but from time to time we may target a different hedging position to this, based on our assessment of the economic and financial market environment.</p> |
| Manager risk | <p>This is the risk that decisions made by us, and the managers of the underlying investment funds we use, may positively or negatively affect the return on your investment. In-depth due diligence on the overall competence and experience of the managers of the underlying investment funds is carried out prior to their appointment. Ongoing monitoring of the outcomes of the decisions made by us, and the managers of the underlying investment funds, enables the early identification of potential risks associated with these decisions and the swift implementation of actions to mitigate these potential risks.</p> |
| Market risk | <p>The risk that the value of a Fund changes due to factors that affect a particular financial market or markets. This could include things like changes in the inflation rate, monetary policy by central banks, changes in taxation and regulation, global politics, changes in investor sentiment or a global pandemic. The Funds hold many investments across, countries, sectors, securities and styles of investing, to seek to reduce or manage this risk.</p> |

| Risk | Description and how we manage risk |
|--|--|
| Credit risk | If the issuer of a bond or a registered bank doesn't pay what they owe to us, then a Fund's investment returns could be negatively impacted. For example, a Government or corporate debt issuer might fail to make interest or principal payments, or a registered bank might not pay interest or honour a withdrawal request. The Funds invest in a wide range of fixed interest investments, which primarily have an investment-grade credit rating, to manage or reduce this risk. |
| Liquidity risk | The risk that investments of a Fund cannot be sold without having a significant impact on their value or cannot be sold at all. This risk is more likely to occur in times of market stress. You may not be able to withdraw some or all of your money when you want to, because withdrawals from one of more of the Funds that you invest in may be suspended. Liquidity risk is carefully considered as part of the Funds' design. The Funds' liquidity is maintained by investing in authorised investments that have significant levels of liquidity themselves and holding some operational cash to help pay redemptions and expenses. The Funds' liquidity characteristics, and those of the authorised investments, are monitored on a regular basis. |
| Legislative risk | New laws or changes to existing laws could have a significant impact on an investment in the Scheme (including its returns), or on how we manage the Scheme. For example, the Government may change the rules about the amount of Portfolio Investment Entity (PIE) tax payable (see also 'tax risk', below). We manage this risk by regularly communicating with our regulators and by monitoring legislative change, so we can keep you up to date. |
| Operational risk (including third party supplier risk) | The value of your investment in our Funds could drop, or you may not be able to withdraw your investment, if we, or anyone used by us to provide services, fail to do what we, or they agree to do. Examples could include system failures, fraud, default or business disruption. We have policies and procedures in place to reduce or manage this risk. |
| Tax risk | If any Fund lost its PIE status, it would be taxed at the corporate tax rate of 28% instead of the prescribed investor rates of individual investors. This could affect the returns to investors. We have policies and procedures in place to manage our compliance with the PIE tax rules. |
| Product risk | When we make changes to Private Wealth Series, they may negatively affect the value of your investment or change the risk profile of your Fund choices. For example, we may change the range of investments in a fund, the managers we use or the fees we charge. We only make changes to the Scheme after consulting with or providing notice to our Supervisor. |
| Suspension of payments | If we decide that paying withdrawals, or allowing switches for any Fund is not desirable, or would be prejudicial to the interests of investors in that Fund generally, then we may delay doing so. We would only do this in accordance with the law and the Governing Document. We can only suspend withdrawals or switches for up to 60 business days unless the Supervisor approves a longer period. We actively monitor our Funds to maintain enough liquidity (assets that can easily be turned into cash) to meet forecast withdrawals and reduce the chance of needing to suspend payments. |
| Wind up | <p>We may decide to wind up (stop providing) the Scheme or one or more of the Funds. If we decided to stop providing the Scheme or Fund, we would let you know. On wind up, you may:</p> <ul style="list-style-type: none"> • receive less than you have invested, depending on the performance of your investment • incur reasonable costs and fees as a result of the wind up. <p>No investments or withdrawals would be able to be made while the Scheme or Fund is in wind up.</p> |



3. More about your investment options

Each of the Funds that are available in the Private Wealth Series invests in either income or growth assets.

Growth assets generally have higher levels of risk with the potential for higher returns and include the following investments:

- Australasian equities
- International equities

An example of Australasian and International equities is company shares. Equities can also cover other securities types such as listed property. Australian equities can form part of the investment mix for both Australasian equities and International equities.

Income assets generally have lower levels of risk and potential returns, and include the following investments:

- Cash
- Cash equivalents (for example, bank term deposits, bonds, bills and floating rate notes with a maximum term of 365 days)
- New Zealand and international fixed interest (for example, bonds with terms of more than 365 days).

4. How your investment is valued

Value of the Fund

The market value of each investment and the net asset values of the Scheme's Funds are calculated as set out in the Scheme's policies and Governing Document. The net asset value is the value of a Fund's assets less its liabilities.

