



Kōura KiwiSaver Scheme

# Other Material Information (OMI)

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## 1. Introduction

This Other Material Information document has been prepared in accordance with the Financial Markets Conduct Act 2013 (**FMC Act**) to provide additional detail about important aspects of your investment in the Kōura KiwiSaver Scheme (the **Scheme**).

It applies to each fund within the Scheme, unless we specify otherwise, and should be read with the Product Disclosure Statement for the Scheme (**PDS**), the Statement of Investment Policy and Objectives (**SIPO**) and any other documents held on the Disclose Register at: [www.disclose-register.companiesoffice.govt.nz/](http://www.disclose-register.companiesoffice.govt.nz/).

In this document, “you” or “your” refers to a person who applies to invest in the Scheme. The words “Kōura”, “Manager”, “we”, “our” or “us” refer to Kōura Wealth Limited, who is the manager of the Scheme. The supervisor of the Scheme is Public Trust (**Supervisor**).

A Product Disclosure Statement (**PDS**) and Statement of Investment Policy and Objectives (**SIPO**) for the offer of units in the Funds (**Units**) are also available. You should review both of these documents before investing in the Scheme.

## 2. Scheme philosophy

The Kōura KiwiSaver Scheme has been designed and set up to help people achieve better outcomes for their KiwiSaver. Fundamentally, we believe that KiwiSaver is a complex product, and investors need help and advice to help them achieve their objectives. We do this through a differentiated fund structure and digital advice. We explain further below.

### The Kōura Funds

You can choose to invest in any of the following investment funds (**Funds**):

Core Income Funds	Core Growth Funds	Specialty Growth Funds
<ul style="list-style-type: none"> <li>▪ Cash Fund</li> <li>▪ Fixed Interest Fund</li> </ul>	<ul style="list-style-type: none"> <li>▪ New Zealand Equities Fund</li> <li>▪ US Equities Fund</li> <li>▪ Rest of World Equities Fund</li> <li>▪ Emerging Markets Equities Fund</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bitcoin Fund</li> <li>▪ Clean Energy Fund</li> <li>▪ New Zealand Property Fund</li> <li>▪ Strategic High Growth Fund</li> </ul>

All of the Funds are investment options under the Scheme. You will be allocated units in the Funds that you select when you sign up to the Scheme. The Scheme is governed by a trust deed dated 16 August 2019 (**Governing Document**), and the Funds are invested in accordance with the SIPO. You can get an electronic copy of the Governing Document and SIPO from the scheme register on the Disclose website [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

The investment policies for the Funds are set out in the SIPO.

### **The Kōura Specialty Growth Funds**

We believe that the Specialty Growth Funds are a way for an investor to diversify their KiwiSaver portfolio and invest in specific assets that have good risk and return characteristics and are not necessarily correlated with traditional financial assets that a traditional KiwiSaver fund typically invests in.

With the growth of self-directed investing in the New Zealand market, we understand that consumers are increasingly investing in these products with their non KiwiSaver savings and therefore we want to ensure that the full range of investments is also available to kiwi's with their KiwiSaver.

Certain specialty growth funds may be higher risk than our core funds and may not be suitable for investors that do not want higher risk in their KiwiSaver. If interested in one of these funds, it is important that investors spend time using the Kōura digital advice tool to understand the risk and typical allocations to these funds.

### **The Kōura Investment Strategies**

Kōura offers investors 4 distinct Investment Strategies, offering pre determined mixes of the Kōura Core funds. The Kōura Specialty Growth Funds will never be included in an Investment Strategy.

The underlying mix of funds, and further details on these funds is set out in Section 7 of this document.

## 3. Contributions

You can make lump sum or regular contributions to the Scheme. Your employer can as well.

### **Employee contributions**

You can regularly contribute 3%, 4%, 6%, 8% or 10% of your before-tax salary or wages<sup>1</sup> to the Scheme. If you don't choose, the default amount is 3%. Your employer is responsible for deducting these amounts and paying them directly to Inland Revenue, who will forward them on to us.

### **Employer contributions**

In addition to your employee contributions, except in the circumstances described below, your employer is required to make a contribution equal to 3% of your before-tax income. The contribution will have employee superannuation contribution tax deducted from it before it is paid to Inland Revenue (who forwards it on to us). If they want, your employer can pay more than the 3% minimum contribution but they must do so by forwarding it to Inland Revenue. Your employer doesn't have to make a contribution for you if:

- you are under the age of 18 or over the age of 65;
- you aren't contributing to the Scheme (e.g. you're on a KiwiSaver savings suspension);
- to the extent they are already paying into another superannuation scheme for you (conditions apply).

