



kōura KiwiSaver Scheme

Other Material Information (OMI)

Koura Wealth Limited

26 September 2019

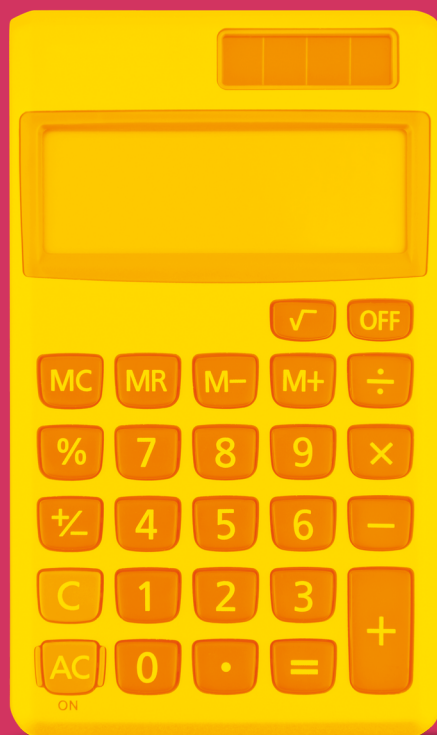


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1. Introduction

This Other Material Information document has been prepared in accordance with the Financial Markets Conduct Act 2013 (**FMC Act**) to provide additional detail about important aspects of your investment in the Kōura KiwiSaver Scheme (the **Scheme**).

It applies to each fund within the Scheme, unless we specify otherwise, and should be read with the Product Disclosure Statement for the Scheme (**PDS**), the Statement of Investment Policy and Objectives (**SIPO**) and any other documents held on the Disclose Register at: www.disclose-register.companiesoffice.govt.nz/.

In this document, "you" or "your" refers to a person who applies to invest in the Scheme. The words "Kōura", "Manager", "we", "our" or "us" refer to Kōura Wealth Limited, who is the manager of the Scheme. The supervisor of the Scheme is Sargon (NZ) Limited, formerly Heritage Trustee Company Limited (Supervisor). (**Supervisor**).

A Product Disclosure Statement (**PDS**) and Statement of Investment Policy and Objectives (**SIPO**) for the offer of units in the Funds (**Units**) are also available. You should review both of these documents before investing in the scheme.

2. Scheme philosophy

The Kōura KiwiSaver Scheme has been designed and set up to help people achieve better outcomes for their KiwiSaver. Fundamentally, we believe that KiwiSaver is a complicated product and investors need help and advice to help them achieve their objectives. We do this through a differentiated fund structure and digital advice. We explain further below.

The Kōura Funds

You can choose to invest in any of the following investment funds (**Funds**):

- **US Equities Fund**
- **Rest of World Equities Fund**
- **Emerging Markets Equities Fund**
- **NZ Equities Fund**
- **Fixed Interest Fund**
- **Cash Fund**

All of the Funds are investment options under the Scheme. You will be allocated units in the Funds that you select when you sign up to the Scheme. The Scheme is governed by a trust deed dated 16 August 2019 (**Governing Document**), and the Funds are 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.companiesoffice.govt.nz/disclose.

The investment policies for the Funds are set out in the SIPO.

The Kōura digital advice tool

Situated on the Kōura website is a digital advice tool. You will be directed to use this tool ahead of investing in a Fund. The tool asks you a small number of questions in order to assess your risk appetite and objectives. Kōura will use this information to recommend a portfolio of Funds to suit your personal situation.

You will be sent a reminder annually to use the digital tool to review your personal objectives and risk appetite. Following this review, Kōura will update its portfolio recommendation for you.

3. Contributions

You can make lump sum or regular contributions to the Scheme. Your employer can as well.

Employee contributions

You can regularly contribute 3%, 4%, 6%, 8% or 10% of your before tax salary or wages¹ to the Scheme. If you don't choose, the default amount is 3%. Your employer is responsible for deducting these amounts and paying them directly to Inland Revenue, who will forward them on to us.

Employer contributions

In addition to your employee contributions, except in the circumstances described below, your employer is required to make a contribution equal to 3% of your before tax income. The contribution will have employee superannuation contribution tax deducted from it before it is paid to Inland Revenue (who forwards it on to us). If they want, your employer can pay more than the 3% minimum contribution amount but they have to do so by forwarding it to Inland Revenue. Your employer doesn't have to make a contribution for you if:

- you are under the age of 18 or over the age of 65;²
- you aren't contributing to the Scheme (e.g. you're on a KiwiSaver savings suspension);
- to the extent they are already paying into another superannuation scheme for you (conditions apply).

