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# Hyperion Investment Funds

Other Material Information

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## Introduction

This is an important document in relation to your investment in the Hyperion Investment Funds and should be read together with the Product Disclosure Statement ('PDS'), the Statement of Investment Policies and Objectives ('SIPO') and other documents held on the register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose) ('Disclose Register'). If you are a retail investor you must be given a copy of the PDS before we can accept your application for Units.

This Other Material Information Document ('Document') has been prepared to meet the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 ('FMC Act') and clause 52 of Schedule 4 of the Financial Markets Conduct Regulations 2014 ('FMC Regulations'). All legislation referred to in this Document can be viewed at [www.legislation.govt.nz](http://www.legislation.govt.nz).

In this Document, "you" or "your" refers to a person or entity that invests in the **Hyperion Investment Funds** ('Scheme'), whether directly or through a wrap platform or similar administration and custodial service. If you hold Units through a wrap platform or similar administration and custodial service, please note page 4 "Investing through administration and custodial services" (e.g. wrap platforms). "We", "us", "our" or "IIS" refers to Implemented Investment Solutions Limited as the Manager of the Hyperion Investment Funds. When we use the word "current" or "currently" in relation to any legislation, regulation, policy, information, activity or practice, we refer to these at the date of this document. Any legislation, regulation, policy, information, activity or practice may be reviewed or changed without us notifying you.

Capitalised terms have the same meaning as in the Master Trust Deed for the Establishment of Managed Investment Schemes (including the relevant Scheme and Fund Establishment Deeds for the Hyperion Investment Funds ('Governing Document')), unless they are otherwise defined in this Document.

## Other information on the Fund

This document relates to the offer of Units in the Hyperion Global Growth Companies PIE Fund ('Fund').

The Fund is constituted within a managed investment scheme called the "Hyperion Investment Funds", registered scheme number SCH13281. The Scheme is governed by the Trust Deed dated 1 December 2016, a Scheme Establishment Deed dated 10 November 2021, and a Fund Establishment Deed dated 10 November 2021 (together the "Governing Document" for the Scheme). The Fund is invested in accordance with its SIPO. You can get an electronic copy of the Governing Document and SIPO from the scheme register on the Disclose website [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

### Investing through administration and custodial services

The Fund is offered through certain administration and custodial services. These include "wrap platforms". When you invest through an administration and custodial service you do not hold Units in the Fund directly. Instead, your Units are held in the name of a custodial entity for the wrap platform on your behalf. This means many of the legal rights attaching to those Units are held by that custodial entity rather than by you, and so your ability to exercise those rights is subject to the terms and conditions agreed between you and the provider of the service. You are encouraged to familiarise yourself with those terms and conditions as set out in the service provider's marketing and legal documentation.

## Other information on the parties involved

### Manager

IIS is a fund management company specialising in establishing and managing New Zealand-domiciled Funds. With a deep understanding of New Zealand's investment management industry, IIS works with both local and global investment managers to enable investors to access these specialist

managers' investment expertise within Funds and solutions that have been tailored for New Zealand's tax and legislative environment.

IIS was granted a licence to act as the manager of a registered scheme under the FMC Act by the Financial Markets Authority ('FMA') on 25 August 2015. The licence is subject to us maintaining the same or better standard of capability, governance and compliance as was the case when the FMA assessed our licence application. The licence is subject to the normal conditions imposed under the FMC Act and the FMC Regulations, and the standard conditions imposed by the FMA.

The names and contact details for directors and information on the shareholders of IIS are available at [www.companiesoffice.govt.nz/companies](http://www.companiesoffice.govt.nz/companies). This information may change from time to time without notice to you.

## **Investment Manager**

The current Investment Manager for the Fund is Hyperion Asset Management Limited ('Hyperion'). Further information on Hyperion, including information on Hyperion's directors and senior management, may be found at <https://www.hyperion.com.au/our-people/>.

Hyperion is responsible for investing the assets of the Fund in compliance with investment guidelines agreed between the Manager and the Investment Manager from time to time. The investment guidelines are set to ensure the Fund remains invested within limits documented in the SIPO.

