

NIKKO AM KIWISAVER SCHEME

Other Material Information

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New Zealand Limited

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1. Other material Information

This document provides additional information about the Nikko AM KiwiSaver Scheme (***Scheme***). It covers topics such as joining the Scheme, contributions, withdrawals, transfers and tax. It should be read together with the current Scheme Product Disclosure Statement (***PDS***) and any other documents held on the Disclose Register at www.business.govt.nz/disclose.

In this Document, “you” or “your” refers to a person that is a member of the Scheme. “We”, “us”, “our”, “Nikko AM” or “the Manager” refers to Nikko Asset Management New Zealand Limited which is the manager of the Scheme.

Further information about the Scheme can be found in the Nikko AM KiwiSaver Scheme Trust Deed (***Trust Deed***). The Trust Deed is available on the schemes register on the Disclose Register at www.business.govt.nz/disclose.

2. Information about the funds

The Scheme has 8 funds on offer for you to choose from (“the Funds”):

- Conservative Fund;
- Balanced Fund;
- Growth Fund;
- NZ Cash Fund;
- NZ Corporate Bond Fund;
- Core Equity Fund;
- Global Shares Fund; and
- Option Fund.

3. Joining the Nikko AM KiwiSaver Scheme

In most cases you will be able to join the Scheme if you are a New Zealand citizen or entitled to New Zealand permanent residency and are living or normally living in New Zealand. However, there are some circumstances when you can join the Scheme if you are not living or normally living in New Zealand. These exceptional circumstances apply if you are an employee of the State services (within the meaning of the State Sector Act 1988) and are:

- serving outside New Zealand;
- employed on New Zealand terms and conditions; and
- serving in a jurisdiction where offers of KiwiSaver scheme membership are lawful.

If you are joining KiwiSaver for the first time, you will need to be under the age of eligibility for New Zealand Superannuation (currently 65) when you join. If you are joining the Scheme by transferring from another KiwiSaver scheme, you are able to transfer to the Scheme even if you are over this age.

You cannot opt out of KiwiSaver if you choose to join the Scheme or you opt in through your employer.

4. Contributions

Minimum amounts

There is no minimum investment amount, although once you have reached your Qualifying Age¹ you may be required to close your Scheme account and end your membership if your account contains less than \$1,000.

The minimum ongoing voluntary contribution amount is \$20.

In addition, provided we notify you, we may close your Scheme account at any time if it has a zero balance.

Tax on contributions

Your contributions to the Scheme are made from your after tax pay so there is no additional tax payable on those contributions. The Government Member Tax Credit contributions are not taxable.

Your employer is required to withhold Employer Superannuation Contribution Tax (ESCT) from all contributions they make on your behalf to your Nikko AM KiwiSaver Scheme account.

The rates of ESCT that are deducted from employer contributions are set out under *Determining the ESCT rate* at: <http://www.ird.govt.nz/payroll-employers/make-deductions/deductions/super-contributions/esct.html#02>.

Member tax credit (MTC)

MTCs currently paid to eligible members by the Government as set out in the PDS.

In most cases you need to be principally residing in New Zealand to qualify for the MTC, although overseas Government workers, charity workers, and some volunteers may also qualify. If this might apply to you, get in touch with us so that we can help you work out whether you qualify for a MTC.

The MTCs are for contributions made in each year 1 July to 30 June. MTCs will reduce proportionately for any part of the MTC year that you:

- were not a KiwiSaver member; or
- were under the age of 18; or
- ceased to principally reside in New Zealand; or
- were over your Qualifying Age.

Your MTC will be based on the number of days in each MTC year during which you qualified for it.

No MTCs will be paid in respect of amounts transferred to the Scheme from an Australian complying superannuation scheme.

You don't have to do anything to get paid the MTC, as we'll apply for it on your behalf. However, you do need to tell us if your principal place of residence stops being New Zealand, or if you otherwise stop being eligible for the MTC.

Inland Revenue holding account

When you first become a KiwiSaver member, Inland Revenue will hold any contributions they receive for you until you've been a member of KiwiSaver for three months. Once you've been a KiwiSaver member for three months they will pass these contributions plus interest to us.

It can take up to three months for your employer or employee contributions to reach your Scheme account. This is because your employer generally only passes contributions on to Inland Revenue on the 20th of the month following their deduction, and then Inland Revenue takes some time to process and check the contributions before it passes them on. During the time your employer or employee contributions are held by Inland Revenue they will earn interest which will be passed to us with your contributions.

If you have any questions about the amount of your contributions held by Inland Revenue, or the total amount of your employer or employee contributions that they have processed, you can contact Inland Revenue directly.

