

Booster Investment Scheme

Other Material Information

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1. Introduction

Information included in this document is current as at 1 July 2019.

This document is designed to provide potential investors with information on the Booster Investment Scheme (**Scheme**) that we believe may be material to a decision to invest in the Scheme. The information provided complements the relevant Product Disclosure Statement (**PDS**) for the Scheme that the investor may have received so it is important that these documents are read together.

The Scheme currently offers a range of funds through the following PDSs:

- Investment Series: Multi-sector Funds
- Investment Series: Enhanced Cash Portfolio and Income Securities Portfolio
- Investment Series: Income Funds and Corporate Bond Fund
- Focus Series Funds

Additional information regarding the operation of the Scheme can be found in the Scheme's Trust Deed which can be viewed on the scheme register at www.disclose-register.companiesoffice.govt.nz.

Where the term "we", "us", "our", "ourselves" or "Booster" is used, we mean Booster Investment Management Limited, the Manager of the Scheme.

It is not possible to include full information on all aspects of the Scheme in any PDS and/or this document and you may have further questions about the suitability of the Scheme as an investment for you. If you do have any questions, we would be pleased to hear from you. You can contact us on **04 894 4300**. You can also discuss your personal situation with your financial adviser.

2. Information about the Booster Investment Scheme

2.1 Booster wrap administration system

An investor can choose to make an investment in the Fund, either through the Booster wrap administration system (the **System**), or, by subscribing for units directly in the Fund.

Client Custody Agreement or Client Mandate

To invest in any of the Funds an investor must first enter into an agreement (**Agreement**), being either:

- a. A Client Custody Agreement with Booster Custodial Administration Services Limited (and use the services of a financial adviser authorised to use the Booster wrap administration system); or
- b. An Agreement with a financial adviser authorised to provide a Discretionary Investment Management Service and to use the Booster wrap administration system.

The Agreement enables the investor to invest in the Investment Series and Focus Series through an

account in the System, and sets out the terms and conditions upon which access is provided through the System. Under the Agreement all of the investor's investments are held by, and in the name of, a custodian to the System to ensure that beneficial ownership of the investments remain with the investor, not the financial adviser or us. The custodian is Asset Custodian Nominees Limited, a bare trust established solely for this purpose. The custodian of the System can change from time to time without prior notification.

By accessing the Funds via the System, the investor is not subscribing for units in the Booster Investment Scheme directly.

We may accept or decline applications at our discretion. No interest will be paid on applications that are declined in whole or in part (except as required by law). We may invite offers for investments in any Fund and any offer may be underwritten. An investor may make a standing application whereby that investor applies to acquire investments in one or more Funds at monthly or other intervals prescribed by us. We may set minimum application amounts and balances and may waive or vary these minimum application and balance amounts at any time.

Investing Directly

Investors can also choose to invest (subscribe for units) directly in the Fund and not through the System by completing an application form, which is available from the Manager.

Applications

We may accept or decline applications at our discretion. No interest will be paid on applications that are declined in whole or in part (except as required by law). We may invite offers for investments in the Fund and any offer may be underwritten. We may set minimum application amounts and balances and may waive or vary the minimum application and balance amounts at any time. See the PDS for further information.

2.2 Investments in a Fund

We keep a register of all investors in each of the Funds and a record is kept showing:

- investments made by the investor;
- investments made on behalf of the investor;
- other credits due to the investor;
- withdrawals made;
- fees and expenses deducted (other than those that are deducted from the assets of each Fund – see the Fees and Expenses section for details);
- tax paid;
- other debits relevant to the investor.

Investments expressed in units

Each of the Scheme's Funds is divided into units. Each unit confers an equal interest in the relevant Fund, although investors do not acquire any direct right or interest in any of the investments held by a Fund.

Investments and other credits to the Scheme are used to purchase units in the Fund or Funds selected by the investor. Similarly, withdrawal payments and other deductions are made by selling units.

The value of each investor's units from time to time will depend on the value of the Fund or Funds that the investor has selected for their investments and the number and unit price of units held in any Fund. Investment returns (whether gains or losses) will generally (other than for the Enhanced Cash Portfolio and the Term Class(es) of the Income Securities Portfolio, – see below) be reflected regularly by changes in unit prices.

2.3 Calculation of Fund value and unit value

A Fund's value (known as the 'net asset value' of the Fund) is calculated by deducting from the aggregate of:

- the cash forming part of the assets of the Fund; and
- the market value (calculated by reference to market transactions, valuations or our determination) of all of the investments held by the Fund;

the aggregate of:

- the liabilities of the Fund; and
- all unpaid costs, fees, charges and other material outgoings of the Fund (including the Supervisor's and our fee, and expenses) accrued to that date.

The unit value (unit price) for any Fund is calculated for each working day by dividing the net asset value by the number of units on issue at the relevant time in that Fund.

It is intended that the unit price of the Enhanced Cash Portfolio and the Term Class(es) of the Income Securities Portfolio should remain constant at \$1.00. The income of the Enhanced Cash Portfolio will be allocated to investors by monthly distributions of additional units. For the Term Class(es) of the Income Securities Portfolio, income will be allocated to investors at the end of the agreed period (see also under 'Income distributions').

2.4 Income distributions

Other than for the Enhanced Cash Portfolio and the Income Securities Portfolio Term Class Series, it is not intended that income received by a Fund is distributed to investors. Rather, this income is accumulated within that Fund and will be reflected by an increase in the unit price for that Fund.

Enhanced Cash Portfolio

Gross income is accrued daily and compounded monthly by allocating additional units reflecting the income earned, less fees, in that month. The additional units are then attributed to investors based on the number of days each of the investor's units has been on issue in the relevant month.