## **Supervisor**

The Supervisor of the Fund is Public Trust. Public Trust is independent of us.

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

The supervisor is responsible for supervision of IIS and the Scheme, including:

- Acting on behalf of the Scheme's investors in relation to IIS and any contravention of IIS's issuer obligations.
- Supervising the performance by IIS of its functions and the financial position of IIS and the Scheme.
- Holding the Scheme's assets or ensuring that the assets are held in accordance with applicable legislative requirements.

The Supervisor was granted a licence under section 16(1) of the Financial Markets Supervisors Act 2011 to act as a supervisor in respect of managed funds, such as this Scheme.

## **Custodian**

BNP Paribas Fund Services Australasia Pty Limited ('BNP') is the Custodian of the Scheme assets. Assets of the Scheme may be registered in the name of BNP Paribas Nominees (NZ) Limited, a subsidiary of the Custodian.

As required by the FMC Act, the Custodian is independent of us.

## **Administration Manager**

IIS has appointed BNP as the administration manager for the Fund. Key roles undertaken by BNP include:

- Unit pricing
- Fund accounting

## **Registry Manager**

IIS has appointed MMC Limited ('MMC') to provide registry services to the Scheme.

## Other

Other key parties currently employed by IIS are:

Party	Role
PricewaterhouseCoopers	Auditor
DLA Piper New Zealand	Legal adviser

## Manager and Supervisor's Indemnity

Both we and the Supervisor are entitled to be indemnified out of the Fund. The indemnity covers any personal liability (including Portfolio Investment Entity ('PIE') tax) incurred by or on behalf of the Fund, or any action taken or omitted in connection with the affairs of the Fund (other than in respect of our or the Supervisor's negligence, wilful default or wilful breach of trust). It also covers the costs of any litigation or other proceedings in which such liability has been determined (including legal fees and disbursements). The indemnity ranks in priority to the claims of investors. It is subject to the limits on permitted indemnities under the FMC Act which only make the indemnity available in relation to the proper performance of the duties under the FMC Act.

We and the Supervisor, in incurring any debts, liabilities or obligations or in taking or omitting any other action for or in connection with the affairs of the Fund, are each deemed to be acting for and on behalf of the Fund and not in our own respective capacities.

Neither the Supervisor nor we, (except as otherwise expressly provided in the Governing Document) are under any personal liability, nor may resort be had to our private property, for the satisfaction of any obligation of the Fund.

## Material Contracts

The following material contracts are in place in relation to the Fund:

- On 1 December 2016, we and Public Trust entered into the Master Trust Deed for the Establishment of Managed Investment Schemes. That deed appointed the Supervisor as supervisor, and the Manager as manager of any schemes established under that deed.
- On 10 November 2021, we and Public Trust entered into the Scheme Establishment Deed for the Hyperion Investment Funds. The deed established the Hyperion Investment Funds scheme.
- On 10 November 2021, we and Public Trust entered into the Fund Establishment Deed for the Fund. The deed established the Fund.
- On 1 December 2016, we entered into a Supervisor Reporting Agreement with the Supervisor that sets out the arrangements between us and the Supervisor in relation to certain operational matters relating to the Fund. The Supervisor Reporting Agreement specifies the reporting and information to be provided by us to the Supervisor, the requirements for operating the Fund's bank accounts and record-keeping. Nothing in the Supervisor Reporting Agreement limits or alters the powers of the Supervisor or our duties under the Governing Document and applicable law. On 26 January 2022, the Supervisor and IIS updated the current Supervisor Reporting Agreement to include the Fund.
- On 1 December 2016, we and BNP entered into an Administration Agreement under which IIS delegated certain administrative functions in relation to funds managed by us to BNP, including fund accounting and unit pricing. On 2 December 2021, BNP and IIS updated the current agreements to include the Fund.
- On 26 August 2016, we and MMC entered into an Administration Agreement under which IIS delegated certain administrative functions in relation to certain funds to MMC, including registry, fund accounting and unit pricing. On 20 January 2022, MMC and IIS updated the current agreements to include the Fund.
- On 12 November 2021, we entered into an Investment Management Agreement with Hyperion. Under the agreement, Hyperion is responsible for investment of assets of the Fund under normal market terms.
- On 12 November 2021, we and Hyperion entered into a Fund Hosting Agreement formalising the framework within which IIS is engaged by Hyperion to establish and manage the Scheme. Under this agreement IIS is responsible for issuing, administering, and managing the Scheme, with Hyperion being appointed as the Investment Manager and distributor of the