¹ Your Qualifying Age is the date you reach the age of eligibility for New Zealand Superannuation (currently age 65) and/or have been a member of a KiwiSaver scheme (and/or a member of a Complying Superannuation Fund) for at least five years.

Contributions holiday

If you are employed, and are making regular contributions to KiwiSaver from your wage or salary, you can take a break from contributing to KiwiSaver by applying to Inland Revenue for a contributions holiday after you have been a member of a KiwiSaver scheme for twelve months. Your contributions holiday can be for a period of between three months and five years.

If you are suffering, or are likely to suffer, financial hardship and Inland Revenue has received at least one contribution from you, you can apply to Inland Revenue for an earlier contributions holiday. If granted in these circumstances, your contributions holiday will be for a maximum of three months (or a longer period, if Inland Revenue agrees).

Your employer can also suspend the contributions it makes for your benefit while you are on a contributions holiday. You can apply for another contributions holiday when one expires. You can also revoke or reinstate your contributions holiday at any time by notifying your employer.

5. Withdrawals

Generally you will not be able to withdraw your KiwiSaver savings until you reach your Qualifying Age.

If you have transferred amounts to your KiwiSaver account from an Australian complying superannuation scheme (**Australian Transferred Amounts**), you may be able to withdraw these amounts from the age of 60.

There are some circumstances in which you may be able to make an early withdrawal as follows:

Buying your first home

You may make a one-off withdrawal from a KiwiSaver scheme to purchase your first home (except \$1,000 and any Australian Transferred Amounts) if:

- the land or house you are purchasing is in New Zealand;
- it has been at least three years from the date Inland Revenue received your first contribution to a KiwiSaver scheme, or you have been a member of one or more KiwiSaver schemes or Complying Superannuation Funds for a combined total period of three years or more;
- the land or house is, or is intended to be, your principal place of residence; and
- you have never held an estate in land (there are some detailed rules regarding when a person holds an estate in land).

The purchase of an interest in a building on Maori land qualifies as a first home where:

- the building's intended principal use is occupation as a private residence; and
- the building is or is intended to be your principal place of residence.

To make a first home withdrawal, there is a process that must be followed and certain information must be provided. Any withdrawal request should be made at least ten business days before the funds are required. You are not able to make a first home withdrawal after your property has settled.

Your lawyer or conveyancing practitioner must provide a copy of the sale and purchase agreement (*agreement*), and give undertakings on your behalf. The undertakings and process will differ depending on whether the agreement is conditional or unconditional. Please contact us for a Home Purchase Withdrawal Application form for further information on the detailed requirements.

Your membership of the Scheme will continue after a first home withdrawal is paid from your KiwiSaver account.

KiwiSaver HomeStart grant

If you qualify for a first home withdrawal, then under current Government policy, you may be able to apply to Housing New Zealand for a KiwiSaver HomeStart grant. The grant is subject to certain terms and conditions, currently such as maximum allowed annual income and a house price cap. The KiwiSaver HomeStart grant is administered by Housing New Zealand and grants are paid by Housing New Zealand. For more information on the KiwiSaver HomeStart grant visit the Housing New Zealand website <http://hnzc.co.nz>.

Significant financial hardship

You may apply to make a significant financial hardship withdrawal.

Generally, you should make an application only if you are not able to meet your normal essential living expenses (but there are other specific criteria in the KiwiSaver Act 2006).

You'll need to complete a withdrawal request and a statutory declaration of your assets and liabilities and provide evidence that you are suffering or are likely to suffer significant financial hardship as defined under the KiwiSaver Act, and that all reasonable alternative sources of funding have been explored and exhausted.

Your application is subject to approval by the Supervisor. The Supervisor can limit the withdrawal amount to a lesser amount than what is available in your KiwiSaver account (if it decides that a lesser amount is all that you need to alleviate your hardship). If you make a significant financial hardship withdrawal, it will exclude any Government kick start contribution of \$1,000² and MTCs. It can include any amounts transferred to KiwiSaver from an Australian Complying Superannuation Scheme, but only to the extent that the New Zealand sourced contributions able to be withdrawn (which will be paid to you first) are insufficient.

Your membership of the Scheme will continue after your significant financial hardship withdrawal is paid.

Serious illness

You may be able to make a serious illness withdrawal if you have an injury, illness or disability that results in you being totally and permanently unable to engage in work for which you are suited by reason of experience, education or training, or any combination of those things, or poses a serious and imminent risk of death.

You will need to complete a withdrawal request (including a statutory declaration) and provide evidence (such as medical evidence) that you are suffering from a serious illness as defined in the KiwiSaver Act to support your withdrawal request.

Permanent emigration (except to Australia)

You can make a withdrawal of your KiwiSaver savings one year after you permanently emigrate from New Zealand.

