

Private Wealth Series

More about Private Wealth Series

Other Material Information

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Find out more about Private Wealth Series

This document tells you more about Private Wealth Series (Private Wealth Series or Scheme) and its five funds (Funds). The document goes into greater detail on:

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It should be read with the current Product Disclosure Statement and Statement of Investment Policy and Objectives (SIPO) for the Scheme, along with any other documents held on the Disclose register at **companiesoffice.govt.nz/disclose**

In this document:

- 'you' and 'your' means you and any other persons who are or become investors in Private Wealth Series
- 'we', 'us', 'our' and BNZISL refer to BNZ Investment Services Limited, the manager of Private Wealth Series.

This information is provided as a guide only and is current as at the date of this document. It is not intended as a replacement for legal, tax or financial advice. This information is subject to changes to the law and government policy, and changes to Private Wealth Series, from time to time.

Investments in Private Wealth Series are not bank deposits or other liabilities of Bank of New Zealand (BNZ) or any other member of the National Australia Bank Limited group. They are subject to investment risk, possible delays in repayment, possible loss of income and possible loss of principal invested. No person (including the New Zealand Government) guarantees (either fully or in part) the performance or returns of Private Wealth Series Funds or the repayment of capital. National Australia Bank Limited, the ultimate owner of BNZ, is not a registered bank in New Zealand but a licensed bank in Australia and is subject to the supervision of the Australian Prudential Regulation Authority.

1. More about fees and charges

There are other fees and expenses that may be incurred.

Fees and expenses of underlying funds

Where we invest in underlying funds (managed by us or by our underlying investment managers) the cost of these will be included in the estimated total annual fund charges stated in the Product Disclosure Statement. You do not pay twice and do not pay any additional fees. We will let you know if this changes.

Buy/Sell spread

Investing into or withdrawing from the Private Wealth Series Funds can cause a Fund to buy or sell investments. These investment transactions incur transaction costs. To make sure your transactions don't pass costs onto other investors, we apply a spread to the price relevant to your application or redemption. This spread is not paid to BNZISL and is retained by the Fund.

The spread ranges below reflect our current estimates of the transaction costs each Fund pays when it buys or sells investments. We expect these spreads to sit within the estimated ranges. However, the cost of buying or selling investments can change as market conditions change. Therefore, these spread ranges may increase or decrease at any time, without notice to you:

| Fund | Estimated buy spread range | Estimated sell spread range |
|-----------------------------------|----------------------------|-----------------------------|
| International Equity Fund | 0-0.20% | 0-0.20% |
| Australasian Equity Fund | 0-0.30% | 0-0.30% |
| International Fixed Interest Fund | 0-0.15% | 0-0.15% |
| NZ Fixed Interest Fund | 0-0.15% | 0-0.15% |
| Cash Fund | 0.000% | 0.000% |

The estimated spreads stated do not take into account minor variances that may occur due to decimal rounding.





Fee rebates

We, at our sole discretion, may choose to offer fee rebates to one or more investors in the Funds from time to time. The level of any fee rebates will be determined by us alone.

BNZISL determines the form of the fee rebate, which may be:

- a cash payment to a bank account nominated by an investor
- a cash payment to a bank account nominated by a custodial service
- a payment resulting in the issue of additional units to an investor or custodial service
- any other form as determined by BNZISL.

We may change the amount, frequency or form of any fee rebate at any time, including starting or stopping fee rebates for any investor at any time.

Basis of estimates for total annual fund charges

The annual fund charge for each of the Funds includes an estimate of the costs and expenses charged by the underlying investment funds into which the Funds invest.

Where relevant, these cost and expense estimates are based on either:

- the costs and expenses disclosed in the offer documents for the underlying investment fund
- verification from the relevant underlying investment manager.

➤ **Actual expenses may vary, and the total annual fund charges incurred in each financial year will be disclosed in the Fund Update for each Fund available at companiesoffice.govt.nz/disclose**

2. More about investment risk

All investments involve risk. Risk is the likelihood of not getting all your money back or getting a different return than you expect. In addition to the risks set out in Section 4 of the Product Disclosure Statement, there are other risks that may affect Private Wealth Series and the Funds. The table below is a summary of some of these other risks and how we seek to reduce or manage them.

