



Aspiring Asset Management Limited

Offers of units in the Aspiring Fund

Other material information

Dated: 1 May 2020

Offer of units in the Aspiring Fund

Other material information

This document contains material information relating to the offer of units (*Offer*) in the Aspiring Fund (*Fund*) that is not contained in the product disclosure statement for the Offer (*PDS*) or the other documents contained on the Fund's entry on the register of offers of financial products. Further information about the Fund is contained in the PDS and the Fund's register entry.

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1 More information about Aspiring Asset Management Limited (the manager of the Fund) and the Fund

People

The principal people behind Aspiring Asset Management Limited (referred to as 'we', 'our' and 'us' in this document) are Murray Doyle, John Rattray, Campbell Stuart, Lance Reynolds, and Peter Wright.

Murray Doyle

Has worked in financial markets since 1980. The majority of that time was in the stock broking industry where he and several colleagues formed Doyle Paterson Brown Ltd. After that business was acquired by Deutsche Bank, Murray pursued private interests until forming Aspiring Asset Management Limited in 2006.

John Rattray

Has worked in financial markets since 1980. He was Head of Equities for the New Zealand business of Ord Minnett, and subsequently NZ Chairman when the firm was taken over by J P Morgan. He successfully managed money on behalf of several individuals and entities before forming Aspiring Asset Management Limited.

Campbell Stuart

Has worked in financial markets since 1985. His experience includes accounting, periods as a research analyst and investment manager before becoming the Head of Equities/CEO for UBS for 17 years. Campbell has a Bcom.CA

Lance Reynolds

Has worked in financial markets since 2001. His stockbroking experience includes a wide range of sectors in equities research and portfolio construction advisory to a number of Australasian share funds. Prior to joining Aspiring, Lance was the NZ Equities Research Strategist for UBS.

Peter Wright

Has been involved in financial markets since 1987. He was with Morgan Stanley Investment Management for 18 years based in London and Singapore where he was co-head of International Equities responsible for actively managing over \$US30bn for institutional clients before returning to New Zealand in 2015. Peter holds a commerce degree from Victoria University and is a Chartered Financial Analyst.

Together with Tom Davidson (research analyst), this is our 'investment team'.

Corporate structure

Aspiring Asset Management Limited is a boutique fund manager that operates one fund – the Aspiring Fund. It is not the subsidiary of another company.

Our indices

The market indices for assessment in relation to the returns for the Aspiring Fund are:

- NZ50 Gross Index – New Zealand equities. More information on this index can be found at www.nzx.com/markets/nzxx/indices/NZ50.
- ASX All Ordinaries Accumulation Index – Australian equities. More information on this index can be found at www.asx.com.au/capitalisation-indices.html
- MSCI World Accumulation Index – Global equities. More information on this index can be found at www.msci.com/world

2 Other people involved

More information about the Supervisor

As set out in the PDS, the supervisor for the Fund is The New Zealand Guardian Trust Company Limited. Its address is Level 14, 191 Queen Street, Auckland.

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, non-fund schemes, specified managed funds (including the Fund), superannuation schemes, and KiwiSaver schemes.

Subject to the proper performance of its duties, the Supervisor is indemnified out of the Fund for all liabilities the Supervisor may suffer or incur in its capacity as supervisor of the Fund except for liabilities arising from its wilful default or wilful breach of trust.

The Supervisor does not guarantee repayment of the units nor the payment of any earnings on the units.

Solicitors

The solicitors for the Fund are Dentons Kensington Swan, Level 9, 89 The Terrace, Wellington.

Auditor

The auditor for the Fund is Ernst & Young, Ernst & Young Building, 2 Takutai Square, Britomart, Auckland.

Ernst & Young was registered as a licensed auditor under the Auditor Regulation Act 2011 on 5 March 2014. Details are available on the Companies Office website at www.companies-register.companiesoffice.govt.nz. The auditor provides assurance and taxation compliance services to us as the manager of the Fund. Other than this, the auditor has no relation with, or interest in, the Fund.