Fund. The agreement covers broadly the investment management, administration and distribution of the Scheme and the Fund, branding, advertising and the preparation of offer documents.

## Disclosure of Interests

### Investments in the Fund by related parties

Parties related to the Fund, including the staff of Hyperion and their families, and the staff of IIS and their families may from time to time invest in the Fund.

### Management of conflicts of interest

The FMC Act imposes statutory controls on related party transactions and conflicts of interest:

- A related party transaction in respect of the Fund may only be done if the details are notified to the Supervisor and we: 1) certify the transaction (or series of transactions) is "permitted" on the basis that the transaction is on arm's length terms, or 2) we obtain the Supervisor's consent on the basis that it is in the best interests of investors, or contingent on Special Resolution approval by investors.
- As manager of the Fund, we are subject to various statutory duties in the performance of our duties as manager, including the requirement to act honestly and in the best interests of investors.
- Where we contract out our functions to other parties, such as the investment management of the Fund to Hyperion, we must ensure the persons to whom we contract those functions perform them to the same standard and subject to the same duties and restrictions as if we were performing them ourselves. These include the statutory duties referred to above. We must also monitor the performance of that function.
- Hyperion, as investment manager of the Fund, must comply with a professional standard of care i.e. in exercising any powers, or performing any duties as investment manager, they must exercise the care, diligence, and skill that a prudent person engaged in the profession of investment management would exercise in the same circumstances.

We have built these statutory controls into our internal compliance processes and procedures. We have a Conflicts of Interest and Related Party Transactions Policy and Procedure ('Policy') which extends the statutory duties imposed on us to our staff members.

The Policy defines what a conflict of interest is and provides for reporting and disclosure of conflicts of interest to the Board, Manager and Directors.

## Explanation of Key Terms

The information below is a summary of the key provisions of the Governing Document. For a detailed description of the Fund and Scheme's governing terms, please refer to the Governing Document held on the scheme register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose) (Disclose Register). If there is any conflict between information in this Document and the terms of the Governing Document then the terms of the Governing Document prevail.

### Making an application

The application process is described in the PDS.

### Issue price

If we accept your application, you will be issued Units in the Fund of your choosing at the Issue Price. The Issue Price is the net asset value per Unit in the Fund, plus an amount per Unit calculated to reflect the cost of acquiring investments following the issue of Units ('buy spread') and other administrative costs relating to the sale or issue of Units. For the current buy spreads for the Fund see [www.iisolutions.co.nz/fund-hosting/documents-and-reporting/](http://www.iisolutions.co.nz/fund-hosting/documents-and-reporting/). The Issue Price of a Unit is generally determined on each Business Day ('Valuation Time').

The value of the assets held by the Scheme and the net asset value of the Fund will be determined in accordance with the Scheme's Governing Document and on a consistently applied basis.

If an application is received and accepted before the cut-off time of the Fund on a Valuation Time, Units will be issued at the Issue Price determined as at the end of that day. If an application is received and accepted at or after the cut-off time on a Valuation Time, Units will be issued at the Issue Price determined as at the end of the following Valuation Time.

The cut-off time for the receipt of applications and cleared funds for the Fund is currently 2p.m. New Zealand time.

If a payment is dishonoured or reversed, no Units will be issued in respect of that payment or any Units issued based on that payment will be cancelled.

