



29 March 2018

All investments involve an element of risk. Risk is the possibility of losing money or getting an investment return that is lower than you expect. This document provides additional information on the other risks associated with investing in YouWealth (Scheme). The information should be read with the information contained in Section 4: 'What are the risks of investing?' of the current YouWealth Product Disclosure Statement (PDS), the Statement of Investment Policy and Objectives (SIPO) and any other information available at [bnz.co.nz/support/investments](http://bnz.co.nz/support/investments) or held on the YouWealth Disclose Register entry at [disclose-register.companiesoffice.govt.nz](http://disclose-register.companiesoffice.govt.nz).

In addition to the risks set out in the PDS, there are other risks that may affect YouWealth and the funds in YouWealth (Funds). A summary of these risks is as follows:

Other risk	Description of other risk	Impact of other risk	Mitigation of other risk
Investment risk	<p>All investments carry investment risk. Different investments carry different levels of risk depending on the assets that make up the investment.</p> <p>Short term fluctuations in the value (up and down) of a Fund are common, particularly for those Funds with a greater allocation to growth assets. Different types of investments perform differently through market cycles and each asset class carries a different type of risk.</p> <p>The main risks associated with each asset class are as follows:</p> <p><b>Cash and cash equivalents</b></p> <p>The principal risk of investing into cash and cash equivalents is that the returns may not keep pace with inflation. As inflation increases the price of goods and services over time this could mean that the purchasing power of your money may reduce. That is, you can buy less with your money in the future when compared to what you can buy today. There is also the risk of counterparty default. Cash and cash equivalents are generally suitable for short-term investment timeframes.</p> <p><b>New Zealand and International fixed interest</b></p> <p>The value of a fixed interest security can be affected by changes in interest rates and the issuer's ability to make coupon or principal payments. Fixed interest is generally suitable for short to medium-term investment timeframes.</p>	<p>You may receive less than you have invested or lower than expected returns from the Fund(s) you invest in.</p>	<p>All of the Funds diversify across a range of investments to minimize investment risk.</p> <p>In addition, all of the Funds diversify across a range of asset classes (such as cash, fixed interest and equities).</p> <p>BNZ Investment Services Limited (BNZISL or we) regularly monitor and review the investment performance of all of the Funds.</p>



	<p><b>New Zealand and International equities</b></p> <p>The principal risks of investing in equities are the economic performance of a particular sector or company and changes in general market sentiment and opinion. Equities are generally suitable for longer-term investment timeframes.</p> <p><b>Other investment risks</b></p> <p>The selection and performance of the underlying investment managers, and any individual assets or securities held by the Funds, can also influence the performance of the Funds (both positively and negatively).</p> <p>Other risks include borrowing within any assets or securities held by the Funds, and counterparty default.</p>		
Legislative risk	<p>Changes to existing law, or the introduction of new laws both domestically and internationally could have a significant impact on an investment in YouWealth (including its returns), or how BNZISL manages the Scheme.</p>	<p>Changes to tax rates, the portfolio investment entity (PIE) tax regime or legislation generally could impact your returns (positively or negatively).</p>	<p>BNZISL has processes in place to identify and where appropriate provide submissions and feedback on legislative changes on a timely basis.</p> <p>If relevant legislation or policy changes, we will co-operate with The New Zealand Guardian Trust Company Limited (the Supervisor), to make such amendments to the Governing Document and PDS, and such other changes to the administration of YouWealth, as are considered necessary or desirable in light of those changes.</p>