Your account balance, excluding any MTCs and any Australian Transferred Amounts, will be paid to you as a lump sum. Any MTCs will be repaid to Inland Revenue and (unless you have any Australian Transferred Amounts) your Scheme account will be closed.

You will need to complete a withdrawal request (including a statutory declaration) and provide evidence that confirms you have permanently emigrated.

Permanent emigration to Australia

If you permanently emigrate to Australia, you are not able to withdraw your KiwiSaver savings unless you otherwise qualify for another type of withdrawal (for example, serious illness). You can transfer all of your KiwiSaver savings to an Australian complying superannuation scheme that is willing to accept the transfer. If your KiwiSaver savings are above the maximum amount set out in Australian legislation, you will not be able to transfer any of your KiwiSaver savings. Alternatively, your KiwiSaver savings can remain invested in the Scheme.

Death

If you die while you are a member of the Scheme, all of your KiwiSaver savings will be payable, on request, to the executors or administrators of your estate.

Alternatively, if your KiwiSaver savings are less than the prescribed amount (currently \$15,000) and certain other conditions are met, we may pay your KiwiSaver savings direct to (for example) a surviving partner or caregiver.

Deferral of withdrawals

We may defer a withdrawal or transfer if we determine that having regard to the realisation of assets required in order to make the withdrawal or transfer or the occurrence or existence of any other circumstance or event relating to the Scheme or generally, earlier withdrawal or transfer would be imprudent, is impracticable or would otherwise be prejudicial to the interests of the members of the Scheme (or the relevant funds) as a whole.

² You will have received the \$1,000 kick-start contribution from the Government if you first joined KiwiSaver before 2pm, on 21 May 2015.

General

When a withdrawal is paid from your Scheme account, the amount you receive will reflect the unit price value of the redeemed units at the time, less any fees, taxes, expenses and other authorised deductions from your account. The unit price may go up or down between the date on which you submit your withdrawal request, the date on which it is approved or received, and the date on which the relevant units are actually redeemed.

Contributions that qualified for a MTC when made to the Scheme will continue to qualify even if, before the MTC for the relevant year is paid, those amounts have been withdrawn.

You cannot withdraw your MTCs:

- before you (or your personal representative or other relevant person) give us a statutory declaration stating the periods for which you have had your principal place of residence in New Zealand; or
- if we have noticed that your claim for a MTC is wrong because you have not met the residence requirements for certain periods.

How to request a withdrawal

You can request a withdrawal by completing the relevant withdrawal form and sending it to us. Please contact us for a withdrawal form.

It may take some time to consider an early withdrawal request and we may come back to you to ask for further evidence to support your application.

Payment

You will normally receive payment of your withdrawal within ten business days of your application being approved.

6. Transfers

You can transfer your savings between KiwiSaver schemes at any time. You can do this even if you are:

- 65 years old or over; or
- no longer living in New Zealand; or
- no longer a New Zealand citizen or entitled to live in New Zealand.

However, you can be a member of only one KiwiSaver Scheme at a time, so you must transfer your entire balance to your new KiwiSaver scheme.

In certain situations set out in the KiwiSaver Act, you may be required to transfer from the Nikko AM KiwiSaver Scheme to another KiwiSaver scheme in accordance with the default allocation principles prescribed in the KiwiSaver Act.

7. For other information

For other information relating to how KiwiSaver operates, please see <http://kiwisaver.govt.nz/> and the *KiwiSaver and retirement* section on the Commission for Financial Capability's Sorted website: <http://sorted.org.nz/must-reads/category/kiwisaver-and-retirement>.

8. About Nikko AM

Nikko AM is a wholly owned subsidiary of Nikko Asset Management Co., Ltd (**Nikko Asset Management**), headquartered in Tokyo, Japan and founded in 1959. Nikko Asset Management is majority owned by Sumitomo Mitsui Trust Bank, Limited (**SMTB**). SMTB is listed on the Tokyo Stock Exchange.

We were established in 1994. We manage over \$5 billion of funds for a diverse group of clients including group companies, trustees of superannuation schemes, charitable trusts, foundations, other KiwiSaver scheme providers and other entities such as corporations, local governments other fund managers, financial planners, investment product distributors and high net worth individuals.

We offer investment management services in domestic assets (equities, fixed interest, cash and alternative investments) through our Auckland based investment team and employ carefully selected offshore managers to manage global assets (global equities, global fixed interest and alternative investments). We are an active investment manager. As such, we take a medium term approach to investment. Our focus is on using research-based information to add value over time and achieve clients' investment objectives.

External managers

The funds will invest in other funds managed by us, or other underlying investment managers.