### **Self-employed, under 18 or not working?**

You can contribute at any time if you are self-employed, under 18 or are over 18 but not working by making Voluntary contributions

### **Voluntary contributions**

You can make lump sum or regular contributions to the Scheme whenever you like. These are received directly by the Scheme into your account.

### **Government contributions**

While you contribute to the Scheme, you are eligible to receive KiwiSaver Government Contribution if you:

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<sup>1</sup> Including bonuses, overtime payments and rewarded leave payments

- reside mainly in New Zealand (exceptions apply);
- are 18 years or older;
- have not reached age 65.<sup>2</sup>

If you qualify, every year from 1 July to 30 June you will receive 50c for every dollar up to \$1,042 you contribute to the Scheme. The maximum amount the Government will give you for each year is currently \$521.43.

Please note that employer contributions, Government contributions and amounts transferred from an Australian complying superannuation scheme do not count towards your Government contribution eligibility.

If you join KiwiSaver part-way through the Government contribution year (1 July to 30 June), you will receive a Government contribution based on the number of days in the Government contribution year that you have been a member.

### **Savings suspension**

If you are an employee making contributions from your salary or wages, and 12 or more months have passed since you first contributed to KiwiSaver or you became a member of a complying superannuation fund, you can take a savings suspension for a minimum of 3 months and a maximum of 1 year, which you can renew. You can also be on a savings suspension at any time if Inland Revenue is satisfied you are suffering, or are likely to suffer, financial hardship. In these circumstances, however, the length of the savings suspension will be 3 months, unless Inland Revenue agrees to a longer period.

### **Transferring from another KiwiSaver Scheme**

You can transfer your account balance to the Scheme from any other KiwiSaver Scheme. It is important to note that you can only be a member of one KiwiSaver Scheme at a time.

### **Transferring from an Australian superannuation fund**

You may also be able to transfer into the Scheme from a complying Australian superannuation fund if you have permanently moved to New Zealand.

Please email us at [info@kourawealth.co.nz](mailto:info@kourawealth.co.nz) for more information about this process

## 4. Withdrawals

KiwiSaver has been designed to be a long-term savings product, there are only limited methods that you can withdraw your investments from the Scheme:

### **If you reach age 65**

You are able to make withdrawals from the Scheme once you reach age 65. You do not have to withdraw your funds, you may also remain invested.

The minimum withdrawal is \$1,000, and there is no maximum - you are entitled to withdraw your full balance. You can also make regular withdrawals for an agreed amount, or one-off withdrawals.

### **To purchase a first home**

You may make a first home withdrawal if three or more years have passed since you first contributed to KiwiSaver or you became a member of a complying superannuation fund.

If you wish to apply for a first home withdrawal, you will need to give us various documents, including a copy of the sale and purchase agreement for the home.

Please apply at least 10 business days before the deposit (or settlement payment) is due. You cannot make a first home withdrawal after the home has been purchased – talk to your lawyer early to ensure all the paperwork is done. We will pay the proceeds direct to your lawyer’s Trust bank account. You must leave a \$1,000 balance in your account.

### **Australian superannuation transfers**

Any amount transferred from an Australian complying superannuation fund (excluding investment returns on that amount) may be withdrawn when you reach age 60, if you have ‘retired’ in terms of the relevant Australian legislation.

### **Significant financial hardship**

This is a discretionary assessment made by the Supervisor based on the statutory prescribed criteria. You will need to supply information to show the Supervisor that you are not able to meet your minimum living expenses and that you have exhausted all other forms of funding. The Supervisor will limit any withdrawal to an amount they determine will alleviate hardship.

Significant financial hardship is defined to include significant financial difficulties that arise from a number of circumstances being:

- Your inability to meet your minimum living expenses; or

- Your inability to meet mortgage repayments on your principal family residence resulting in the mortgagee seeking to enforce the mortgage on the residence; or
- The cost of modifying a residence to meet special needs arising from your disability or your dependant's disability; or
- The cost of medical treatment for illness or injury to you or your dependant; or
- The cost of palliative care for you or your dependant; or
- The cost of a funeral for your dependant.

The Supervisor may limit the amount you are able to withdraw and you cannot withdraw any Government contribution. If you are, or are likely to become bankrupt, it is important that you get legal advice before making any withdrawal request.

### **Serious Illness**

To make a withdrawal for serious illness, the Supervisor will require information (including from your medical practitioner) to assess your request.

### **Permanent emigration**

If you have permanently emigrated from New Zealand to a country other than Australia, after one year you can apply to the Manager for approval to withdraw your funds and close your KiwiSaver account. You will need to provide evidence including a statutory declaration and proof of overseas address.