Income Securities Portfolio Term Class Series

Gross income will be accrued daily until the end of any agreed term. The income earned will be automatically invested in the Income Securities Portfolio Call Class unless you choose to either invest your money for another investment term or have the amount paid to your System account. Gross income will also be distributed to your account in the System at the end of March each year if this precedes the end of your selected investment term.

The income will be attributed to investors based on the posted rate (the interest rate for any particular Series) for the number of days each Term Class Series unit has been on issue in the relevant Term Class Series.

2.5 Market indices

Each asset class in which any of the Scheme's investments are held is measured, for performance purposes, against an appropriate benchmark index.

The purpose of a benchmark index is to reflect the performance of a particular Fund in comparison to that of the overall market for the asset class or asset classes in which that Fund is invested.

A number of Funds comprise more than one asset class. These are known as multi-sector Funds. The market index for a multi-sector Fund is based on the indices used in respect of the underlying assets held by the Fund, depending on the proportion of the Fund held by any particular asset class.

Benchmark indices used in relation to the assets of the Scheme are widely recognised in financial markets and are administered independently from us.

The indices that are currently used for each of the asset classes are included in the Scheme's Statement of Investment Policies and Objectives ('SIPO'). This can be found on the scheme register on the Disclose website, www.disclose-register.companiesoffice.govt.nz.

2.6 Fees and expenses

We and the Supervisor are entitled to fees for providing services. The amount of the fees may vary from time to time as agreed between us and the Supervisor.

There is no limit on the amount of the fees that can be charged.

Manager

The current fees for administration and management of the Scheme are set out below:

- **Annual fund charges**

- Management fee**

- This fee varies between Funds and is a percentage of the net asset value of the Fund concerned (see "Calculation of Fund value and unit value" to see how net asset value is determined). This fee is calculated daily and deducted monthly from the relevant Fund. As a result, the unit price for the Fund and investors' returns are reduced by the amount of the fee payable by the investor. The percentage for each Fund is set out below.

Investment Series

Fund	Fee
Multi-sector Funds - Growth	
Defensive Fund	1.95% p.a.
Conservative Fund	2.30% p.a.
Balanced Fund	2.67% p.a.
Growth Fund	2.85% p.a.
High Growth Fund	2.90% p.a.
Socially Responsible Conservative Fund	2.30% p.a.
Socially Responsible Balanced Fund	2.67% p.a.
Socially Responsible High Growth Fund	2.90% p.a.

If an investor has more than \$250,000 invested in a Fund above, they will receive a rebate of some of the management fee on their investments above this amount. This rebate will be calculated daily as a percentage of the total value of their investments and applied at the end of each month to purchase additional units in the relevant Fund.

The rebates are:

On investments between \$250,000 and \$500,000	0.35% pa
On investments between \$500,000 and \$1,000,000	0.80% pa
On all investments over \$1,000,000	1.20% pa

Multi-sector Funds - Income	
Income 18 Fund	1.00% p.a.
Income 28 Fund	1.00% p.a.
Income 50 Fund	1.00% p.a.
Income 99 Fund	1.00% p.a.

Single-sector Funds	
Enhanced Cash Portfolio	0.40% p.a.
Corporate Bond Fund	0.80% p.a.
Income Securities Portfolio – Call and Term Class	Nil (see below)

Income Securities Portfolio

There is no management fee payable in respect of the Income Securities Portfolio. Under a swap agreement between us and the Supervisor, we undertake to provide the return specified for each

of the Call and Term Classes (Posted Rate). In return, we will retain the underlying earnings from the Fund, including any margin between the Posted Rates and the overall return from the underlying investments. This margin pays us for providing investment management and administration services (including any fees payable to any underlying fund), reimburses our regular costs, expenses and liabilities incurred in running the Scheme and also pays any fees of the Supervisor.

Focus Series

Fund	Fee
Conservative Fund	0.58% p.a.
Balanced Fund	0.67% p.a.
Growth Fund	0.71% p.a.
High Growth Fund	0.75% p.a.

This fee comprises fees payable to the Manager for providing investment management and administration services (including any fees payable to an underlying fund) and reimburses our regular costs, expenses and liabilities incurred in running the Scheme.

With the exception of the Focus Series, the Manager may also pay an investor’s financial adviser, up to 1.05% p.a. from the management fee for services they provide to their client. The adviser may choose to receive less than the amounts specified above, and in this situation, the investor will receive a rebate of the difference either as additional units in their chosen fund/s or paid to their Booster wrap administration system cash account (as applicable).

For the Focus Series, your financial adviser, with your agreement, may charge you an annual percentage (%) service fee based on the value of your investment.

Foreign exchange facilitation fee

A foreign exchange facilitation fee may be charged indirectly to Funds which invest in underlying funds that we also manage, or directly. This fee is up to 0.50% of any net foreign exchange transactions undertaken by the Fund or underlying fund. It is deducted from the relevant fund and paid to Booster Custodial Administration Services Limited.

The fee, if it applies, is reflected in the unit price of the relevant Fund. Any Fund that may be affected is identified in the PDS relating to that Fund, and an estimate for this fee will be included.

Performance fees (applies to the Defensive, Conservative, Balanced, Growth Shielded Growth, High Growth, Focus Conservative, Focus Balanced, Focus Growth and Focus High Growth Funds)

Performance fees may be charged indirectly to these Funds which invest in Booster Tahī LP, a limited partnership with Booster Tahī GP Limited as general partner, and Booster Funds Management Limited as manager (both of which are related parties of Booster). Booster Tahī LP pays performance fees to Booster Funds Management Limited. If performance fees are charged, each Fund investing in Booster Tahī LP will bear a proportionate share of any performance fee

charged, which will be reflected in the unit price of these Funds. For more information on these performance fees see the Booster Investment Scheme Multi-sector Funds Product Disclosure Statements and the Focus Series Product Disclosure Statement available at www.booster.co.nz or on the offer register at www.disclose-register.companiesoffice.govt.nz.