We have a selection process to appoint underlying investment managers and only appoint underlying investment managers of high institutional calibre and who are aligned with our investment philosophy.

The Conservative Fund, Balanced Fund and Growth Fund invest in the Nikko AM Wholesale Global Bond Fund. We have engaged Goldman Sachs Asset Management Australia Pty Limited (**GSAM**) to manage the global fixed income assets of the Nikko AM Wholesale Global Bond Fund. We and our related parties are independent of GSAM.

The Conservative Fund, Balanced Fund and Growth Fund invest in the JPMorgan Funds – Multi-Manager Alternatives Fund (**JPMMA Fund**), a fund managed by J.P. Morgan Alternative Asset Management, Inc. (**JPMAAM**). The JPMMA Fund is a Luxemburg based UCITS fund (a type of pooled investment vehicle domiciled in the European Union) that invests with approximately ten underlying strategies managed by fund managers not related to JPMAAM. The strategies cover a range of non-traditional investments designed to produce a consistent return stream in a variety of investment environments.

Although each underlying strategy in its own right may have various levels of volatility, the strategies are carefully selected and monitored by JPMAAM to ensure that the overall risk profile of the JPMMA Fund has a risk level that is generally lower than that of the individual strategies, and performance is not aligned to traditional equity or fixed-income markets.

The various strategies that the JPMMA Fund invests in include strategies such as borrowing to sell stocks whose prices are expected to fall, credit trading, hedging interest rate variations from similar issues of US Treasury bonds. The above strategies are listed as examples. The JPMMA Fund may invest in a range of other investment strategies.

These strategies do not usually depend on the level of interest rates or on how equity markets are performing, and some strategies may actually benefit if traditional asset classes are underperforming. This is a core alternative solution designed to diversify a portfolio, has reduced sensitivity to traditional market risks, and enhances diversification within liquid alternatives.

We and our related parties are independent of JPMAAM and the JP Morgan Group.

The Conservative Fund, Balanced Fund and Growth Fund invest in the Nikko AM Wholesale Global Equity Unhedged Fund, a wholesale fund managed by us. The Nikko AM Wholesale Global Equity Unhedged Fund receives strategy advice and implementation services from Nikko Asset Management's Multi-Manager team (based in Australia), which is part of Nikko Asset Management's Portfolio Solutions Team (based in Singapore). The Nikko AM Wholesale Global Equity Unhedged Fund has a multi-manager global equities strategy and we have appointed the investment managers set out below to manage the assets of the fund:

- WCM Investment Management
- Principal Global Investors (Australia) Limited
- Epoch Investment Partners, Inc.
- Davis Selected Advisors, L.P.

Related party manager

The Conservative Fund, Balanced Fund, Growth Fund and Global Shares Fund invest in the Nikko AM Wholesale Global Shares Fund. We have engaged Nikko Asset Management Europe Limited (**NAME**) to manage the global equity assets of the Nikko AM Wholesale Global Shares Fund. NAME is a related party of Nikko AM, both parties having common ownership.

Directors

Details of our current Directors and members of our investment team are set out below. The roles and the people holding them may change from time to time without notice to you.

George William Carter, Auckland, New Zealand

George is the Managing Director of Nikko AM with over 15 years' experience in the financial services industry. As an actuary George has worked in both the UK and New Zealand advising institutional clients on pensions and investments assets and liabilities as well as having sales and marketing experience in the funds management industry. George joined Nikko in 2015 after six years at AMP Capital Investors where he was both a Director and Head of Distribution. George was appointed a Director of Nikko AM effective 9 November 2015. George has an Honours degree in Theology from the University of Durham and is a qualified secondary school teacher and a Fellow of the New Zealand Society of Actuaries and Institute of Actuaries.

Junichi Sayato, Tokyo, Japan

Junichi Sayato has been with Nikko Asset Management as Representative Director and Executive Deputy President since 2015, and has overseen Risk Management and Compliance. Before joining Nikko Asset Management, Junichi Sayato most recently served as Representative Director and President of Sumitomo Mitsui Trust General Service Co., Ltd. He previously held the position of President at Sumitomo Mitsui Trust Research Institute Co., Ltd., and also oversaw investment risk at Sumitomo Mitsui Trust Holdings, Inc. as Director and Managing Executive Officer. He has over 13 years of extensive experience in working outside of Japan namely in London, New York and Washington D.C. He graduated from the School of Law at Kyoto University in March 1978 and received his master's degree from the London School of Economics (Department of Economics, International Relations Major) in August 1982. Junichi Sayato was appointed a Director of Nikko AM effective 27 February 2017.