3 Our investment policies

Set out below is an outline of the key investment policies that we follow in investing the Fund's assets and otherwise carrying out our functions as manager of the Fund. Please refer to the PDS and the Fund's statement of investment policy and objectives (*SIPO*) for a description of the Investment Strategy and Investment Philosophy.

<i>Liquidity and cash flow management policy</i>
<ul style="list-style-type: none"> • The overarching principle in liquidity management for the Fund is that the Fund's assets and asset allocation should always be structured so that the Fund can meet any reasonable level of outflows, based on our directors' assessment, without affecting the interests of the residual investors. The need to achieve this objective is explicitly considered in all Investment Committee meetings. • We expect to retain a cash / near cash buffer which is unlikely to fall below 10% of Fund value and closely monitor the overall liquidity of the Fund's equity exposures at all times, but particularly when they exceed 80% of Fund assets. • We also keep positions relatively small and maintain a widespread exposure to liquid large cap stocks.
<i>Trade allocation and execution policy</i>
<ul style="list-style-type: none"> • All Directors are authorised to transact on behalf of the Fund. • While some investment team members have specific responsibility for managing components of the Fund's investment portfolio - e.g. NZ equities, Australian equities - they do not operate in 'silos'. All trade confirmations are required to be circulated to all Directors before the Fund's custodian settles the transactions. This ensures a very effective "no surprises" policy. • The trading policy differentiates between 'risk-on' (increasing risk) and 'risk-off' (decreasing risk) transactions: <ul style="list-style-type: none"> ○ Risk-on transactions - no single member of the investment team authorised to transact can commit the Fund to a transaction of more than 3% of the total Fund value. For transactions beyond 3% of the total Fund value, a minimum of 3 investment team members who are each authorised to transact are required to approve the transaction ○ Risk-off transactions - there are no restrictions in a capital value sense for de-risking the portfolio, e.g. exiting an investment on a time critical basis when going to cash.
<i>Pricing / Valuation policy</i>
<ul style="list-style-type: none"> • The administration manager, MMC Limited (<i>MMC</i>), manages the pricing and valuations of all Fund assets and calculating the Net Asset Value (<i>NAV</i>) of the Fund. • We internally value all Fund assets and the <i>NAV</i> and reconcile this to MMC's valuations on a monthly basis. • We also have an established process for investigating, reporting, and resolving any pricing errors or non-compliance with pricing methodologies by MMC.
<i>Settlement risk management policy</i>
<p>We have adopted a settlement process, in combination with the Fund's custodian, Public Trust, and MMC, to ensure all settlements occur per agreed contracts:</p> <ul style="list-style-type: none"> • On a daily basis, Public Trust and MMC each reconcile our submitted trade sheets to the contract notes received from the brokers used by the Fund. • Once reconciled, Public Trust approves the relevant transactions, and sends a Bank and Asset Reconciliation to us, which we reconcile to our internally maintained Fund records.

Conflicts of interest / related party transactions policy

We have adopted a conflicts of interest / related party transactions policy which sets out how we endeavour to identify and deal with conflicts of interest and potential related party transactions appropriately. This is complemented by the restrictions we place on ourselves, our Directors, and our staff when trading on our or their own account.

- Our guiding principle is that we cannot use information obtained through our respective positions, or use those positions, to gain an improper advantage or cause detriment to investors in the Fund.
- Transactions with related parties of us or the Supervisor are permitted only where permitted by the Fund's trust deed and the Financial Markets Conduct Act 2013. Examples of permitted transactions are those consented to by the Supervisor on the basis they are in the best interests of investors or have been approved by investors, and those entered into on ordinary commercial arm's-length terms.

4 Further information on fees

What are the fees?

The information in this sub-section forms part of the PDS for the Fund dated 1 May 2020.

The Fund does not currently charge contribution, withdrawal, or transfer fees, and do not intend to do so. However, if we do decide to charge contribution or withdrawal fees, or agree with MMC that it may charge a transfer fee, we will provide at least three months' notice to you.

