Other Material Information

Pie Funds Management Scheme

Issued by

Pie Funds Management Limited

Dated 23 April 2018

Introduction

This Other Material Information document has been prepared to meet the requirements of section 57(1)(b)(ii) of the FMCA and clause 52 of Schedule 4 of the FMC Regulations. This is an important document which provides you with additional information in relation to your investment in the Pie Funds Management Scheme. This document should be read together with the relevant PDS for each Fund, the SIPO and any other documents held on the Disclose Register at companiesoffice.govt.nz/disclose.

In this document:

- capitalised terms have the same meaning as given to them in the Governing Document for the Scheme dated 20 July 2016 (the Governing Document), as amended, unless they are otherwise defined in the Glossary or elsewhere in this document;

- "you" or "your" refers to a person who applies to invest in the Funds that make up the Scheme or who invests in the Funds; and

- the words "Pie Funds", "we", "our" or "us" refer to Pie Funds Management Limited (Pie Funds), who is the manager of the Scheme.

1. The Funds

This document relates to a registered managed investment scheme known as the Pie Funds Management Scheme. There are ten (10) managed funds in the Scheme (each a Fund, and together the Funds). Further important information in relation to each Fund is set out in the relevant PDS for each Fund and the SIPO. The Funds are the:

- Pie Australasian Growth Fund (the Growth Fund);
- Pie Australasian Dividend Fund (the Dividend Fund);
- Pie Australasian Emerging Companies Fund (the Emerging Companies Fund);
- Pie Global Small Companies Fund (the Global Fund);
- Pie Chairman's Fund (the Chairman's Fund);
- Pie Conservative Fund (the Conservative Fund), formerly the Pie Cash Plus Fund;
- Pie Growth 2 Fund (the Growth 2 Fund);
- Pie Growth UK & Europe Fund (the Growth UK & Europe Fund);
- Pie Multi-Strategy Fund (the Multi-Strategy Fund); and
- Pie Climate Friendly Fund (the Climate Friendly Fund).

The Governing Document governing the Scheme and each Fund (with the Conditions of Establishment for each Fund), the PDS which sets out important information in relation to each Fund and the SIPO which each Fund is invested in accordance with, are available at www.piefunds.co.nz and companiesoffice.govt.nz/disclose.

Valuation

The net asset value of the Funds must be determined by us in accordance with the Governing Document at intervals not exceeding 31 days (unless the Supervisor approves otherwise). As at the date of this document, the Funds are valued on each business day.

In determining the net asset value of the Funds, we are required to determine the amount that, in our opinion and in accordance with the Governing Document, fairly represents the net asset value of the Funds. We will determine the net asset value of the Funds by taking the aggregate of investments of the Funds (and income accruing from investments) and deducting the liabilities of the Funds, any investors' income entitlements to the Funds, costs, charges or expenses of the Funds and any moneys held in respect of applications for units in the Funds that have not been accepted by us. We may also include in such aggregate any other amount which, in our opinion, should be included for the purpose of making an equitable and reasonable determination of the net asset value of the Funds.

In addition, subject to compliance with the Governing Document, we may make a special determination of the net asset value of the Funds at any time if we consider that special circumstances have arisen that warrant such a determination and we advise the Supervisor of the details of the circumstances and the time of the special determination.

Determinations of the net asset value of the Funds take effect from the time they are made and remain in force until the next succeeding determination of the net asset value of the Funds is made by us.

We may from time to time engage valuers or other suitably qualified persons for the purposes of assisting the fixing of the current fair market value of any investment. We are entitled to rely upon the advice of any such valuer or other person and any such valuer or other person shall be deemed to be acting as an expert.

Borrowing powers

The Supervisor has the power to, and must if directed by us:

- borrow or raise money from any person (including an investor); or
- enter into any form of credit facility or other accommodation or sell, discount and deal with bills of exchange, promissory notes and other securities; or
- charge the investments of the Funds as security for any monies borrowed or raised for the purpose of requiring further capital investments for the Funds.

We do not currently permit borrowing in respect of the Funds.

Manager and Supervisor indemnity

Subject to the FMCA, we and the Supervisor will be indemnified out of the assets of a Fund from and against any loss, expense or liability that may be incurred in performing any of our or their respective duties or exercising any of our or their respective powers in relation to a Fund. In each case, this is except to the extent that any indemnity would be void under the FMCA or any other applicable legislation.

Neither we nor the Supervisor are bound to make any payment to investors except out of the assets of a Fund, nor will the Supervisor or us be liable to investors to any greater extent than the investments, cash and other property vested in or received by the Supervisor or us, except to the extent that we or the Supervisor have failed to comply with the requirements of the FMCA (as applicable) in respect of the relevant Fund only.

Investor liability

Each investor indemnifies the Supervisor and us in respect of any taxation amount paid or payable by us or the Supervisor in respect of that investor which cannot be recovered by way of adjustment of their unitholding or distribution entitlements.

Other than in respect of any tax liability of that investor, no investor is liable personally for any debt or liability (contingent or otherwise) of the Funds or liable to indemnify us for debts or liabilities of the Funds. Investors are not partners and in acting as the manager under the Governing Document we are not an agent of investors, nor do we have the power to incur liabilities on your behalf.

Consequences of insolvency

Subject to any payment that is required to be made under the indemnity by you described above, you will not be required to pay any money in addition to the amount you have invested and have no liability to any person should we or any of the Funds become insolvent.

If a Fund is wound up, you will receive a proportionate share of assets of that Fund after all creditors' expenses including the expenses of any agents, solicitors, auditors or persons employed in connection with the winding up of that Fund and any outstanding fees (including remuneration payable to us and the Supervisor) have been paid. The claims of all investors in the relevant Fund will rank equally.

