

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 KiwiSaver Scheme (Funds).

The risks described in this document should be read in conjunction with the specific risks set out in the Product Disclosure Statement (PDS) and with the specific risks (if any) set out in the most recent quarterly fund updates for the AMP KiwiSaver Scheme.



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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 contributions.

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 AMP KiwiSaver Scheme's Funds. Returns are not guaranteed and you may get more or less than the total amount contributed when you leave the AMP KiwiSaver Scheme.

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

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

How these risks relate to those covered by the PDS and the quarterly fund updates

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.

For all funds other than the AMP Default Fund or the Lifesteps Funds, the quarterly fund update will describe the specific risks (if there are any) for investing in that particular Fund that we are aware of that exist or that may arise which increase the risk to investors' returns, other than circumstances that are already reflected in the risk indicator for that Fund.

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 AMP KiwiSaver Scheme 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 invested in. 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 of 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 AMP KiwiSaver 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 AMP KiwiSaver 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 manage this risk in the single sector funds by investing across different investments within that asset class and for the diversified funds we manage this risk by investing across different asset classes as well as investing across different investments within each asset class. We regularly monitor and review the investment performance and investment options. We also utilise investment research and other tools to provide recommendations on underlying fund managers, where applicable.
	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.
Market 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 and quality of the property, market conditions, 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. The Funds have no direct investments subject to currency risk although some of their underlying investments may be subject to this risk.
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.
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.

Risk	Description of the risk
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. The underlying fund managers analyse counterparty creditworthiness by undergoing a due diligence process when selecting counterparties to transact with.
Derivative risk	<p>The Funds and the underlying funds that the Funds invest into may use derivatives for the purpose of risk management (particularly in managing market and currency risk), performance enhancement or to optimise investment strategy implementation. A derivative is a financial contract where the value is dependent on, or derived from, one or more underlying assets, such as equities, bonds, currency or cash or another reference item.</p> <p>The performance of derivatives will vary in part depending on movements in underlying variables, such as interest and foreign exchange rates, and the amount of the derivatives relative to underlying investments.</p> <p>A high degree of leverage is typical for trading in derivative instruments. As a result, a relatively small price movement in any underlying security of a derivative contract may result in substantial gains or losses.</p>

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 do we mitigate or manage these risks?
Operational risk	The risk of a technological, process, or other failure affecting the AMP KiwiSaver Scheme's operations or the financial markets in general.	Any risk of technological failure could impact your returns or ability to withdraw from the AMP KiwiSaver Scheme's 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 AMP KiwiSaver Scheme is affected by future changes to tax, superannuation, KiwiSaver or other legislation.	These changes could affect the AMP KiwiSaver Scheme's investments by impacting on the operation of the AMP KiwiSaver Scheme, returns and benefits available. In particular, a change to the KiwiSaver Act may affect minimum contribution rates, the level of Member Tax Credits, withdrawal options (including first home withdrawals) or the ability to opt out of KiwiSaver.	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 AMP KiwiSaver 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 AMP KiwiSaver 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 widely held superannuation scheme taxed at a flat rate of 28%, rather than at your own prescribed investor rate.	A loss of PIE tax status for the AMP KiwiSaver 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, transfers or switches	There is a risk that we may defer withdrawals, transfers from the Scheme 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, transfer or switch earlier would be imprudent or impracticable.	Any such deferral will restrict your ability to withdraw, transfer to another KiwiSaver scheme or switch between Funds.	We actively monitor the underlying funds into which the AMP KiwiSaver Scheme Funds invest in so that we are aware of any changes and we can change the underlying funds we invest in at any time.

Risk	Description	Impact of the risk	How do we mitigate or manage these risks?
Insolvency risk	The risk that the AMP KiwiSaver 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 AMP KiwiSaver Scheme becomes insolvent then you may not recover the full amount of your investment in the AMP KiwiSaver 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 the Funds in the AMP KiwiSaver Scheme primarily invest in liquid assets.
Scheme liquidity risk	The risk that the AMP KiwiSaver Scheme cannot meet payments on time. This risk arises where there is a mismatch between the maturity profile of investments and the amounts required to meet withdrawal requests.	Such liquidity risk would restrict your ability to withdraw, transfer to another scheme or switch between Funds.	We mitigate this risk by ensuring that the Funds in the AMP KiwiSaver 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. If there are insufficient assets in the Fund to repay the loan, the assets of other Funds in the AMP KiwiSaver Scheme could be used to meet the repayment.	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 AMP KiwiSaver Scheme, which are designed to enable investors to invest into particular asset classes or mixes of asset classes. However, the assets of the AMP KiwiSaver 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 AMP KiwiSaver 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 or quarterly fund update for a Fund.

