

NIKKO AM NZ INVESTMENT SCHEME

Material Information – Disclosure
to rely on Financial Markets
Conduct (Market Index)
Exemption Notice 2018

Dated 30 September 2018

Issued by Nikko Asset Management

Disclosure to rely on Financial Markets Conduct (Market Index) Exemption Notice 2018

The following funds have opted to rely on the Financial Markets Conduct (Market Index) Exemption Notice 2018 (the exemption).

Fund Type	Fund name	Assets with Appropriate Market Index (AMI)	Assets with Peer Group Index (PGI)	% Fund's Assets with no AMI or PGI	Market Index
Diversified Fund	Nikko AM Conservative Fund	✓	✓	5%	Composite
Diversified Fund	Nikko AM Balanced Fund	✓	✓	10%	Composite
Diversified Fund	Nikko AM Growth Fund	✓	✓	10%	Composite
Sector Fund	Nikko AM Option Fund			100%	None
Sector Fund	Nikko AM Income Fund	✓		30%	None

Diversified Funds

For the Nikko AM Conservative Fund, Nikko AM Balanced Fund and Nikko AM Growth Fund (together, "Diversified Funds"), a composite index is used in order to calculate the market index annual return published in each funds fund update. These diversified Funds are made up of:

- Assets, being underlying sector funds, with an appropriate market index; and
- Assets, being underlying sector funds, with a peer group indices and;
- Assets, being underlying sector funds, with no appropriate market index and no identified peer group index.

Nikko AM NZ (the "Manager") believes the use of a composite benchmark for these funds is useful to investors in assessing the performance of each Diversified Fund. The composite market index for each Diversified Fund is made up of the index of the underlying sector funds (where an appropriate market index or peer group index has been identified) multiplied by each respective target investment mix for the underlying sector fund.

The average weighted composite return is then applied to the whole fund. For example, if 90% of the fund has an AMI or PGI with total return of 4.5%, and the remaining 10% of the assets are exempt then the total index return equals 5% (4.5% / 90%).

Nikko AM Conservative Fund

The following indices make up the composite market index:

- Nikko AM Wholesale NZ Cash Fund** - Bloomberg NZBond Bank Bill Index
- Nikko AM Wholesale NZ Bond Fund** - Bloomberg NZ Bond Govt 0+ Yr Index
- Nikko AM Wholesale NZ Corporate Bond Fund** - Bloomberg NZ Bond Govt 0+ Yr Index
- Nikko AM Wholesale Global Bond Fund** - Bloomberg Barclays Global Aggregate Index hedged into NZD
- Nikko AM Wholesale Core Equity Fund** - S&P/NZX 50 Index Gross with Imputation Credits
- Nikko AM Wholesale Property Fund** - S&P/NZX All Real Estate (Industry Group) Gross Index with Imputation Credits
- Nikko AM Wholesale Global Shares Fund Unhedged** - MSCI ACWI, with net dividends reinvested unhedged in NZD
- Nikko AM Wholesale Global Shares Fund Hedged** - MSCI ACWI, with net dividends reinvested 139% hedged to NZD
- Nikko AM Wholesale Option Fund** - no appropriate market index or peer group index, relying on the exemption
- JPMorgan Funds - Multi-Manager Alternatives Fund** - EurekaHedge Fund of Funds Index unhedged USD

For details of the target asset allocation to each of the above underlying sector funds, please see the Nikko AM Investment Scheme Statement of Investment Policies and Objectives.