- **Other charges**

We do not apply any other fees on a regular basis. See also under “Trading Expenses” below.

- **Individual action fees**

Entry fee

We do not charge any entry fees.

An entry fee may be agreed, other than for the Enhanced Cash Portfolio and the Income Securities Portfolio, between the investor and the investor’s financial adviser. Any fee would be deducted from the amount invested and will not exceed 5% of the value of the investment. We would pay the fee to the financial adviser. No fee is applicable to the Enhanced Cash Portfolio or the Income Securities Portfolio.

Regular savings fee

An investor’s financial adviser may charge a fee for each regular investment, other than for the Enhanced Cash Portfolio and the Income Securities Portfolio – Call Class, capped at 3.5% of the amount invested. We would deduct any fee from the amount invested and pay the fee to the financial adviser. No fee is applicable to the Enhanced Cash Portfolio and the Income Securities Portfolio.

There is no regular savings option available for the Income Securities Portfolio – Term Class.

Switching or exit fee

There is currently no fee for switching or exiting Funds charged by the Manager (except for the Income Securities Portfolio - Term Class Series), but we reserve the right to charge such a fee in the future by deducting a fee from the investor’s Fund balance. At least one month’s notice will be given to investors before any fee is introduced and a fee will not exceed 5% of the amount of the investment.

No switching is allowed from the Income Securities Portfolio – Term Class to other funds in the Booster Investment Scheme.

An investor’s financial adviser may charge an exit fee directly to an investor except for the Enhanced Income Portfolio and the Income Securities Portfolio – Call and Term Classes.

An early withdrawal fee may be payable if an investor chooses to make any withdrawal from an Income Securities Portfolio Term - Class Series before the expiry of the time period specified in their application.

Regular withdrawal facility fee

There is currently no fee for the establishment or operation of a regular withdrawal facility, but we reserve the right to charge such a fee in the future.

There is no regular withdrawal facility available for the Income Securities Portfolio – Term Class.

We are entitled to charge, in addition to the above, any GST or similar tax or duty payable in respect of such fees.

We reserve the right to waive fees if we consider it appropriate to do so.

In addition, we reserve the right to make fee rebates to investors where considered appropriate. Any rebates will be credited to the relevant investor's investment.

The Manager may use related parties to provide services in respect of the Scheme. These arrangements will be on reasonable arm's length terms.

Supervisor

The Supervisor is entitled to an annual fee for performing its services under the Trust Deed. The Supervisor's fee is 0.0275% p.a. of the net asset value of each Fund (other than the Income Securities Portfolio where this fee is paid by the Manager). This fee is calculated daily and deducted monthly from the relevant Fund. As a result, the unit price and investors' returns are reduced.

Changes to fees

We can reduce our fees at any time.

Fees can be increased, or new fees can be introduced, where allowed by relevant legislation or the Trust Deed. The Supervisor will be consulted, prior to any fee increase and one month's notice in writing must be given to investors in the relevant fund of any increase in the management fee.

Reimbursement of expenses

As referred to above, the management fee covers the costs, expenses and liabilities incurred by us, as Manager, that are related to the regular and ongoing running of the Scheme.

In addition, we and/or the Supervisor are entitled to be reimbursed out of the Scheme for all non-regular and extraordinary costs, expenses and liabilities incurred in acting as the manager or supervisor of the Scheme not otherwise met out of the management fee.

The Defensive, Conservative, Balanced, Growth Shielded Growth and High Growth Funds, which invest in Booster Tahi LP, will also bear a proportionate share of the costs incurred by Booster Tahi LP in relation to the management of its investments.

Trading Expenses (Transaction Costs)

Transaction costs associated with buying and selling securities, for example buy/sell spreads and brokerage costs, are incurred by the Funds and reflected in the unit price for the Fund.

2.7 Suspension

There will be times when we believe that it is not practicable for a unit price to be calculated fairly. This may happen where, for example, trading on a relevant securities exchange has been suspended. If we are not able to calculate the unit price for any Fund, the issue of units and the payment of withdrawals, in relation to that Fund, will be suspended.

The period of suspension can be up to 90 days. This can be extended by agreement between us and the Supervisor.

Units in respect of investments received during a period of suspension will be allocated at the unit price calculated at the end of the suspension period. Similarly, payments in respect of any withdrawals will be made at the unit price calculated at the end of the suspension period.

2.8 Amendment of the Trust Deed

We and the Supervisor may amend the Trust Deed in certain circumstances where we believe this to be necessary or desirable. Any amendment will be carried out in accordance with the Trust Deed and investors will be notified of such amendments in the Annual Report for the Scheme. For further information, please refer to the Trust Deed.

2.9 Winding up a Fund and the Scheme

The Scheme can be wound up in accordance with the Trust Deed. For further information, refer to the Trust Deed.

If we believe that it is in investor's best interests, we can propose to wind up a Fund at any time by giving notice. If enough investors require, a meeting of investors will be called and investors will vote on the proposal. If the wind up of a Fund goes ahead, investors may be given the opportunity of switching to an alternative Fund. If this is the case, any investor who does not advise us that they have chosen an alternative Fund will be switched to a default Fund nominated by us. Upon the winding up of a Fund, the assets of the Fund are realised and, after payment of all liabilities, the proceeds are distributed to the investors that held units in that Fund in proportion to the numbers of units held by them immediately prior to winding up.

2.10 Risks

All investments involve some form of risk.

The principal risks of investing in the Scheme are noted in the various PDSs for the Scheme, and these are:

- Asset class risk;
- Market risk;
- Manager risk;
- Currency risk;
- Interest rate risk;
- Share market risk;
- Credit risk;
- Liquidity risk.

Although there are a number of global and domestic factors that may affect an investor's investment, the following is a description of other risks which may be material to an investor that apply to the

Scheme (and which are common to most managed investment schemes generally). While the following is not meant to be a complete list of risks that may impact on an investment in the Scheme, it does cover those more likely to arise.

