Simplicity
KiwiSaver Scheme

Other Material Information

3 May 2019

Simplicity NZ Limited

Simplicity

The nonprofit KiwiSaver plan

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1. General

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 **legislation.govt.nz**.

In this Document, 'you' or 'your' means an investor in the Funds. 'We', 'us', 'our' or 'the Manager' refers to Simplicity NZ Limited as the manager of the Simplicity KiwiSaver Scheme (**Scheme**), and the funds set out in Section 2, 'Funds' below.

A Product Disclosure Statement (**PDS**) and Statement of Investment Policy and Objectives (**SIPO**) for the offer of Units in the Funds are also available. You must be given a copy of the relevant PDS before we can accept your application to invest in the Scheme.

2. Funds

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

Fund	Date Established	Product Disclosure Statement
Simplicity KiwiSaver Growth Fund	10/06/2016	Simplicity KiwiSaver PDS
Simplicity KiwiSaver Balanced Fund	10/06/2016	Simplicity KiwiSaver PDS
Simplicity KiwiSaver Conservative Fund	10/06/2016	Simplicity KiwiSaver PDS
Simplicity KiwiSaver Guaranteed Income Fund	21/09/2017	Simplicity KiwiSaver PDS

The Funds are investment options under a registered scheme called the "Simplicity KiwiSaver Scheme". You will be allocated Units in the Fund you select. The Scheme is governed by the Trust Deed dated 10 June 2016, and the Funds are invested in accordance with their SIPO. You can get an electronic copy of the Trust Deed and SIPO from the scheme register on the Disclose website **companiesoffice.govt.nz/disclose (Disclose).**

The value of Units held by you is reflected in the current Unit price. This is calculated daily by valuing each Fund's investments in accordance with the Trust Deed, and dividing that value by the number of Units on issue. See 'Valuation' on page 10.

3. Manager

The manager of the Funds is Simplicity NZ Limited. We are 100% owned by the Simplicity Charitable Trust, a registered charity whose objective is to benefit the people of New Zealand through charitable donations.

We were incorporated in New Zealand under the Companies Act 1993 on 27 May 2015 (Company number 5708207). We are a registered financial service provider (FSP number 465606).

We hold a licence to act as a managed investment scheme manager under the FMC Act.

Evidence of our licence is available at Financial Markets Authority's (FMA) website by clicking on fma.govt.nz/compliance/lists-and-registers/licensed-managed-investment-scheme-managers/.

Our functions

As the manager of the Funds, we:

- offer and issue Units,
- manage the Funds and their investments; and
- are responsible for administering the Scheme.

Our directors

Our directors and their biographies follow. Our directors and their details may change from time to time, without notice.

Joy Marslin

Joy has had an extensive career in wealth and private banking and is passionate about finding new and innovative solutions that balance profit with impact. In addition to her role with Simplicity, Joy has a basket of roles including Consultant, Head of Investor Relations with New Ground Capital, Board of Trustees Chair for the Auckland Foundation and independent director for Strategi Group. Joy's previous roles include Head of Private Wealth Management for Westpac and Head of Wealth for ANZ New Zealand.

Reuben Halper

Reuben is responsible for Google's business with New Zealand advertising agencies. Before relocating to New Zealand in late 2015 he spent the previous 6 years with Google UK, first as part of the Zoo, Google's internal creative think tank, then subsequently leading the global Unilever team responsible for working across Unilever's biggest brands.

Reuben has worn many hats in his career including strategist, Emmy-award winning TV producer, creative and production team leader as well as product manager. Across roles and industries his work has been recognised both internally and externally, including a D&AD award for creative work, Emmy awards for work in TV and digital as well as recognition in the form of a patent for breakthrough broadcast technology.

Shamubeel Eaqub

Shamubeel is an experienced economist, financial analyst and author. He has worked in various banks and consultancies in New Zealand and Australia.

He currently balances a portfolio of activities: consulting through Sense Partners, a boutique economic consultancy; various governance and advisory roles for charities, SMEs and CCOs; columnist for Fairfax and the Sunday Star Times.

He holds a BCOM(Hons) in Economics from Lincoln University and is also a Chartered Financial Analyst. He has authored several books – the most recent are Generation Rent and Growing Apart.