Tracey Kim Jones, Auckland, New Zealand

Tracey is an independent, non-executive Director of Nikko AM. Tracey has spent two decades working in the financial services industry including 12 years with Tappenden Holdings where she held the roles of COO and CFO. She is currently an Independent Director with New Plymouth PIF Guardians Ltd, Harmoney Corporation Ltd and Tutanekai Investments Ltd as well as being the Founder of Jones Family Office Partners Ltd.

9. Investment Team

Our New Zealand investment management team has extensive knowledge and experience in investment management.

Domestic Equities

Stuart Williams

Stuart is Head of Equities at Nikko AM having joined the company in August 2014. Stuart has wide ranging experience in all aspects of the investment management industry developed over more than 18 years working for ANZ Investments and its predecessors. Stuart has spent eight years performing detailed research and developing investment recommendations on listed companies in both New Zealand and Australia. The sectors he researched include Transportation, Healthcare, Retirement, Diversified Financials, Technology and Online. Stuart has a strong track record in portfolio management of both benchmark relative and high conviction funds. Stuart has a Bachelor of Commerce degree from the University of Auckland and is a Chartered Accountant.

James Lindsay

James is Senior Portfolio Manager at Nikko AM having joined the company in 1998. James has over two decades of investing in the Australasian sharemarkets and a number of years' experience in share-broking prior to being appointed an Australasian Equity Analyst at Royal & Sun Alliance Asset Management in Wellington. James joined the Auckland-based team in 1999 as an Equity Analyst before being promoted to the role of Domestic Equities Manager in May 2001 and then to Senior Portfolio Manager in April 2012. James achieved Honours in his Masters of Commerce degree, completed the Diploma NZSE course and a Bachelor of Commerce. James is a member of the Institute of Finance Professionals (INFINZ) and sits on the Australasian Corporate Reporting Users' Forum (CRUF).

Michael Sherrock

Michael is Portfolio Manager at Nikko AM and is responsible for the Property Fund, a wholesale fund not offered directly to the public. In addition to the Property sector, Michael also covers Energy, Materials and Retirement sectors and provides backup for quantitative analysis and the Telecommunications, IT and Media sectors. Since joining the workforce in 1997, Michael has held various roles within the finance industry including Schroders in the UK and ASB Group Investments in New Zealand before joining Nikko AM in 2006 as an Analyst in the domestic equity team. Michael is a CFA charter-holder and has a Bachelor of Commerce degree from the University of Auckland.

Michael De Cesare

Michael is with a Portfolio Manager responsible for the SRI Fund (a wholesale only fund), and primary responsibility for the Consumer Discretionary and Consumer Staples sectors. He covers Industrials and Property sectors as the secondary analyst and provides quantitative analysis. Michael's past employers include ANZ Institutional Bank and Fortis Investments, London before joining Nikko AM in 2012. Michael is a Chartered Alternative Investment Analyst (CAIA) and holds a First Class Honours degree in Industrial Economics from the University of Nottingham Business School, United Kingdom.

Domestic Fixed Interest

Fergus McDonald

Fergus is the Head of the Bonds and Currency team at Nikko AM. He is responsible for the investment strategy, performance and compliance of Bond, Cash and Currency mandates. Fergus has been actively involved in the New Zealand financial markets since 1981. Fergus has been with the company or its predecessors since 1990 and joined as a Fixed Interest Manager. Fergus has considerable experience in managing bond portfolios that combine Government stock and derivatives with corporate debt securities. Fergus was instrumental in developing and managing New Zealand's first corporate bond unit trust. Fergus holds a Bachelor of Arts (Economics), from Victoria University of Wellington and a Certificate of Treasury Professionals.

Ian Bellew

Ian is the Fixed Income Manager. Ian joined Nikko AM in 1998 as the Cash Portfolio Manager and was promoted to Fixed Income Manager in January 2012. Ian is responsible for the implementation of investment strategy and day to day management of the fixed income and option portfolios. Ian also contributes to team decision making by analysing economic information and identifying global and domestic trends. Ian holds a Bachelor of Commerce - Finance and Post-Graduate Diploma in Commerce - Finance from the University of Otago.

Tim O'Loan

Tim is the Fixed Income Analyst and joined Nikko AM in 2012. Tim assists with the management of the fixed income portfolios with emphasis on the implementation of the investment strategy for the cash and short term portfolios as well as currency hedging of offshore assets. Prior to joining Nikko AM, Tim was with NZ Super Fund and OnePath (previously ING NZ). Tim holds a Bachelor of Commerce and Graduate Diploma of Commerce from the University of Auckland and a Masters of Applied Finance from Victoria University of Wellington.