Procedure on winding up

On termination of any Fund in accordance with the Governing Document, all monies arising from the sale and realisation of the investments and assets of the Fund will be held and applied by the Supervisor as follows:

- first, in payment or retention of all costs, charges, expenses, claims and liabilities incurred and payments made by or on behalf of the Supervisor or us and payable from the Fund of all the remuneration payable to the Supervisor and us;
- secondly, in payment to the investors (including holders of fractional units) in proportion to their respective holdings of units at the time of distribution;
- if, in the opinion of the Supervisor, it is expedient to do so, the Supervisor may make interim payments or distributions on account of the monies to be distributed; and
- each distribution will be made only against delivery to the Supervisor of such form of receipt and discharge as may be required by the Supervisor.

No guarantee

No undertakings are given to you in this document or otherwise in relation to the return of capital. None of the Manager, the Supervisor, their respective directors or any other person guarantees or promises the repayment of, or returns on, your investment in the Funds.

2. The Manager, its Directors and Senior Managers

The Manager of the Funds is Pie Funds. Pie Funds was incorporated in New Zealand under the Companies Act 1993 on 9 July 2007 and is responsible for investment management and administration of the Funds.

Details of the directors of Pie Funds are available at companiesoffice.govt.nz/companies. The directors may change from time to time without notice to you.

Pie Funds was granted a licence to act as manager of the Scheme under the FMCA by the Financial Markets Authority (the FMA) on 1 September 2015. The licence expires on 1 September 2020 and is subject to the standard conditions imposed on licensed managers of managed investment schemes by the FMA.

Pie Funds' Directors

Michael David James Taylor
(Founder, CEO and CIO) (BBS, NZX Dip)

Mike is the founder, CEO and CIO of Pie Funds. He is the portfolio manager for the Multi-Strategy Fund and Chairman's Fund and the joint portfolio manager for the Global Fund. He currently manages a team of around twenty staff. Mike reports to the Board and the Investment Committee of Pie Funds.

Prior to starting Pie Funds in 2007, he worked in a variety of roles in the financial industry both here and in the UK, including as a banking analyst for HBOS and an equities dealer for ABN Amro. His early career provided him with a diverse range of experience across the finance sector which Mike has used successfully in his role as CEO and portfolio manager. Mike has a Bachelor of Business Studies in Finance from Massey University and a NZX Diploma.

Having purchased his first shares at the age of eighteen, Mike went on to grow his own personal portfolio and then that of friends and family, before starting Pie Funds roughly ten years later. Mike holds shares in Pie Funds and invests in our funds.

Mike is not an Independent Director.

Steven Murray Nichols
(Independent Non-Executive Director and Chairman of the Board) (Dip Bus, Dip Management)

Steve Nichols was appointed to the Board in March 2013 to strengthen Pie's focus on compliance and corporate governance. He was appointed Chairman of the Board in February 2016.

Steve has extensive senior operational and strategic leadership experience in the financial services sector, working for 20 years from 1987 as a shareholder and director of MHG, specialists in the insurance broking industry.

Steve was also a director and shareholder of UK based underwriting agency, InterGlobal until it was sold in 2007. He was directly involved in establishing InterGlobal's business interests internationally in the UK, Europe, the Middle East and Asia.

Steve was appointed Chief Executive of Payments NZ Ltd in 2010, a company that is privately owned by New Zealand's eight settlement banks. The company governs the rules and standards of New Zealand's payment systems. Steve resigned from this role in 2014 to pursue commercial directorships and personal business interests.

Steve holds shares in Pie Funds and invests in our funds alongside clients.

Roy Grenville Knill
(Non-executive director, Chairman of the Investment Committee. BHB, MBChB, FRNZCGP)

Roy joined the Investment Committee in April 2013 and was appointed a director on 31 December 2013. He was appointed chairman of the investment committee in April 2015.

Roy brings over thirty-five years of investing experience to the Investment Committee and an ability to summarise fundamental and technical information in a way that provides clarity and discipline to investment decisions.

Much of Roy's time at Pie has been spent working with the Investment Committee to develop and formalise Pie’s investment process and now as chairman of the Investment Committee one of his roles is to ensure compliance with this process.

Roy is a GP by profession, has an MBChB from the University of Auckland and is a Fellow of the New Zealand College of GPs.

He holds shares in Pie Funds and also invests in our funds.

Roger Kerr
(Independent Non-Executive Director) (B.Com, ACA, FCTP, FNZIM)

Roger has been involved with Pie Funds since inception, first as chairman from 2007-12, then board adviser from 2012-16. In July 2016, Roger accepted the role as an independent non-executive director and chairman of the Risk and Compliance Committee.

Roger has had an extensive career in New Zealand’s financial and investment markets spanning four decades, including corporate treasury management consultancy with Bancorp, Asia-Pacific Risk Management and PwC. Roger’s previous governance roles include board chairman of Trust Investments Management, board member of the National Provident Fund and on the advisory board of the NZ Government Debt Management Office.

Roger is currently a director of Financial Services Complaints Ltd, ETOS Limited, Hedgebook Ltd and an adviser to INNO Capital.

Roger does not hold shares in Pie and is an Independent Director. He also invests in our funds.

Noah Hickey

(Non-Executive Director)

Noah has extensive experience in the managed funds sector. He spent over four years on the executive team at Fisher Funds and has been a leader in the funds management industry for over seven years.

Noah spent three years at Pushpay as the General Manager of Enterprise in New Zealand and Australia.

Noah holds shares in Pie and invests in our funds alongside clients.

Pie Funds' Senior Managers

Paul Gregory
(Head of Investments)

Paul is the Head of Investments and is responsible for investment oversight, Environmental, Social and Governance investing, investor education and communication.

Prior to joining Pie Funds in December 2017, Paul was part of the executive team at the Financial Markets Authority, focussed on external communications and investor capability. Paul also spent more than six years at the New Zealand Superannuation Fund focussed on communications and the selection, evaluation and monitoring of global investment managers.

Paul invests in our funds.