Investment risk generally

Investment risk is the risk of negative movements in the value of the Scheme's investments (either generally or in respect of a Fund in which an investor invests). The investment risk associated with each Fund depends upon the Fund's mix of investment assets. Generally, investments that offer the highest potential returns also have the highest risk. Funds that have higher exposure to shares will generally suffer bigger and more frequent investment losses and gains over the long-term than funds that carry a high weighting of fixed interest assets. Investors should choose the investment that best matches their needs and attitude towards risk. Investors should note that while we take steps to help manage investment risk, no risk management process will eliminate investment risk.

Company risk

Company risk is the risk attached to the holding of shares in a specific company by a Fund that may have a range of specific company risks which could, in the worst case, lead to the company going bankrupt and the value of the company's shares declining to zero. In other cases, these company risks may mean that the selected shares could perform worse than the wider market.

Segregation risk

Is the risk that investors in any Fund within the Scheme will be exposed to the credit or liability risk assumed by all other Funds within the Scheme. We and the Supervisor manage this risk by treating the assets of each Fund within the Scheme as separate and independent from the assets of every other Fund within the Scheme, with separate property and liabilities. However, if the assets of one Fund within the Scheme are insufficient to meet the liabilities attributable to that Fund, those liabilities (other than any liabilities to an investor) will be met from the assets of the other Funds in the Scheme. Such allocation to meet the liabilities will be in such equitable manner as we, with the approval of the Supervisor sees fit.

Tracking error risk

Is the risk that the performance of the underlying investments diverges from that of their benchmark index. Tracking error may occur because of differences between the securities held in the Fund and those included in the index, pricing differences, transaction costs, the Fund's holding of cash, differences in timing of the accrual of dividends, changes to the benchmark index, or the need to meet various new or existing regulatory requirements. We will only select underlying securities with low historical tracking error and continuously monitor for any significant divergence.

Concentration risk

Is the risk that the value of the investment falls more than the market as a whole, to the extent that the underlying investments are concentrated in a particular issuer or issuers, country, group of countries, region, market, industry, group of industries, sector or asset class. Although underlying funds are typically concentrated on particular investment themes, the Manager will diversify the investments across a range of underlying funds.

Inflation risk

Inflation risk is the risk that the value of assets will be eroded over the period for which the investment is held, through inflation, which may shrink the purchasing power of the capital value of assets held.

Tax rate risk

There is a risk that we either over or underpay tax within the Scheme on behalf of an investor as a result of the investor providing us with the wrong prescribed investor rate (**PIR**), not advising us to change the PIR when it needed to be changed, or not providing a valid IRD number. In the event of an underpayment of tax an investor will be obliged to pay additional tax (and potentially penalties or interest) to Inland Revenue. If an investor's PIE income is taxed at a higher PIR and they are eligible for a lower PIR, but have not advised us of this, the investor will not be able to receive a refund of the overpayment of tax.

Loss of PIE status

As the Scheme is a PIE, there is a risk that the Scheme will lose PIE status if it fails to satisfy the PIE eligibility criteria (as defined in the Income Tax Act 2007) and that failure is not remedied within the period permitted under the Income Tax Act 2007. In this situation, the Scheme would be taxed at 28% on all taxable income. We have implemented processes to monitor on-going PIE eligibility compliance for the Scheme.

Administrative risk

Administrative risk is the risk of a technological or other failure impacting on the Scheme or financial markets in which the Scheme invests.

Third party risk

The risk that a third party that is involved in the operation of the Scheme fails to meet their obligations to provide contracted services.

Regulatory risk

Regulatory risk is the risk of future changes to tax, securities legislation or any other applicable legislation which could affect the operation of the Scheme or investors' interests in the Scheme, or of the Trust Deed being amended in a manner required or permitted by law that has the effect of reducing investors' interests in the Scheme.

Securities lending risk – All Funds

Is the risk that the Funds lose money from securities lending activities because the borrower of the loaned securities fails to return the securities in a timely manner, or the value of the collateral used to cover the securities lent is insufficient to cover the loan. We will only use underlying securities where it is satisfied with the securities lending policies of the security issuer, particularly relating to the use of collateral.

Lending risk – Income Securities Portfolio

The Income Securities Portfolio and the Wholesale NZ Fixed Interest Portfolio, a wholesale fund offered by the Booster Investment Scheme, (together the '**Lenders**') lend to the Booster KiwiSaver Scheme Geared Growth Fund (see 'Related Party Transactions' on page 26 and 27 of this document).

The Supervisor of the respective Lenders, Public Trust, has entered into a Pari Passu Deed agreeing to give the Lenders equal ranking of their respective security interests in the Geared Growth Fund. Whilst both the Lenders have equal priority over the Geared Growth Fund assets, the risk to the Lenders of a default occurring and not receiving loan repayments is reduced because the Geared Growth Fund's total borrowings are limited to 50% of its net asset value. See the Booster KiwiSaver Scheme Statement of Investment Policy and Objectives (SIPO) for further information on the Geared Growth Fund, This can be found on the scheme register on the Disclose website, www.disclose-register.companiesoffice.govt.nz.

2.11 Risk Indicators

Information on the risk indicator for each of the Funds has been included in the PDS that is relevant to the Fund. In the PDS section 4 "What are the risks of investing?" it is noted that the risk indicator will be based on the returns data for the Fund for the most recent period of five years before the PDS was prepared. Each quarter, fund updates will tell you what the most recent risk indicator for the Fund is, again based on returns data for the previous five years.

Some of the Funds will not have been offered for a full period of five years, so five years of returns data will not be available. There will be a note in the PDS or on the fund update for some funds which tell you that a market index return has been used for the initial months of the five-year period so as to give you an indication of what the risk indicator is likely to have been.