## **Charges**

### **Buy/sell spreads**

The Issue Price includes a buy spread that provides for the cost of acquiring investments in the Fund. The Redemption Price includes a sell spread that provides for the cost of realising investments in the Fund. For the most up to date buy/sell spreads see [www.iisolutions.co.nz/fund-hosting/documents-and-reporting/](http://www.iisolutions.co.nz/fund-hosting/documents-and-reporting/).

We review the buy/sell spreads from time to time.

### **Annual fund charges**

The estimated annual Fund charges (which includes any management fees) are outlined in the PDS for the Scheme. The Fund charges include fees and costs charged by the manager, supervisor, custodian, administrator, investment manager, registrar and auditor. It may also include professional fees (for example for legal and tax advice) and index license costs. These charges may be directly charged to the Fund, or recovered by the manager from the Fund.

The GST treatment of each of these components varies. For example, GST is charged at 15% on the audit fee and custody fees are an exempt supply for the purposes of GST. These percentages vary, and may change in the future, which is why GST has been estimated.

The Fund charges are calculated daily and paid monthly in arrears. We may waive or decrease the Fund charges without notice. Subject to any maximum amount in the PDS we may increase the management fee; or provided that any such fee is permitted, we may charge an additional fee not currently being charged by giving you at least three months' notice.

The Fund charges above includes any investment management fees deducted within an underlying fund or paid to an underlying investment manager.

### **Manager's termination fees**

If the Fund terminates, we may charge the Fund a fee and recover costs and disbursements from the Fund for matters relating to termination. You may ask us how much that fee was following termination. Further information on termination fees recoverable by the Manager or Supervisor are contained in the Governing Document.

### **Other charges**

The Fund will incur other trading costs or exceptional expenses. These other expenses do not form part of the Fund Charges. Some of these expenses may be paid to us or the Administration Manager. The total of these expenses will be shown in the Fund's financial statements.



## Supervisor's other fees

The Supervisor may charge additional fees to the Fund for special services (e.g., on wind up of the Fund).

## Initial service fee

While we have no current intention to do so, we may charge an initial service fee determined by us on the issue of any Unit. Any initial service fee, if it were to be charged, would be in addition to any buy spread.

## Variation to fees

We may, in our absolute discretion, rebate the buy and sell spread and/or Fund charges (which includes management fees) by agreement, with an investor, or a group of investors.

## Additional Explanation of Performance Fees

Depending on how well a Fund performs, the Investment Manager may be entitled to receive a performance fee which is payable by the Fund.

The performance fee is equal to 20% of the Fund's outperformance (net of Fixed Annual Fund Charges excl. GST) relative to its benchmark return, multiplied by the net asset value of the Fund.

The benchmark used for calculating the performance fee is the MSCI World Net Total Return Index in NZ dollars. If the benchmark ceases to be published, we will nominate an equivalent replacement index.

The performance fee is calculated each business day and may be positive or negative. If the performance fee is positive, the amount is incorporated in the Fund's unit price. If the performance fee is negative, the negative amount will be carried forward.

The performance fee amount payable by the Fund is equal to the total daily performance fee accrual for each half-yearly period, ending 31 December, and 30 June.

The following must also be met for the Investment Manager to be paid the performance fee:

- a) the Fund's return net of Annual Fund Charges and extraordinary expenses must exceed the performance of the benchmark at the end of the six-month period; and
- b) the Fund's return net of Annual Fund Charges and extraordinary expenses must be 0.00% or greater at the end of the six-month period; and
- c) any previous underperformance versus the benchmark must first be recovered before any performance fees can be paid.