### **Permanent emigration to Australia**

If you emigrate to Australia, you may apply to have your investment transferred to an Australian complying superannuation scheme. You will need to provide us with proof, including a statutory declaration that you have emigrated permanently and have resided at an Australian address for at least a year.

### **Death**

We will pay benefits on death (the balance of your amount) to your personal representatives. Depending upon the balance, they will need to provide us with a copy of probate of your will, or other evidence of authority to act.

### **Partial withdrawals to pay income tax and student loan obligations on foreign superannuation transfers**

You may incur an additional income tax liability and an increase in your student loan obligations if you make a foreign superannuation transfer into the Scheme. You can make a partial



withdrawal from the Scheme to pay any such additional tax liability (not penalties and interest) or increase in your student loan obligations arising from the transfer.

### **Act of Parliament**

An early withdrawal can be made from the Scheme where required by any Act of Parliament. This includes a court order under the Property (Relationships) Act 1976.

### **Life shortening congenital illness**

You may be able to make a withdrawal from your KiwiSaver account if you have a life-shortening congenital condition. You may qualify if you have a condition that exists from the date of your birth that is:

- identified as a life-shortening congenital condition by the KiwiSaver Regulations 2006 (**a Listed Condition**); or
- not a Listed Condition, but you can provide evidence it is a condition that is expected to reduce your life expectancy (or the life expectancy of people in general with the same condition) below the age of qualification for NZ Superannuation.

## **5. The Manager**

The Manager of the Scheme is Kōura Wealth Limited, a company incorporated in New Zealand under the Companies Act 1993 on 20 February 2019. Kōura manages the investments of, and administers, the Scheme.

Details of the directors of Kōura are set out below, and are also available at [www.companiesoffice.govt.nz/](http://www.companiesoffice.govt.nz/). The directors may change from time to time without notice to you.

Kōura is licenced to act as managed investment scheme manager by the Financial Markets Authority (the **FMA**) under the FMC Act. Kōura is also a licenced financial advice provider.

#### *Our functions*

As the Manager of the Scheme we:

- Offer and issue Units in the Funds
- Manage the Funds in the Scheme and their investments; and
- Are responsible for administering the Scheme

## Our Directors

### **Rupert Carlyon**

Rupert has had over 20 years working in financial services organisations in Auckland and London. He has broad experience with his previous roles encompassing advisory, strategy, investor relations and capital markets.

Rupert is the founder and Managing Director of Kōura.

### **Warren Couillault**

Warren has more than 30 years involvement in financial markets, both in NZ and overseas. His previous roles include Chief Investment Officer, shareholder and director of Fisher Funds and he is a former Investment Committee Chair, director and shareholder of Generate KiwiSaver.

### **Mark Solomon**

Mark has more than 25 years' experience in the New Zealand financial markets. He has owned and managed a number of financial advisory firms and New Zealand's leading online insurance platform Life Direct. Mark is currently Managing Director of Life Direct and also Managing Director of Insurance Market Capital & Coast, an insurance advisory firm based in Wellington.

### **Nigel Scott**

Nigel is a professional Director with over 30 years' experience in the New Zealand financial markets. Prior to becoming a professional Director, Nigel was a senior executive at Hobson Wealth Partners and prior to this held senior roles at ANZ in their wealth division.

### **Brent McGregor**

Brent McGregor is the head of Sales & Service for New Zealand's largest financial advice firm New Zealand Financial Services Group Limited. Brent has been in the Financial Services Industry for more than 25 years.

## Our Senior Managers

There are two Senior Managers in the business.

- Rupert Carlyon – Managing Director
- Rebecca Stratton - Operations Manager

## 6. Other parties

### **Supervisor**

The supervisor of the Scheme is Public Trust. The Supervisor is responsible for monitoring our compliance in accordance with the Governing Document and the FMC Act. The Supervisor is required by law to vest the investments and other property of the Scheme in the name of the Supervisor or its nominee. It has delegated certain custodian duties to Apex NZ Limited ("Apex").

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

The Supervisor is licenced 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, [fma.govt.nz](https://fma.govt.nz) and on the Financial Service Providers Register website, [fsp-register.companiesoffice.govt.nz/](https://fsp-register.companiesoffice.govt.nz/).

### **Administration manager**

We have contracted administration management of the Scheme to Apex NZ Limited. They provide the following services:

- Member record keeping and registry;
- Unit pricing;
- Fund accounting; and
- Valuation services.

See [www.apexgroup.com](https://www.apexgroup.com) for more details.

### **Auditor and other advisers**

The auditor is Grant Thornton New Zealand Audit Limited. Grant Thornton is registered under the Auditor Regulation Act 2011. The auditor has no other relationships with, or interests in, the Scheme.

DLA Piper are our primary legal advisers.