¹ Including bonuses, overtime payments and rewarded leave payments

² If you joined KiwiSaver or a complying superannuation fund before 1 July 2019 and were aged 60 or over when you joined, a 5-year minimum membership requirement applies. During this 5-year period you are entitled to compulsory employer contributions. From 1 April 2020 you can opt out of this 5-year period, however you will no longer be eligible to receive compulsory employer contributions.

Self-employed, under 18 or not working?

You can contribute at any time if you are self-employed, under 18 or are over 18 but not working.

Voluntary contributions

You can make lump sum or regular contributions to the Scheme whenever you like.

Government contributions

While you contribute to the Scheme, you are eligible to receive KiwiSaver Government Contribution if you:

- reside mainly in New Zealand (exceptions apply);
- are 18 years or older;
- have not reached age 65.³

If you qualify, every year from 1 July to 30 June you will receive 50c for every dollar up to \$1,042 you contribute to the Scheme. The maximum amount the Government will give you for each year is currently \$521.43.

Please note that employer contributions, Government contributions and amounts transferred from an Australian complying superannuation scheme do not count towards your Government contribution eligibility.

If you join KiwiSaver part-way through the Government contribution year (1 July to 30 June), you will receive a Government contribution based on the number of days in the Government contribution year that you have been a member.

Savings suspension

If you are an employee making contributions from your salary or wages, and 12 or more months have passed since you first contributed to KiwiSaver or you became a member of a complying superannuation fund, you can take a savings suspension for a minimum of 3 months and a maximum of 1 year, which you can renew. You can also be on a savings suspension at any time if Inland Revenue is satisfied you are suffering, or are likely to suffer, financial hardship. In these circumstances, however, the length of the savings suspension will be 3 months, unless Inland Revenue agrees to a longer period.

Transferring from another KiwiSaver Scheme

You can transfer your account balance to the Scheme from any other KiwiSaver scheme. It is important to note that you can only be a member of one KiwiSaver scheme at a time.

³ If you joined KiwiSaver or a complying superannuation fund before 1 July 2019 and were aged 60 or over when you joined, a 5-year minimum membership requirement applies. During this 5-year period you are entitled to the Government contribution. From 1 April 2020 you can opt out of this 5-year period, however you will no longer be eligible to receive the Government contribution.

Transferring from an Australian superannuation fund

You may also be able to transfer into the scheme from a complying Australian superannuation fund if you have permanently moved to New Zealand.

Please email us at info@kourawealth.co.nz for more information about this process

4. Withdrawals

KiwiSaver has been designed to be a long term savings product, there are only limited methods that you can withdraw your investments from the Scheme:

If you reach age 65

You are able to make withdrawals from the Scheme once you reach age 65.⁴ You do not have to withdraw your funds, you may also remain invested.

The minimum withdrawal is \$1,000, and there is no maximum – you are entitled to withdraw your full balance.

To purchase a first home

You may make a first home withdrawal if 3 or more years have passed since you first contributed to KiwiSaver or you became a member of a complying superannuation fund.

If you wish to apply for a first home withdrawal, you will need to give us various documents, including a copy of the sale and purchase agreement for the home.

Please apply at least 10 days before the deposit (or settlement payment) is due. You cannot make a first home withdrawal after the home has been purchased – talk to your lawyer early to ensure all the paperwork is done. We will pay the proceeds direct to your lawyer.

Australian superannuation transfers

Any amount transferred from an Australian complying superannuation fund (excluding investment returns on that amount) may be withdrawn when you reach age 60, if you have 'retired' in terms of the relevant Australian legislation.

Significant financial hardship

This is a discretionary assessment made by the Supervisor based on the statutory prescribed criteria. You will need to supply information to show the Supervisor that you are not able to meet your minimum living expenses and that you have exhausted all other forms of funding. The Supervisor will limit any withdrawal to an amount they determine will alleviate hardship.

