AMP Managed Funds

3 July 2023

Risks

This document provides a general overview of how risks affect your investment and detail on the types of risks associated with investing. The risks described in this document include the key investment risks and other risks that may impact any of the funds in the AMP Managed Funds (Scheme).

The risks described in this document should be read in conjunction with the specific risks set out in the Product Disclosure Statement for the Scheme.

A little help

AMP

Contents

Risks and your investment

There are risks associated with investing. The risks that are associated with an investment could affect your level of return or ability to recover the total amount of your investment.

It is important to realise that no-one can predict every event that may affect investments. The underlying assets of the Funds will rise and fall in value, and returns may be negative from time to time. Market volatility may affect the investment performance of some of the Funds. Returns are not guaranteed and you may get more or less than the total amount invested when you make a full withdrawal from the Scheme.

The following pages summarise the risks applying to the Scheme that could impact the level of return from your investment or the ability to recover the full amount of your investment in the Scheme.

The information below doesn't cover everything, but it does cover the risks we believe to be most important. It is recommended that you seek advice from a financial advice provider for further information.

How these risks relate to those covered by the PDS

The risks described in the PDS are broken into:

– general investment risks that may cause a Fund's risk indicator to move up and down; and
– other specific risks that we are aware of in relation to the Scheme or the Funds offered in the PDS that may arise which increase the risk to investors' returns, other than circumstances that are already reflected in the risk indicator.

This document provides more detail on these risks, and outlines some of the other general investment risks that may apply.

General investment risks

Investment risk is the risk of negative or lower than expected returns from the Funds. It is also possible the returns for a particular Fund will be insufficient to meet its expenses.

Returns and risks vary, depending on the type of asset in which you invest. This is because assets perform differently through market cycles and every asset type carries a different type of risk. Generally, the level of risk is related to the potential return from the investment. Lower risk investments, such as cash and fixed interest (known as 'income assets'), typically provide more consistent yet lower returns. Higher risk investments, such as property and equities (known as 'growth assets'), have the potential to fluctuate significantly in value with a greater possibility of a negative return. Generally, a fund with a higher allocation to growth assets has the potential for higher returns over the long term than a fund with a higher allocation to income assets.

The main risk associated with receiving less than you invested, or a lower return than expected, from the Fund or Funds chosen is adverse market performance. The prices and values of securities held by a Fund within the Scheme will fluctuate as a result of changes in market conditions. For example, if you're invested in a Fund that holds New Zealand equities, and the equity market falls in New Zealand, then the value of your investment may fall (depending on how the other types of investments in that Fund have performed). Underlying assets held by the Funds will rise and fall in value and returns will, with exceptions, from time to time be negative. Depending on the length of time that you have invested and market movements, it is possible that you may receive less than your initial investment on withdrawal.

As set out in section 4 of the PDS, there are different types of risk that contribute to investment risk. The examples that follow are believed to be the investment risks that apply to the Scheme.

Risk	Description of the risk
Asset allocation risk	As mentioned in the PDS and above, each investment sector has risks that are typical of that sector. We regularly monitor and review the investment performance and investment options. The detail below outlines the key risks of each investment sector: **Cash** The main risk with cash is that inflation will erode value. Where cash assets included in a Fund are placed on bank deposit, there is also a small risk of the bank defaulting, meaning that some or all of the cash may be lost. Funds with greater exposure to cash assets will be more affected by this risk. **Fixed interest** For any particular fixed interest security, changes to interest rates in the market affect its value and there is a risk of the borrower not making the interest payments and/or not repaying the loan. Funds with greater exposure to fixed interest assets will be more affected by this risk. **Property** There is the possibility of financial loss occurring as the result of owning any real estate investment. The value of property investments may be affected by demand, location, the quality of the property, market conditions, interest rates, opinion and the market for property investments. Funds with greater exposure to real property assets will be more affected by this risk. **Equities** The value of an individual share is influenced by many factors, including the performance of the relevant company, market opinion and the economic performance of the country or sector. Funds with greater exposure to shares will be more affected by this risk.

Market risk	Market risk is the risk that the Funds' investment return will fluctuate as a result of changes in market conditions. These conditions include but are not limited to economic and regulatory conditions, political events, environmental and technological issues.
Currency risk	Currency risk is the risk that the value of a financial investment will fluctuate as a result of changes in foreign exchange rates. Investments denominated in foreign currencies will fall if the New Zealand Dollar strengthens against those currencies, all else being equal.
Interest rate risk	Interest rate risk is the risk that the Funds' investment return will fluctuate as a result of changes in interest rates. The Funds' exposure to interest rate risk primarily arises from investments in interest-bearing instruments such as cash and bonds, but can also affect other assets such as property and share investments.
Credit risk	Credit risk is the risk that a borrower may default on their financial obligations or be otherwise unable to meet their financial obligations, either in whole or in part under a contract. The impact of this will be a reduction in the level of returns or the full amount of the investment not being recovered.
Liquidity risk	Liquidity risk is the risk that the Funds will experience difficulty in realising assets, having to liquidate assets at a time of duress which means a sub-optimal price is realised, or otherwise experiencing difficulty raising sufficient funds to satisfy financial obligations. Low liquidity means it may not be possible to sell assets at the desired time at fair value. This will impact the Funds' ability to make payments as required, such as paying benefits.
Counterparty risk	Counterparty risk is the risk that a party to a financial contract (including an investment contract) defaults or is otherwise unable to fulfil their obligations. If this occurs, the full amount of the investment may not be recovered.