## 7. The Kōura Investment Strategies

Kōura offers investors the potential to invest in pre-determined Investment Strategies. These investment strategies effectively act like a traditional KiwiSaver fund by mixing together the Kōura core funds to provide an appropriate level of risk and diversification for the portfolios.

The actual mix of funds for each Investment Strategy will be determined on a monthly basis using a formula set by the Kōura Investment Committee.

If you elect to invest in one of these Investment Strategies, you will be rebalanced every 6 months to the mix of funds that make up the relevant Investment Strategy at the time of rebalancing rather than the mix of funds that made up the relevant Investment Strategy when you selected to enter into that Investment Strategy.

It is not envisaged that the mix of Growth and Income assets will change on a regular basis. The mix of Core Growth Funds will be updated on a monthly basis to reflect on the size of the global stock markets (with a home bias) as determined by the MSCI AC World index.

The actual mix of funds used to develop an Investment Strategy will remain inside the ranges set out in the table below.

	Aggressive	Growth	Balanced	Conservative
Core Income Funds	5%	20%	40%	75%
Fixed Interest Fund	5%	20%	30%	55%
Cash Fund	0%	0%	10%	20%
Core Growth Funds	95%	80%	60%	25%
NZ Equities	16.2% - 19.8%	14.4% - 17.6%	10.8% - 13.2%	3.8% - 4.6%
US Equities	39.5% - 48.3%	35.1% - 42.9%	26.4% - 32.2%	9.2% - 11.2%
EM Equities	7.8% - 9.5%	6.9% - 8.4%	5.2% - 6.3%	1.8% - 2.2%
ROW Equities	17.5% - 21.4%	15.6% - 19.0%	11.7% - 14.3%	4.1% - 5.0%

## 8. The Kōura facilitator service

Kōura customers can engage the facilitator service to assist them manage their KiwiSaver. The facilitator service is to assist you make better KiwiSaver decisions to help you meet your KiwiSaver objectives. Clients that utilise the facilitator service will receive a higher level of service and will be charged a higher fee for that service. The fee for this service will be mutually agreed between you and your facilitator.

### **How the facilitated service can help**

A facilitator will be able to help clients when they are contemplating decisions around their KiwiSaver and will proactively help clients make the decisions that need to happen. With KiwiSaver there are a number of decisions that can be daunting for many people. Decisions about fund selection, choosing the right contribution rate or what to do in times of market stress are all things that KiwiSaver members can find difficult to make. A facilitator can assist with those decisions.

Amongst other things, the benefits of the facilitator service are to:

- assist you to choose your portfolio of funds or Investment Strategy;
- be a point of contact for you if you have any questions about your KiwiSaver; and
- encourage you to undertake your annual KiwiSaver reviews, maximise your Government contributions and provide other forms of assistance as required to get the best experience of your KiwiSaver

If you choose not to use a facilitator, you will still be able to contact the Kōura call centre to receive assistance as required.

### **What a facilitator will not do**

A facilitator will not provide you personalised advice that differs from the Kōura digital advice tool recommendation. They are able to give you factual information about the scheme and KiwiSaver in general but are unable to give you advice or recommendations that differ from the digital advice tool.

Specifically, a Kōura facilitator will not be able to recommend whether you should or should not invest in the Specialty Growth Funds, that is a decision you will need to make.

### **Who might benefit from a facilitator**

We expect that clients who have not managed their own investments or have never properly engaged with KiwiSaver may benefit from a facilitator service. Specifically, clients who need extra help and want to discuss their potential decisions with someone will benefit the most from a facilitator.

Clients that are well versed in KiwiSaver and investments and do not want or need any additional help over and above that available via the standard Kōura digital tools may not receive additional value from the use of a facilitator to justify the additional charges.

### **Kōura's expectations of a facilitator**

Kōura expects all facilitators will be:

- Professional and knowledgeable about KiwiSaver and the Kōura KiwiSaver scheme
- Available to assist clients with decisions when necessary
- Proactive and actively communicate with their clients about their KiwiSaver and KiwiSaver settings at least annually with their clients

To ensure that facilitators deliver a high level of service:

- All facilitators will go through an induction and training programme to ensure they have sufficient levels of knowledge and expertise
- We will Conduct Quality Assurance on facilitators to ensure they are acting in the client's best interests and following the appropriate kōura processes
- Where possible, we will monitor facilitator and client communications to ensure that facilitators are assisting their clients and providing ongoing assistance and advice to their clients

If Kōura believes that a facilitator is not delivering a satisfactory level of service and assistance to clients, Kōura has the ability to stop the facilitator fees from being charged.

The facilitator service may be provided by either Kōura or a person that has a relationship with the client (e.g. A Financial Advisor).