There will be times where, for certain Funds, a market index return is not going to give you the most likely outcome. In these cases, we have used an alternative methodology to give you the best indication that we can. Risk indicators for the following Funds are currently based on the alternative methodology:

- Defensive, Fund
- Income 18 Fund

If you would like more information on the risk indicators for these Funds and of the current methodologies used, please contact us.

2.12 Taxation

The information in this section is intended as general guidance only and is based on legislation in effect at the date of this document. We recommend that investors seek professional tax advice regarding their individual circumstances, to clarify any of the following, prior to investing. Investors should also periodically monitor the tax implications of investing in the Scheme and should not assume that the position will remain the same as it is when they start investing.

Neither of the Supervisor or ourselves accepts any responsibility for the taxation consequences of an investor's investment in the Scheme.

The Scheme is registered as a Portfolio Investment Entity ('PIE') and the following comments are based on the Scheme remaining a PIE.

The Booster wrap administration system (the 'System') is a PIE investor proxy ('PIP') whereby the System carries out the PIE obligations of the investors of the System on their behalf.

Portfolio Investment Entity Tax

Under the PIE regime, taxable income earned by the Scheme will be attributed to all investors in accordance with the proportion of their interest in the overall Scheme. The income attributed to each investor will be taxed at the investor's Prescribed Investor Rate ('PIR'). A PIR is similar to an individual's marginal tax rate, but it is capped at 28%. We will pay tax on behalf of the investors and undertake any adjustments to investors' interests in the Scheme in order to comply with the PIE tax requirements. This tax is likely to affect the returns investors get.

The applicable PIRs are currently 0%, 10.5%, 17.5% or 28%.

The 0% PIR is available to New Zealand resident trusts, charities, other PIEs or other managed investment schemes.

In order to qualify for the 10.5% PIR, an investor must be a New Zealand tax resident and, in either of the two income years¹ immediately before the tax year in question, the investor's:

- taxable income was \$14,000 or less; and
- combined taxable income and attributed PIE income after subtracting any attributable PIE loss was \$48,000 or less.

In order to qualify for the 17.5% PIR, an investor must be a New Zealand tax resident and, in either of the two income years¹ immediately before the tax year in question:

- the investor's taxable income was \$48,000 or less; and
- the investor's combined taxable income and attributed PIE income after subtracting any attributable PIE loss was \$70,000 or less; and
- the 10.5% rate does not apply for the current income year.

If the investor does not qualify for the 10.5% or 17.5% PIRs, the investor's PIR will be 28%. A non-resident investor's PIR will be 28%.

When a person makes an application to invest in the Scheme they must advise us of their PIR and their IRD number. Investors will also be able to advise us of their PIR at any time, including when it changes, by contacting us. If an investor does not provide a PIR, and their valid IRD number, the income attributed to the investors in the Scheme will be taxed at 28%. Further information regarding PIRs may be viewed at Inland Revenue's website (www.ird.govt.nz/toii/pir/workout/).

If the Scheme makes a loss or there are excess tax credits for a period (i.e. a **Tax Benefit**), the Scheme should receive a tax credit from Inland Revenue and will be able to issue additional units in Funds to investors' accounts on account of that tax benefit.

Generally, provided investors advise us of a valid IRD number and the correct PIR, tax paid by a PIE on income attributed to investors will be a final tax. Therefore, in most circumstances investors will not have an obligation to file a tax return in respect of PIE income. Additionally, the income attributed to

¹ An income year generally runs from 1 April to 31 March.

an investor by the Scheme will not have an impact on family assistance eligibility, student loan repayment obligations and child support obligations.

If an investor's PIE income is taxed at a higher PIR while the investor is eligible for a lower PIR, but has not advised us of this, the investor will not be able to receive a refund of the overpayment of tax. If an investor has advised us that they are eligible for a lower PIR but this is incorrect and the investor's correct PIR is at a higher rate, the investor may be liable to Inland Revenue for further tax and penalties and have to file a tax return. It is intended that the Scheme pays investors' PIE tax to the IRD annually.

If an investment in a Fund is made by two or more persons jointly, we may, in our complete discretion, either treat those persons as separate investors (in equal shares) or treat those persons as a single investor. Where two or more persons are jointly treated as a single investor, the correct PIR is the highest notified PIR applicable to those persons as notified by the joint investors. All persons making joint applications for units are required to provide their individual PIRs and valid IRD numbers.

A trust investor with a 0%, 10.5% or 17.5% PIR must include the PIE income attributed by the Fund in its own tax return and may claim a credit for any tax already paid by the Fund. If a trust has a 28% PIR, we will pay tax at the 28% rate and that is a final tax; the income does not need to be included in the trust's tax return. Other non-individual investors (e.g. a company, charity or unit trust) with a PIR of 0% must account for tax on the PIE income attributed to them by the Fund in their own tax return.

Any distributions to investors not separately taxable, nor is there a tax liability on the withdrawal of units in the Fund, even where investors receive an amount in excess of the original cost of their units (however a withdrawal potentially triggers an attribution of taxable income for the current tax year).

We will cancel units in investors' accounts as soon as practicable after each 31 March to pay any PIE tax and, in any case, within the legislative timeframe of two months.

Investors should note that the IRD is able to require us to disregard a PIR notified by the investor if the Commissioner considers the rate to be incorrect. In such circumstances, the Commissioner will advise us of the PIR that should be applied to the investor's PIE income.

As the Scheme is registered as a PIE, any capital gains made by the Scheme in respect to shares in New Zealand resident companies and certain Australian resident listed companies are excluded from the calculation of taxable income. Most overseas shares and interests in managed funds held by the Scheme will be taxed under the foreign investment fund (**FIF**) regime, generally using the fair dividend rate (**FDR**) method.