Investment Committee Members (Responsible for Global and Alternative funds)

George William Carter
(bio above)

Stuart Williams
(bio above)

Fergus McDonald
(bio above)

James Wesley

James is Head of Distribution and is responsible for leading Nikko AM's sales, marketing and client servicing functions. James has over 10 years investment management experience gained with multi-national organisations. He joined the company in 2013 after eight years at Threadneedle Investments. While at Threadneedle he was initially based in London as Head of Southern Sales and latterly was Head of Australia – Wholesale. James holds a Bachelor of Business and Graduate Diploma of Business from AUT University and holds the FSA (UK) recognised Certificate in Investment Management.

James Rogers

James is Head of Product and Operations and is responsible for the oversight of all aspects relating to day to day operational functions, product management and client reporting. He joined the company in 2017, following many years of experience in the financial service industry starting in 1998 with JPMorgan in London and having held senior positions there and also at Morgan Stanley and State Street in the U.K., U.S. and New Zealand. James holds a BA with honours in Economics from the University of Durham.

10. Supervisor and custodians

Public Trust is the Scheme's Supervisor. Public Trust is a statutory corporation and Crown entity established in New Zealand by the Public Trust Act 2001.

The Supervisor is responsible for monitoring our compliance with our obligations as the Manager of the Scheme in accordance with the Trust Deed and the Financial Markets Conduct Act 2013.

A principal role of the Supervisor prescribed by law is to have the investments and other property of the Scheme vested in the name of the Supervisor or its nominee. Public Trust has delegated certain custodial duties to BNP Paribas Fund Services Australasia Pty Limited including safeguarding asset title and the control and operation of all Scheme bank accounts.

Supervisor's licence

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 debt securities and certain registered schemes.

Further information on the Supervisor's licence is available at the Financial Markets Authority's website www.fma.govt.nz.

11. Auditors and other advisers

Auditor

KPMG is the Auditor of the Scheme. KPMG is registered as a Licensed Auditor in accordance with the Auditor Regulation Act 2011.

Other Advisers

We engage a number of specialist firms including our legal advisers Chapman Tripp, Bell Gully, DLA Piper and MinterEllisonRuddWatts.

12. Supervisor and manager indemnity

Both we and the Supervisor are entitled to be indemnified out of each fund against any losses, costs, and expenses incurred by us or the Supervisor in performing our duties, or in exercising our powers in relation to the Scheme, and against all actions, proceedings, costs, claims and demands in respect of any action taken or omitted by us or the Supervisor, including all actions or omissions in relation to the offer and issue of Units. We may retain and pay out of the relevant fund all sums necessary to give effect to such indemnity.

You also indemnify us and the Supervisor for any tax paid or payable by us or the Supervisor on your behalf. The indemnified amount may be deducted from or set-off against any amount due to you in relation to the units.

Please see the Trust Deed for further information in relation to our and the Supervisor's responsibilities and indemnities.

13. Valuations

The net asset value of each Fund is calculated by deducting from the market value of the investments of the relevant Fund, the liabilities of the Fund and other provisions we think should be included as a liability for the purposes of making a fair and reasonable determination of the total Net Asset Value of the relevant Fund.

Each Fund is valued as frequently as we may consider necessary or desirable from time to time, but at least on any day we process a withdrawal or issue units.

We will determine the market value of each investment and the net asset value of each Fund in accordance with the Trust Deed and on a consistently applied basis accepted as being appropriate by the Supervisor.

We have agreed with the Supervisor a compensation policy that will apply in the event that a material unit pricing error or material non-compliance with a pricing methodology requires correction. Under the current policy a material error (unless we agree with the Supervisor otherwise) is an error that equals or exceeds 0.30% in relation to any fund. Where agreed with the Supervisor, we may agree not to pay compensation to you for an amount less than \$20 (or such other amount as we may agree with the Supervisor from time to time).

14. Further information on fee estimates

Underlying fund fees in the Conservative Fund, Balanced Fund and Growth Fund

The Conservative, Balanced and Growth Funds invest in underlying funds that charge fees and expenses that are variable and therefore estimated in the PDS.

JPMorgan Funds– Multi-Manager Alternatives Fund (JPMMA Fund)

The Conservative, Balanced and Growth Funds invest, via other Nikko AM funds, in the JPMMA Fund, an unrelated party. Fund fees and expenses and underlying fund manager fees in the JPMMA Fund are capped at 2.2% p.a. We have therefore estimated these fees at 2.2% p.a.

Nikko AM Wholesale Option Fund performance fee

The Conservative, Balanced and Growth Funds invest, via other Nikko AM funds, in the Nikko AM Wholesale Option Fund (a fund managed by Nikko AM), which charges a performance fee, as disclosed in the PDS.