Mark Devcich
(Head of Research/Portfolio Manager) (BCom, LLB, CFA, CA)

Mark is Head of Research at Pie Funds and has overall responsibility for research and company analysis. Mark is also the portfolio manager for the Emerging Companies Fund and the Dividend Fund. Prior to joining Pie Funds in 2010, Mark worked at PricewaterhouseCoopers in both the Financial Assurance and M&A taxation divisions. Mark has a Commerce degree and a Law degree from the University of Auckland, is a CFA charter holder and a qualified chartered accountant.

Mark holds shares in Pie Funds Management Limited and invests in our funds.

Christopher Bainbridge
(Senior Investment Analyst/Portfolio Manager) (BA, LLB (Hons), CFA)

Chris is a senior investment analyst at Pie Funds and is responsible for conducting detailed analysis of Smaller Companies and Medium Companies.

Chris is also the portfolio manager for the Cash Plus Fund and Growth 2 fund and the joint portfolio manager for the Growth Fund.

Chris has a Bachelor of Arts and a law degree with Honours from the University of Auckland and is a CFA Charter holder. Prior to joining Pie Funds in September 2012, Chris worked as a lawyer in the Banking and Finance team at Freshfields Bruckhaus Deringer LLP in London.

Chris holds shares in Pie Funds Management Limited and invests in our funds.

Lance Jones
(COO/CFO) (BCom (Accounting))

Lance joined Pie Funds in March 2016 and is our Chief Operating Officer and Chief Financial Officer. His primary responsibility is the management of the financial accounting, operations, compliance and administration functions. Lance has over 30 years of experience in the financial services and banking industry in London and New Zealand. Prior to joining Pie Funds, Lance spent 19 years at OM Financial Limited as their Chief Operating Officer.

Lance has a Bachelor of Commerce (Accounting) from Auckland University of Technology.

Lance holds shares in Pie Funds Management Limited and invests in the funds.

James Paterson
Head of Wealth (BBS, Grad Dipp Financial Services, AFA)

James is licensed to provide financial advice and recommendations to high-net-worth clients.

Prior to joining Pie in 2018, James was Head of Advice at Fisher Funds Management Limited in Auckland.

James holds shares in Pie Funds Management Limited.

Sam de Court
(General Manager and Head of Client Services) (BCom, CA)
Sam is the General Manager and Head of Client Services at Pie Funds and has client relationships and overall communications.

Sam has a commerce degree from the University of Auckland and is a qualified chartered accountant. Prior to joining Pie Funds, Sam spent five years as a Commercial Manager at an award-winning SME export business.

Sam holds shares in Pie Funds Management Limited and invests in our funds.

3. Other Parties

Supervisor

The supervisor of the Scheme is Trustees Executors Limited (the Supervisor). The Supervisor is responsible for acting on behalf of investors in relation to the manager (Pie Funds) and various other matters, supervising the performance of the manager and the financial position of the manager and the Scheme, holding the Scheme property, or ensuring the Scheme property is held, in accordance with the FMCA and the FMC Regulations and performing or exercising any other functions, powers, and duties conferred on it by the FMCA, the Financial Markets Supervisors Act 2011 and the Governing Document.

As described below, Trustees Executors Limited will also undertake certain administration functions for the Funds, on behalf of us, including operating as administration manager of the Funds.

A current list of the directors of the Supervisor is available online at companiesoffice.govt.nz/companies. The directors of the Supervisor may change from time to time without notice to you.

The Supervisor has a licence under section 16(1) of the Financial Markets Supervisors Act 2011 to act as a supervisor in respect of managed investment schemes. Details of the licence are available on the Financial Markets Authority website, www.fma.govt.nz and on the Financial Service Providers Register website, companiesoffice.govt.nz/fsp.

Administration manager

We have delegated the Securities Services division of Trustees Executors Limited certain administrative functions of the Funds, including investment accounting services (unit pricing and asset valuation) and registry services (scheme administration). Trustees Executors Limited is therefore an administration manager of the Funds (the Administration Manager).

Custodian

Trustees Executors Limited (acting through its nominee company T.E.A. Custodians Limited) is the custodian of the Funds' assets (Custodian).

The Supervisor and the Custodian are independent of us. However, the Supervisor and the Custodian are not independent of each other, or the Administration Manager.

Auditor

The auditor (PricewaterhouseCoopers New Zealand) is registered under the Auditor Regulation Act 2011. Other than in its capacity as auditor, the auditor has no relationships with, or interests in, the Funds.

4. Fund Specific Matters

Market Indices – Further Information

Where relevant, we may reference an appropriate local market index for comparative purposes in demonstrating a Fund's returns. However, we do not formally benchmark the performance of the Funds or have benchmark asset allocation or ranges for the Funds against which we monitor and rebalance actual asset allocations.

Please refer to the Schedules to the SIPO which set out the rationale for the selection of the relevant local market indices against which each Fund is compared for the purposes of demonstrating its returns.

More information on the relevant indices can currently be found at the following web pages:

- S&P/ASX Small Ordinaries Accumulation Index (XSOAI) (AUD)
  http://au.spindices.com/indices/equity/sp-asx-small-ordinaries

- S&P Global SmallCap (Total Return) Index (SBERGLU) (USD)
  http://us.spindices.com/indices/equity/sp-global-smallcap-us-dollar

- S&P/ASX Emerging Companies Index (Total Return) (XECAI) (AUD)
  http://au.spindices.com/indices/equity/sp-asx-emerging-companies-index

- NZBond Bank Bill Index (NZD): https://www.bloomberg.com/quote/BNZBIL:IND

- Morningstar UK Small Cap-NR GBP Index
  Contact Pie Funds directly www.piefunds.co.nz

- MSCI World Total Return (Net) Index (USD): https://www.msci.com/world

- MSCI ACWI Low Carbon Leaders Net Total Return Index (USD): https://www.msci.com/low-carbon-indexes

The local market indices Pie Funds uses for comparative purposes in demonstrating a Fund's returns may be updated by Pie Funds at any time.

The indices and those web pages may be renamed or replaced from time to time without notice to investors.