Under the FDR method, the Scheme will be deemed to have derived income equal to 5% of the market value of its overseas shares and interests in managed funds calculated on a daily basis (any dividends or other returns flowing from overseas shares and interests in managed funds will not be separately taxed in New Zealand). Also under the FDR method, tax deductions may not be made for any losses in respect of holdings in overseas shares and interests in managed funds.

Other income of the Scheme (e.g. interest on bank deposits) is 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).

In order to maintain its status as a PIE, the Scheme must meet certain requirements. This means that, where necessary, we may restrict or reduce an individual's holding or delay a withdrawal request at any time to ensure that this PIE status is maintained.

The Foreign Account Tax Compliance Act (FATCA)

FATCA is legislation that was introduced by the United States Government as a means of preventing tax evasion by US citizens and tax residents. FATCA has been adopted by the New Zealand Government through an Intergovernmental Agreement with the US Government (the 'IGA') and enabling domestic legislation. Under the IGA, certain New Zealand financial institutions, such as the Trust, are required to identify investors that are US persons (or certain entities controlled by US persons), and to report certain information about those investors and their financial accounts to Inland Revenue. This information is collated by Inland Revenue and passed to the US Internal Revenue Service. For more information on FATCA, please refer to the Inland Revenue website: <http://www.ird.govt.nz/toii/fatca-index.html>. The Scheme has been registered for FATCA purposes.

Automatic Exchange of Financial Account Information in Tax Matters (AEOI)

AEOI imposes global rules for the purpose of avoiding offshore tax evasion through the exchange of financial information between tax authorities in different overseas jurisdictions. From 1 July 2017 additional information must be obtained from investors to determine whether any investor are non-tax residents of New Zealand (i.e. resident for tax in another country) and for any non-tax residents of New Zealand, report certain information such as tax residency, account balances and interest earned, to the New Zealand Inland Revenue. For more information on AEOI, please refer to the Inland Revenue website: <http://www.ird.govt.nz>.

General Comments

Tax law is complex and changes frequently. Investors should periodically monitor the tax implications of investing in the Scheme and should not assume that the position will remain the same as it is when they start investing. The comments under this section "Tax" are provided as general background only and are not a comprehensive discussion of tax issues.

3. Socially Responsible Investment

Booster's Socially Responsible Investment Policy

Booster offers three explicit Socially Responsible Investment (**SRI**) Fund options to Booster Investment Scheme investors, which follow Environmental, Social and Governance (**ESG**) principles, and also exclude investments that are inconsistent with certain values-based criteria. Specifically, investments in directly-held companies and managed fund investments with more than an incidental proportion of revenue generated from the following activities are excluded:

- Alcohol Production
- Gambling Operations
- Tobacco Production, Distribution, Supply and Retailing
- Military Weapons Manufacturing
- Civilian Firearms Production, Distribution, Supply and Retailing
- Nuclear Power Production and Uranium Mining
- Fossil Fuels Exploration, Extraction, Refinement, Distribution, Supply and Retailing
- Adult Entertainment Content Production
- Genetically Modified Organisms (GMO), excluding Research and Development.

For all of the other Booster Investment Scheme Fund options, Booster continues to support the global trend towards incorporating broader ESG considerations into all investment analysis and decision-making. In this regard, we are guided by the Principles for Responsible Investment as developed by institutional investors and convened by the United Nations.

More information about our approach to responsible investing is set out in our SRI Policy Statement available on the scheme register at www.disclose-register.companiesoffice.govt.nz.

Responsible Investment Certification

Booster is a member of the Responsible Investment Association Australasia (**RIAA**). The RIAA is the industry body representing responsible and ethical investors across Australia and New Zealand. It works to promote a more responsible approach to investment, and to encourage more people to actively choose a responsible and ethical option for their savings and investments, across superannuation, banking, general investments and KiwiSaver members in New Zealand.

The following Booster Investment Scheme Funds are certified under RIAA's Responsible Investment Certification Program (**Program**):

- Socially Responsible Investment Conservative Fund
- Socially Responsible Investment Balanced Fund
- Socially Responsible Investment High Growth Fund

The Program is aimed at helping the investors of all kinds navigate towards investment options and financial advice that better match their investment beliefs and personal values. Developed in 2005 as a response to the growing demand for responsible and ethical investments, the Program provides

investors with standardised and consistent information allowing them to compare and contrast the investment options that have been assessed and verified as responsible. The Program allows investors to access detailed information about how each investment product or financial adviser takes into account ESG and ethical issues in the investment process.

More information about the RIAA and the certification program is available on the RIAA's website www.responsibleinvestment.org.

4. Income Securities Portfolio

The Income Securities Portfolio (ISP) operates a single class of assets for investors of different classes. This enables investors to benefit from greater diversification of investments. The ISP is separated into two classes of units referred to as '**Call Class Units**' and '**Term Class Units**'.

Call Class Units

Call Class Units are available for withdrawal in the same manner as other Funds. We advise the rate of interest to be paid from time to time, known as the "Posted Rate".

Term Class Units

Term Class Units may be separated into further Classes, each described as a separate series and expressed as "Term Class [interest rate] Series xxxx";

where **[interest rate]** corresponds to the interest rate that we allocate to that series, which is also referred to as the "**Posted Rate**". The Posted Rate will not change during the life of that series; and

where "**Series xxxx**" corresponds to a defining number allocated to that series.

Investment in each series shall be for a term to be agreed between the investor and ourselves. We may close a series for investment at any time and may then open a new series for investment.

To achieve delivering the Posted Rate to investors in the ISP, under a swap agreement between the Supervisor and ourselves (the '**ISP Swap Agreement**'), the Supervisor swaps the active return from its underlying investments for the Posted Rate. The difference between these two amounts is accrued daily and transferred monthly between the ISP and us. For example;

- if the ISP's underlying investments outperform the Posted Rate, the Supervisor will pay the outperformance return to us; or
- alternatively, if the ISP's underlying investments underperform the Posted Rate, the Supervisor will receive payment(s) from us to bring its return up to the Posted Rate.

