



UBT Invest NZ Funds

Other Material Information

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Introduction

This is an important document in relation to your investment in the UBT Invest NZ Funds and should be read together with the Product Disclosure Statement ('PDS'), the Statement of Investment Policies and Objectives ('SIPO') and other documents held on the register at <https://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.

In this Document, 'you' or 'your' refers to a person or entity that invests in the UBT Invest NZ Retail Fund (the 'Fund'). 'We', 'us', 'our' or 'IIS' refers to Implemented Investment Solutions Limited as the Manager of the UBT Invest NZ 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 UBT Invest NZ Funds ('Governing Document')), unless they are otherwise defined in this Document.

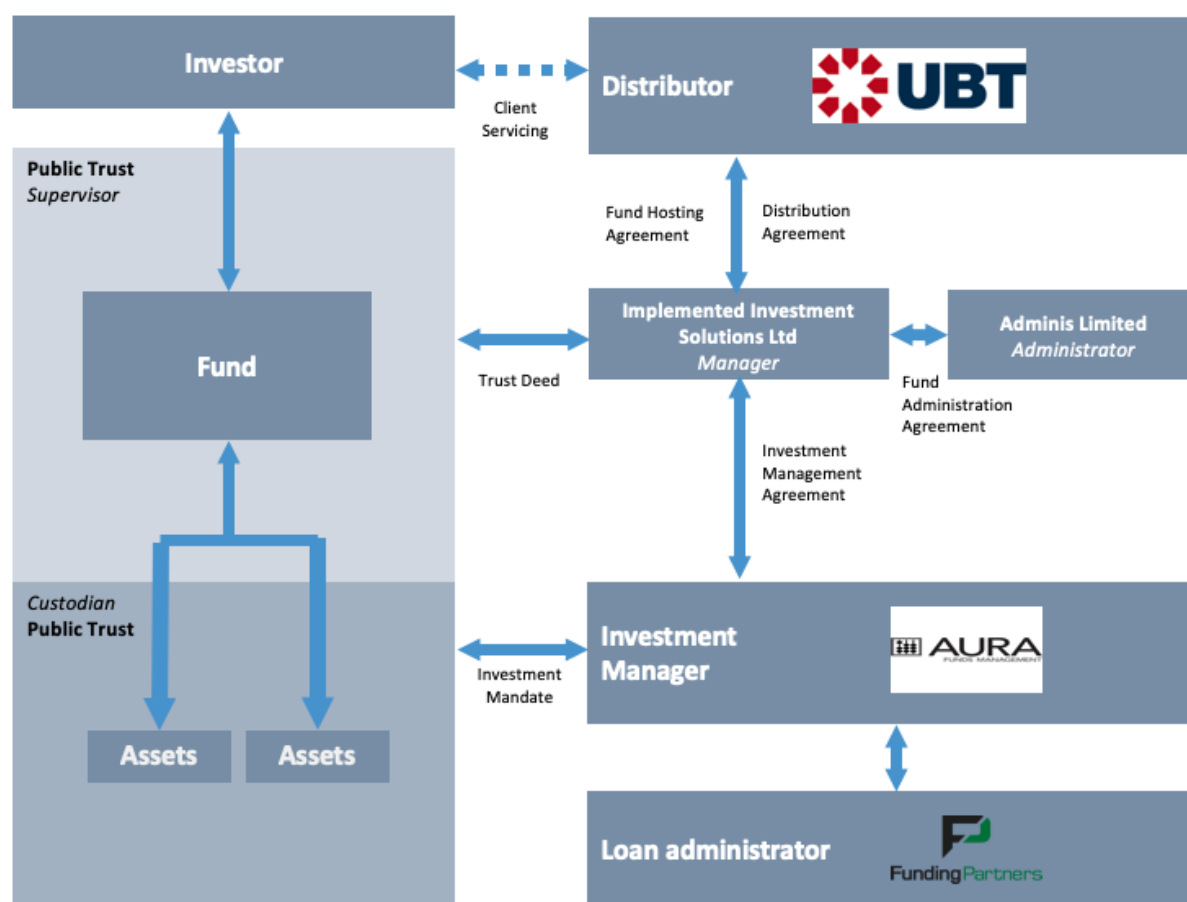
Other information on the Fund

This document relates to the offer of Units in the UBT Invest NZ Retail Fund ('Fund').