Shamubeel lives in Auckland with wife, Selena, and son, Haydn.

Mel Hewitson

A professional director with board memberships of Heritage Trustee Company, Ngāti Whātua Ōrākei Whai Maia, Foundation North, Centre for Social Impact and Auckland Foundation. She also Chairs the Nominating Committees for the Guardians of New Zealand Super Fund and Waikato-Tainui Group Investment Committee.

Mel brings relevant skills and alignment with Simplicity's commitment to investors' interests, developed from her former leadership roles at the Financial Markets Authority and investment management firms with strong fiduciary cultures.

She is a Chartered Member of the Institute of Directors, an Accredited Investment Fiduciary and has degrees in Business (Masters), Economics and Japanese.

Anna Tierney

A Chartered Accountant for twenty years in both the public and private sectors. She has a strong history in specialising in the areas of Fraud and Risk through her experience as a forensic accountant at the Serious Fraud Office and Ernst & Young.

Anna has also held an appointment with the Real Estate Agents Authority (REAA) as an original Member of the Complaints Assessment Committee, and has worked in London for Schroders and Morgan Stanley.

Sam Stubbs (Managing Director)

Sam was previously Chief Executive Officer of Tower Investments; at the time a default KiwiSaver provider. Sam's previous roles include Chief Executive Officer of Hanover Group and Executive Director of Goldman Sachs in both its London and Hong Kong offices.

The directors may change from time to time without notice to you.

Our Senior Managers

As Managing Director, Sam acts as a senior manager. Andrew Lance is also a senior manager. He has spent over 30 years working in financial markets in a variety of management roles for institutions such as Tower Investments, Fisher Funds and AMP.

Investment Managers

We contract out the investment management of the Funds' overseas assets to Vanguard Asset Management Limited (Vanguard). For more details, see **vanguardinvestments.com.au**.

New Zealand investments are primarily made by the Manager.

The Growth Fund has a limited (maximum 5%) investment in Icehouse Ventures Limited and funds managed by Icehouse Ventures Limited. Icehouse Ventures Limited is the investment arm of The Icehouse, which was established in 2001 to assist small to medium enterprises grow their businesses.

To see the range of permitted investments, please refer to the SIPO on simplicity.kiwi, or on the Disclose register.

Hedging of offshore investments to manage foreign exchange risks will be performed by Vanguard and by trading banks. Hedging services are provided through foreign exchange forward contracts. No gearing or leverage (buying assets with borrowed funds anticipating that borrowing costs will be less than profits) of the Funds and investment objectives is permitted through hedging instruments.

We are able to change investment managers at any time, without notice to you.

Administration Manager

Under the Management Agreement, we have contracted administration management of the Funds to MMC Limited (**Administration Manager**). The Administration Manager provides the following services;

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

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

4. Supervisor and custodian

Public Trust is the supervisor (**Supervisor**) of the Funds.

Functions

The Supervisor has the following functions:

- acting on behalf of members in relation to us, any matter connected to the Trust Deed or the terms of offer of the Units, any contravention or alleged contravention of our obligations as the issuer of the Units and any manager of the Funds, and any contravention or alleged contravention of the FMC Act, FMC Regulations and any other applicable legislation by any other person in connection with the Funds;
- supervising the performance by us of our functions as Manager of the Funds and our obligations as issuer of the Units (including compliance with the Trust Deed), and the financial position of us and the Scheme in respect of the Units to ascertain that it is adequate;
- holding the property of the Funds, or ensuring that property is held, in accordance with the FMC Act, FMC Regulations and any other applicable legislation; and
- performing or exercising any other functions, powers, and duties conferred or imposed on it by the FMC Act, the Financial Markets Supervisors Act 2011 (**FMS Act**) or the Trust Deed.

Custody

Custody of all investments, both domestic and overseas, is provided by Public Trust through its nominee entity, Simplicity Nominees Limited. No Scheme asset can be held by us.

Supervisor's Board members

The current Board members of the Public Trust can be viewed at **publictrust.co.nz/about-us/our-team/public-trust-board**

The Board members of the Supervisor and their addresses may change from time to time without notice to you. You can contact the Board members of the Supervisor at Level 9, 34 Shortland Street, PO Box 1598, Auckland 1140 or on 0800 371 471.