Additional information about fees

Set out below is additional information about the fees charged in respect of the Fund. It does not form part of the PDS for the Fund.

Please refer to the PDS for details about the fees payable to the Custodian and to us as Manager.

Supervisor fees

Additional information on the fees payable per annum to the Supervisor are set out in the table below:

	Minimum (plus GST)	Maximum of the gross asset value of the Fund (plus GST)
Supervisor fee	\$20,000	0.10%

Special fees	In addition to the fees payable to the Supervisor, the Supervisor is entitled to charge, in respect of each Fund, such special fees for services of an unusual or onerous nature outside the Supervisor's regular services (including by way of example, convening meetings of unit holders, breaches of trust and exercising discretions), calculated and payable as set out in the relevant establishment deed.	
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Administration manager fees

Additional information on the fees payable per annum to MMC as administration manager are set out in the table below:

	Minimum (plus GST)	Maximum of the gross asset value of the Fund (plus GST)	MMC's transfer fees
Administration fee	\$25,000	0.09%	MMC as the administration manager may charge a fee to process transfers of an amount agreed with us, but currently does not intend to do so. There is no limit on this fee. If we and MMC decide to charge such fees, we will provide at least three months' notice to you.

Expenses

Subject to the proper performance of our respective duties, we and the Supervisor are also entitled to recover from the Fund expenses incurred in the performance of our and their duties respectively, including:

- all costs incurred with the purchase of any investments;
- the fees and expenses of the auditor;
- all taxes and duties paid;
- all interest and other costs associated with any borrowing;
- all costs of convening and holding meetings of unitholders;
- any costs of third parties engaged by us as the Manager or the Supervisor (including any Custodian);
- all costs of preparing, printing and distributing accounts, statements, cheques, offer documents and any other communications to unit holders;
- costs incurred in running the unit register; and
- any other expenses reasonably incurred by the Supervisor, us as the Manager or any delegate of the Manager in carrying out their duties under the Trust Deed.

For details of the kinds and amounts of expenses currently recovered from the Fund, please refer to the most recent financial statements.

How we estimate fees

The estimated annual fund charge percentage in the PDS has been calculated on the basis of our assumption that the ongoing level of fees and costs to be charged in respect of the Fund will be similar to the following (inclusive of GST):

1. the average of the annual performance fees as percentages of the average annual Net Asset Value of the Fund for the five years to 31 March 2020 (being the last trading day of the scheme year); plus
2. all other fund charges (excluding transaction costs) as a % of the average Net Asset Value for the year ending March 2020.

5 How Portfolio Investment Entity (PIE) tax works in the Fund

Tax will affect your returns. Tax laws are complex and can have different or further consequences than those described in this section. In addition, the information in this section is based on New Zealand tax laws currently in force and is subject to change. You should seek independent professional tax advice before investing or withdrawing.

The Fund is a PIE. All of the Fund's taxable income (or loss) will be allocated between unit holders based on their proportionate interest in the Fund. We calculate tax payable on income allocated to each unit holder at their nominated prescribed investor rate. Tax is then paid as described in this section.

You need to give us your IRD number and applicable prescribed investor rate when you join the Fund. Unit holders who do not provide a prescribed investor rate will be taxed on income allocated at the default rate of 28%.

The prescribed investor rates for New Zealand resident individuals are:

If your taxable income ¹ was ...	and your taxable income plus your PIE income/loss was ...	in the two income years ² before the relevant tax year ³ for ...	your prescribed investor rate is ...
\$0 - \$14,000	\$0 - \$48,000 \$48,001 - \$70,000	either year either year ⁴	10.5% 17.5%
\$14,001 - \$48,000	\$0 - \$70,000	either year	17.5%
\$48,001 or more	any amount	each year	28%
any amount	\$70,001 or more	each year	28%

1 Your 'taxable income' is your worldwide income including income earned during any period you were not a tax resident in New Zealand.