The Fund is constituted within a managed investment scheme called the 'UBT Invest NZ Funds', registered scheme number SCH12865. The Scheme is governed by the Trust Deed dated 1 December 2016, the Scheme Establishment Deed dated 16 December 2019, and the Fund Establishment Deed dated 16 December 2019 (together the 'Governing Document' for the Scheme). The Fund invests in accordance with its statement of investment policy and objectives ('SIPO') dated 25 June 2020. You can get an electronic copy of the Governing Document and SIPO from the scheme register on the Disclose website <https://disclose-register.companiesoffice.govt.nz>.

Other information on the parties involved

The diagram below summarises the parties involved with the Fund



Manager

IIS is a fund management company specialising in establishing and managing New Zealand-domiciled Funds. With a deep understanding of New Zealand's investment management industry, IIS works with both local and global investment managers to enable investors to access these specialist managers' investment expertise within Funds and solutions that have been tailored for New Zealand's tax and legislative environment.

IIS was granted a licence to act as the manager of a registered scheme under the FMC Act by the Financial Markets Authority ('FMA') on 25 August 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 IIS are available at www.companiesoffice.govt.nz/companies. This information may change from time to time without notice to you.

Investment Advisor and Distributor

UBT Marketing Pty Ltd ('UBTM') is the Investment Advisor and Distributor for the Fund. Information on UBTM can be found at <http://www.universalbusinessteam.com/>.

UBTM defines the Fund's investment mandate and selects an appropriate investment manager(s) for that mandate. In addition, UBTM reviews the mandate and the investment manager(s) performance and provides promotion and distribution support to the Fund.

Investment Manager

The current Investment Manager for the Fund is Aura Funds Management Pty Ltd ('Aura'). Further information on Aura, including information on Aura's directors and senior management, may be found at <https://www.aura.co/our-service/aura-funds>.

Aura is responsible for investing the assets of the Fund in compliance with investment guidelines agreed between the Manager and the Investment Manager from time to time. The investment guidelines are set to ensure the Fund remain invested within limits documented in the SIPO.

Aura have established an Investment and Credit Committee for the Fund to:

- oversee the investment and credit related risks to ensure that exposure to these risks remains within the Investment and Credit Committee's risk appetite and is generally consistent with the risk appetite of investors;
- maintain an appropriate Lending and Credit Policy;
- assist the Supervisor in its investment governance including developing, selecting, managing and monitoring investments and investment strategies consistent with the Lending and Credit Policy; and
- recommend investment related information for disclosure to investors.

The Investment and Credit Committee makes recommendations to the Manager of the Fund on:

- changes to the governance policies, including the investment approach, philosophy and/or beliefs; and
- material changes to the Investment and Credit Committee charter and the agreed investment process including appropriate risk and return objectives.

The Investment and Credit Committee has authority and responsibility to:

- conduct quarterly asset allocation reviews and set the target portfolios for model portfolios;
- conduct appropriate stress and scenario testing of model portfolios; and
- conduct monthly market comparisons on term deposit rates and borrower rates.

The Investment and Credit Committee is specifically charged with:

- setting investor monthly distribution rates;
- setting monthly borrower interest rates;
- monitoring investment performance;
- monitoring the fund liquidity;
- monitoring the fund risk management;
- monitoring the loan servicing and management;
- lending decisions for specific loans that fall outside of the investment policy following the annual review; and
- setting investment risk parameters for the Fund.