Climate methodology

Climate Friendly prioritises investments in companies with lower exposure to carbon emissions and fossil fuel reserves. The methodology for achieving this is by selecting companies as follows:

1. from the constituents of low-carbon indices and ETFs, including the MSCI ACWI Low Carbon Leaders (USD) which is the market index for Climate Friendly; and

2. with the assistance of third-party researchers specialising in researching and evaluating the carbon footprint and climate impact of companies (and ETFs).

Overseas investors

The offer to invest in the Funds is being made to retail investors in New Zealand.

No person may offer, invite, sell or deliver any units, distribute any document (including this document) to any person outside New Zealand except in accordance with all the legal requirements of the relevant jurisdiction.

Unless otherwise agreed with us, any person or entity subscribing for units in any Fund will, by virtue of such application, be deemed to represent that he, she or it is not in a jurisdiction that does not permit the making of the offer or invitation of the kind contained in the PDS and the application is not for the account or benefit of a person within such jurisdiction.

We may in the future, at our sole discretion, offer units in the Funds in Australia to persons who are professional investors or otherwise wholesale clients under the Australian Corporations Act 2001.

We may in the future, at our sole discretion offer units in the Funds in Australia in accordance with the requirements for Australian offerings under the Trans-Tasman Mutual Recognition Scheme. If we do so, the following prescribed warning statement would be applicable to Australian investors:

Part 1 - Warning statement

- This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

- This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

- There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

- The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

- Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

- The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

- If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

Part 2 - Additional warning statement: currency exchange risk

- The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

- If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

Part 3 - Additional warning statement: trading on financial product market

- If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

Part 4 - Additional warning statement: dispute resolution process

- The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

None of Pie Funds, the Supervisor, the Administration Manager, nor any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is eligible to invest in the Funds.

5. Conflicts of Interest

General description of conflicts of interest

Pie Funds, our directors, employees or other associated persons may choose to invest in the Funds therefore the Funds may be affected by a potential conflict of interest.

The Chairman's Fund, the Conservative Fund and the Global Fund may invest in some or all of the other Pie Funds products of which Pie Funds is the manager (**Other Pie Funds Products**). The Other Pie Funds Products charge fees and incur expenses which will affect the value of the Chairman's Fund, the Conservative Fund and the Global Fund and the Climate Friendly Fund and the returns of these funds.

Investments by the Chairman's Fund, the Conservative Fund and the Global Fund in any of the Other Pie Funds Products are on an arm's length basis, and fees and expenses incurred in relation to these investments are not rebated.

Pie Funds does not currently charge a management fee in respect of the management of the Cash Plus Fund. There is an administration fee incurred by the Chairman's Fund which is $50,000 per annum and which is payable to Pie Funds. Pie Funds charges management and performance fees in the Global Fund.

How a conflict of interest would or could materially influence investment decisions

- We may have a potential incentive to make fund related and proprietary investment decisions which are not in the best interests of investors or do not treat all investors equitably or fairly. This is not how Pie Funds operates and would contravene our policies and procedures.

- We may have an incentive to invest the Chairman's Fund, the Conservative Fund or the Global Fund in the then 'best performing' Other Pie Funds Product and/or change the investments of these funds between Other Pie Funds Products frequently, even though this may not be in best interests of investors or treat all investors equitably of fairly. This is not how Pie Funds operates and would contravene our policies and procedures.

Steps taken to manage conflicts of interest

Statutory duties of Pie Funds as manager under the FMCA

The FMCA imposes statutory duties on us as the manager of the Funds, such that Pie Funds must:

- act honestly in acting as a manager;
- in exercising any powers or performing any duties as a manager:
    - act in the best interests of investors; and
    - treat investors equitably;
- as a professional manager of a registered scheme, in exercising any powers, or performing any duties, exercise the care, diligence and skill that a prudent person engaged in that profession would exercise in the circumstances; and
- where we contract out some or all of our functions as manager to a third party:
- ensure that those functions are performed in the same manner, and subject to the same duties and restrictions, as if we were performing them directly; and
- monitor the performance of those functions.

Pie Funds' Conflict of Interests Policy

Pie Funds has in place a Conflicts of Interests Policy relating to conflicts of interest between Pie Funds (or individual staff) and Investors' Interests (the Conflicts Policy). The statutory duties under the FMCA set out above have been built into the Conflicts Policy.

The purpose of the Conflicts Policy is to allow conflicts of interest to be proactively and quickly identified and managed in a manner that is fair to investors. The Conflicts Policy is intended to facilitate Pie Funds' directors and employees to recognise, disclose and manage conflicts between Pie Funds (or individual staff) and investors, and the Conflicts Policy sets out a procedure to manage and resolve potential or apparent conflicts in a way that is fair to investors.

Pie Funds also has in place a Code of Conduct, Code of Ethics and a Disclosure of Interests Policy which support the Conflicts Policy.

6. Additional Information on Fees

The estimated annual fund charges as detailed in the Funds' PDS's have been calculated using estimates of the following items: -

- fund returns (for Funds where performance-based fees are charged by us); and
- related or other underlying managed funds' ongoing fees and expenses.

The High Water Mark is the net asset value per unit (before tax) at the end of the most recent period in respect of which a performance-based fee was paid to Pie Funds (or, where no such fee has been paid, the commencement of the fund).

It is extremely difficult to predict future performance, and actual performance will vary over different periods. The predicted performance used to estimate the annual fund charges in the Fund are based on:

- for the Funds that charge a performance fee and have been existence for 5 or more years, the annualised return of that Fund since inception;
- for the Funds that charge a performance fee and have been in existence for less than 5 years, the average annual return of the relevant comparative market index for that fund for the last 5 years;
- for the Funds that do not directly charge a performance fee but invest in Other Pie Funds Products that do charge performance fees:
    - the annualised returns of the underlying Other Pie Funds Products since inception (if the relevant Other Pie Funds Products have been in existence for 5 years or more); and
    - the average annual returns of the market index for underlying Other Pie Funds Products for the last 5 years (if the relevant Other Pie Funds Products have been in existence for less than 5 years).