4 If you joined KiwiSaver or a complying superannuation fund before 1 July 2019 and were aged 60 or over when you joined, a 5-year minimum membership requirement applies. From 1 April 2020 you can opt out of this 5-year period

Significant financial hardship is defined to include significant financial difficulties that arise from a number of circumstances being:

- Your inability to meet your minimum living expenses; or
- Your inability to meet mortgage repayments on your principal family residence resulting in the mortgagee seeking to enforce the mortgage on the residence; or
- The cost of modifying a residence to meet special needs arising from your disability or your dependant's disability; or
- The cost of medical treatment for illness or injury to you or your dependant; or
- The cost of palliative care for you or your dependant; or
- The cost of a funeral for your dependant.

The Supervisor may limit the amount you are able to withdraw and you cannot withdraw any Government contribution. If you are, or are likely to become bankrupt, it is important that you get legal advice before making any withdrawal request.

Serious Illness

To make a withdrawal for serious illness, the Supervisor will require information (including from your medical practitioner) to assess your request.

Permanent emigration

You may make a withdrawal if at least a year has passed since you permanently emigrated. You will need to provide us with proof, including a statutory declaration that you have emigrated permanently and have resided at an overseas address for at least a year.

Permanent emigration to Australia

If you emigrate to Australia you may apply to have your investment transferred to an Australian complying superannuation scheme. You will need to provide us with proof, including a statutory declaration that you have emigrated permanently and have resided at an overseas address for at least a year.

Death

We will pay benefits on death (the balance of your amount) to your personal representatives. Depending upon the balance, they will need to provide us with a copy of probate of your will, or other evidence of authority to act.

Partial withdrawals to pay income tax and student loan obligations on foreign superannuation transfers

You may incur an additional income tax liability and an increase in your student loan obligations if you make a foreign superannuation transfer into the Scheme. You can make a partial withdrawal from the Scheme to pay any such additional tax liability (not penalties and interest) or increase in your student loan obligations arising from the transfer.

Act of Parliament

An early withdrawal can be made from the Scheme where required by any Act of Parliament. This includes a court order under the Property (Relationships) Act 1976.

5. The Manager

The Manager of the Scheme is Kōura Wealth Limited, a company incorporated in New Zealand under the Companies Act 1993 on 20 February 2019. Kōura manages the investments of, and administers, the Scheme. Kōura is 100% New Zealand owned, we are very proud of our Kiwi heritage.

Details of the directors of Kōura are set out below, and are also available at www.companiesoffice.govt.nz/. The directors may change from time to time without notice to you.

Kōura is licenced to act as managed investment scheme manager by the Financial Markets Authority (the **FMA**) under the FMC Act. Kōura also holds a digital-advice exemption allowing it to offer its clients personalised digital advice.

Our functions

As the Manager of the Scheme we:

- Offer and issue Units in the Funds
- Manage the Funds in the Scheme and their investments; and
- Are responsible for administering the Scheme

Our Directors

Rupert Carlyon

Rupert has had over 15 years working in financial services organisations in Auckland and London. He has a broad experience with his previous roles encompassing advisory, strategy, investor relations and capital markets.

Rupert is the founder and Managing Director of Kōura.

Warren Couillault

Warren has more than 25 years involvement in financial markets, both in NZ and overseas. His previous roles include Chief Investment Officer, shareholder and director of Fisher Funds and he is a former Investment Committee Chair, director and shareholder of the award-winning KiwiSaver scheme manager, Generate KiwiSaver.

Warren is currently the Chief Executive Officer of Hobson Wealth Partners.

David Moore

David has over 40 years' experience in the financial markets in London and New York. Most recently, he spent almost 30 years with UBS in London where he had a number of trading roles.

David is currently an Authorised Financial Adviser in Auckland.

Anna Scott

Anna has 20 years' experience in programme and business management roles in financial organisations in London, Kuala Lumpur and Auckland.

Anna is currently the Chief Operating Officer for Hobson Wealth Partners and sits on the Hobson Board of Directors. She is also a young Director on the NZX Board.

Our Senior Managers

Rupert Carlyon is the only senior manager in the business.

6. Other parties

Supervisor

The supervisor of the Scheme is Sargon (NZ) Limited. The Supervisor is responsible for monitoring our compliance in accordance with the Governing Document and the FMC Act. The Supervisor is required by law to vest the investments and other property of the Scheme in the name of the Supervisor or its nominee. It has delegated certain custodian duties to MMC Limited.