The membership of the Investment and Credit Committee is to be determined by Aura. The Investment and Credit Committee is made up of the following members:

Name	Details
Angela Ashton	Independent Chair
Brett Craig	Aura delegate and Portfolio Manager for the Fund
Allan Savins	Better Choice delegate and GM of Better Choice
Kevin Dunlop	UBT delegate
Eric Thorncroft	UBT delegate

The Investment and Credit Committee also provides these services to a similar managed investment fund in Australia, the UBT Invest Australian Retail Credit Fund. The Investment and Credit Committee may, as required from time to time, co-opt New Zealand based representatives to report on matters relating to the Fund. Co-opted members will not have voting rights.

The following tests were applied to the selection of the independent Chair:

- Not an existing borrower.
- Not an existing investor.
- Over 10 years asset management consulting experience.

The Investment and Credit Committee will make decisions on these matters which will be implemented by Aura as the Investment Manager. However in the event there is a tied vote because a member has had to leave the room in the voting process due to conflicts of interest then the final vote will go to the Independent Chair. In the event the Independent Chair cannot be present and a chair person is elected, then no person will have a casting vote and a decision will be made by a majority of members.

Loan Administrator

The current Loan Administrator for the Fund is Funding Partners Administration Limited ('Funding Partners'). Further information on Funding Partners, including information on their directors and senior management, may be found at <http://www.fpl.co.nz/>.

Funding Partners is responsible for assessing loan applications against the Lending and Credit Policy, and recommending to Aura whether loan applications should be approved, rejected or escalated to the Investment and Credit Committee for review. Funding Partners will also be responsible for managing the documentation of loans made by the Fund, monitoring and reporting on all money paid by borrowers on those loans, and monitoring any credit outstanding under the loan agreements and providing recommendations to Aura in respect of arrangements with the borrower.

The Lending and Credit Policy specifies the types of loans the Fund is able to make, as well specifying loan limits and credit criteria that any potential borrower will be assessed against. The Lending and Credit Policy focuses on two key risks, firstly the ability of the applicant to continue as a going concern and to meet their financial commitments, and secondly that the specific transaction is of an acceptable type and structure and has been properly authorised. Specific information regarding the Lending and Credit Policy is available in the SIPO.

Supervisor

The Supervisor of the Fund is Public Trust. Public Trust is independent of us.

Public Trust is a statutory corporation and Crown entity established and constituted in New Zealand on 1 March 2002 under the Public Trust Act 2001.

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

- Acting on behalf of the Scheme's investors in relation to IIS and any contravention of IIS's issuer obligations;
- Supervising the performance by IIS of its functions and the financial position of IIS 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 a supervisor in respect of managed Fund such as this Scheme for a term expiring on 16 January 2023. Full details of the current licence can be found on <http://www.publictrust.co.nz/corporate-trustee-services/who-are-we>.

Custodian

Public Trust is the Custodian of the Fund's assets.

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

Fund Administrator

IIS has appointed Adminis Limited ('Adminis') as the Fund Administrator for the Fund. Key roles undertaken by Adminis include:

- Registry services. An electronic register for the Fund is kept at Adminis.
- Unit pricing.
- Fund accounting.

Other

Other key parties currently employed by IIS are:

Party	Role
PricewaterhouseCoopers	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:

- On 1 December 2016, we and Public Trust entered into the Master Trust Deed for the Establishment of Managed Investment Schemes. That deed appointed the Supervisor as supervisor, and the Manager as manager of any schemes established under that deed.
- On 16 December 2019, we and Public Trust entered into the Scheme Establishment Deed for the UBT Invest NZ Funds. The deed established the UBT Invest NZ Funds scheme.
- On 16 December 2019, we and Public Trust entered into Fund Establishment Deed for the UBT Invest NZ Retail Fund.
- On 1 December 2016, we entered into a Supervisor Reporting Agreement with the Supervisor that sets out the arrangements between us and the Supervisor in relation to certain operational matters relating to certain Funds. The Supervisor Reporting Agreement specifies the reporting and information to be provided by us to the Supervisor, the requirements for operating the Fund's bank accounts and record-keeping. Nothing in the Supervisor Reporting Agreement limits or alters the powers of the Supervisor or our duties under the Governing Document and applicable law.
- On 18 December 2019, we and Adminis entered into an Administration Agreement under which Implemented Investment Solutions Limited delegated certain administrative functions in relation to certain Funds to Adminis, including registry, fund accounting and unit pricing.
- On 9 April 2020, we entered into an Investment Management Agreement with Aura. Under the agreement, Aura is responsible for investment of the assets of the Fund under normal market terms.
- On 15 April 2020, Aura entered into an Loan Servicing Agreement with Funding Partners. Under the agreement, Funding Partners is responsible for servicing the loan portfolio of the Fund under normal market terms.
- On 5 December 2019, we and UBTM entered into a Fund Hosting Agreement formalising the framework within which IIS is engaged by UBTM to establish and manage the Scheme. Under this agreement IIS is responsible for issuing, administering, and managing the Scheme, with UBTM being appointed as the Investment Advisor and Distributor of the Fund. The agreement covers broadly the investment management, administration and distribution of the Scheme and the Fund, branding, advertising and the preparation of offer documents.

Disclosure of Interests

A conflict of interest in relation to a fund means a financial or any other interest, a relationship, or any other association of ours, of the investment manager for the Scheme, or of a relevant person that would, or could reasonably be expected to, materially influence our investment decisions or the investment decisions of the investment manager (or both) in respect of a fund.

Below is a summary of conflicts of interest in relation to the Fund that currently exist or may arise in the future:

<i>Conflict of interest</i>	<i>How the conflict of interest could influence our or Aura's investment decisions</i>	<i>How the conflict of interest is managed</i>
A member of the Investment and Credit Committee is associated, from a personal or business perspective, with a potential borrower from the Fund for which the Investment and Credit Committee need to consider an application that falls outside the Lending and Credit Policy	The member could have the ability to influence the decision of the Investment and Credit Committee as to whether the loan application is accepted.	The conflicted member of the Investment and Credit Committee will not participate in the vote as to whether the loan application is approved.

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 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 Fund to Aura, 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.
- Aura, as investment manager of the 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. We have a Conflicts of Interest and Related Party Transactions Policy and Procedure ('Policy') which extends the statutory duties imposed on us to our staff members.

The Policy defines what a conflict of interest is and provides for reporting and disclosure of conflicts of interest to the Board, Manager and Directors.

Explanation of Key Terms

The information below is a summary of the key provisions of the Governing Document. For a detailed description of the Fund's governing terms, please refer to the Governing Document held on the scheme register at <https://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 Product Disclosure Statement ('PDS').

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. The Issue Price of a Unit is generally determined on last Business Day of the month ('Valuation Day').

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 of the Fund on a Valuation Day, 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 Day, Units will be issued at the Issue Price determined as at the end of the following Valuation Day.

The cut-off time for the receipt of applications and cleared funds for the Fund is currently 12pm New Zealand time on the second to last business day of the month.

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 and individual action fees (early withdrawal fees)

Buy or sell spreads can be charged on an investor's contribution to or withdrawal from a fund. The amount charged is retained in the fund to pay the costs of buying or selling fund assets. Charging a buy or sell spread ensures that transaction costs are borne by the individual investor initiating the cashflow, rather than being borne by other investors in the fund. Where a fund does not have a spread this will have the effect of decreasing performance over time for all investors.

There are currently no buy/sell spreads charged within the UBT Invest NZ Funds.