The proportion of a Fund invested in the various other managed funds will also change from time to time, which will affect the fees ultimately borne by the Fund.

Past performance is not necessarily a reliable indicator of future performance, the estimates used for calculating the estimated annual fund charges are not intended to indicate any expected or promised returns or charges. Pie Funds, its directors and senior managers make no representations or guarantees in relation to performance of or charges in any of the Funds.

Actual fund charges will depend on the actual performance of the underlying investments which will vary from the estimates.

Actual fund charges over the last 12 months will be available in the latest quarterly fund updates.

7. Risks

The risk disclosures set out below are supplemental to the general risks disclosed in the PDS for each Fund, and there are also additional general risks disclosed in respect of particular Funds which expand on the general risks disclosed for those Funds in their respective PDSs.

There are some risks involved in relation to investing in a Fund. Understanding and managing risk is fundamental to any successful investment policy, so it is very important that you become familiar with the concept of risk.

All investments carry some level of risk, and there is typically a direct relationship between risk and return. Generally, the greater the risk, the greater the potential return and the lower the risk, the lower the potential return over the long term. Also, the higher the degree of risk an investment carries, the more its price may fluctuate.

The main types of risks that you face are that you may not receive the returns you expect, that the capital value of your investment may end up less than you originally invested, or that you may be unable to get back your money when you need it. This might happen as a result of changes in a broad range of variables. Investments in a Fund are not guaranteed.

Because of the risks set out below, it is foreseeable that you may receive back less than you paid to invest into a Fund, if any of the risks eventuate. We describe what steps we take to mitigate these risks (where possible) below. It is important to note that despite taking such steps, we cannot mitigate the risks completely.

- **Company specific risk** – an investment of the relevant Fund (whether directly or indirectly), in a company may be affected by unexpected changes in that company's operations, shareholder base, governance and/or ownership structure (specifically where shareholders have lodged their shares as collateral), business environment, or the company may become insolvent. Environmental, social and governance risks can arise or increase (for example, health and safety or labour issues with the company's staff; or issues arising from environmental impact of the company's activities). Some of these company specific risks are greater for unlisted companies than for listed companies. This risk is mitigated (but not eliminated) by us performing thorough due diligence, and by each potential investment opportunity in a company being rigorously analysed before inclusion in a Fund's portfolio. In some cases, we do not invest in companies whose principal business activity is excluded as part of our ESG policy. Our due diligence approach applies to both direct investments and investments in managed funds (including, where appropriate, the Other Pie Funds Products in which we may invest for the Conservative Fund, Chairman's Fund and Global Fund). Our ESG exclusions, however, apply only to our direct investments.

- **Market risk** – the performance of a Fund will be affected by the performance of investment markets generally. The value of investments may go up or down in line with market movements. This in turn affects the value of the units in a Fund. This risk is generally outside our control, and includes movements in the general price level, supply and demand in the market in which the investments are made and the sectors in which the investments are made. Markets will be affected by a range of factors including investor sentiment, political events, inflation, prevailing interest rates, economic and regulatory conditions and broader events like changes in technology and environmental events. Prices will fluctuate. This risk is mitigated (but not eliminated) by hedging (offsetting) the market risk. We periodically protect the assets of a Fund in the event of a market correction by purchasing exchange traded (or OTC) put options, short selling individual or baskets of listed shares and/or other equity derivatives. We may also protect the assets of the fund by short selling exchange traded Futures;

- **Investment manager risk** – investment management decisions (such as allocation of a Fund's investments between asset classes, investment sectors and individual investments) made by us or any underlying fund manager (where we invest through the Global Fund, which uses a range of investment managers to make investment decisions) will affect returns, as will the performance of the businesses underlying the investments. Even though investment managers make the investment decisions, the outcomes cannot be predicted with certainty and results will vary accordingly. To manage this risk, we seek to utilise professional investment managers whom we regularly monitor. We select any Managed Fund and its investment manager for inclusion in the Global Fund according to specific criteria (which involves considering a number of factors). Changes of investment manager can also affect returns;

- **Key personnel** – the departure of any of our key personnel named in this document could impact on the performance of a Fund. The performance of a Fund will depend largely on the quality of the management of the Fund. To minimise turnover, we foster a culture which attracts and retains key personnel while at the same time operating in a collaborative manner therefore minimising key personnel risk;

- **Liquidity risk** – we may not be able to easily convert some non-cash investments into cash and, in respect of the Global Fund, the Conservative Fund and the Chairman's Fund, withdrawals from the managed funds or the Other Pie Funds Products (as applicable) may be suspended because of either inadequate market depth, disruptions in the market place, investment into illiquid securities or our inability to accurately value securities in listed or unlisted companies (to the extent invested in directly or indirectly). This may lead to loss of capital. Financial products of companies in particular may, from time to time, and especially in falling markets, become less liquid. Liquidity risk is generally greater for unlisted companies than for listed companies. This risk is mitigated (but not eliminated) by actively managing a Fund (as the position of companies can change rapidly) and by understanding the investments which the Fund and the managed funds' fund managers (in respect of the Global Fund) hold so that at any one time a Fund has sufficient liquid investments to meet withdrawal requests. In addition, the Emerging Companies Fund is subject to a three calendar month notice period in order to mitigate liquidity risk given the Emerging Companies Fund is invested in Emerging Companies, the shares in which may be more illiquid in certain circumstances;

- **PIE Status** – the risk of a Fund failing to satisfy the eligibility criteria for PIE status and that failure not being remedied within the permitted period under the Income Tax Act 2007. If PIE status is lost by a Fund, a Fund would be taxed as a company at a rate of 28%, rather than at each investor's PIR under the PIE regime (and you would be taxed on any distributions or redemptions accordingly). We monitor factors influencing a Fund's PIE status on a regular basis and have processes in place to minimise potential breaches of PIE eligibility criteria;