### **Ceasing to use a facilitator**

If at any point in time after the first 12 months of having used a facilitator, you feel you no longer need the services of your facilitator, you are able to inform Kōura or your facilitator directly and this charge will be stopped.

If you agree to use a facilitator when joining the Scheme, you will be required to retain the services of that facilitator for a period of at least 12 months after you have started using the services of your facilitator.

## **9. Key risks associated with the use of a facilitator**

Customers that elect to use a facilitator will expose themselves to two key risks

- a. A facilitator may not be available and provide the level of assistance expected or required by the client when they signed up to use the facilitator

- b. Clients will be paying an additional charge on top of their normal charges to use the facilitator service. They are paying this charge to receive a higher level of service and additional assistance over and above the level that a client will receive if they were not using a facilitator.

If a client who pays the additional charges does not receive the higher level of service, then they will be worse off for having elected to use the facilitator service but not having received the higher level of service.

The mitigants in place to reduce this risk for clients are:

- a. Kōura monitors and ensures that all facilitators will offer to discuss their client's KiwiSaver plans with them at least annually. If the offer of an annual review cannot be evidenced, then future facilitator fees may be withheld and refunded to the clients
- b. Clients are able to cancel their facilitator at any point in time after 12 months of signing up to a facilitator if they believe that the service they are receiving does not justify the additional fees
- c. Not all facilitators will be financial advisors with an investment strand qualification which may impact the quality of assistance that they receive through their facilitator

Facilitators will not necessarily be qualified to give KiwiSaver advice (though some will be), this means that facilitators are unable to give financial advice, they are only able to provide guidance, explanations and elaborate on the advice that will be provided by the Kōura digital advice tool or items of a general nature in the KiwiSaver and investment markets.

If a facilitator does not have an investment adviser qualification, they may not have a deep understanding of KiwiSaver and investments.

There is a risk that a facilitator could provide advice rather than assistance and this advice may be:

- inconsistent with the client's objectives; or
- inconsistent with the advice that Kōura has provided to the client through the digital advice tools; or
- wrong and factually inaccurate.

This may result in the client following a course of action that is inconsistent with the client's objectives, or making less from their investment. The mitigants in place to reduce this risk for clients are:

- a. All facilitators will go through a training and accreditation programme before they are able to become facilitators to ensure they have a sufficient level of knowledge about KiwiSaver and the Kōura product

- b. On a sample basis, Kōura will monitor client actions to ensure that they are in line with the advice that Kōura has provided. If a client action is inconsistent with Kōura's advice then we will seek to understand why that course of action has been taken
- c. Facilitator accreditation and training will be an ongoing process, and facilitators will be reviewed regularly.



## 10. The Kōura Bitcoin Fund

Crypto currencies are forms of currencies that exist digitally and use advanced cryptography to secure individual transactions. Unlike traditional currencies, crypto currencies are controlled by their users and do not have a central regulatory or issuing body.

Transactions are typically “validated” by a network of users, these users are remunerated for validating transactions through the issuance of new coins (also known as mining).

The global cryptocurrencies market capitalisation as of November 2024 is over US\$3trillion. The Fund will invest exclusively in Bitcoin.

The fund will achieve its carbon neutral status through the purchase of carbon offsets. This will be completed annually based on the estimated level of carbon emitted by the Bitcoin held in the portfolio over the prior 12 months. Further details are available in the Kōura Sustainable Investing Policy.

### Key Risks

The Kōura Bitcoin Fund invests in Bitcoin. Bitcoin is a relatively new financial product that has a higher risk than typical assets that an investor may invest in. The value of the Fund could fall significantly or even go to zero. The key risks an investor should consider ahead of investing in the Fund include:

#### a. Highly volatile asset

Bitcoin is a highly volatile asset and historically has experienced significant value swings (+100% or – 50%) over short periods of time. There is no guarantee that assets will recover after a significant fall and that historical returns will continue. The volatile nature of the asset may result in the value of the Fund falling significantly in value or even going to zero.

#### b. Regulatory risk

The majority of crypto currencies exist outside of the traditional financial regulatory environment. The lack of regulation and ability to hide transactions has meant that crypto currencies have and are being used by criminals to launder and transfer the proceeds of crime around the world. Some countries have banned their citizens from investing in or using crypto currencies as a result of these concerns. Some financial institutions refuse to interact with companies or individuals who operate in the crypto currency space due to Anti Money Laundering concerns.

There is a risk that crypto currencies become subject to increased regulation or financial institutions refuse to process transactions that originate from crypto currencies. This could result in their value falling.

**c. Network risk**

The blockchains upon which Bitcoin sits are operated and maintained by individuals who are compensated through transaction fees and / or the issuance of new coins / tokens.

