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# Hunter Investment Funds

Other Material Information

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Issued by Harbour Asset Management Limited

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## Introduction

This is an important document in relation to your investment in the Hunter Investment Funds (the 'Fund') and should be read together with the respective Product Disclosure Statements ('PDS') for the Fund, the Statement of Investment Policies and Objectives ('SIPO') and other documents held on the register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) ('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 Fund, 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 "Harbour" refers to Harbour Asset Management Limited as the Manager of the Hunter 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 Hunter 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 Hunter Global Fixed Interest Fund ('Fund').

The Fund is constituted within a managed investment scheme called the "Hunter Investment Funds", registered scheme number SCH11176 ('Scheme'). The Fund and Scheme are currently governed by a Trust Deed dated 30 September 2021 and Deed of Retirement and Appointment dated 30 September 2021 (together the "Governing Document"). The Fund is invested in accordance with the SIPO. You can get an electronic copy of the Governing Document and SIPO from the scheme register on the Disclose website [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

## Investing through administration and custodial services

The Fund may be 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 service provider's marketing and legal documentation.

## Other information on the parties involved

### Manager

The manager of the Fund is Harbour Asset Management Limited. We became the Manager of the Fund on 30 September 2021 after purchasing the Fund from Hunter Investment Management Limited. Our appointment as Manager is recorded in the Deed of Retirement and Appointment dated 30 September 2021.

We were incorporated in New Zealand under the Companies Act 1993 on 11 April 2006 as FNZC Nominees Limited and we changed our name to Harbour Asset Management Limited on 1 December 2009.

On or around the date of this document Harbour Asset Management Limited (Harbour) became part of a group of investment and advisory businesses ultimately owned by FirstCape Limited (FirstCape). FirstCape is jointly owned by National Australia Bank Limited (NAB), Jarden Wealth and Asset Management Holdings Limited (Jarden) and Pacific Equity Partners (PEP). NAB is a licensed bank in Australia and is the parent company of BNZ.

Harbour was granted a licence to act as the manager of a registered scheme under the FMC Act by the Financial Markets Authority ('FMA') on 30 January 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 Harbour 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 managers

The current investment manager for the Hunter Global Fixed Interest Fund is PIMCO Australia Pty Ltd ('PIMCO'). Further information on PIMCO, including information on PIMCO's directors and senior management, may be found at [www.pimco.com.au/our-firm](http://www.pimco.com.au/our-firm).

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

### Supervisor

The Supervisor of the Fund is The New Zealand Guardian Trust Company Limited. The appointment as Supervisor, and the retirement by Public Trust as Supervisor until 30 September 2022, is recorded in the Deed of Retirement and Appointment dated 1 October 2022.

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

- Acting on behalf of the Scheme's investors in relation to Harbour and any contravention of Harbour's issuer obligations;
- Supervising the performance by Harbour of its functions and the financial position of Harbour and the Scheme; and
- 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 supervisor in respect of managed funds such as this scheme for a term expiring on 16 March 2023. Full details of the current licence can be found on <https://guardiantrust.co.nz/about-us/>

### Custodians

Trustees Executors Limited (TEL) and their global sub custodian are the Custodian of the assets of the Hunter Global Fixed Interest Fund.

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

## Administration Managers

Harbour has appointed TEL as the administration manager for the Hunter Global Fixed Interest Fund. Key roles undertaken by TEL include:

- Unit pricing; and
- Fund accounting.

## Registry Manager

Harbour has appointed MMC Limited (now Apex Investment Administration (NZ) Limited) to provide registry services to the Hunter Global Fixed Interest Fund.