To estimate the future performance fees, Nikko AM uses a rolling 5-year average of the actual performance fees charged by the Nikko AM Wholesale Option Fund.

Nikko AM Wholesale Concentrated Equity Fund performance fee

The Balanced and Growth Funds invest, via other Nikko AM funds, in the Nikko AM Wholesale Concentrated Equity Fund (a fund managed by Nikko AM), which charges a performance fee, as disclosed in the PDS. In estimating the future performance fees, Nikko AM assumes the return of the Nikko AM Wholesale Concentrated Equity Fund is in line with the estimated return of the NZ equities market, that assumption being provided to us by an independent consultant. To estimate the future performance fees we compare this assumption to the Nikko AM Wholesale Concentrated Equity Fund's performance objective to ascertain the estimated performance fee.

GST

GST is not included in any of the fees. GST will be added to the fees where relevant.

15. How we can change your investment

Changes to fees

We can change any fees or introduce new fees (such as a membership fee) in respect of a fund at any time. If we increase any fee or introduce a new fee, we will give you one month's notice in advance.

Winding up a fund and the Scheme

We can wind-up the Scheme at any time in accordance with the Trust Deed.

Following a wind-up, the Scheme's creditors would be paid ahead of claims by you. You would not receive benefit payments and would be required to transfer from the Scheme to another KiwiSaver scheme which you chose (and if you did not choose, then Inland Revenue would transfer you to a Default KiwiSaver Scheme under the default allocation rules in the KiwiSaver Act).

We can wind up any Fund at any time by giving notice to the Supervisor. On the wind up, members will be given the opportunity of switching to an alternative fund in the Scheme or transferring to another KiwiSaver scheme.

Any member who does not advise us that they have chosen an alternative fund, may be switched to a particular fund specified by us (and as agreed with the Supervisor).

Changes to minimum amounts

We may introduce or alter the minimum investment amounts and any notice periods at any time.

Amendments of the Trust Deed and the SIPO

We may amend the provisions of the Trust Deed with the agreement of the Supervisor. Any such amendments must be made in accordance with the Trust Deed and the Financial Markets Conduct Act 2013.

We may also amend the SIPO for the Scheme, including benchmark asset allocations and ranges, in consultation with the Supervisor.

You will be notified of any material changes to the Trust Deed or the SIPO where required by the Trust Deed or law, as set out in the PDS.

16. Risks

All investments carry some level of risk. Past performance is not necessarily an indication of future returns.

The main types of risks that Investors face are that they may not receive the returns they expect, that the capital value of their investments may end up less than they originally invested, or that they may be unable to get back their money when they need it.

There is a link between the risk of an investment and the likely return the investment will provide. Generally, the higher the risk, the greater the potential return will be for Investors. The converse also applies: the lower the risk, the lower the expected return. However, returns offered on investments are also affected by fees and expenses charged in connection with the investment, which should be taken into account when comparing returns.

Each type of investment has its own characteristic mix of risk and return. However, the particular risks and returns for any type of investment at any time depend on fluctuating market conditions, as well as the soundness and risk management practices of the investment manager.

There is a risk, particularly in the short to medium term, that if any of the risks eventuate, you may receive less than the amount you paid for your Units.

Risks are outlined in the PDS and some further risks are:

Cybersecurity and operational risk

Cybersecurity breaches may allow an unauthorised party to gain access to fund assets, customer data, or propriety information, or cause a fund or its service providers to suffer data corruption or lose operational functionality. Similar incidents affecting issuers of a fund's securities may negatively impact performance. Operational risk may arise from human error, error by third parties, communication errors, or technology failures, among other causes.

Changes to law risk

Changes to existing law or the introduction of new laws could have a significant impact on an investment in the Scheme (including its returns), or how we manage the Scheme. There have been changes previously to the KiwiSaver Act 2006, and the KiwiSaver Scheme Rules, including the employer, employee and Government contribution rates, conditions on withdrawals, and changes could occur in the future. Changes to tax rates, the PIE tax regime or tax legislation generally could also affect your returns (positively or negatively).

17. Material contracts

The following is a summary of the contracts that we consider to be material in relation to the Scheme.

Trust Deed

The Trust Deed is an agreement between us and the Supervisor. The Trust Deed governs the establishment and management of the Scheme and the relationships between us and the members, and between us and the Supervisor.

The Trust Deed is available on the schemes register on the Disclose Register at www.business.govt.nz/disclose.

Supervisor Agreement

The Supervisor Agreement is supplementary to the Trust Deed.

It specifies our agreement with the Supervisor regarding reporting and information to be provided by us to the Supervisor.

Nothing in the Supervisor Agreement limits or alters the powers of the Supervisor or our duties under the Trust Deed and applicable law.