2 An 'income year' is usually the period from 1 April to 31 March the following year, although Inland Revenue can approve alternative dates.

3 A 'tax year' is always the period from 1 April to 31 March the following year.

4 If you are eligible for more than one prescribed investor rate you can choose the lowest rate.

The prescribed investor rates for other investors are:

If you are ...	your prescribed investor rate is ...
a company, incorporated society, PIE, or registered charitable trust	0%
a non-resident	28%
trust or superannuation scheme	your choice of 0%, 17.5%, or 28% ²
testamentary trust	your choice of 0%, 10.5%, 17.5%, or 28% ²
joint investor, partnership, or unincorporated society ¹	your choice of 0%, 10.5%, 17.5%, or 28% ²

- 1 Joint investors who notify us that they hold a 50/50 legal interest will be treated as separate investors for tax purposes. Other joint investors should consider splitting their investments. If unit holders do invest jointly, income will (unless the 50/50 treatment applies) be allocated to the unit holder with the highest prescribed investor rate which may impact on their ability to retain a lower rate. If more than one joint unit holder has the highest prescribed investor rate, income will be allocated to the joint unit holder named first.
- 2 If the unit holder is a trust and elects the 28% rate, the beneficiaries will be unable to receive PIE income at rates lower than 28%. In addition, beneficiaries will not be entitled to a credit for or refund of any excess tax paid.

Inland Revenue may direct us to disregard a prescribed investor rate provided by a unit holder and apply a different rate instead.

The Fund's tax liability on PIE income allocated to unit holders each year will ordinarily be deducted at the following times by cancelling units equal to the value of the tax liability:

- at the end of the income year (that is, after 31 March)
- if a unit holder makes a full or partial withdrawal.

If a unit holder has given us a 0% prescribed investor rate, a unit holder gives us a rate that is lower than it should be, or if a unit holder is a trust that has not chosen the 28% rate, the unit holder will need to pay tax on PIE income that is allocated to them. This means that those unit holders will need to include PIE income allocated to them in their tax return, together with details of any PIE tax paid by us on the unit holder's behalf.

In all other cases, if a unit holder has given us the correct prescribed investor rate, the tax paid on income allocated to unit holders will be a final tax and no obligation to file a tax return will arise in respect of this investment.

A unit holder's share of any tax credits for PIE tax losses or other excess tax credits the Fund receives will usually be allocated to the unit holder by the issue of additional units. If a unit holder is a trust that has elected the 10.5% or 17.5% rate, it cannot include a loss attributed to it in its tax return.

PIE income from the Fund may affect assistance provided by Work and Income, and is treated as income for working for families tax credits and student loan repayment obligations. In addition, if a unit holder is required to include PIE income in their tax return, it will be taken into account in determining child support payments.

Each year, we will give you an annual tax statement, which will include the amount of PIE income allocated to each unit holder and the amount of tax paid at the unit holder's chosen prescribed investor rate. We will also ask unit holders to confirm their IRD numbers and prescribed investor rates.

You need to tell us if their correct prescribed investor rate changes or if you cease to be a New Zealand resident, as the rate for non-residents is 28%. If you do not do so, or if you give us a rate that is lower than it should be, you will be personally liable to pay any resulting tax shortfall, including any penalties or interest, and may need to file a tax return. If tax was overpaid in any income year before the 2020 income year (1 April 2020 to 31 March 2021) because a unit holder had given us the wrong prescribed investor rate the overpaid tax was not usually refundable or creditable. If tax is overpaid in any income year from the 2020 income year because a unit holder has given us the wrong prescribed investor rate, the overpaid tax will be refunded. If a unit holder has chosen the 0% rate or is a trust and has chosen a rate other than 28% a unit holder can claim a credit for any tax paid on PIE income allocated).

Withdrawals from the Fund are not taxed as it is excluded income.