| Risk | Description and how we manage risk |
|---|---|
| Credit risk | If the issuer of a bond or a registered bank doesn't pay what they owe to us, then a Fund's investment returns could be negatively impacted. For example, a Government or corporate debt issuer might fail to make interest or principal payments, or a registered bank might not pay interest or honour a withdrawal request. The Funds invest in a wide range of fixed interest investments, which primarily have an investment-grade credit rating, to manage or reduce this risk. |
| Legislative risk | New laws or changes to existing laws could have a significant impact on an investment in the Scheme (including its returns), or on how we manage the Scheme. For example, the Government may change the rules about the amount of Portfolio Investment Entity (PIE) tax payable (see also 'tax risk', below). We manage this risk by regularly communicating with our regulators and by monitoring legislative change, so we can keep you up to date. |
| Operational risk (including third party supplier risk) | The value of your investment in our Funds could drop, or you may not be able to withdraw your investment, if we, or anyone used by us to provide services, fail to do what we, or they agree to do. Examples could include system failures, fraud, default or business disruption. We have policies and procedures in place to reduce or manage this risk. |
| Tax risk | If any Fund lost its PIE status, it would be taxed at the corporate tax rate of 28% instead of the prescribed investor rates of individual investors. This could affect the returns to investors. We have policies and procedures in place to manage our compliance with the PIE tax rules. |
| Product risk | When we make changes to Private Wealth Series, they may negatively affect the value of your investment or change the risk profile of your Fund choices. For example, we may change the range of investments in a fund, the managers we use or the fees we charge. We only make changes to the Scheme after consulting with or providing notice to our Supervisor. |
| Suspension of payments | If we decide that paying withdrawals, or allowing switches for any Fund is not desirable, or would be prejudicial to the interests of investors in that Fund generally, then we may delay doing so. We would only do this in accordance with the law and the Governing Document. We can only suspend withdrawals or switches for up to 60 business days unless the Supervisor approves a longer period. We actively monitor our Funds to maintain a high enough level of liquidity (holding enough assets that can easily be turned into cash) to meet forecast withdrawals and reduce the chance of needing to suspend payments. |
| Wind up | <p>We may decide to wind up (stop providing) the Scheme or one or more of the Funds. If we decided to stop providing the Scheme or Fund, we would let you know. On wind up, you may:</p> <ul style="list-style-type: none"> • receive less than you have invested, depending on the performance of your investment • incur reasonable costs and fees as a result of the wind up. <p>No investments or withdrawals would be able to be made while the Scheme or Fund is in wind up.</p> |

3. More about your investment options

Each of the Funds that are available in the Private Wealth Series has a different mix of income and growth assets.

Growth assets generally have higher levels of risk with the potential for higher returns and include the following investments:

- Australasian equities
- International equities

Income assets generally have lower levels of risk and potential returns and include the following investments:

- Cash (on-call bank deposits)
- Cash equivalents (bank term deposits, bonds, bills and floating rate notes with a maximum term of 365 days)
- New Zealand and international fixed interest (bank term deposits and bonds with terms of more than 365 days).

From 31 January 2021, Cash equivalents will no longer include investment in bank term deposits.

4. How your investment is valued

Value of the Fund

The market value of each investment and the net asset values of the Scheme's Funds are calculated as set out in the Scheme's policies and Governing Document. The net asset value is the value of a Fund's assets less its liabilities.

The assets held by the Funds are generally valued each business day based on the last market prices (or unit prices) available for that day. Our Unit Pricing and Valuation Policy allows us to use alternative asset valuation methods, including asset valuation estimates, where the valuation of an investment asset is not readily available or not considered appropriate. This is very

infrequent, and we will discuss any alternative valuation method with the Supervisor before using it.

Understanding unit pricing

Calculating a unit price allows us to value your investment in a Fund. Each Fund's unit price is calculated by dividing the net asset value of that Fund by the number of units issued to investors. Unit prices are generally calculated each business day.

In rare circumstances a specific transaction (for example, a large transaction) may require us to adjust the unit price for that day. This allows us to pass on the costs incurred to those transacting.

5. Related parties and managing conflicts of interest

BNZ Investment Services Limited (BNZISL) is the Manager of the Scheme. It is a wholly owned subsidiary of the Bank of New Zealand (BNZ) which is ultimately owned by the National Australia Bank Limited.

Several related parties from the BNZ and the National Australia Bank Limited group of companies (NAB Group) provide their services to us and to the Scheme. These companies may also receive fees from us or the Scheme for these services.