<p>Operational risk (including third party supplier risk)</p>	<p>This is the risk that BNZISL, the Supervisor or any of the parties appointed by us to provide services to the Scheme fail to perform their obligations.</p> <p>It also includes the risk that BNZISL, any underlying investment manager, any specialist underlying fund manager, the Supervisor or any service provider experiences:</p> <ul style="list-style-type: none"> <li>• a failure of processes and procedures (including system failures or a suspension of withdrawals from their funds);</li> <li>• fraud;</li> <li>• business disruption; or</li> <li>• any other form of unforeseen external event including insolvency, receivership, liquidation, statutory management or voluntary administration.</li> </ul>	<p>This may adversely affect the value of your investment in YouWealth, or your ability to withdraw from the Scheme (including switching Funds).</p>	<p>BNZISL and any of the parties appointed by us to provide services have risk management policies and procedures in place (such as business continuity plans and regular controls monitoring and testing programmes) to minimise or mitigate operational risks.</p> <p>We regularly monitor the services provided by third parties against agreed service levels.</p>
<p>Tax related risks</p>	<p>There is a risk that a Fund within YouWealth could lose its PIE status if there is a breach of the PIE eligibility requirements under the Income Tax Act 2007 and we cannot correct the breach, or we do not become aware of the breach in time to correct it.</p> <p>Failure of an investor to advise us of their correct Prescribed Investor Rate (PIR) or IRD number.</p>	<p>Loss of PIE tax status would result in a Fund being taxed at a flat rate of 28% instead of the PIRs of individual investors, which will impact the net returns to investors. If a Fund loses PIE tax status, the tax treatment of the underlying assets may differ.</p> <p>If you do not provide a PIR, or you do not provide your IRD number, you will be taxed at the highest PIR of 28%. Any overpaid tax will not be refunded to you.</p> <p>If you provide a PIR that is too low, or you fail to notify us of a change to a higher PIR (including if you are no longer a New Zealand tax resident), you will have to include the PIE income in your personal tax return and pay any shortfall (plus any interest and penalties).</p> <p>If you provide a PIR that is too high, you will not get a refund of any overpaid tax.</p>	<p>We have mechanisms in place to manage compliance with the PIE eligibility requirements, which may include adjusting an investor's unitholding to maintain PIE status.</p> <p>We provide you with regular reminders to review your PIR to ensure it is correct and to provide your IRD number.</p>



Product risk	From time to time changes may be made to YouWealth. These changes could include changing the investment objective or characteristics of a Fund, the asset allocation, underlying investment managers, the third parties appointed to provide services, the availability or frequency of distributions and fees.	This may impact the value of your investment in a Fund or could change the risk profile of the Fund(s) in which you invest.	Any material changes to YouWealth will be made after we have consulted with the Supervisor or provided notice to the Supervisor.
Interest rate risk	This is the risk that changes in interest rates have an unfavourable impact on the Funds' investment returns.	<p>This may affect the amount of income received by the Funds and/or the market value of the Funds' investments.</p> <p>This risk is most relevant to Funds with large exposures to cash and fixed interest investments, particularly those with longer-term fixed interest maturity profiles.</p>	<p>Interest rates will perform differently in different market cycles.</p> <p>Interest rate risk is mitigated by the Funds diversifying investments across a range of income asset classes and the ability of the appointed investment managers to select fixed interest securities based on their interest payments and maturities.</p>
Credit risk	Credit risk is the risk that issuers of government or corporate bonds do not make an interest or principal payment when due; or where registered banks do not pay interest or withdrawal requests.	This risk is most relevant for Funds with large exposures to cash and fixed interest investments that rely on the payment of interest and principal from the fixed interest securities that the underlying funds invest in.	Issuer credit worthiness, together with providing an appropriate level of diversification across issuers, is considered by the underlying investment funds in which the Fund(s) invest.



Deferral of payments	This is the risk that BNZISL may delay paying Scheme withdrawals, processing transfers or allowing switches if we determine that the redemption of units to pay such withdrawals (among other things) would be prejudicial to the interests of investors.	Any deferral of payments will restrict your ability to withdraw or switch between Funds.	<p>Our ability to defer the payment of withdrawals, transfers or switches is subject to the provisions of the Governing Document.</p> <p>Any deferral of payments may only be up to 60 business days unless a longer period is agreed with the Supervisor.</p> <p>We actively monitor the Funds and the underlying funds into which the Funds invest to maintain a level of liquidity sufficient to meet the forecast level of withdrawals.</p>
Wind up	This is the risk that BNZISL is required, or decides to, wind up the Scheme or Fund(s).	You may receive less than what you have invested in YouWealth. However, you will not be liable to contribute to any shortfall in the assets of any Fund.	<p>We actively monitor the Funds and the underlying funds into which the Funds invest.</p> <p>All of the Funds diversify across a range of investments to minimise investment risk.</p> <p>In addition, all of the Funds diversify across a range of asset classes.</p>

This document has been prepared to meet the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013. Investments made in YouWealth do not represent deposits or other liabilities of Bank of New Zealand (BNZ) or any other member of the National Australia Bank Limited group, and are subject to investment risk, including possible delays in repayment and loss of income and principal invested. None of BNZ or any other member of the National Australia Bank Limited group, the Supervisor, any director of any of them, or any other person guarantees (either fully or in part) the performance or returns of YouWealth or the repayment of capital. National Australia Bank Limited, the ultimate parent of BNZ, is not a registered bank in New Zealand, but is a licensed bank in Australia and is therefore subject to the supervision of the Australian Prudential Regulation Authority. BNZ Authorised Financial Advisers' Disclosure Statements are available on request and free of charge.