However, we reserve the right to charge an early withdrawal fee of 0.8% of the amount withdrawn if a request is made to withdraw from the Fund on an earlier Valuation Day that falls before the Valuation Day of the second full month following receipt of the withdrawal request. This fee is payable by individual investors and does not form part of the Total Annual Fund Charges. Individual action fees are deducted from the amount paid back to investors and retained as an asset of the Fund.

Annual fund charges

The estimated annual Fund charges (which includes any management fees) are outlined in the PDS for the Fund. The Fund charges include fees and costs charged by the manager, supervisor, custodian, loan administrator, fund 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, and 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 Fund charges are calculated and accrued monthly and reflected in the Unit price. The Fund charges are paid monthly in arrears. We may waive or decrease the Fund charges 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 Fund charges above 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 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 Administration Manager. There is no limit on these expenses, which will be shown in the Fund's financial statements.

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

Distributions

We expect to make monthly distributions for the UBT Invest NZ Retail Fund. We expect to pay distributions within 10 business days. You can elect for your distributions to be reinvested in the Fund. If you do not make a distribution election the default option is reinvestment.

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 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 12.

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 18).

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 1,000 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

You may request redemption of some or all of your investment at any time.

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 on each Valuation Day for the Fund. An Investors' Redemption Request will be actioned on the Valuation Day of the second full month following receipt of your request. The cut-off time for the receipt of redemption requests for the Fund is currently 12pm New Zealand time on the second to last business day of the month.

Early withdrawals may be permitted, but requests for an earlier withdrawal must be received by the 15th day of the month in order to be actioned on the Valuation Day at the end of the month in which the request is received. An early withdrawal fee may be payable to us should you wish for your withdrawal to be processed on an earlier Valuation Day (we retain full discretion as to whether to allow a withdrawal on an earlier Valuation Day, and if so, whether an early withdrawal fee will be payable). Requests for an early withdrawal must be submitted to us in writing.

The payment of withdrawal proceeds will normally be made within 10 business days of the Valuation Day on which the Units are redeemed.

Redemption examples:

Standard withdrawal: John holds 10,000 units in the Fund. On 27 May 2020 John submits a request to redeem 5,000 units. The Valuation Day of the second full month following receipt of John's request is 31 July 2020. The proceeds from John's redemption request will then normally be paid within 10 business days of the Valuation Day on which the units are redeemed, meaning John should receive his redemption proceeds by Friday 21 August 2020.

Early withdrawal: Trevor holds 50,000 units in the Fund. On 10 June 2020 Trevor submits an early withdrawal request to redeem 10,000 units. The early withdrawal is approved by the Manager, and is processed with an effective Valuation Day of 30 June 2020. The proceeds from Trevor's redemption request will then normally be paid within 10 business days of the Valuation Day on which the units are redeemed, meaning Trevor should receive his redemption proceeds by Tuesday 14 July 2020. An early withdrawal fee of 0.8% of the withdrawn amount is deducted from the withdrawal proceeds and retained as an asset of the Fund.

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 the 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 where we in good faith form the opinion that it is not practicable, or would be materially prejudicial to the interests of the Fund 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 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 a 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 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 a 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 Entity ('PIE Fund').

As a Multi-Rate PIE, 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 pays 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 Fund and how they are taxed on the Inland Revenue website (www.ird.govt.nz). Search for 'PIE for Investors'.

Foreign residents

The Fund has elected to be a Foreign Investment variable-rate PIE. This means that lower PIRs will apply to eligible foreign residents who have sufficiently completed and provided to us a notified foreign investor form (available on request). The lower rates are as follows:

All non-New Zealand sourced income, fully imputed dividends, income from New Zealand based financial arrangements excluding interest covered below	0%
New Zealand interest income	1.44%
New Zealand dividend income, to the extent it is un-imputed, is taxed based on whether the investor is resident in a country with which New Zealand hold a double tax agreement ("DTA") that reduces the dividend withholding tax rate below the standard 30%.	15% (non-standard); 30% (standard)
Other New Zealand sourced income (if any)	28%

Withholding tax

The Fund may invest in offshore managed investment schemes (e.g. Australian Unit Trusts). The offshore managed investment schemes may have foreign withholding tax deducted from income that they receive. However, withholding tax on income received by the offshore managed investment schemes is not recognised under New Zealand tax law and therefore cannot be utilised against any PIE tax liability related to investments in the Fund.