Nikko AM Balanced Fund

Nikko AM Wholesale NZ Cash Fund - Bloomberg NZBond Bank Bill Index

Nikko AM Wholesale NZ Bond Fund - Bloomberg NZ Bond Govt 0+ Yr Index

Nikko AM Wholesale NZ Corporate Bond Fund - Bloomberg NZ Bond Govt 0+ Yr Index

Nikko AM Wholesale Global Bond Fund – Bloomberg Barclays Global Aggregate Index hedged into NZD

Nikko AM Wholesale Core Equity Fund - S&P/NZX 50 Index Gross with Imputation Credits

Nikko AM Wholesale Concentrated Equity Fund - S&P/NZX 50 Index Gross with Imputation Credits

Nikko AM Wholesale Property Fund - S&P/NZX All Real Estate (Industry Group) Gross Index with Imputation Credits

Nikko AM Wholesale Global Shares Fund Unhedged - MSCI ACWI, with net dividends reinvested unhedged in NZD

Nikko AM Wholesale Global Shares Fund Hedged - MSCI ACWI, with net dividends reinvested 139% hedged to NZD

Nikko AM Wholesale Option Fund – –no appropriate market index or peer group index, relying on the exemption

JPMorgan Funds - Multi-Manager Alternatives Fund– Eurekahedge Fund of Funds Index unhedged USD

For details of the target asset allocation to each of the above underlying sector funds, please see the Nikko AM Investment Scheme Statement of Investment Policies and Objectives.

Nikko AM Growth Fund

Nikko AM Wholesale NZ Cash Fund - Bloomberg NZBond Bank Bill Index

Nikko AM Wholesale NZ Corporate Bond Fund - Bloomberg NZ Bond Govt 0+ Yr Index

Nikko AM Wholesale Global Bond Fund – Bloomberg Barclays Global Aggregate Index hedged into NZD

Nikko AM Wholesale Core Equity Fund - S&P/NZX 50 Index Gross with Imputation Credits

Nikko AM Wholesale Concentrated Equity Fund - S&P/NZX 50 Index Gross with Imputation Credits

Nikko AM Wholesale Global Shares Fund Unhedged - MSCI ACWI, with net dividends reinvested unhedged in NZD

Nikko AM Wholesale Global Shares Fund Hedged - MSCI ACWI, with net dividends reinvested 139% hedged to NZD

Nikko AM Wholesale Option Fund – –no appropriate market index or peer group index, relying on the exemption

JPMorgan Funds - Multi-Manager Alternatives Fund– Eurekahedge Fund of Funds Index unhedged USD

For details of the target asset allocation to each of the above underlying sector funds, please see the Nikko AM Investment Scheme Statement of Investment Policies and Objectives.

Sector Funds

Nikko AM Option Fund

For the Nikko AM Option Fund, the Manager is relying on the exemption. There is no appropriate market index or suitable peer group index that reflects the assets that the Nikko AM Option Fund invests in that would be helpful to investors for assessing movements in the market in relation to the returns of the Nikko AM Option Fund.

Nikko AM Income Fund

For the Nikko AM Income Fund, the Manager is relying on the exemption. This is because up to 40% of the assets in the Nikko AM Income Fund is invested in the Nikko AM Wholesale Option Fund. The Manager has decided, in reliance on the exemption, that there is no appropriate market index or suitable peer group index for the Nikko AM Wholesale Option Fund. The remaining assets of the Nikko AM Income Fund is an investment in the Nikko AM NZ Corporate Bond Fund, for which there is an appropriate market index. The Manager has determined that applying the appropriate market index for the remaining assets of the fund would not accurately reflect the potential movements in the market in relation to the overall returns of the Nikko AM Income Fund, and so is relying on the exemption for the overall Nikko AM Income Fund.

Where to find more information

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>
- Bloomberg Barclays Indices: <https://www.bloomberg.com/markets/rates-bonds/bloomberg-barclays-indices>
- MSCI Indices: <https://www.msci.com/indexes>
- Bloomberg Indices: <http://www.bloombergindices.com>
- Eureka Indices: <http://www.eurekahedge.com/indices>

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 the Other Material Information document available at:

<https://www.nikkoam.co.nz/invest/retail> and <https://disclose-register.companiesoffice.govt.nz/>

More information on the assets of the funds are detailed in the Nikko AM Investment Scheme Statement of Investment Policies and Objectives, which is available at:

<https://www.nikkoam.co.nz/invest/retail> and <https://disclose-register.companiesoffice.govt.nz/>