There is a risk that individuals are no longer incentivised to maintain their respective blockchains which will make it impossible to validate and verify transactions causing the network to disintegrate and subsequently causing the value of the Fund to fall.

**d. Product displacement risk**

Crypto currencies are currently in their infancy with Bitcoin being launched in 2009. Bitcoin is a leader and early innovator in this space and has issues that can only be resolved through consensus agreement by holders of the respective coins.

There is a risk that new products are developed which are more efficient and deliver better utility than Bitcoin. If this happens the value of the Bitcoin invested in by the Fund is likely to fall.

**e. Cyber security risk**

Crypto currencies exist entirely on a distributed ledger, there are no traditional records. There is a chance that cyber criminals disrupt the ledger, gain access to individual keys or expose other flaws. The exploitation of any flaws in the underlying blockchain technology may reduce confidence in the broader crypto currency market or may result in the assets held by the Fund being stolen.

**f. Impossible to recover assets if they are lost**

Crypto currencies are registered on distributed ledgers and each holder holds an individual key to secure ownership of their assets. If a criminal manages to steal an individual's key or the individual loses their key, they will lose control of their crypto currency assets and there is no way of recovering those assets.

**g. Lack of market adoption**

The value of crypto currencies is predicated on them becoming increasingly accepted and recognised as a store of value and / or currency that can be used for transactions. We are still very early into the life span and journey of crypto assets and therefore there is a chance that the current investment hypothesis does not prove correct and market adoption wanes rather than grows, reducing the demand for crypto currencies and the Bitcoin that the Fund invests in.

**h. Corruption of the blockchain**

Bitcoin is stored on a blockchain. There is a chance that the blockchain or the source code that it relies upon may become corrupted or subject to cyber-attacks. Any issues with the

blockchain that the crypto currency is stored upon will end up impacting the value of the underlying crypto currencies.

**i. Risk that the underlying funds that the Fund invests into do not perform as expected**

The Kōura fund will invest in a fund that holds Bitcoin. There is a risk that the fund that we invest in does not accurately track the underlying performance of Bitcoin that we expect it to track.

**j. The Fund relies on underlying third party fund providers to be able to transact in and store Bitcoin appropriately**

Kōura relies on issuers of ETFs to transact in and store their underlying assets safely. Cryptocurrency exchanges have suffered significant cyber-attacks and assets have been lost in the past. The ETFs that we purchase have taken steps to ensure that this does not happen, but it is still possible. If a cyber-attack occurs on the exchange or custody platform where the coins are stored, then the value of the fund is likely to fall.

## 11. Manager and Supervisor's indemnity

Subject to the limits on indemnities under the FMC Act, both the Supervisor and Kōura are indemnified out of the Scheme for all losses, costs and expenses incurred by us or the Supervisor in relation to the proper performance of our general duties and our duties to comply with the relevant professional standard of care under the FMC Act in respect of the Funds, the Scheme and this offer.

We and the Supervisor remain liable for losses, costs and expenses arising from a breach of trust where we or the Supervisor fail to show the reasonable degree of care and diligence required.

## 12. Managing Conflicts of Interest

At all times, Kōura ensures that it acts in the best interests of its customers and treats all customers equitably.

Kōura has a Conflicts of Interest Policy in place relating to any potential conflicts that may arise between Kōura and investors' individual interests. Any conflicts must be managed by the Kōura Board and the Supervisor must be notified. Where a conflict exists, it will be resolved in favour of the investor.

There are no other conflicts of interest as at the date of this document.

## 13. Valuation

The value of Units held by you is reflected in the current Unit price. This is calculated using the net asset value of each Fund in accordance with the Governing Document and dividing that value by the number of Units on issue in the relevant Fund.

We will calculate the net asset value of each Fund on each business day where Units are issued or withdrawn or at such other intervals (not exceeding 30 days) as we may determine following consultation with the Supervisor.

The net asset value is calculated by taking the value of the assets in a Fund and subtracting the liabilities of the Fund. In determining the net asset value of each Fund, we will determine the value of the assets in the Fund and the liabilities of the Fund on such basis we consider to be fair and equitable having regard to generally accepted accounting principles or the New Zealand equivalents to international financial reporting standards. We may engage valuers or other suitably qualified persons for the purpose of fixing the market value of assets in the Funds.

## 14. Taxation

### **Taxation**

You are responsible for any taxation liability you may incur as an investor in a Fund. Tax legislation and rates of tax are subject to change and any change could have an impact on the Fund's return and yours. The impact of taxation may vary depending on your individual circumstances.