This means that investors in the ISP will receive the pre-tax Posted Rate regardless of the return that the ISP receives from its underlying investments, unless a "force majeure" event applies.

Events beyond the Manager's control (Force Majeure events)

If any of the "force majeure" events listed in the ISP Swap Agreement occurs and that event adversely affects the value of an asset in the ISP, we, as Manager, may elect that the provisions of the ISP Swap Agreement will cease to apply for those affected assets, but will continue to apply for the unaffected assets on a pro rata basis to the proportion that the affected assets bears to the total assets in the ISP.

A "force majeure" event is defined in the ISP Swap Agreement as one that is beyond the control of the Manager and/or Supervisor and which directly results in a person failing to perform all or some of their obligations in respect of the relevant asset. These events include such things as an act of God, embargo, civil or labour disturbance, act of war, act of any government authority, moratorium, default, suspension or legal restraint and the fraud of any such person.

Where a “force majeure” event has occurred, and we elect to suspend the ISP Swap Agreement in relation to the affected assets, those arrangements under the ISP Swap Agreement, will recommence when we determine that the “force majeure” event has ceased.

The effect of the ISP Swap Agreement is therefore that while the underlying risk of failure of one of the constituent issuers whose securities are part of the Fund remains with investors, the risk of issuers who are not subject to a “force majeure” event paying sufficient amounts to pay the Posted Rate on those assets remains the responsibility of the Manager. Therefore, investors may receive less than the Posted Rate and may result in a reduction in the value of their initial investment.

5. Guarantees

No person, including us, the Supervisor, the Government or any other party, guarantees the Scheme's performance, returns or repayment of capital.

6. Who is involved with the Scheme

Manager

The manager of the Scheme is Booster Investment Management Limited (**Manager**) and our address is Level 19, Aon Centre, 1 Willis Street, Wellington 6011. Our ultimate holding company is Booster Financial Services Limited.

We have been granted a licence under Part 6 of the Financial Markets Conduct Act 2013 to act as a manager in respect of managed funds such as this Scheme. The conditions of our licence imposed by the Financial Markets Authority are published on www.companiesoffice.govt.nz/fsp.

We are also the administration manager and investment manager of the Scheme.

The names of our directors and senior managers, and a summary of their relevant skills, experience and expertise, is set out below. Directors and senior managers may change from time to time without notice.

John Ross Selby, Mt Maunganui (*Independent Director*).

BC, CA (NZ Institute of Chartered Accountants), Member of NZ Institute of Directors

Mr Selby is the Chairman of the board of directors of the Manager and an independent director. He brings a wealth of experience from his 37-year career with PricewaterhouseCoopers, of which 25 years has been as a partner in advisory and assurance. John has experience across a range of industries, including the financial services industry and, in the more recent past, has taken on a number of governance roles in various industries.

Remuneration is made up of fees.

Brendon Hugh Doyle, Wellington (*Director*)

BBS, COP Management Accounting and Auditing

Mr Doyle is a director on the board of directors of the Manager. He brings 30 years of financial markets experience, working in both the private and government sectors. Brendon has held senior roles with New Zealand Treasury, Westpac Banking Corporation, and the Rural Bank.

Remuneration is made up of fees and shares.

Bruce Adrian Edgar, Wellington (*Director*).

BCA

Bruce Edgar, is a director on the board of directors of the Manager. He has 30 years' direct experience across a range of roles in the funds management industry with companies including Southpac Investment Management Limited/National Bank of New Zealand Limited, Trustees Executors Limited, BNZ Investment Management Limited, State Street Global Advisors and BlackRock Investment Management (Australia) Limited.

Remuneration is made up of fees.

Paul Gerard Foley, Wellington (Director).

BCA/LLB, Chartered Fellow, NZ Institute of Directors

Mr Foley is a director on the board of directors of the Manager and the Chairman of the board of directors of the Manager's parent company, Booster Financial Services Limited. Paul is a consultant with MinterEllisonRuddWatts. He has over 30years' experience working with companies in the financial services, manufacturing and energy fields and is a past director and chair of NZX and ASX listed companies.

Remuneration is made up of fees and shares.

Allan Seng Tong Yeo, Brisbane, Australia (Director).

BCA (Hons), BA

Mr Yeo is a director on the board of directors of the Manager and the Managing Director of the Manager's parent company, Booster Financial Services Limited. He has held a number of senior banking roles with Barclays Bank PLC in New Zealand, Australia and the United Kingdom and, until recently, was the Managing Director of Tranzact Financial Services Pty Limited.

Remuneration is made up of the following components:

- salary and fees;
- cash-based short-term incentive, subject to achievement of specific performance objectives; and
- share-based long-term incentive, subject to achievement of specific performance objectives.

David Ian Beattie (Principal).

BMS

Mr Beattie is a Principal with the Booster Group and is chair of the investment committee. He has over 30 years' experience in investment management and portfolio research, including 16 years at a major Australasian bank where he was responsible for the management of \$1.5 billion of managed funds.

Remuneration is made up of salary and an annual cash and share-based incentive, which is subject to achievement of specific performance objectives.

Alison Louise Payne (Chief Operating Officer).

Miss Payne is the Chief Operating Officer for the Booster Group and has been with Booster since 2007. Alison has over 20 years' experience in investment banking and energy markets, focusing on settlement and administration, and also has a strong business analyst background from the various roles she has performed during her career.

Remuneration is made up of salary and an annual cash and share-based incentive, which is subject to achievement of specific performance objectives.

Supervisor

The supervisor of the Scheme is Public Trust (**Supervisor**), and Public Trust is independent of us. Their address is Ground Floor, NZ Rugby House, 100 Molesworth Street, Wellington 6140.