## Other

Other key parties currently employed by Harbour are:

| <i>Party</i>           | <i>Role</i>   |
|------------------------|---------------|
| KPMG                   | Auditor       |
| DLA Piper New Zealand  | Legal adviser |
| PricewaterhouseCoopers | Tax 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:

- Trust Deed for the Hunter Investment Funds dated 30 September 2021 between Public Trust and Implemented Investment Solutions Limited.
- Deed of Retirement and Appointment dated 30 September 2021 between Harbour, Implemented Investment Solutions Limited (**IIS**) and Public Trust appointing us as manager of the Hunter Investment Funds Scheme and Hunter Global Fixed Interest Fund.
- Deed of Retirement and Appointment dated 1 October 2022 appointing The New Zealand Guardian Trust Company Limited as the Supervisor of the Fund, and where Public Trust retires as Supervisor.
- An Amendment Manager Agreement with the Supervisor effective from 1 October 2022 that sets out the arrangements between us and the Supervisor in relation to certain operational matters relating to the Hunter Global Fixed Interest Fund. Nothing in the Amended Manager Agreement limits or alters the powers of the Supervisor or our duties under the Governing Document and applicable law.

- An agreement between Harbour and TEL effective from 1 September 2023 pursuant to which TEL agrees to provide services to Harbour in respect of certain administrative functions in relation to the Fund, including fund accounting and unit pricing.
- An Administration Agreement between Harbour and MMC Ltd (now Apex Investments Administration (NZ) Limited) effective from 30 September 2021 under which we have delegated MMC Ltd (now Apex Investments Administration (NZ) Limited) the provision of registry services in respect of the Fund.
- A Novation Deed, effective from 30 September 2021 between IIS, Harbour and PIMCO Australia Pty Limited (**PIMCO**) pursuant to which Harbour is substituted for IIS as a party to the Investment Management Agreement between IIS and PIMCO dated 7 December 2016. Under the Investment Management Agreement, PIMCO is responsible for investment of assets of the Hunter Global Fixed Interest Fund under normal market terms.

## Disclosure of Interests

### 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 it comprises investment into a regulated investment in NZ or Australia, or 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 Hunter Global Fixed Interest Fund to PIMCO, 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.
- PIMCO as investment manager of the Hunter Global Fixed Interest 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.

## Explanation of Key Terms

The information below is a summary of the key provisions of the Governing Document. For a detailed description of the governing terms of the Fund, please refer to the Governing Document held on the scheme register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz). If there is any conflict between information in this Other Material Information 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 respective PDS for the Fund.

### Issue price

If we accept your application, you will be issued Units in the Fund 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. The current buy spread, as at the date of this PDS, is 0%. 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 for 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 Hunter Global Fixed Interest Fund is currently 2.00 p.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. As at the date of this PDS the current buy spread is 0% and the sell spread is 0.10%.

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

### **Annual fund charges**

The fixed annual fund charges (which includes any management fees) are outlined in the PDS for the Fund. The charges for the Fund 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). 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 while 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 in the PDS.

The charges for the Fund is calculated daily and paid monthly in arrears. We may waive or decrease the charges for the Fund 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 charges for the Fund include 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 termination 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 respective Administration Manager. There is no limit on these expenses, which will be shown in the financial statements for the Fund. Note that the costs of marketing the Fund will be borne by us.



### **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 charges for the Fund (which includes management fees) by agreement, with an Investor, or a group of Investors.

### **Distributions**

We expect to make six monthly distributions from the Hunter Global Fixed Interest Fund. We expect to pay distributions within 20 business days of the start of March and September respectively. You can elect for your distributions to be reinvested in the Hunter Global Fixed Interest Fund. If you do not make a distribution election the default option is reinvestment. We can vary the method of calculation of distributions and the period between distributions (including suspending distributions) by providing three months' notice to you.

### **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 the 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 the 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 10.

We may resolve to wind up the 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 13).

If your holding in the 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 500 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 the 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, for the Fund, on each Valuation Time for the Fund. If an Investors' 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

If a Redemption Request or a series of Redemption Requests in respect of the Fund are received within a period of 60 Business Days that in total comprise more than 10% of the number of Units on issue in the Fund, and we determine it is in the interests of the Fund's Investors to defer immediate redemption of the total Units requested, we will determine a basis for redemption that we consider to be in the general interests of all that Fund's Investors.

We must notify the Supervisor of our intention to defer redemptions as soon as reasonably practicable. A Redemption Request may not be deferred for a period exceeding six months after its receipt (or such other date as is approved by Special Resolution of Investors).