## Worked Example – Performance Fee calculation

The worked example in the following table is shown only for the purpose of illustrating how the performance fee may be calculated for two unrelated days only, and assumes there are no applications or redemptions made during each day. The daily performance fee accrual is actually calculated as the day's opening net asset value excluding the performance fee accrual plus any applications, minus any redemptions (both assumed to be nil in the examples), multiplied by the Fund's daily out or underperformance of the benchmark, multiplied by 20% (performance fee rate). The day's performance fee accrual is then added to the performance fee accrual balance (carried over from the previous day) to give the total performance fee for the period. The actual performance in the ordinary course of business, the unit price, the benchmark, and the hurdles may all fluctuate during the period. It is also important to note the below table is not an indication of the expected or future performance of the Fund, and that actual performance may differ materially from that used in the following worked example:

Fee Components	Example A (Fund outperforms benchmark)	Example B (Fund underperforms benchmark)
Performance fee rate	20%	20%
Opening NAV excluding performance fee accrual	\$10,000,000	\$20,000,000
Fund daily return	0.10%	-0.25%
Benchmark daily return	0.05%	0.70%
Daily out/underperformance of benchmark	0.05%	-0.95%
Performance fee accrual (carried over from previous day)	\$20,000	\$75,000
Daily performance fee accrual	\$1,000	(\$38,000)
<b>Total performance fee accrual*</b>	<b>\$21,000</b>	<b>\$37,000</b>

\*If the performance fee accrual was positive on the last day of the performance period, a performance fee would be payable equal to the performance fee accrual.

### Units withdrawn during a calculation period

The proceeds received by investors for Units redeemed during a calculation period will be net of any payable performance fees accrued.

Where the accrued performance fee is negative and the number of Units on a Business Day decreases, the accrued performance fee will be reduced by the proportion that the number of decreased Units bears to the number of Units on issue prior to the redemption. For example, if the accrued performance fee is negative and 5% of the Units on issue are redeemed (net of any applications), then the accrued performance fee amount will be reduced by 5%. An implication of this mechanism is that net redemptions for Units could cause negative performance fee accruals to be recovered earlier than if no adjustment to the negative performance fee accrual were made, provided that the Fund subsequently outperforms the benchmark. There is no reciprocal adjustment where the number of Units increase.

## Distributions

We do not currently intend to distribute income or capital gains. Any income or capital gains will be included in the unit price calculated for the Fund. We may elect to start paying distributions in the future.

## Amendments to the Governing Document

We can agree with the Supervisor to change the Governing Document in certain circumstances, without consulting you. This ability is, however, subject to certain protections (for your benefit) as set out in the Governing Document.

## Altering your investment

We may alter or introduce minimum application amounts, holding amounts, transfer amounts and redemption amounts for any Fund at any time. We may allow applications, holdings, transfers and redemptions for less than those minimums at our discretion.

We may decrease or waive the management fee for any Fund at any time without notice.

We can change the SIPO. Before making changes to the SIPO, we will consider if the changes are in your best interests and consult with the Supervisor. We will give notice of changes to investors in the relevant Fund prior to effecting any material changes.

Payment of redemption requests may be suspended or deferred. Details of when this may occur are under the heading "Redemption of Units" in the section on page 11.

We may resolve to wind up any Fund. In that case, all assets of the Fund will be realised and the Fund wound up (as explained under the heading "Insolvency or winding up" in the section on page 15).

If your holding in any Fund falls below the minimum holding amount fixed by us from time to time or if we determine that an adjustment for PIE tax would reduce your holding to below that minimum holding amount, we may redeem your entire holding and pay the net proceeds into your nominated bank account. We will give you at least one month's notice of our intention to do this.

The current minimum holding amount in the Fund fixed by us is 20,000 Units.

We may take all steps necessary to ensure the Fund remains eligible to be a PIE. This includes our ability to compulsorily redeem some or all of your Units and pay the net proceeds to your nominated bank account.

## **Redemption of Units**

### **Minimum redemption amounts**

If a Redemption Request would cause your holding in any Fund to fall below the minimum holding amount (as determined by us from time to time) we may treat the Redemption Request as a request to redeem all your Units in the Fund.

If your holding falls below the minimum holding amount or to a level where an adjustment for PIE tax would leave your holding below the minimum holding amount, we may redeem all of your Units and pay the proceeds to your nominated bank account.