A current list of the directors of the Supervisor is available online at companiesoffice.govt.nz/companies. The directors of the Supervisor may change from time to time without notice to you.

The Supervisor is licenced under section 16(1) of the Financial Markets Supervisors Act 2011 to act as a supervisor in respect of managed investment schemes. Details of the licence are available on the Financial Markets Authority website, fma.govt.nz and on the Financial Service Providers Register website, fsp-register.companiesoffice.govt.nz/.

Administration manager

We have contracted administration management of the Scheme to MMC Limited. They provide the following services:

- Member record keeping and registry;
- Unit pricing;
- Fund accounting; and
- Valuation services.

See www.mmcnz.co.nz for more details.

Auditor and other advisers

The auditor is KPMG New Zealand. KPMG is registered under the Auditor Regulation Act 2011. The auditor has no other relationships with, or interests in, the Scheme.

DLA Piper are our primary legal advisers.

7. Manager and Supervisor's indemnity

Subject to the limits on indemnities under the FMC Act, both the Supervisor and Kōura are indemnified out of the Scheme for all losses, costs and expenses incurred by us or the Supervisor in relation to the proper performance of our general duties and our duties to comply with the relevant professional standard of care under the FMC Act in respect of the Funds, the Scheme and this offer.

We and the Supervisor remain liable for losses, costs and expenses arising from a breach of trust where we or the Supervisor fail to show the reasonable degree of care and diligence required.

8. Managing Conflicts of Interest

At all times, Kōura ensures that it acts in the best interests of its customers and treats all customers equitably.

Kōura has a Conflicts of Interest Policy in place relating to any potential conflicts that may arise between Kōura and investors' individual interests. Any conflicts must be managed by the Kōura Board and the Supervisor must be notified. Where a conflict exists, it will be resolved in favour of the investor.

Kōura is a wholly owned subsidiary of Kōura Wealth Holdings Limited. Hobson Wealth Holdings Limited and HWPL Custodian Limited (controlled by a director of Hobson Wealth Partners) are both shareholders of Kōura Wealth Holdings Limited. Furthermore, two of the directors of Hobson Wealth Partners are also on the board of Kōura.

Hobson Wealth Partners are paid brokerage fees in respect of investment decisions for Kōura's funds. This conflict is managed by ensuring that brokerage fees paid to Hobson Wealth Partners are on arms' length terms.

There are no other conflicts of interest as at the date of this document.

9. Valuation

The value of Units held by you is reflected in the current Unit price. This is calculated using the net asset value of each Fund in accordance with the Governing Document and dividing that value by the number of Units on issue in the relevant Fund.

We will calculate the net asset value of each Fund on each business day where Units are issued or withdrawn or at such other intervals (not exceeding 30 days) as we may determine following consultation with the Supervisor.

The net asset value is calculated by taking the value of the assets in a Fund and subtracting the liabilities of the Fund. In determining the net asset value of each Fund we will determine the value of the assets in the Fund and the liabilities of the Fund on such basis we consider to be fair and equitable having regard to generally accepted accounting principles or the New Zealand equivalents to international financial reporting standards. We may engage valuers or other suitably qualified persons for the purpose of fixing the market value of assets in the Funds.

10. Taxation

Taxation

You are responsible for any taxation liability you may incur as an investor in a Fund. Tax legislation and rates of tax are subject to change and any change could have an impact on the Fund's return and yours. The impact of taxation may vary depending on your individual circumstances.

PIE

The Funds have elected to be Portfolio Investment Entities (**PIEs**). As a PIE, each Fund's taxable income is attributed to you in proportion to the number of Units you hold in the Fund. The Fund pays tax on the income attributed to you at your selected PIR. If the tax liability on income attributed to you exceeds your investment in the relevant Fund, some or all of your Units could be redeemed and the proceeds of the redemption paid to the Inland Revenue Department (**Inland Revenue** or **IRD**). To the extent this tax liability is not paid by the Fund, you may need to pay the tax directly to Inland Revenue.

PIR

The rules relating to the taxation of investment income enable investment funds that become PIEs to calculate their tax using PIRs selected by members, which can be

10.5%, 17.5% or 28% subject to satisfying various conditions. In order for the Funds to pay tax on your attributed income at the appropriate rate, you need to ensure that you have supplied the correct PIR and IRD number at all times.