### Suspension of redemptions

We may suspend redemptions from the Fund 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.

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 relevant 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 an Special Resolution of Investors.

### 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 relevant 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 the Fund

The 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 has elected to be a Portfolio Investment Entities ('PIE fund').

Gains derived from fixed interest investments will generally be taxed on an accruals basis.

Under the PIE tax regime, the 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. The Fund will undertake any necessary adjustments to an Investor's interests in the Fund to reflect that the Fund pay tax at varying rates on behalf of Investors.

Investors will not pay tax on distributions (if any) paid to Investors from the Fund.

You can find out more about PIE funds and how they are taxed on the Inland Revenue website ([www.ird.govt.nz](http://www.ird.govt.nz)). Search for 'PIE for Investors'.

### Foreign residents

If an Investor is not a New Zealand resident, the Investor's allocated income from the Fund will be taxed at 28%. Harbour will account to the IRD directly for tax on a non-resident Investor's allocated income from the Fund.

### General

Investors must advise Harbour 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 Harbour 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 Harbour 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

Different investments have different types of risks. We recommend that you seek professional advice before investing in any of the Fund to understand what risks are associated with these, especially in relation to your circumstances. Risks relevant to the Fund include, but are not limited to investment risk, market risk, manager risk, currency risk, interest rate risk, concentration risk, liquidity risk, credit risk, regulatory risk, tax related risk, operational risk, product risk, and risk of restrictions of withdrawals, transfers or switches. The following risks are supplemental to the risks disclosed in the Funds' PDS.

**Fund risk:** These are risks specific to a Fund. These risks include that a Fund could terminate; the fees and expenses of a Fund could change; Harbour may be replaced as manager; any underlying investment manager's team may change; or that investing in any underlying fund may lead to a different result than investing in the market directly. Harbour 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 a Fund. Harbour aims to ensure that all staff are highly qualified and capable of mitigating individual key personnel risk. Harbour 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 Harbour by regularly and closely reviewing changes in the law and seeking expert legal advice where necessary.

**Derivative risk:** Risks associated with investing in derivatives may include the value of the derivative failing to move in line with an underlying investment; potential illiquidity of the derivative; a Fund not being able to meet payment obligations as they arise; and counterparty risk (that is, where the counterparty to the derivative contract cannot meet its obligations under the contract). Within the Hunter Global Fixed Interest Fund, PIMCO, as investment manager, mitigates this risk by only transacting with established and reputable counterparties and not using derivatives for leverage purposes.

**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. Harbour, 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. Within the Hunter Global Fixed Interest Fund PIMCO, 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. Harbour holds regular meetings with investment manager to ensure that the underlying investments and investment process remains consistent with the investment objectives of the Fund.

**Country market risk:** Within the Fund's 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.

**Prohibited Investment Risk:** Prohibited investments consistent with the SIPO may cause performance deviations from the Fund's benchmark.

PIMCO screens investments, and may use external screening providers, to monitor excluded activity such as tobacco, cluster munitions development or production, armament manufacture, companies who derive more than 10% of earnings from pornography or gambling, or investments in companies whose only, core or majority business is the exploration, extraction, refining or processing of fuels. There is a risk that screening information, including information obtained by external providers, may not always be complete. There are sometimes limits to available information to monitor underlying company activity. It is expected that this risk will reduce with time, as additional reporting requirements for companies are encouraged and implemented.

Prohibited investment criteria do not apply to derivative positions that may include exposures as part of a basket, for example basket CDS for spread trade or hedging.

### 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).

### 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, 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 returns are measured against the market index described in the SIPO. More information about this market index can be found at the following web page:

- Bloomberg Barclays Indices: <https://www.bloomberg.com/markets/rates-bonds/bloomberg-barclays-indices>
- Bloomberg Indices: <https://www.bloomberg.com/professional/product/indices/bloomberg-ausbond-index/>
- S&P/NZX Indices: <http://us.spindices.com/regional-exposure/asia-pacific/new-zealand>
- MSCI Indices: <http://www.msci.com/indexes>

### **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 of the Fund, or the performance of the Fund.