### **Redemption price**

The Redemption Price of a Unit is determined on each Valuation Time for the Fund. If an investor's Redemption Request is received prior to the applicable cut-off time on a Valuation Time, the Redemption Price applicable to your Redemption Request will be the Redemption Price determined as at the end of that day. If your Redemption Request is received at or after the applicable cut-off time on a Valuation Time, the applicable Redemption Price will be the Redemption Price determined as at the end of the following Valuation Time.

### **Deferral of redemptions**

Fund redemptions may be deferred if:

- we receive one or more Redemption Requests, within 60 Business Days, that total more than 10% of Fund Units on issue, and
- we consider deferral to be in the general interests of all Fund investors.

We must notify the Supervisor of our intention to defer redemptions as soon as reasonably practicable.

If redemptions are deferred, in accordance with the Trust Deed, then those Units that have been subject to the redemption deferral may be repurchased or redeemed by instalments at the Valuation Times for a period determined by us or in total at the end of a period determined by us. In either case, the Redemption Price is to be calculated at the Valuation Time or Valuation Times on which Units are repurchased or redeemed.

### **Suspension of redemptions**

We may suspend redemptions where we in good faith form the opinion that it is not practicable, or would be materially prejudicial to the interests of the Fund's investors for the Supervisor to realise assets or borrow to permit Unit redemptions.

Particular reasons for suspension mentioned in the Trust Deed are:

- a decision to wind up a Fund
- financial, political or economic conditions applying in respect of any financial market or other markets in which Authorised Investments may be sold
- the threat to a Fund's eligibility for PIE status
- the nature of any asset or investment Fund
- the suspension of redemptions in an underlying fund into which a Fund invests
- the occurrence or existence of any other circumstance or event

If redemptions are suspended, we must give notice to all investors who have made a Redemption Request. If the suspension is for a period of more than two weeks, we must give notice to all investors in the Fund.

The suspension will continue until:

- we give notice that the suspension is concluded; or
- the expiry of any period stated in the Establishment Deed; or
- six months after the date of the notice; or
- such other date as may be approved by a Special Resolution of investors.

A Redemption Request may not be suspended for a period exceeding six months after its receipt (or such other date as is approved by Special Resolution of investors).

When Redemption Requests are suspended, in accordance with the Trust Deed, the Redemption Price payable to investors will be calculated on the last Business Day of the period of the suspension.

## **Tax on redemptions**

Where Units are redeemed, the tax liability on income allocated to you up to the redemption date will need to be satisfied either by us cancelling Units or by deduction from any distributions. Generally this will occur by cancellation of Units on redemption.

## **Right to sell Units**

You may sell and transfer all or any of your Units, (either to an existing investor or another person) by completing a Transfer Request Form, to be signed by the transferor and transferee. The transfer becomes effective when it is entered in the Register.

We may decline to register any transfer in our absolute discretion and without giving any reasons. Without limiting this discretion, we may decline a transfer due to:

- Non-compliance with any law or the provisions of the Establishment Deed; or
- The transfer resulting in the transferee or the transferor holding less than the minimum holding or more than the maximum holding; or
- The transfer resulting in the Fund becoming ineligible as a PIE or threatening such eligibility.

No transfer of any Units can be registered unless any sums owed in respect of those Units (including any applicable PIE tax, or other duties or any commissions, fees and charges in respect of the transfer of the Units) have been paid.

## **Termination of a Fund**

A Fund will terminate on the first of the following:

- the date of termination (if any) notified in writing by us and the Supervisor to each investor of the Fund which will be at least three months after the date of the notice;
- 80 years less two days from the date of the Trust Deed; or
- the date on which investors determine to terminate the Fund by Special Resolution.

## Taxation

This section briefly summarises the taxation regime as it currently applies to the Fund. It is intended as a general guide only. There may be changes to the taxation legislation and tax rates in the future which may impact each investor differently. Investors should always seek independent professional taxation advice for their individual circumstances.

### Portfolio Investment Entity

The Fund is a PIE.

Capital gains derived by PIEs in relation to New Zealand and most listed Australian companies are not subject to tax. Investments in certain offshore equities are taxed under the Fair Dividend Rate method, with a deemed annual return of 5% of the market value, prorated over the days that the particular equity is held during the year.