- **Currency risk** – as a portion of the underlying investments may be invested in overseas jurisdictions in foreign currencies, returns may be affected by movements between the other currencies and the New Zealand dollar (the NZD). If the NZD appreciates, the value of the foreign currency investments will drop (in NZD terms) which may have an adverse effect on the domestic value of international investments. We actively manage all currency exposure. It is not our intention to 100% hedge the currency at all times; however, this decision is ultimately at our discretion. Overseas transactions may be unhedged;

- **Derivative risk** – we may use Derivative Instruments such as Futures and options. Derivatives are financial contracts whose value depends on the future value of underlying assets such as shares, bonds, currency or cash. As a result of using Derivative Instruments, the investment movements may be more volatile than if a Fund, or that part of the Conservative Fund invested in non-cash assets, is invested solely in shares (whether directly or indirectly). Risks associated with Derivative Instruments include a Fund not being able to meet its payment obligations as they arise and the risk that the other party to the Derivative Instrument will fail to perform its contractual obligations (known as the "counter-party risk"). This risk is mitigated (but not eliminated) by performing due diligence on derivative counterparties. We mainly use derivatives to hedge the funds' investments and mitigate market risk. Sometimes derivatives are used as an investment strategy on the financial markets.

- **Regulatory risk** – returns may be affected by any adverse regulatory changes in New Zealand, Australia or elsewhere, which could have an impact on investments or adversely affect our, or in relation to the Global Fund, a managed fund's fund manager's, cost base. We maintain a working knowledge of proposed legislative and regulatory changes that impact the Funds, and where relevant, will make submissions to regulators with a view to ensuring investors' interests are represented;

- **Counter-party risk** – a counter-party to a contract may fail to meet their obligations under it, causing loss to a Fund. This potentially arises with various financial products including Derivative Instruments and fixed interest. This risk is mitigated (but not eliminated) by analysing counterparty creditworthiness when selecting counterparties to transact with;

- **Taxation and legislative change risk** – changes in taxation rates or tax rules may impact your investment returns. The taxation assumptions used in this document are based on existing New Zealand tax legislation. Any changes to such legislation may materially impact the returns of a Fund. It is recommended that you seek advice from a tax adviser before making an investment into a Fund. We maintain a working knowledge of proposed legislative and regulatory changes that impact on a Fund and where relevant, will make submissions to regulators with a view to ensuring investors' interests are represented;

- **Operational risk** – it is very important that we and the fund managers of the managed funds maintain systems and practices that ensure investment operations run smoothly and accurately. Failures in this area can lead to large losses due to such things as incorrect trade settlements, incorrect payment instructions or poorly defined documentation. This risk is mitigated (but not eliminated) by regularly reviewing our systems and practices and performing operational due diligence on each fund manager of a managed fund as part of our rigorous research process undertaken prior to investment and on any third party to which we outsource any of our core operational functions;

- **Service provider risk** – you could be adversely affected if any of the various parties involved in the operation of a Fund, including the Supervisor, us, or other underlying administration, fund or investment managers, fail to perform their obligations. This risk is mitigated (but not eliminated) by undertaking due diligence on all third party service providers to a Fund, and using third party service providers who are well regarded in the New Zealand market or their respective overseas markets; and

- **Product risk** – changes may be made to a Fund from time to time including changing the Authorised Investments, a Fund's investment strategy, changing fees and charges or minimum investment amounts. These changes could impact on a Fund's returns. Any material changes are made in agreement with the Supervisor or by notice to the Supervisor (or in some cases the investors) and will be subject to our internal processes

- **Portfolio Concentration Risk** – As some of the Funds hold concentrated portfolios (e.g. between 10-20 securities), returns of the Funds may be dependent upon the performance of individual companies. The concentrated exposure may lead to increased volatility in a Fund's unit price and may affect performance.

Conservative Fund

In addition to the risks outlined above (which apply directly or indirectly to all of the Funds), the following risks apply specifically to the Conservative Fund:

- **Interest rate risk** – changes in interest rates (whether in New Zealand or internationally) can have a negative impact directly or indirectly on your investment value or returns;

- **Inflation risk** – if your investment is held in cash assets, there is a risk that the value of your investment may not keep pace with inflation. This could mean that even though your investments are steadily growing, your money may not have the same buying power in the future as you would expect in today's money; and

- **Diversification risk** – the Conservative Fund will invest predominantly with New Zealand registered banks. Because of the small number of entities in the New Zealand banking industry, the Conservative Fund's cash investments will be concentrated in a limited number of issuers. This means that the Conservative Fund may not be diversified across a range of issuers.

Global Fund - Managed Fund risk

In addition to the risks outlined above (which apply directly or indirectly to all of the Funds), the following risks also apply specifically to the managed funds that the Global Fund invests in (and that the Chairman's Fund and Conservative Fund invest in indirectly through investments in the Global Fund):

- situations can occur where very strong and correlated market trends put stress on the banking system, the exchanges traded on and the broader financial complex, including monetary authorities. The major symptom in these situations is a loss of liquidity across many markets which may make it difficult or impossible to value the underlying investments in a managed fund;

- as the Global Fund invests into a number of different managed funds managed by different fund managers, there are risks associated with each underlying fund manager. If an underlying fund manager changes the way they trade or the markets they trade in, then the Global Fund may end up with investment risks which we are not aware of. This is referred to as "style drift" and is mitigated (but not eliminated) by regular monitoring of each underlying fund manager's performance. More generally, an underlying fund manager may not be successful in generating acceptable returns;

- unexpected changes in a managed fund's operations or business environment may affect returns from the managed fund;

- a managed fund's investment performance can depend on the skills and performance of its fund managers and therefore can be affected if key personnel depart;

- in screening, reviewing and reporting on managed funds, we are necessarily relying on the accuracy and completeness of the information provided by the fund managers; we may not be able to verify that information. To the extent that we take into account historical performance information, we know that the past performance is no guarantee of future performance;

- if the fund manager operating a managed fund did not, for any reason, comply with the investment mandate, rules, obligations and laws related to that managed fund, that could impact on its performance and/or our investment in the managed fund. It is possible that a fund manager or its staff deliberately engage in fraudulent activity leading to losses in the managed fund; and
- a managed fund may suspend or delay redemptions from the Fund which may, in turn, delay or restrict our ability to meet Withdrawal Requests from the Global Fund.