Risk	Description	Impact of the risk	How do we mitigate or manage these risks?
Fund of funds risk	The AMP KiwiSaver Scheme Funds invest in other funds. An underlying fund manager of a Fund may close its investment fund without notice, or on limited notice, and this may result in investments being held in cash, pending the replacement of the underlying fund manager. Similarly, an underlying fund manager may close its investment fund to new applications, resulting in investments also being held in cash. This risk may affect all the Funds.	The decisions made by the underlying fund managers (for example, the underlying fund managers deciding to suspend or defer withdrawal requests in certain circumstances) will have an impact on your ability to withdraw, transfer to another KiwiSaver scheme or switch between Funds. Any risk of technological failure could impact your returns or ability to withdraw from the AMP KiwiSaver Scheme's Funds.	AMP monitors and reviews the investment performance, compliance and contractual arrangement of the underlying fund managers quarterly. When selecting an underlying fund manager, AMP undergoes a due diligence and approval process. We also utilise investment research and other tools to provide recommendations on underlying fund managers, where applicable.
Service provider risk	<p>The risk that if any of the parties involved in the operation of the AMP KiwiSaver Scheme (including the Supervisor, AMP, AMP Services (NZ) Limited (AMP Services) and underlying administration or fund managers) fail to perform their obligations, it could adversely affect investors of the AMP KiwiSaver Scheme. AMP Services is, and AMP Capital Investors (New Zealand) Limited (one of the underlying fund managers) (AMP Capital) currently is, a related party of ours*.</p> <p>In addition, employers are responsible for collecting contributions from investors and passing them to Inland Revenue who will pass them to us, together with any employer contributions. There is a risk that an employer will fail to pass these contributions on.</p>	<p>Any failure or non-performance by AMP Services or AMP Capital could have an adverse effect on the AMP KiwiSaver Scheme and your ability to make a withdrawal. In addition, as AMP Services is, and AMP Capital currently is, a related company of AMP, any issue affecting their ability to perform functions may also affect us.</p> <p>If an employer fails to pass contributions on to us, it could adversely affect some or all of the investors employed by that employer.</p>	AMP actively monitors and reviews the performance of those that are involved in providing the product (including related entities) to ensure compliance with contractual arrangements.

*AMP Group is in the process of separating its New Zealand wealth management and advice businesses, which includes the Manager, into a standalone business unit. This will not include AMP Capital Investors (New Zealand) Limited (AMP Capital) which operates independently in New Zealand. Existing arrangements with AMP Capital are intended to continue for the immediate future. AMP Group has deferred consideration of a potential initial public offering (IPO) of its New Zealand wealth management and advice businesses until the separation process has been completed. Any IPO would be subject to market conditions and receipt of regulatory approvals. AMP Group has also agreed to sell its Australian and New Zealand wealth protection and mature businesses (life insurance business) to Resolution Life Australia Pty Ltd (Resolution Life), subject to regulatory approvals, with an expected completion in the second half of 2019.

Glossary

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

AMP Capital means AMP Capital Investors (New Zealand) Limited, an underlying fund manager of the Scheme and currently a related party of AMP.

AMP Services means AMP Services (NZ) Limited, the administration manager of the Scheme and a related party of AMP.

Fund means an investment fund established in the AMP KiwiSaver Scheme.

PDS means the Product Disclosure Statement for the Scheme.

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

PIR means Prescribed Investor Rate.

Quarterly fund update means a quarterly fund update prepared for an investment option within the Scheme.

Scheme means the AMP KiwiSaver Scheme.

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

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Want to know more?

For more information about the Scheme, please see the Scheme's current PDS and most recent quarterly fund updates at amp.co.nz/kiwisaver or contact us on 0800 AMP KIWI (0800 267 5494) or talk to your Adviser today.

Your Adviser's disclosure statement is available from your Adviser on request and free of charge.