Supervisor's licence

The Supervisor has been granted a licence under section 16(1) of the FMS Act to act as a Supervisor of manager investment schemes.

A copy of the Supervisor's licence, including the conditions of the licence, can be obtained at the FMA's website **fma.govt.nz/compliance/lists-and- registers/licensed-supervisors**. All conditions and reporting obligations have been duly satisfied by the required dates. If you have any queries about the licence please contact the Supervisor in the first instance.

5. Manager and Supervisor's indemnity

Subject to the limits on indemnities under the FMC Act, both the Supervisor and us are indemnified out of the Funds 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 unless the holders of Units in all the Funds governed by the Trust Deed pass a special resolution releasing us or the Supervisor from such liability (as applicable).

6. Auditors and Other Advisers

Auditor

As at the date of this Document, KPMG is the auditor of the Funds and the Scheme. KPMG is a registered audit provider under section 87 of the Auditor Regulation Act 2011.

Other Advisers

Our solicitors are DLA Piper New Zealand.

7. Key Terms

The Trust Deed (also called a governing document) governs the Funds. The Trust Deed is available on **simplicity.kiwi** and on the Disclose register.

Changing the Trust Deed and SIPO

We are able to make changes to the Trust Deed and the SIPO in accordance with relevant law and the Trust Deed, with the prior approval of the Supervisor. We cannot change the Trust Deed where to do so would have a material adverse effect on members. Where required by relevant law or by the Trust Deed, we will notify you of material changes to either document.

Supervisor's Covenants

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

- act on behalf of members in relation to the Manager, our obligations under the FMC Act and the Trust Deed and breach of the FMC Act;
- supervise the management of the Scheme and the financial position of the Manager; 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 90 days' notice subject to the appointment of a new Supervisor and the transfer to the new Supervisor of the Assets of the Fund. Where the Supervisor retires, we have the power to appoint a new Supervisor. If we fail to do so, the members of the relevant Fund or Funds may do so by special resolution. Any supervisor must be licensed under the FMS Act.

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 Trust Deed and the FMC Act.

The Manager may (with the prior approval of the Supervisor) delegate all or any of the powers, authorities and discretions it can exercise under the Trust Deed. However, this ability to delegate does not affect the Manager's 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 Trust Deed and FMC Act obligations.

Powers relating to the PIE status of the Scheme

The Funds are a portfolio investment entity (**PIE**).

We have a wide range of discretions to operate each Fund as a PIE including:

- discretions relating to the calculation of tax;
- adjusting distributions to you 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, 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 Trust Deed. 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 under the Trust Deed, however none is anticipated.

Valuation

The Current Value of each Fund is calculated by us by taking the value of the Assets of the particular Fund and deducting any Liabilities, charges incurred in holding the Assets, any money held in respect of applications not yet accepted (or those which have been rejected) and any money held in respect of cancelled Units.

The Current Value of each Fund is calculated on each business day. In determining the value of the Assets of a Fund, we will rely on the current unit price of any other investment fund into which that Fund invests (as quoted, published or otherwise determined by it in the case of a Fund or by the manager of any such other investment fund) as the value of the Fund's investment in that other investment fund.

We may value a Fund's Assets more than once on any business day if special circumstances exist. In such cases, we are required to certify to the Supervisor that, in our reasonable opinion, special circumstances existed which require or justify more than one valuation of the assets on the relevant business day.

We will ascertain the Current Value of the Fund and the value of the Assets of each Fund on a consistently applied basis accepted as being appropriate by the Supervisor. We can alter that basis and the application, provided the Supervisor approves.

Guaranteed Income Fund

If you're investing in the Guaranteed Income Fund, there is currently a minimum investment amount of $20,000, and a maximum of $1 million.

The Guaranteed Income Fund makes a fortnightly payment to you (your **Retirement Income**) from your investment that will last the rest of your life, even if your original investment runs out. It invests your money and insures your Retirement Income with Lifetime Income Limited, an insurance company, licensed by the Reserve Bank of New Zealand. Some information, additional to that in the PDS is set out below regarding the Guaranteed Income Fund.