Other general risks

The value of your investment, and your ability to withdraw, may also be affected by some or all of the following risks.
The table below sets out the other risks that may affect any of the Funds:

Risk	Description	Impact of the risk	How we mitigate or manage these risks
Operational risk	The risk of a technological, process, or other failure affecting the Scheme's operations or the financial markets in general.	Any risk of technological failure could impact your returns or ability to withdraw from the Funds.	We have a risk management framework that encompasses a business continuity plan, which is designed to minimise the period of business disruption caused by these unforeseen events and address such failures in a timely and effective manner.
Regulatory risk	The risk that the Scheme is affected by future changes to tax, financial markets, or other legislation (whether in New Zealand or overseas).	These changes could affect the Scheme's investments by impacting on the operation of the Scheme, returns and benefits available.	We actively monitor new developments to the regulatory environment. Furthermore, we regularly liaise with other market participants and the regulators to gauge market sentiment for change.
Risk of losing PIE tax status	Although the Scheme comprises a number of Funds, it is structured as a single PIE for tax purposes. Accordingly, there is a risk in respect of the Scheme that, if a Fund fails to satisfy PIE eligibility criteria and that failure is not remedied within the period permitted under the Income Tax Act 2007, all Funds may lose PIE status and revert to a scheme taxed at a flat rate of 28%, rather than at your own prescribed investor rate.	A loss of PIE tax status for the Scheme could impact the returns to the investor.	We have implemented processes to monitor ongoing PIE eligibility compliance within each Fund, and proactively manage this risk.
Risk of restrictions of withdrawals or switches	There is a risk that we may defer withdrawals or switches between Funds if we determine that, having regard to the realisation of assets required in order to make the relevant payment or to give effect to the switch, giving effect to the withdrawal or switch earlier would be imprudent or impracticable.	Any such deferral will restrict your ability to withdraw or switch between Funds.	We actively monitor the underlying funds into which the Funds invest in so that we are aware of any changes and we can change the underlying funds we invest in at any time.

Insolvency risk	The risk that the Scheme or a Fund becomes insolvent and is placed into receivership, liquidation or statutory management, making it unable to meet its financial obligations.	If the Scheme becomes insolvent then you may not recover the full amount of your investment in the Scheme. However, you won't incur any liability to any person, other than for expenses, fees or taxes payable before the insolvency.	We mitigate this risk by ensuring that each Fund primarily invests in liquid assets.
Scheme liquidity risk	The risk that the Scheme cannot meet payments on time. This arises where there is a mismatch between the maturity profile of investments and the amount required to meet withdrawal requests.	Such liquidity risk would restrict your ability to withdraw or switch between Funds.	We mitigate this risk by ensuring that the Funds in the Scheme primarily invest in liquid assets. The asset holdings of the Funds are generally invested across different asset classes and/or different investments within an asset class.
Borrowing risk	The risk that where borrowing has occurred in relation to a Fund, the lender would have the right to demand payment from that Fund at short notice.	The level of borrowings by the Funds is subject to certain conditions in the Trust Deed.	We mitigate this risk by limiting borrowings of the Funds except to provide liquidity for the repayment or redemption of any units and by investing in assets that are generally liquid in nature under ordinary circumstances.
Single trust fund risk	AMP and The New Zealand Guardian Trust Company Limited (Supervisor) have established separate Funds within the Scheme, which are designed to enable investors to invest into particular asset classes or mixes of asset classes. However, the assets of the Scheme comprise a single trust fund.	Although all liabilities incurred in relation to a Fund must be met in the first instance from the assets held for that Fund, in the unlikely event that the assets attributable to a particular Fund are insufficient to meet the liabilities attributable to that Fund, the assets of any other Fund may be called on to meet those liabilities.	We mitigate this risk by ensuring separate accounting records are kept for each Fund and ensuring that the majority of Fund expenses are calculated as a portion of the Fund's value.

Other specific risks

The information in this section forms part of the PDS for the Scheme. It describes the other specific risks that we are aware of in relation to the Scheme that exist or that may arise which increase the risk to investors' returns, other than circumstances that are already reflected in the risk indicator, or that are disclosed in the PDS.

Risk	Description	Impact of the risk	How we mitigate or manage these risks
Service provider risk	The risk that if any of the parties involved in the operation of the Scheme (including the Supervisor, AMP (in our capacity as Manager of the Scheme and underlying fund manager), BlackRock and AMP Services (NZ) Limited (AMP Services)) fail to perform their obligations, it could adversely affect investors of the Scheme.	Any failure or non-performance by AMP Services, BlackRock or AMP (in our capacity as underlying fund manager) could have an adverse effect on the Scheme and your ability to make a withdrawal. In addition, as AMP Services is a related party of AMP, any issue affecting their ability to perform functions may also affect us.	AMP actively monitors and reviews the performance of those that are involved in providing the product (including related parties) to ensure compliance with contractual arrangements.

Glossary

AMP, **we**, **our** and **us** means AMP Wealth Management New Zealand Limited, the manager of the Scheme.

Fund means an investment fund established in the Scheme, and **Funds** shall have a corresponding meaning.

PDS means the Product Disclosure Statement for the Scheme, as amended from time to time.

PIE means a Portfolio Investment Entity as defined in the Income Tax Act 2007.

Supervisor means The New Zealand Guardian Trust Company Limited, the supervisor of the Scheme.

You, **your** or **investor** means the person who is an investor in the Scheme.

Phone	0800 267 001
Email	investments@amp.co.nz
Web	**amp.co.nz**
Follow Us On	

Want to know more?

For more information about the Scheme, please see the Scheme's current Product Disclosure Statement at **amp.co.nz/forms** or contact us on 0800 267 001.

A little help.

AMP