Under the PIE regime, a Fund will allocate its taxable income to investors and, where applicable, pay tax on allocated income on behalf of investors for an investor with a prescribed investor rate ('PIR') of greater than zero. A Fund will undertake any necessary adjustments to an investor's interests in the Fund to reflect that the Fund pays tax at varying rates on behalf of investors.

### Foreign residents

The Fund has elected to be a foreign investment variable-rate PIE.

Lower PIRs will apply to eligible foreign residents who have sufficiently completed and provided to us a notified foreign investor form (available on request). The lower rates are as follows:

All non-New Zealand sourced income, fully imputed dividends, income from New Zealand based financial arrangements excluding interest covered below	0%
New Zealand interest income	1.44%
New Zealand dividend income, to the extent it is un-imputed, is taxed based on whether the investor is resident in a country with which New Zealand hold a double tax agreement ('DTA') that reduces the dividend withholding tax rate below the standard 30%.	15% (non-standard); 30% (standard)
Other New Zealand sourced income (if any)	28%

### General

Investors must advise IIS of their PIR and IRD number when applying to invest in the Fund and if their PIR changes at any time. If an investor does not provide their PIR to IIS they will automatically be taxed at the maximum default rate of 28%. If an investor provides a PIR lower than the correct PIR, they may need to pay any tax shortfall, plus interest, and penalties. If the default rate or the PIR advised by the investor is higher than the correct PIR, then any additional tax paid by the Fund on the investor's behalf may reduce their income tax liability for that income year and may give rise to a tax refund.

The Commissioner of Inland Revenue can require IIS to disregard a PIR notified by an investor if the Commissioner considers the rate to be incorrect. The rate specified by the Commissioner would then apply to that investor's attributed income.

Taxable income is attributed annually to 31 March, or at any time an investor withdraws all or part of their investment from the Fund.

If there is a tax loss or there are excess tax credits allocated to an investor for a period, these will generally be available to investors with a PIR other than 0% in the form of a rebate. The Fund will either re-invest this rebate by purchasing Units in the Fund on an investor's behalf in respect of annual attributions as at 31 March or include it in the net proceeds payable to that investor or applied on their behalf as a result of a full withdrawal. For non-individual investors with a 0% PIR, the tax loss

or excess credits may be available for offset in that investor's tax return against other income, with any excess available to carry forward.

Neither the Supervisor, Manager nor any other person guarantees or provides undertakings in relation to the return of capital invested in the Fund by an investor, the payment of any return on capital, or provision of any distribution or payment of any money in relation to the Fund, or the performance of the Fund.

## Other Risks

The PDS for the Fund describes the key risks associated with investments in the Fund. Further information is provided below. Different investments have different types of risks. We recommend that you seek professional advice before investing in the Fund to understand what risks are associated with this investment, especially in relation to your circumstances.

**Fund risk:** These are risks specific to the Fund. These risks include that the Fund could terminate; the fees and expenses of the Fund could change; IIS may be replaced as manager; the Hyperion investment team may change; or that investing in the Fund may lead to a different result than investing in the market directly. IIS aims to keep fund risk to a minimum by monitoring the Fund and the investments of the Fund at all times and acting in investors' best interests.

**Key person risk:** This is the risk that key individuals are no longer able to fulfil their obligations in respect of the investment or administration of the Fund. IIS aims to ensure that all staff are highly qualified and capable of mitigating individual key personnel risk. IIS will ensure that it has sufficient resources to enable the Fund to continue unaffected should any member of the team be unable to fulfil their obligations.

**Regulatory risk:** This is the risk that domestic or international laws or regulations are changed adversely or that regulatory supervision of transactions and reporting is performed by managers and their custodians at less than an appropriate standard. Regulatory risk is managed by IIS by regularly and closely reviewing changes in the law and seeking expert legal advice where necessary.