A PIR is based on your taxable income (e.g. income from salary, wages and any additional sources of income that you would include in your income tax return) in the two years preceding the current tax year, the income attributed to you from any PIEs in which you invest, including the Funds and your tax residency.

The following PIRs apply:

- **10.5%** for members who are: New Zealand resident individuals who have given us their IRD number and who derived in either of the last two income years preceding the current tax year \$14,000 or less in taxable income (excluding PIE income) and \$48,000 or less in taxable income and PIE income combined;
- **17.5%** for members who are: New Zealand resident individuals who do not qualify for the 10.5% PIR but who have provided their Inland Revenue Department number to us and who derived in either of the last two income years preceding the current tax year \$48,000 or less of taxable income (excluding PIE income) and \$70,000 or less in taxable income and PIE income combined;
- **28%** for New Zealand resident individuals who are not eligible for either the 10.5% PIR or the 17.5%.

The tax paid on income attributed to you will be a final tax and you will not be required to file a tax return which includes that income, unless you:

- Have recently become a New Zealand tax resident and have chosen to disregard foreign income derived before becoming a New Zealand resident in determining your PIR; or
- Have selected a PIR which is too low, or failed to advise us that your PIR has increased.

You will be liable to include your attributed income in a tax return and to pay tax on that income at your relevant marginal tax rate (with a credit allowed for tax paid by the Fund on that income). You may also be liable for any penalties or interest which may apply.

If you advise a PIR that is higher than your applicable rate, then you will not be able to claim back the excess tax paid.

If you do not notify us of your PIR then the default rate of 28% will apply. The Commissioner of Inland Revenue can require us to disregard the PIR notified to us by you and apply a PIR notified by the Commissioner.

Each year, we will ask you to reconfirm your PIR. You should review your rate each year to ensure it is correct and notify us of any changes. For more information about PIRs and to determine your correct PIR rate please refer to Inland Revenue website

<https://www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates> or contact your professional tax adviser.

Impact of PIE taxation for certain taxpayers

In some circumstances, your personal marginal tax rate could be lower than your PIR. In this event investing through a PIE may not be appropriate. Given that there are a number of circumstances where you may pay more tax in a PIE, rather than other forms of investment, it is important to consult your professional tax advisor to determine whether a PIE is best for you.

11. Financial statement and auditors report

Financial statements for the Funds will be available on the Disclose register: <https://disclose-register.companiesoffice.govt.nz/>. The Funds' financial statements will be audited by a qualified auditor, currently KPMG. The auditor's report on the financial statements will accompany the financial statements uploaded to the scheme register each year.

12. Summary of the Governing Document

The Governing Document governs the Funds. The Governing Document is available on the Disclose register. Set out below are some of the key terms of the Governing Document.

Changes to the SIPO

We can make changes to the SIPO at any time by giving prior written notice to the Supervisor.

Supervisor's Responsibilities and Duties

In the Governing Document, the Supervisor gives certain covenants in favour of members, including that it will:

- act honestly in acting as Supervisor of the Scheme;
- act on behalf of members in relation to us, our obligations under the FMC Act and the Governing Document and breach of the FMC Act;
- supervise the management of the Scheme and our financial position;
- act in the best interests of members in the Scheme in exercising its powers and performing its duties as Supervisor;
- exercise reasonable diligence in carrying out its functions as Supervisor; and
- perform its powers and duties imposed on it by relevant law.

Neither us, nor the Supervisor (or any person) guarantees your investment in the Scheme.

Removal and Retirement of the Supervisor

The Supervisor may retire at any time by giving us 60 business days' written notice subject to the appointment and acceptance of a new Supervisor and the transfer to the new Supervisor of the assets of the Funds. Where the Supervisor retires, we have the power to appoint a new Supervisor. Any supervisor must be licensed under the FMC Act and must not be an associated person of us.

Our Powers and Obligations

In addition to the statutory functions (see 'Our functions', above), we have broad discretions in respect of the management of the Funds, including managing the assets of the Funds, making investment decisions, repurchasing or causing the redemption of Units and fixing dates for valuations and distributions.

We are obliged to ensure that the Funds are properly and efficiently operated, that the assets of the Funds are properly managed and supervised, make any requested information available to the Supervisor, convene investor meetings and pay money in accordance with the Governing Document and the FMC Act.