Tax on investments made by the Fund

Gains or losses made by the Fund on most share holdings of New Zealand resident companies and Australian resident listed companies with franking accounts that are included on an Australian Stock Exchange approved index are not taxable or deductible, although distributions from these holdings are taxable but can be offset by imputation credits in New Zealand or withholding tax deducted in Australia.

Other foreign shares and funds held by the Fund are generally taxed under the fair dividend rate method of 5% per annum of average daily market value (FDR). Distributions received from investments taxed under this method are not taxable, although foreign tax credits may be available to offset FDR tax payable. Foreign currency hedges of shares and funds subject to FDR tax may also be taxed using a version of those rules (rather than under the financial arrangement rules).

Certain foreign shares and funds held by the Fund are generally taxed under the comparative value method (that is, on the basis of the annual change in market value plus distributions and any disposal gains) if they:

- offer guaranteed or fixed rate returns
- are non-participating redeemable shares
- are 80% or more invested in financial arrangements or fixed rate shares that are denominated in or hedged to New Zealand dollars
- are otherwise determined by Inland Revenue to be debt in economic terms.

Debt securities held by the Fund directly are taxed under the financial arrangement rules using the IFRS taxpayer method, which reflects financial reporting.

Retaining status as a PIE

We may in our absolute discretion redeem or treat as void the issue of units which could result in the Fund losing its status as a Portfolio Investment Entity (PIE) if remedial action was not taken.

PIE tax advantages

Investing in a PIE can provide tax advantages relative to direct investment. Capital gains made on most investments in New Zealand shares, and most Australian listed shares, are not taxable irrespective of the level of trading undertaken. In addition, because the prescribed investor rates at which tax is paid on PIE income are capped at 28%, and no other tax is generally payable by individual members, there can be tax advantages for individuals and trusts on a higher marginal tax rate.

6 Risks

You do not incur any liabilities (including contingent liabilities) from holding units in the Fund, other than the liability to pay the issue price and any PIE Tax. You are personally liable for any PIE Tax on income allocated to you which has not been satisfied by the redemption of units or by deduction from monies paid to you.

All investments carry risk. In addition to the risks set out in the PDS there are risks associated with the Fund which could affect your ability to recover the amount of your investment or impact on the level of return or distributions (if any) payable from the Fund. No person guarantees the payment of any money from the Fund.

Investment and market conditions risk	The risk of a result of negative returns on the Fund's investments, or that the returns for the Fund are insufficient to meet the applicable expenses. Negative returns could arise from factors such as adverse changes to asset values, changes to transaction costs, unexpected changes in the operations or the business environment of companies that we have invested in, market sentiment, political events, environmental issues, and technology issues. An example of this is the pandemic announced as a result of the spread of COVID-19 (novel coronavirus). The spreading of COVID-19 has resulted in a negative impact on local and global markets, affecting the value of the assets.
Regulatory risk	The risk of future changes to legislation or applicable regulations (including those relating to taxation) which could affect the operation of the Fund or your distributions or the level or nature of returns from the Fund.
Counterparty risk	The risk of losses being incurred if a counterparty failed to deliver on its contractual obligations, or experienced financial difficulties (for example, if a bond issuer defaults).
Interest rates	Changes in interest rates can have a negative impact directly or indirectly on unit holders' returns.
Currency	The Fund may invest in investments denominated in other currencies or may use foreign exchange contracts to exchange New Zealand dollars for other currencies. This will expose the Fund to movements in foreign currencies, which can have an adverse effect on the New Zealand dollar value of the investments or foreign exchange contracts, or the income from those investments or foreign exchange contracts.
Suspension and deferral of redemptions	In certain circumstances, we can suspend and defer redemption of units. If this occurred you would not be able to exit the Fund at the time requested by you and the Unit Price may have fallen by the time redemptions resume.
Administrative risk	The risk of technological or other failure impacting on the Fund or financial markets in which the Fund invests or inadequate or failed internal processes and systems of ours which could expose the Fund to potential financial damage.
Tax rate risk	The risk of us either over or under paying tax within the Fund on behalf of a unit holder as a result of the unit holder providing us with the wrong prescribed investor tax rate or not advising us to change that rate when it needed to be changed. A unit holder is personally liable for any shortfall of tax in such a situation and relevant penalties and interest (if any) and may be required to file a tax return. In the event of an overpayment the amount cannot be recovered by a unit holder for whom it is a final tax.
Income allocation risk of joint unit holders	For joint unit holders income will be allocated to the highest PIR (if they are different) or to the first named in the register (if they are the same). Consequently, one of the unit holders will have the income of the other allocated to them which may affect that unit holder's PIR.