BNZISL (and BNZ) have policies and procedures to identify and manage any conflicts of interest. The Conflict of Interest and Gifts Policy provides a framework for identifying, declaring, managing and monitoring conflicts of interest. These policies and procedures require Directors of BNZ companies and BNZ staff to:

- disclose conflicts of interest (including gifts)
- refrain from making investment decisions regarding financial products for which they, personally, have a conflict of interest.

We also must notify the Supervisor before we enter into any related party transactions and must carry out related party transactions in accordance with the terms of the Financial Markets Conduct Act 2013.

Managing people conflicts

BNZISL has directors, some of whom are senior executives of BNZ and may also be directors of other entities within the NAB Group. Directors of BNZISL and employees of BNZ may be investors in Private Wealth Series from time to time. Decisions made by directors or employees may be influenced by their investment in the Scheme, their other directorships, or both. This affects all Funds.

We manage this conflict by having strong policies and procedures (as set out in the section above) to identify and manage actual and perceived conflicts of interest.



Managing related company conflicts:

| Description of conflict of interest | Affected Funds | Why this may influence investment decisions and how we manage the conflict |
|--|-------------------|---|
| <p>Banking services: BNZ provides banking services to the Scheme, including transactional and foreign exchange services.</p> | <p>All Funds.</p> | <p>We may be influenced by our association with BNZ to use their banking services over other financial services.</p> <p>Where we use BNZ banking services, BNZ may receive commercial benefits and could pass on the cost of negative interest rates should they arise.</p> <p>Banking services are provided on a commercial arm's length basis.</p> |
| <p>BNZISL is part of the Bank of New Zealand which is owned by the NAB Group.</p> <p>Some assets of the Scheme are invested in underlying funds managed or issued by companies that are also part of the Bank of New Zealand or NAB Group.</p> | <p>All Funds.</p> | <p>We may be influenced by our association with other companies within the Bank of New Zealand or NAB Group to prefer funds operated by related parties over those operated by independent third parties.</p> <p>We manage this conflict by ensuring that any arrangement between us is on a commercial arm's length basis.</p> <p>Investments selected by us are chosen after a robust investment selection process. We select investments that we consider appropriately reflect the risk profile and investment strategy and objective of the relevant Fund and are consistent with our investment philosophy.</p> |

| Description of conflict of interest | Affected Funds | Why this may influence investment decisions and how we manage the conflict |
|---|----------------|--|
| <p>JANA Investment Advisers Pty Limited (JANA) provides asset consulting services to BNZISL regarding all asset classes in the Scheme and implemented consulting services regarding the Scheme's investment in international equities.</p> <p>JANA provides research and recommendations to BNZISL on the investment of Scheme assets, including underlying manager selection, portfolio construction and currency hedging.</p> <p>JANA also implements BNZISL's required approach in the International Equities asset class.</p> <p>JANA is minority owned (45%) by MLC Investments Ltd (MLC), which is currently part of the National Australia Bank Limited Group. IOOF Holdings Limited announced on 31 August 2020 that it has agreed with the National Australia Bank Limited Group to conditionally purchase MLC, including MLC's minority interest in JANA. The purchase will be completed on 30 June 2021 (subject to regulatory approvals).</p> | All Funds. | <p>We may be influenced by our association with other companies within the National Australia Bank Limited Group, or in which the National Australia Bank Limited Group has a financial interest, to engage them to provide services instead of independent third parties.</p> <p>We manage this conflict by ensuring that any arrangement between us is on a commercial arm's length basis.</p> <p>Investments selected by us are chosen after a robust investment selection process. We select investments that we consider appropriately reflect the risk profile and investment strategy and objective of the relevant Fund and are consistent with our investment philosophy.</p> |

6. The Governing Document made easy

Put simply, the Governing Document contains the rules governing the management and administration of Private Wealth Series. Both we (as Manager) and the Supervisor must meet (and continue to meet) our obligations under the Governing Document.

The Governing Document details things like:

- how the Funds have been established, including the rules around issue, withdrawal or switching of units
- how both we and the Supervisor are appointed (and removed or replaced), our powers, duties and functions, and how we are paid for our services
- rules governing the administrative aspects of the Scheme including meetings of investors and how the Funds are distributed if they are wound up.

➤ A copy of the Governing Document is available at companiesoffice.govt.nz/disclose



As part of our commitment to you, this document meets the WriteMark Plain Language Standard. The WriteMark is a quality mark awarded to documents that achieve a high standard of plain language.