General

Investors must advise IIS 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 IIS 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 IIS 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.

Other Risks

The PDS for the Fund describes the key risks associated with investments in the Fund. Further information is provided below. Different investments have different types of risks. We recommend that you seek professional advice before investing in the Fund to understand what risks are associated with this investment, especially in relation to your circumstances.

NZ fixed interest risk: The Fund invests predominantly in fixed interest securities denominated in New Zealand dollars. Therefore investors are exposed to the risks associated with only having exposure to this economy, market and currency. Individual Investors can look to manage this risk by including other investments in their portfolio.

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

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. IIS, 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. Aura, 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. IIS holds regular meetings with investment managers to ensure that the underlying investments and investment process remains consistent with the investment objectives of the Fund.

Market risk: 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. To the extent possible, Aura, as Investment Manager, aims to reduce this risk by continuously engaging in research and analysis to form a view of the market.

Risk rating methodology risk: The risk rating methodology is calculated using both static (debt-service coverage ratio ('DSCR') and loan to value ratio ('LVR')) and dynamic (days in arrears and loss experience) data. The static data is collected at the time a loan is approved, and updated at the time a loan review (if any) is carried out. The dynamic data is determined whenever the risk rating score is recalculated. The combination of both static and dynamic data, and in particular the use of static data, may mean that the risk rating score may not entirely reflect the risk rating of a loan, particular if there has been a deterioration in the borrowers DSCR or LVR that has not yet been captured as part of a loan review.

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 possible 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).

No person, including the Supervisor or the Manager or their respective directors and shareholders guarantees the performance of the Fund, any particular rate of return, or the return of an Investor's capital. An Investor's investment is not secured against any assets.

Risk rating methodology

The Fund uses a range of metrics to determine a risk rating for each loan in the portfolio, and for the portfolio of loans in aggregate. The metrics used by the Fund to calculate the risk rating are:

- DSCR – DSCR measures the ability of a company to use its operating income to repay all its debt obligations, including repayment of principal and interest on both short-term and long-term debt.
- LVR – LVR is the amount of a loan compared to the value of the property against which the loan is secured. The table below reflects the different market segments (residential, commercial and land) and the differentiated risk pertaining to each segment. Note this metric is only used when LVR is applicable/assessable which will not be the case for all loans in the portfolio.
- Days in arrears – Arrears are the part of a debt that is overdue after missing one or more required payments.
- Loss experience – Loss experience is the percentage of a loan that has been written-down following Aura's decision that, in their view, that proportion of the loan is unlikely to be recovered from the borrower.

For each metric, a score will be derived, as per the following scoring methodology:

- DSCR

<u>DSCR</u>	<u>DSCR score</u>
Greater than or equal to 1.5 or sufficient Interest Provision held	1
Greater than or equal to 1.25 but less than 1.5	2
Greater than or equal to 1 but less than 1.25	3
Less than 1	4

- LVR (if applicable)

<u>LVR - Residential</u>	<u>LVR - Commercial</u>	<u>LVR - Land</u>	<u>LVR Score</u>
0-70%	0-60%	0-50%	1
70-80%	60-70%	50-60%	2
80-90%	70-75%	60-70%	3
90-100%	75-100%	70-100%	4

- Days in arrears

<u>Days in arrears</u>	<u>Days in arrears score</u>
No arrears	1
Up to 15 days in arrears	2
Greater than 15 days and up to 30 days in arrears	3
More than 30 days in arrears	4