The assets held by the Funds are generally valued each business day based on the last market prices (or unit prices) available for that day. Our Unit Pricing and Valuation Policy allows us to use alternative asset valuation methods, including asset valuation estimates, where the valuation of an investment asset is not readily available or not considered appropriate. This is very infrequent, and we will discuss any alternative valuation method with the Supervisor before using it.

Understanding unit pricing

Calculating a unit price allows us to value your investment in a Fund. Each Fund's unit price is calculated by dividing the net asset value of that Fund by the number of units issued to investors, and adjusted for buy/sell spreads (as applicable). Unit prices are generally calculated each business day.

In rare circumstances a specific transaction (for example, a large transaction) may require us to adjust the unit price for that day. This allows us to pass on the costs incurred to those transacting.

5. Related parties and managing conflicts of interest

BNZ Investment Services Limited (BNZISL) is the Manager of the Scheme. It is currently a wholly owned subsidiary of the Bank of New Zealand (BNZ) which is ultimately owned by the NAB.

NAB and Jarden Wealth and Asset Management Holdings Limited (Jarden Wealth) have conditionally agreed to combine their New Zealand advice and asset management businesses, which will mean, when the transaction is completed, we will be owned by a newly formed entity called 'FirstCape', alongside JB Were NZ, Jarden Wealth and Harbour Asset Management (Proposed Transaction). Under the Proposed Transaction, NAB and Jarden Wealth will retain shareholdings of 45% and 20% respectively and Pacific Equity Partners (PEP) will acquire a 35% shareholding as an investor. From a day to day perspective, BNZISL will continue to manage the Scheme and BNZ will continue to offer our wealth products and services. The Proposed Transaction is expected to be completed in 2024. Confirmation of the completion or termination of the Proposed Transaction will be published on our website at bnz.co.nz

Related parties from the BNZ and the NAB group of companies may provide their services to us and to the Scheme. These companies may also receive fees from us or the Scheme for these services.

BNZISL (and BNZ) have policies and procedures to identify and manage any conflicts of interest. The Conflict of Interest Policy and the Gifts Policy provides a framework for

identifying, declaring, managing and monitoring conflicts of interest. These policies and procedures require Directors of BNZ companies and BNZ staff to:

- disclose conflicts of interest (including gifts)
- refrain from making investment decisions regarding financial products for which they, personally, have a conflict of interest.

We also must notify the Supervisor before we enter into any related party transactions and must carry out related party transactions in accordance with the terms of the Financial Markets Conduct Act 2013.

Managing people conflicts

BNZISL has directors, some of whom are senior executives of BNZ and may also be directors of other entities within the NAB group. Directors of BNZISL and employees of BNZ may be investors in Private Wealth Series from time to time. Decisions made by directors or employees may be influenced by their investment in the Scheme, their other directorships, or both. This affects all Funds.

We manage this conflict by having strong policies and procedures (as set out in the section above) to identify and manage actual and perceived conflicts of interest.



Managing related company conflicts:

| Description of conflict of interest | Affected Funds | Why this may influence investment decisions and how we manage the conflict |
|--|-------------------|--|
| <p>Banking services: BNZ provides banking services to the Scheme, including transactional and foreign exchange services.</p> | <p>All Funds.</p> | <p>We may be influenced by our association with BNZ to use their banking services over other financial services. Where we use BNZ banking services, BNZ may receive commercial benefits and could pass on the cost of negative interest rates should they arise. Banking services are provided on a commercial arm’s length basis.</p> |
| <p>BNZISL is currently part of the Bank of New Zealand which is owned by the NAB group. See section 5 ‘Related parties and managing conflicts of interest’ above for details of the proposed change of ownership of BNZISL.</p> <p>Some assets of the Scheme are invested in underlying funds managed or issued by companies that are also part of the Bank of New Zealand or NAB group.</p> | <p>All Funds.</p> | <p>We may be influenced by our association with other companies within the Bank of New Zealand or NAB group to prefer funds operated by related parties over those operated by independent third parties. We manage this conflict by ensuring that any arrangement between us is on a commercial arm’s length basis.</p> <p>Investments selected by us are chosen after a robust investment selection process. We select investments that we consider appropriately reflect the risk profile and investment strategy and objective of the relevant Fund and are consistent with our investment philosophy.</p> |



6. The Governing Document made easy

Put simply, the Governing Document contains the rules governing the management and administration of Private Wealth Series. Both we (as Manager) and the Supervisor must meet (and continue to meet) our obligations under the Governing Document.

The Governing Document details things like:

- how the Funds have been established, including the rules around issue, withdrawal or switching of units
- how both we and the Supervisor are appointed (and removed or replaced), our powers, duties and functions, and how we are paid for our services
- rules governing the administrative aspects of the Scheme including meetings of investors and how the Funds are distributed if they are wound up.

➔ A copy of the Governing Document is available at companiesoffice.govt.nz/disclose