We may (with the prior approval of the Supervisor) delegate all or any of the powers, authorities and discretions we can exercise under the Governing Document. However, this ability to delegate does not affect our liability for the performance of those functions.

In managing the Scheme, we:

- must act honestly, and in the best interests of members;
- cannot use information acquired as Manager for improper advantage, or to cause detriment to members;
- must act as would a prudent manager of similar schemes; and
- carry out our functions in accordance with the Governing Document and FMC Act obligations.

Powers relating to the PIE status of the Scheme

The Funds are PIEs. We have a wide range of discretions to operate each Fund as a PIE including:

- discretions relating to the calculation of tax;
- retaining amounts to which you would otherwise be entitled or redeeming your Units to meet your liability for tax; and
- taking all steps necessary to ensure that the Fund meets the PIE eligibility requirements, including:

- rejecting applications for Units and transfers of Units if and to the extent necessary to ensure that the Maximum Investor Interests requirement under the Tax Act is not exceeded; or
- if your Unit holding exceeds the maximum investor interests requirement for PIE eligibility, selling, redeeming or repurchasing Units. We will let you know about a breach of any maximum investor interests requirement and give you a reasonable opportunity to remedy that breach (provided there is time to remedy the breach under the relevant tax legislation). The proceeds from any sale, redemption or repurchase carried out by us to remedy such a breach (less any costs and expenses incurred by us in respect of the same) will be paid to you, and neither the Manager nor the Supervisor will be liable for any loss that you may incur under or in connection with any such sale, redemption or repurchase.

Provision of information

We may ask you to provide information to enable us to determine whether a Fund continues to meet the PIE eligibility requirements. We will ask you to get that information to us promptly.

Separate Funds

Each Fund is a separate and distinct investment fund, with separate assets and liabilities, under the Governing Document. All investments of a Fund are to be held by the Supervisor as the exclusive property of that Fund, for the exclusive benefit of the members of that Fund. No investor in one Fund will have any claim on any other Fund (and vice versa). This means that the assets of one Fund cannot be used to cover the liabilities of another Fund.

Borrowing

Borrowing is permitted. The maximum borrowing permitted for each Fund is 10% of gross asset value for that Fund. Any borrowing is expected to be for a short term.

Suspension

We may, in certain circumstances, suspend the obligation to redeem Units or effect a switch or transfer by issuing a suspension notice (for instance, where we believe, in good faith, that it is not practicable or would be prejudicial to members' interests for the Supervisor to realise assets or borrow to permit redemptions – this could be because of market or asset conditions or other circumstances). Any such suspension would continue until cancelled earlier by us.

We must cancel a suspension notice within 90 days after the date on which the suspension notice was given, unless the Supervisor agrees otherwise. The Supervisor must not unreasonably withhold its agreement to extend a suspension notice beyond 90 days if we give good reasons to do so.

Records and Financial Statements

We must keep proper accounting records in respect of the Funds. The Supervisor will provide us with any information held by them that we require in order to keep those records. Once prepared, we will forward the audited financial statements to the Supervisor and make them available to every investor within the required timeframe.

Registers

We are required to keep a register of members for each Fund in the form and manner required by the FMC Act (**Register**). The Register must be kept in New Zealand, and may be kept in electronic form so long as a printout of the Register is available to the Supervisor on request. Each Register shall be available for inspection in accordance with the FMC Act.

We are required to arrange an independent audit of the Register annually.

Amendments to the Governing Document

Subject to the FMC Act and the provisions of the Governing Document, we may agree with the Supervisor to amend the Governing Document. The Supervisor is prevented from agreeing to any proposed amendment unless it is satisfied that such amendments do not have a material adverse effect on the members of the Scheme.

Winding Up

If a Fund is wound up, the Supervisor must sell its assets and (after providing for any amount necessary to meet all claims and liabilities (including fees)), will distribute the balance to members in proportion to their holdings of Units at the time of distribution. The amount distributed to you on winding up may be adjusted to reflect the Fund's PIE income tax liability (if any), on income attributed to members.

13. Key documents

To understand the Scheme there are a number of documents available to review:

- Governing Document
- SIPO
- Manager's licence to operate
- Scheme Provider Agreement with Inland Revenue
- Kōura Wealth Limited Constitution

If you would like to review any of these documents, please do not hesitate to contact us and we will advise you where these documents are available.