The Supervisor has been granted a licence under section 16(1) of the Financial Markets Supervisors Act 2011 to act as a supervisor in respect of managed funds such as this Scheme for a term expiring on 16 January 2023. A copy of its licence, including the conditions on the licence, can be obtained at the Financial Markets Authority's website: www.fma.govt.nz.

Public Trust is a statutory corporation and Crown entity established and constituted in New Zealand on 1 March 2002 under the Public Trust Act 2001.

Custodian

The custodian of the Scheme is PT (Booster Investments) Nominees Limited (**Custodian**), which has been nominated by the Supervisor to act on its behalf as its nominee. The Custodian is wholly-owned by the Supervisor. The Supervisor may change the custodian where it deems it appropriate or desirable to do so.

Under a Custodian Administration Services Agreement entered into between the Manager, the Supervisor, the Custodian and Booster Custodial Administration Services Limited (a related company of the Manager), the Custodian has engaged Booster Custodial Administration Services Limited to provide administration services to it in respect of the investments and other property subject to the Scheme.

Auditor

The auditor of the Scheme is Grant Thornton New Zealand Audit Partnership (**Auditor**). The Auditor is a registered audit firm under the Auditor Regulation Act 2011. The Auditor's licence is not subject to any conditions. The Auditor has no relationship with or interests in the Scheme other than in its capacity as auditor.

7. Conflicts of interest

Conflicts of interests are circumstances where some or all of the interests of investors for whom we, as Manager of the Scheme, provide financial services, are inconsistent with, or diverge from, some or all of the interests of the Manager or its representatives. This includes actual, apparent and potential conflicts of interest.

We recognise that conflicts of interest can arise at any time. We also recognise that we are responsible for identifying any conflicts and for ensuring that adequate arrangements are in place to ensure that they are managed.

The following are situations where conflicts of interest may arise. This is not an exhaustive list; it includes examples that we have identified:

- Transaction activity is increased to generate higher transaction based fees;
- Investment values artificially inflated to increase fees based on net asset values;
- Investments into related party products;
- Outsourcing, servicing and leasing arrangements between related entities and products;
- Individuals may be influenced to direct investments to specific securities;
- Investment knowledge used by an individual employee to their own benefit (insider trading);
- Internal trading between Funds which could be detrimental to one or other;
- Historic performance misrepresented to attract/retain investors;
- Staff are inadequately resourced or trained to provide high level of service

Comprehensive policy has been developed relating to the management of conflicts of interest.

Procedures and processes have been put in place for:

- Identifying conflicts of interest;
- Controlling conflicts of interest;
- Avoiding conflicts of interest; and
- Disclosing conflicts of interest.

Related party transactions

Conflicts of interest may arise with regard to services that are, or that may be, provided by related parties of ourselves or the Supervisor to the Scheme.

The Trust Deed governing the operation of the Scheme includes provisions that generally prevent us, as Manager, from entering into arrangements with a related party other than when transactions are completed on an arm's length basis. In addition, both we and the Supervisor must, at all times, act in the best interests of Investors when performing any duties in relation to the Scheme.

The following contractual arrangements for the provision of services by related parties are currently in place:

- the Custodian, which is a related company of the Supervisor, has been appointed by the Supervisor to act as custodian and to hold the investments of the Scheme;
- Booster Custodial Administration Services Limited, which is a related company of ours, has been engaged by the Custodian and the Supervisor to provide custodial administration services to it in respect of the investments and other property of the Scheme;
- Public Trust as the Supervisor of the Income Securities Portfolio has provided the Supervisor of the Booster KiwiSaver Scheme Geared Growth Fund a loan facility of up to \$8,000,000 from the Income Securities Portfolio for use by the Booster KiwiSaver Scheme Geared Growth Fund.
- Public Trust as the Supervisor of the Wholesale Fixed Interest Portfolio, a wholesale portfolio offered by the Scheme, has provided the Supervisor of the Booster KiwiSaver Scheme Geared Growth Fund a loan facility of up to \$9,500,000 from the Wholesale NZ Fixed Interest Portfolio for use by the Booster KiwiSaver Scheme Geared Growth Fund.
 - In relation to the lending provided to the Geared Growth Fund by the Income Securities Portfolio and the Wholesale NZ Fixed Interest Portfolio, the Supervisor has entered into a Pari Passu Deed agreeing to give the Income Securities Portfolio and the Wholesale NZ Fixed Interest Portfolio equal ranking of their respective security interests in the Geared Growth Fund.

All of these contracts have been entered into on an arm's length basis with any conflicted directorships abstained from the decision to enter into the contract.

The authorised investments for the Scheme include investing in the assets relevant to a particular Fund either directly or indirectly via an underlying fund. Currently, the Scheme's Funds primarily gain their exposure to the various investment assets by investing in underlying funds that we also manage.

8. Other material contracts

Other contracts, not otherwise mentioned in this document, include:

- Management and Reporting Agreement between the Manager and the Supervisor in respect of the supervision and management of the Scheme. The Management and Reporting Agreement details the duties, responsibilities and reporting requirements and obligations of Booster, as manager, and the Supervisor to facilitate the satisfactory operation of the Scheme, in respect of the supervision, administration and investment management of the Scheme.
- Swap Agreement in relation to the Income Securities Portfolio between the Supervisor and Manager. Refer to section 4 above for more information.

Further information on this contract, as well as those that are referred to elsewhere in this document, is available by contacting us on **04 894 4300**.

See section 7 – “Conflicts of Interest – related party transactions” for other contracts between related parties.



We're here to help.

To find out more about the Booster Investment Scheme talk to your financial adviser, call us on **04 894 4300**, or visit our website.

booster.co.nz

Booster Investment Management Limited, PO Box 11872, Manners Street, Wellington 6142, New Zealand

A disclosure statement is available from your financial adviser, on request and free of charge.