- Loss experience

<u>Loss experience</u>	<u>Loss experience score</u>
No loss experience	1
Loss experience greater than 0% but less than 10%	2
Loss experience greater than or equal to 10% but less than 20%	3
Loss experience greater than or equal to 20%	4

Each of the risk scores are then weighted as per the table below to derive an overall risk rating score for each loan in the portfolio:

<u>Metric</u>	<u>Weighting</u>	
	<u>If LVR applicable</u>	<u>If LVR not applicable</u>
DSCR	25%	33.3%
LVR (if applicable)	25%	0%
Arrears	25%	33.3%
Loss experience	25%	33.3%

The risk rating scores for all loans in the portfolio are then aggregated, with each individual risk score weighted according to the size of the loan relative to the size of the total portfolio of loans.

Risk rating calculation example:

For the purposes of this example there are only two borrowers from the Fund.

Borrower one: John's Mowing Services Limited applies for a loan from the Fund and is backed by a personal guarantee. The loan application is approved. John's Mowing Services has Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA) of \$350,000 and the principal and interest of the loan (which is the only loan that John's Mowing Service has) is \$200,000. This calculates to a DSCR of 1.75, which equates to a DSCR score of 1. The loan to John's Mowing Service is not secured against physical property, therefore LVR is not applicable. At the time the risk rating scores were calculated, the loan to John's Mowing Service had no arrears and there had been no losses on the loan (equating to risk scores of 1 for both of these metrics).

At the time of calculation, the risk rating score for John's Mowing Service was:

- $DSCR = 1 \times 33.3\% = 0.33$
- LVR = N/A
- $Days\ in\ arrears = 1 \times 33.3\% = 0.33$
- $Loss\ experience = 1 \times 33.3\% = 0.33$
- Overall risk rating = 1

Borrower two: ABC Builders Limited applies for a loan from the Fund which is secured against property owned by ABC Builders. The loan application is approved. ABC Builders has Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA) of \$600,000 and the principal and interest of the loan (which is the only loan that ABC Builders Limited has) is \$500,000. This calculates to a DSCR of 1.2, which equates to a DSCR score of 3. The value of the building against which the loan is secured is \$1.7m. The property type is a commercial building. This calculates to a LVR of 29%, which equates to an LVR score of 1. At the time the risk rating

scores were calculated, ABC Builders was 10 days in arrears on its interest payments, equating to a days in arrears score of 2, but at that point in time there had been no losses on the loan (equating to a risk score of 1 for loss experience).

At the time of calculation, the risk rating score for John's Mowing Service was:

- $DSCR = 3 \times 25\% = 0.75$
- $LVR = 1 \times 25\% = 0.25$
- $\text{Days in arrears} = 2 \times 25\% = 0.5$
- $\text{Loss experience} = 1 \times 25\% = 0.25$
- Overall risk rating = 1.75

Aggregate risk rating:

Combining the risk ratings of both John's Mowing Services and ABC Builders, weighted according to the size of each of their respective loans relative to the size of the total portfolio of loans, provides the following aggregate (or loan portfolio level) risk rating:

Total loan portfolio size:	$\$200,000 + \$500,000 = \$700,000$
Proportionate share of loan portfolio:	
• John's Mowing Services	$\$200,000 / \$700,000 = 28.6\%$
• ABC Builders	$\$500,000 / \$700,000 = 71.4\%$
Weighted aggregate risk score	$(28.6\% \times 1) + (71.4\% \times 1.75) = 1.536$

The risk rating for each loan and the aggregate portfolio of loans at the time of calculation is set out below:

- John's Mowing Service 1
- ABC Builders 1.75
- Aggregate loan portfolio 1.54

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, be asked to 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

There is no market index described in the SIPO. The Fund is an exempt fund under the Financial Markets Conduct (Market Index) Exemption Notice 2018, as there is no comparable market or peer group index against which to measure the returns of the Fund.

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 the Fund, or the performance of the Fund.