Other than as specified against the managed fund risks set out above, these risks are mitigated (but not eliminated) by subjecting all managed funds and fund managers to a rigorous research process prior to investment by the Global Fund. We also routinely and systematically screen all managed funds invested in, including by reviewing all relevant reporting from the fund managers and having regular calls and face to face meetings with the fund managers, which we anticipate would be held at least annually. Further, if we have material concerns about a managed fund we have invested in, we will look to reduce our position in that managed fund or exit the position entirely.

Multi-Strategy Fund – Short selling risk

In addition to the risks outlined above (which apply directly or indirectly to all of the Funds), the following risk also apply specifically to the Multi-Strategy Fund):

- **Short selling risk**: The Multi-Strategy Fund may short sell and can do so in two ways. Firstly, it can use a stock lending facility, which means:
  - the Fund borrows a share (or security) then sells it on the market;
  - the intention of this is that the Fund subsequently repurchases the share (or security) for a lower price than it was originally sold for. The share or security is then returned to the party it was borrowed from.
  - The Fund and its investors make money on short positions if the share price of the borrowed security falls (the reverse of how money is made on long positions).

  The Fund may also short sell by using derivatives to simulate selling a share (or security) as opposed to borrowing a physical share or security.

  The theoretical upper limit on a share price is unlimited, the potential loss (and negative effect on returns) is also unlimited. If the shares are borrowed to facilitate short selling, the lender may request return of the shares which gives rise to the possibility these shares will have to be bought at a time not of our choosing, potentially resulting in losses.

This is not an exhaustive list and there may be additional risks which arise.

8. Taxation

This section briefly summarises the New Zealand taxation regime as it applies to the Funds. It is intended as a general guide only, as tax law does change.

All investors have different taxation positions and you should seek your own tax advice prior to investing.

Each Fund is a Portfolio Investment Entities (PIE) for tax purposes. Tax concessions apply to entities which qualify as PIEs. In particular, certain types of investors in a PIE (such as natural persons) will be taxed differently where they invest in a PIE. In addition, gains derived by PIEs in relation to disposals of New Zealand and certain listed Australian companies are not subject to tax.

The Fair Dividend Rate calculation method (FDR) applies to calculate taxable income from investments in offshore equities (excluding certain Australian resident listed companies). This method calculates taxable income based on a deemed annual return of 5% of the market value of the offshore equity investments determined on a daily basis.

Portfolio Investment Entities

Under the PIE regime, we will attribute taxable income earned by the Funds to you in accordance with the proportion of your interest in the overall Funds. The income attributed to you will be taxed at your 'prescribed investor rate' (PIR), which is currently capped at 28%. Unless you have a PIR of 0%, we will effectively pay tax on your behalf and undertake any necessary adjustments to your interests in the Funds (by way of cancellation or issue of units) to reflect that the Funds pay tax at varying rates on behalf of different investors. The Registrar has been delegated these functions by us.

PIRs for individuals

If you are an individual your PIR will either be 10.5%, 17.5% or 28%. Your PIR will be 10.5% if:

- you are a New Zealand tax resident; and
- your taxable income in either of the two immediately prior tax years was $14,000 or less (excluding income from PIEs); and
- your combined taxable income and attributed PIE income in either of the two immediately prior tax years was $48,000 or less; and
- you have supplied the Funds with your Inland Revenue Department (IRD) number and elected the 10.5% rate.

Your PIR will be 17.5% if:

- you are a New Zealand tax resident who does not qualify for the 10.5% rate; and
- your taxable income in either of the two immediately prior tax years was $48,000 or less (excluding income from PIEs); and
- your combined taxable income and attributed PIE income in either of the two immediately prior tax years was $70,000 or less; and
- you have supplied the Funds with your IRD number and elected the 17.5% rate.

If you do not qualify for the 10.5% PIR or 17.5% PIR, your PIR will be 28%. Individuals investing jointly with another person must elect 28% if either investor does not qualify for the lower rates.

If you have recently become a New Zealand tax resident, it is likely you will need to take into account your worldwide income when determining your PIR.

Information on current PIRs and how to determine your PIR can be found at ird.govt.nz/toii/pir/workout/.

PIRs for other investors

Trust investors will have a PIR of 0% unless they elect to apply a 17.5% or 28% PIR. A trustee of a testamentary trust may also elect a 10.5% PIR. If a 0% PIR applies, the Funds will not pay tax on the trust's behalf and the trust must include the attributed income in its own tax return at the appropriate rate. If trust investors elect to apply a 10.5% or 17.5% PIR, the trust must include the attributed income in its own tax return at the appropriate rate (and claim a credit for the tax already paid by the Funds). If trust investors elect a 28% PIR, the Funds will pay tax on the trust's behalf at the 28% rate and that will be a final tax.

Companies, charities and managed investment schemes that provide a valid IRD number will have a PIR of 0%. The Funds will not pay tax on their behalf. Instead they must include the attributed income in their own tax return.

Other taxation information

You should advise us of your PIR and IRD number when you make an application to become an investor. You should also advise us of any changes to your PIR. If you do not advise a PIR and IRD number, we will apply the 28% tax rate. If you notify us of a lower PIR than you are entitled to, you will be required to pay the resulting tax shortfall to the IRD personally and you may be liable for interest and penalties on that shortfall. The IRD will not refund tax overpaid if an incorrect PIR is used. You will be asked to reconfirm your PIR at least once a year. The IRD can instruct us to disregard your notified PIR if the IRD considers that the rate you notified is incorrect. In such cases, we must apply the rate the IRD considers appropriate.

Taxable income is attributed annually to 31 March.

If the Funds are in a tax loss position or have excess tax credits (which will include imputation credits received by the Funds, but will not include foreign tax credits), the Funds will receive a refund for investors not on a 0% PIR. The benefit of the refund will be passed on to these investors by way of additional units in the Funds. Investors electing a 0% PIR can claim their share of the loss or excess credits in their own tax return.