**Administration risk:** This is the risk that instructions in relation to your investments in the Fund have not been accurately relayed or processed or that fraudulent instructions are acted upon. IIS, the Investment Manager, and the Administration Manager will follow reasonable electronic instructions in good faith. Whilst we cannot always detect fraudulent instructions we will apply best endeavours to mitigate this risk.

**Investment risk:** The underlying investments of the Fund may fall in value. Hyperion, as Investment Manager aims to reduce investment risk by limiting exposure to any one investment and with careful analysis of and research into the management of the underlying investment prior to investing. IIS holds regular meetings with investment managers to ensure that the underlying investments and investment process remains consistent with the investment objectives of the Fund.

**Country market risk:** Economic, technological, political or legal conditions and market sentiment can lead to volatility in the value of investments and the overall level of liquidity in the market. To the extent possible, Hyperion, as Investment Manager, aims to reduce this risk by continuously engaging in research and analysis to form a view of the market.

**Counterparty risk:** The risk of loss resulting from the insolvency or bankruptcy of a counterparty used by the Investment Manager to execute trades. The Investment Manager aims to keep this risk to a minimum by only selecting counterparties that it considers appropriate for each Fund and by regularly monitoring the counterparties.

**Interest rate risk:** Changes in interest rates can influence the value and returns of investments. The Investment Manager's careful analysis of detailed research in combination with diversified holdings, aims to minimise this risk.

**Small Company risk:** Investing in securities of smaller companies may be riskier than investing in larger, more established companies. Smaller companies may have limited financial resources, a less established market for their shares and fewer shares issued. This can cause the share prices of

smaller companies to fluctuate more than those of larger companies. The market for the shares of small companies may be less liquid.

## **How risks can affect an investment**

The actual or perceived existence of risk may manifest itself in uncertainty, which in turn increases volatility of investment returns. When the collective sentiment of the market is positive, prices rise; when it is negative, prices fall. If specific risks eventuate a total loss of capital may occur. Each investment will be affected by a different combination of risks.

Because of these risks, it is foreseeable that an investor may receive back less than the capital invested by the investor into the Fund. However, the investor will not be required to pay more money than the amount the investor invested in the Fund (with the exception of any PIE tax liability that may be incurred).

No person, including the Supervisor or the Manager or their respective directors and shareholders guarantees the performance of the Fund, any particular rate of return, or the return of an investor's capital. An investor's investment is not secured against any assets.

## **Insolvency or winding up**

You will not be liable to pay money to any person as a result of the insolvency or winding up of the Fund (except as described below).

You will be liable to meet any tax liability attributable to you which exceeds the value of your investment in the Fund (in which case you indemnify the Supervisor for the difference between the value of the Units and the tax liability). A custodian that holds legal title to Units on behalf of underlying investors and elects to be a proxy for PIE investors will, under the terms of the application form attached to the PDS, be asked to indemnify us and the Supervisor for any losses, liabilities, costs or expenses arising from any breach (in relation to underlying investors that such custodian is responsible for) of the investor interest size requirements under section HM 15 or the investor membership requirements under section HM 14 of the Income Tax Act 2007, including the losses, liabilities, costs or expenses arising from the Fund losing PIE status.

On insolvency or winding up of the Fund, the assets of the Fund are first applied to meet the claims of any creditors of the Fund (whether preferred, secured or unsecured), which includes the Supervisor's and Manager's claims for fees and expenses. Following this, the remainder of the assets of the Fund will be distributed to investors in proportion to the number of Units held.

At the date of this document there are no other claims on the assets of the Scheme that rank ahead of or equally with the claims of investors. In certain circumstances, you may receive assets other than cash (e.g. securities in another investment held by the Fund) as part of a wind up.

## **More information about market indices**

The Fund's returns are measured against the market index described in the SIPO. More information about this market index can be found at [www.msci.com](http://www.msci.com).

## **No guarantee**

Neither the Supervisor, Manager nor any other person guarantees or provides undertakings in relation to the return of capital invested in the Fund by an investor, the payment of any return on capital, or provision of any distribution or payment of any money in relation to the Fund, or the performance of the Fund.