Investment Management Agreement

Goldman Sachs Asset Management Australia Pty Limited (GSAM)

We have entered into an Investment Management Agreement with GSAM dated 3 May 2012. This Agreement employs GSAM as an underlying fund manager to manage the investments of our Nikko AM Wholesale Global Bond Fund given their expertise and presence in the relevant jurisdictions. We receive monthly updates on the holdings, valuations and status of the fund. We can terminate the Investment Management Agreement at any time at 60 days' notice.

Nikko Asset Management Europe Limited (NAME)

We have entered into an Investment Management Agreement with NAME dated 26 June 2017. The Agreement employs NAME as an underlying fund manager to manage the investments of our Nikko AM Wholesale Global Shares Fund given their expertise and presence in the relevant jurisdictions. We receive monthly commentary on performance and updates on the holdings of the fund we can terminate the Investment Management Agreement at any time at 10 business days' notice.

Delegation agreement – Global Equity Funds

We have entered into an Agreement with Nikko Asset Management Limited (**NAM Limited**) (our sister company based in Sydney) dated 8 November 2013. This Agreement delegates strategy and implementation to NAM Limited for the Nikko AM Wholesale Global Equity Unhedged Fund. The decision on appointment of the underlying fund managers to manage the investments of the Nikko AM Wholesale Global Equity Unhedged Fund remains with us, but is implemented by NAM Limited. NAM Limited provides us with monthly updates on the holdings, valuations and status of the fund. We can terminate the delegation agreement at any time at 30 days' notice and termination/appointment of the underlying fund managers remains at our discretion.

Administration Agreement

The Administration Agreement is a contract between us and BNP Paribas Services Australasia Pty Limited (**Administration Manager**) dated 27 June 2011. This Agreement appoints the Administration Manager as an administrator to perform middle office services including:

- Transaction and Derivatives Management including non-market transactions
- Corporate Actions
- Reconciliations
- Pricing and Fund Valuations
- Accounting and Financial Reporting
- Tax
- Unit Pricing
- Performance Analytics
- Mandate Compliance

When required, the Administration Manager also assists us with the preparation of annual financial statements for the Funds.

Unit Registry Agreement

The Unit Registry Agreement is a contract between us and MMC Limited, dated 17 November 2017. This agreement appoints MMC Limited as the Unit Registrar for all Nikko AM funds.

International Swaps and Derivatives Association (ISDA) Master Agreements and Appendices

The Option Fund invests in the Nikko AM Wholesale Option Fund managed by us. The Nikko AM Wholesale Option Fund utilises multiple ISDA Master Agreements entered into on the Fund's behalf by either Nikko AM or the trustee of the fund. The ISDA Master Agreements set out the standard terms that apply to the transactions entered into by Nikko AM on behalf of the Nikko AM Wholesale Option Fund. These ISDA Master Agreements establish lines of credit for the Nikko AM Wholesale Option Fund, and can be terminated at any time by either Nikko AM or the relevant counterparty.

18. Financial statements and auditor's report

In line with the 'three lines of defence' model, the Nikko AM Audit Committee conducts the annual internal audit which includes reviews on compliance management processes, procedures, systems and management controls. All audit reports are issued to our Board and Compliance, Risk and Disclosure Committee.

The Administration Manager provides us with quarterly compliance assurance reports as well as semi-annually ISAE3402 independent audit assurance on their operational controls and effectiveness.

KPMG is the auditor of both the Scheme and the Manager.

Financial statements for the Funds are available on the scheme register on the Disclose Register at www.business.govt.nz/disclose.

19. Tax

Because the Scheme is a portfolio investment entity, the amount of tax you pay is based on your prescribed investor rate.

Further information about how the Scheme is taxed, can be found at: <http://ird.govt.nz/toii/pie/individuals/how-tax/pie-investors-individual-tax.html>

20. Market indices

The funds' returns are measured against market indices as set out in the SIPO. More information about these market indices can be found at the following web pages:

- S&P/NZX Indices: <http://us.spindices.com/regional-exposure/asia-pacific/new-zealand>
- S&P/ASX Indices: <http://www.asx.com.au/products/indices.htm>
- Barclays Capital Indices: <https://index.barcap.com/>
- MSCI Indices: <https://www.msci.com/indexes>
- Bloomberg Indices: <http://www.bloombergindices.com>
- Eureka Indices: <https://www.eurekahedge.com/indices>
- ICE Libor: <https://www.theice.com/iba/libor>

The use of market related indices may be subject to certain terms and conditions related to licence agreements entered into with an index provider. The relevant index disclaimers are provided in Appendix A of this document.

Appendix A

Disclaimers

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