Distributions and amounts paid on the withdrawal of units are not subject to any tax, although if you have a PIR greater than 0% we may cancel the units to meet the Funds' tax liability at the time of withdrawal.

Offshore equity investments

Most overseas shares held by the Funds (to the extent the Funds have direct investments in companies) will be taxed pursuant to the FDR. Any dividends or other distributions flowing from overseas shares will not be separately taxed in New Zealand under FDR. Gains and losses in respect of holdings in overseas shares to which FDR applies do not affect the taxable income of the Funds for tax purposes.

Other income

Other income of the Funds will be subject to the relevant normal tax rules. Tax may be imposed in overseas jurisdictions in relation to overseas investments (although this may give rise to a tax credit in New Zealand).

This document has been written for New Zealand tax residents only. The favourable tax status of the Funds may well NOT apply for non-New Zealand tax purposes to individuals, trusts, or corporates from outside New Zealand.

9. Investing through a PIP or another custodial service

You may invest in the Funds directly or through a PIP or other custodial service or a wrap account ("Custodial Service") we have approved to introduce clients to our Funds.

If you invest through a Custodial Service, you will not become a direct investor in the Funds and will not have a direct relationship with us or the Supervisor. Rather, the PIP or the Custodial Service will have the direct relationship with us and will be able to exercise any rights attached to Units held. You will have a direct investment relationship with your PIP or the Custodial Service.

A PIP or the Custodial Service will have an agreement with you governing the terms of the custodial arrangement. Although you will not become a registered Investor in a Fund, you are entitled to rely on the PDS, this Document and any other information on the Disclose register in respect of the offer of Units in the Fund. Reports, notices and other documentation will be sent directly to the PIP or the Custodial Service and all correspondence will be conducted by us with the PIP or the Custodial Service.

The PIP or the Custodial Service will have entered into an arrangement with us in respect of the Funds. The PDS, this Document and any other information on the Disclose register outline the terms and conditions of investment in the Funds made by a PIP or the Custodial Service, which may have been varied by such an arrangement. You should contact your PIP or the Custodial Service to ascertain whether any variations have been agreed between us and them.

You should ascertain from your PIP or the Custodial Service:

- whether any minimum investments or minimum withdrawals (other than those specified in the PDS) have been agreed between us and the PIP;
- the minimum amount that the PIP or Custodial Service requires to be invested and the consequences of failing to maintain that minimum amount;
- whether there are any timing cut-off times for transacting (e.g. applications and withdrawals); and
- whether any fees and charges are payable to the PIP or the Custodial Service (in addition to fees and charges set out in the PDS).

If your Custodial Service is a Proxy for PIE tax purposes, it will undertake certain responsibilities instead of us or the Supervisor, including:

- calculating and organising payment of tax liability on income attributed to the Proxy by applying the PIRs of the underlying Investors;
- making adjustments to the Units held on behalf of underlying investors (by requesting the redemption of Units) or the distributions (if any) made to underlying investors or requiring payments to be made by the underlying investors which reflect the tax liability on income attributed to the underlying investors;
- organising the provision of returns and other information to the IRD; and
- providing us any information concerning the underlying investors that may be relevant to whether the Fund continues to meet PIE eligibility requirements.

10. Material Contracts

A summary of the contracts that we consider to be material in relation to the Funds is set out below:

Governing Document and Conditions of Establishment for Funds

The Governing Document and the Conditions of Establishment establish and govern the Funds. They have been entered into between us and the Supervisor, and may be amended from time to time. Copies are available on the Scheme Register on the Disclose website at companiesoffice.govt.nz/disclose under the Scheme register entry.

Services Agreement and Service Level Agreement

We have entered into a Service Agreement and Service Level Agreement dated June 2016 (SLA) and a Supervisory Agreement dated May 2017 (Supervisory Agreement) with the Supervisor. The SLA relates to a range of administrative services that TEL provides us in respect of the Funds, including registry and investment accounting and other associated services. The Supervisory Agreement specifies the reporting and information to be provided by us to the Supervisor.

11. Related Party Transactions

The Chairman’s Fund, Conservative Fund and Global Fund may invest in Other Pie Funds Products. These investments, and the fees that may apply in the different funds, are explained in the relevant PDSs. We have completed related party transaction certificates with the Supervisors consent and as required under the FMCA.

Glossary

Board means the board of directors of Pie Funds Management Limited.

Derivative Instrument means a financial instrument whose value is derived from one or more underlying assets. For example, a share option derives its value from the value of the underlying share.

Emerging Companies refers to companies the shares in which at the time of investment have a Market Capitalisation of up to $250 million in local currency.

FMCA means the Financial Markets Conduct Act 2013.

FMC Regulations means the Financial Markets Conduct Regulations 2014.

Futures means a financial contract to purchase an asset (or the seller to sell an asset), such as a physical commodity, or an index, at a predetermined future date and price.

Market Capitalisation means the total value of the company's shares on issue.

Medium Companies refers to companies the shares in which we determine have a medium Market Capitalisation relative to the exchange that they are listed on, and may also include unlisted smaller companies.

OTC or **Over the Counter** refers to a security which is not traded on a formal stock exchange.

PDS means, in relation to a Fund, the most recent product disclosure statement for that Fund.

PIP means a Portfolio Investor Proxy also known as custodians, nominees or wrap accounts. They are intermediary nominees or agents through which investors can invest into a Pie Fund.

Portfolio Investment Entity (PIE) has the meaning given to that term under section YA1 of the Income Tax Act 2007.

Scheme means the Pie Funds Management Scheme.

SIPO means, in relation to the Scheme, the written Statement of Investment Policy and Objectives.

Smaller Companies refers to companies the shares in which we determine have a small Market Capitalisation relative to the exchange that they are listed on. Smaller Companies also includes Emerging Companies, and may also include unlisted smaller companies.