PIE risks	<p>The following risks are associated with the Fund's status as a PIE:</p> <ul style="list-style-type: none"> • Loss of PIE status: The risk of the Fund losing its status as a PIE and reverting to the tax status of a widely held unit trust taxed at 28% on income rather than at unit holders' PIRs. • Maintaining PIE status: We may redeem units so as to ensure PIE status can be maintained. • Trust electing 28%: Beneficiaries of a trust that has elected a PIR of 28% are not entitled to a refund of tax on PIE income distributed to them by the trustee as beneficiary income where their own PIR is a lower rate.
	<ul style="list-style-type: none"> • Losses attributed to trusts: If a trust elects a PIR of 10.5% or 28% losses attributed to the trust by the Fund are not included in the trust's tax return.
Outsource provider risk	<p>We have appointed MMC Limited to provide administrative services for the Fund (such as unit pricing), and the Supervisor has delegated its custodial functions to Public Trust. We are reliant on those entities continuing to perform their functions. Any failure or non-performance could have an adverse effect on the Fund's operations, and subsequently your returns and ability to redeem. We and the Supervisor monitor the performance of outsourced functions on an ongoing basis, and regularly review the services provided. Each provider is required to regularly report to us.</p>

There may also be risks that are unknown that may affect an investment in the Fund at a future point in time.

7 Changes that may be made

The table below describes how changes to the master trust deed and establishment deed for the Fund (*Trust Deed*), authorised investments, and the Fund's SIPO may be made.

	How changes may be made
Trust Deed	<p>We and the Supervisor may at any time make any alteration, modification, variation or addition to the provisions of the Trust Deed (by means of a deed executed by us and the Supervisor) in any of the following cases:</p> <ul style="list-style-type: none"> • if the Supervisor is satisfied that the change does not have a material adverse effect on the unitholders; or • if the change is approved by, or contingent on approval by, separate special resolutions (as defined in the Trust Deed) of the unitholders that are or may be adversely affected by the change (or, if applicable, of each separately affected class of unitholders in each fund governed by the Trust Deed).
Authorised Investments	<p>We may vary the definition of 'Authorised Investments' in the Trust Deed so as to exclude or include any type of Authorised Investments if we determine that it is in the interests of the unit holders in the Fund to do so.</p> <p>To do this, we will amend the relevant provisions of this Deed or the relevant Establishment Deed as set out above.</p>
SIPO	<p>We and the Supervisor may change, amend, or replace the SIPO if:</p> <ul style="list-style-type: none"> • we give prior written notice to the Supervisor of the proposed amendment or replacement • we provide unit holders at least one month's notice before implementing any material change in the SIPO, and • we do not implement such change until all Redemption Requests received within that one month notice period have been actioned.

8 Other agreements

In addition to the material contracts included on the Fund's entry on the register of offers of financial products, we have entered into the following agreement:

Management agreement

We have entered into a management agreement with the Supervisor dated 17 September 2015 and effective 18 September 2015 that sets out the arrangements between us and the Supervisor in relation to certain operational matters relating to the Fund. The management agreement specifies the reporting and information to be provided by us to the Supervisor, the requirements for operating the Fund's bank account, and record keeping requirements.

Nothing in the management agreement limits or alters the powers of the Supervisor or our duties under the Trust Deed and applicable law. In the event of any inconsistency between the management agreement and the Trust Deed, the Trust Deed will prevail.