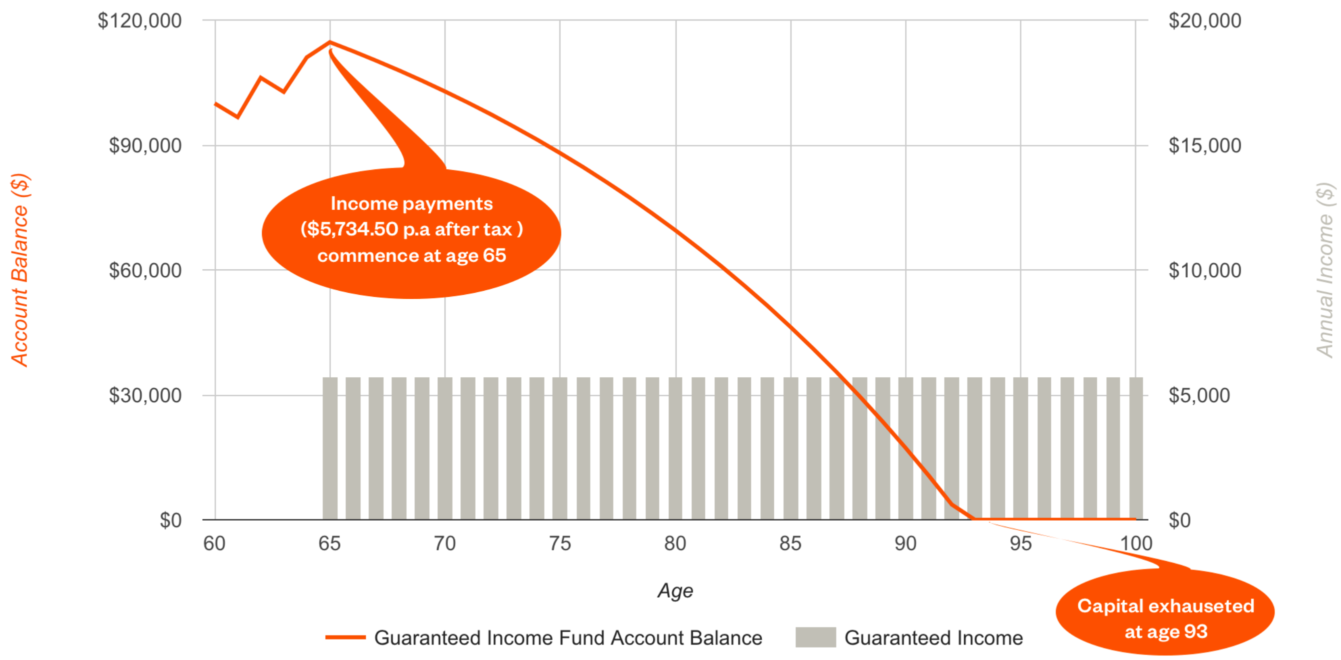
There are two phases to your Retirement Income:

Protected Income Phase	Insured Income Phase
Your Protected Income Phase begins on the date of the first payment of your Retirement Income and continues until your balance in the Guaranteed Income Fund falls to zero. Payments made during this phase are made by us from your investment.	Your Insured Income Phase begins on the date your balance in the Guaranteed Income Fund falls to zero to ensure you maintain your Retirement Income for life. Payments made during this phase are made by the insurer, Lifetime Income Limited.

The age you choose to start receiving your Retirement Income (and whether you have made any withdrawals) determines your **Payment Rate**, and the amount you'll receive fortnightly. Once you've chosen to start receiving your Retirement Income your Payment Rate won't change.

Example – How the Guaranteed Income Fund works

Peter is aged 60. He transfers his balance of $100,000 from another KiwiSaver scheme in to the Scheme and chooses to invest in the Guaranteed Income Fund. Peter is eligible to make a withdrawal from the Scheme at age 65 and chooses to start receiving his Retirement Income immediately. This graph shows Peter's regular Retirement Income payments and investment movements over his life.



This graph is for illustration purposes and should not be regarded as a forecast of your investment or future performance or income payments. An assumption of 5.9% gross return (before fees, taxes and insurance premiums have been deducted) has been made over future investment returns of the Guaranteed Income Fund. Fees, taxes and insurance premiums are as detailed in the PDS. Different assumptions will produce different outcomes. For example, if the investment returns are higher than those used in the graph it will take longer for the account balance to run out. Conversely, if the investment returns are lower the account balance will run out earlier.