### **PIE**

The Funds have elected to be Portfolio Investment Entities (**PIEs**). As a PIE, each Fund's taxable income is attributed to you in proportion to the number of Units you hold in the Fund. The Fund pays tax on the income attributed to you at your selected PIR. If the tax liability on income attributed to you exceeds your investment in the relevant Fund, some or all of your Units could be redeemed and the proceeds of the redemption paid to the Inland Revenue Department (**Inland Revenue** or **IRD**). To the extent this tax liability is not paid by the Fund, you may need to pay the tax directly to Inland Revenue.

### **PIR**

The rules relating to the taxation of investment income enable investment funds that become PIEs to calculate their tax using PIRs selected by members, subject to satisfying various

conditions. In order for the Funds to pay tax on your attributed income at the appropriate rate, you need to ensure that you have supplied the correct PIR and IRD number at all times.

A PIR is based on your taxable income (e.g. income from salary, wages and any additional sources of income that you would include in your income tax return) in the two years preceding the current tax year, the income attributed to you from any PIEs in which you invest, including the Funds and your tax residency.

The following PIRs apply:

- **10.5%** for members who are: New Zealand resident individuals who have given us their IRD number and who derived in either of the last two income years preceding the current tax year \$14,000 or less in taxable income (excluding PIE income) and \$48,000 or less in taxable income and PIE income combined;
- **17.5%** for members who are: New Zealand resident individuals who do not qualify for the 10.5% PIR but who have provided their Inland Revenue Department number to us and who derived in either of the last two income years preceding the current tax year \$48,000 or less of taxable income (excluding PIE income) and \$70,000 or less in taxable income and PIE income combined;
- **28%** for New Zealand resident individuals who are not eligible for either the 10.5% PIR or the 17.5

The tax paid on income attributed to you will be a final tax and you will not be required to file a tax return which includes that income, unless you:

- Have recently become a New Zealand tax resident and have chosen to disregard foreign income derived before becoming a New Zealand resident in determining your PIR; or
- Have selected a PIR which is too low, or failed to advise us that your PIR has increased.

You will be liable to include your attributed income in a tax return and to pay tax on that income at your relevant marginal tax rate (with a credit allowed for tax paid by the Fund on that income). You may also be liable for any penalties or interest which may apply.

If you advise a PIR that is higher than your applicable rate, any tax overpaid will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

If you do not notify us of your PIR, then the default rate will apply. The Commissioner of Inland Revenue can require us to disregard the PIR notified to us by you and apply a PIR notified by the Commissioner.

You should review your rate each year to ensure it is correct and notify us of any changes. For more information about PIRs and to determine your correct PIR rate please refer to Inland Revenue website <https://www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates> or contact your professional tax adviser.

## Impact of PIE taxation for certain taxpayers

In some circumstances, your personal marginal tax rate could be lower than your PIR. In this event investing through a PIE may not be appropriate. Given that there are a number of circumstances where you may pay more tax in a PIE, rather than other forms of investment, it is important to consult your professional tax advisor to determine whether a PIE is best for you.

## 15. Financial statement and auditors report

Financial statements for the Funds will be available on the Disclose register: <https://disclose-register.companiesoffice.govt.nz/>. The Funds' financial statements will be audited by a qualified auditor, currently Grant Thornton. The auditor's report on the financial statements will accompany the financial statements uploaded to the scheme register each year.

## 16. Summary of the Governing Document

The Governing Document governs the Funds. The Governing Document is available on the Disclose register. Set out below are some of the key terms of the Governing Document.

### **Changes to the SIPO**

We can make changes to the SIPO at any time by giving prior written notice to the Supervisor.

### **Supervisor's Responsibilities and Duties**

In the Governing Document, the Supervisor gives certain covenants in favour of members, including that it will:

- act honestly in acting as Supervisor of the Scheme;
- act on behalf of members in relation to us, our obligations under the FMC Act and the Governing Document and breach of the FMC Act;
- supervise the management of the Scheme and our financial position;
- act in the best interests of members in the Scheme in exercising its powers and performing its duties as Supervisor;
- exercise reasonable diligence in carrying out its functions as Supervisor; and
- perform its powers and duties imposed on it by relevant law.

Neither us, nor the Supervisor (or any person) guarantees your investment in the Scheme.

## **Removal and Retirement of the Supervisor**

The Supervisor may retire at any time by giving us 60 business days' written notice subject to the appointment and acceptance of a new Supervisor and the transfer to the new Supervisor of the assets of the Funds. Where the Supervisor retires, we have the power to appoint a new Supervisor. Any supervisor must be licensed under the FMC Act and must not be an associated person of us.

## **Our Powers and Obligations**

In addition to the statutory functions (see 'Our functions', above), we have broad discretions in respect of the management of the Funds, including managing the assets of the Funds, making investment decisions, repurchasing or causing the redemption of Units and fixing dates for valuations and distributions.

We are obliged to ensure that the Funds are properly and efficiently operated, that the assets of the Funds are properly managed and supervised, make any requested information available to the Supervisor, convene investor meetings and pay money in accordance with the Governing Document and the FMC Act.

We may (with the prior approval of the Supervisor) delegate all or any of the powers, authorities and discretions we can exercise under the Governing Document. However, this ability to delegate does not affect our liability for the performance of those functions.

In managing the Scheme, we:

- must act honestly, and in the best interests of members;
- cannot use information acquired as Manager for improper advantage, or to cause detriment to members;
- must act as would a prudent manager of similar schemes; and
- carry out our functions in accordance with the Governing Document and FMC Act obligations.

## **Powers relating to the PIE status of the Scheme**

The Funds are PIEs. We have a wide range of discretions to operate each Fund as a PIE including:

- discretions relating to the calculation of tax;
- retaining amounts to which you would otherwise be entitled or redeeming your Units to meet your liability for tax; and
- taking all steps necessary to ensure that the Fund meets the PIE eligibility requirements, including:

- rejecting applications for Units and transfers of Units if and to the extent necessary to ensure that the Maximum Investor Interests requirement under the Tax Act is not exceeded; or
- if your Unit holding exceeds the maximum investor interests requirement for PIE eligibility, selling, redeeming or repurchasing Units. We will let you know about a breach of any maximum investor interests requirement and give you a reasonable opportunity to remedy that breach (provided there is time to remedy the breach under the relevant tax legislation). The proceeds from any sale, redemption or repurchase carried out by us to remedy such a breach (less any costs and expenses incurred by us in respect of the same) will be paid to you, and neither the Manager nor the Supervisor will be liable for any loss that you may incur under or in connection with any such sale, redemption or repurchase.

### **Provision of information**

We may ask you to provide information to enable us to determine whether a Fund continues to meet the PIE eligibility requirements. We will ask you to get that information to us promptly.

### **Separate Funds**

Each Fund is a separate and distinct investment fund, with separate assets and liabilities, under the Governing Document. All investments of a Fund are to be held by the Supervisor as the exclusive property of that Fund, for the exclusive benefit of the members of that Fund. No investor in one Fund will have any claim on any other Fund (and vice versa). This means that the assets of one Fund cannot be used to cover the liabilities of another Fund.

### **Borrowing**

Borrowing is permitted. The maximum borrowing permitted for each Fund is 10% of gross asset value for that Fund. Any borrowing is expected to be for a short term.

### **Suspension**

We may, in certain circumstances, suspend the obligation to redeem Units or effect a switch or transfer by issuing a suspension notice (for instance, where we believe, in good faith, that it is not practicable or would be prejudicial to members' interests for the Supervisor to realise assets or borrow to permit redemptions – this could be because of market or asset conditions or other circumstances). Any such suspension would continue until cancelled earlier by us.

We must cancel a suspension notice within 90 days after the date on which the suspension notice was given, unless the Supervisor agrees otherwise. The Supervisor must not unreasonably withhold its agreement to extend a suspension notice beyond 90 days if we give good reasons to do so.



## **Records and Financial Statements**

We must keep proper accounting records in respect of the Funds. The Supervisor will provide us with any information held by them that we require in order to keep those records. Once prepared, we will forward the audited financial statements to the Supervisor and make them available to every investor within the required timeframe.

## **Registers**

We are required to keep a register of members for each Fund in the form and manner required by the FMC Act (**Register**). The Register must be kept in New Zealand, and may be kept in electronic form so long as a printout of the Register is available to the Supervisor on request. Each Register shall be available for inspection in accordance with the FMC Act.

We are required to arrange an independent audit of the Register annually.

## **Amendments to the Governing Document**

Subject to the FMC Act and the provisions of the Governing Document, we may agree with the Supervisor to amend the Governing Document. The Supervisor is prevented from agreeing to any proposed amendment unless it is satisfied that such amendments do not have a material adverse effect on the members of the Scheme.

## **Winding Up**

If a Fund is wound up, the Supervisor must sell its assets and (after providing for any amount necessary to meet all claims and liabilities (including fees)), will distribute the balance to members in proportion to their holdings of Units at the time of distribution. The amount distributed to you on winding up may be adjusted to reflect the Fund's PIE income tax liability (if any), on income attributed to members.

# 17. Key documents

To understand the Scheme there are a number of documents available to review:

- Governing Document
- SIPO
- Manager's Licence to operate
- Scheme Provider Agreement with Inland Revenue
- Kōura Wealth Limited Constitution

If you would like to review any of these documents, please do not hesitate to contact us and we will advise you where these documents are available.