Example explained

Age	Description
60	• Peter made his initial investment of $100,000 in the Guaranteed Income Fund. • This will be the minimum amount he will receive a 5% annual income from when he retires.
65	• Peter reaches the age of entitlement to NZ Superannuation and is eligible to make a withdrawal from the Scheme. • He's chosen to start receiving his Retirement Income immediately to help 'top up' his NZ Superannuation payments. • We've compared Peter's fund value when he chose to invest in the Guaranteed Income Fund (i.e. at age 60) and at the date he has chosen to start receiving his Retirement Income (i.e. at age 65). Given the net positive investment returns over five years Peter's fund value has grown to $114,690 at age 65. This is the amount which we'll use to calculate Retirement Income payments, which is called his Protected Income Base. • At age 65, Peter's Retirement Income Rate is 5.00% per-annum. Peter's Retirement Income is $5,735 per year ($114,690 x 5.00%) or $220.58 per fortnight. • If Peter's fund value at 65 has been less than $100,000, Peter still receives 5% annually on the initial $100,000 he invested (unless he has made a withdrawal).
93	• Peter's initial investment has run out, but he'll continue to receive his Retirement Income until he dies because his Retirement Income is insured.
97	• After a long life, Peter passes away surrounded by his family. Peter's initial investment and additional contributions ran out at age 93. However, because his Retirement Income is insured Peter continued to receive $220.58 each fortnight for the following four years.

Payment Rates

This table shows the Payment Rates of the Retirement Income, depending upon at what age you elect to receive it:

Age at the first Retirement Income Payment	Retirement Income Payment Rate (Percentage of your Protected Income Base)
60[1]	4.50% p.a.
61	4.60% p.a.
62	4.70% p.a.
63	4.80% p.a.
64	4.90% p.a.
65	5.00% p.a.
66	5.10% p.a.
67	5.20% p.a.
68	5.30% p.a.
69	5.40% p.a.
70	5.50% p.a.
71	5.60% p.a.
72	5.70% p.a.
73	5.80% p.a.
74	5.90% p.a.
75	6.00% p.a.
76	6.10% p.a.
77	6.20% p.a.
78	6.30% p.a.
79	6.40% p.a.
80	6.50% p.a.
81	6.60% p.a.
82	6.70% p.a.

[1] The rates for ages 60 to 65 will only be applicable on amounts transferred from Australian superannuation schemes that are accessible under Australian regulations. Other than in limited circumstances, KiwiSaver investments cannot be withdrawn until the member is at least 65 years of age.

Age at the first Retirement Income Payment	Retirement Income Payment Rate (Percentage of your Protected Income Base)
83	6.80% p.a.
84	6.90% p.a.
85	7.00% p.a.
86	7.10% p.a.
87	7.20% p.a.
88	7.30% p.a.
89	7.40% p.a.
90	7.50% p.a.

Insurance

The Insured Income Phase of your Retirement Income is funded by payments from Lifetime Income Limited to the Fund under and subject to the terms and conditions of the group insurance policy. A copy of the insurance policy is available of the Disclose register at **www.companiesoffice.govt.nz/disclose**. The Insured Income Phase of your Retirement Income therefore depends on Lifetime Income Limited making these payments. This in turn depends on:

- Lifetime Income Limited being obliged to make the payments under the group insurance policy. The group insurance policy contains a number of exclusions and conditions of cover. It gives Lifetime Income Limited the right to vary the premiums for both new and existing members. It also gives Lifetime Income Limited the right to cancel the policy in certain circumstances;
- Lifetime Income Limited being able to make payments it is obliged to make under the group insurance policy. Lifetime Income Limited is a separate legal entity from the Scheme and us and is solely responsible for all obligations under the group insurance policy. Lifetime Income Limited's ability to make these payments is based on its financial strength and claims-paying ability. Although we have duties to monitor Lifetime Income Limited's compliance with its obligations under the group insurance policy and report to the Supervisor at regular intervals, neither we nor the Supervisor are responsible for Lifetime Income Limited's performance of its obligations.

Lifetime Income Limited is required to have a Financial Strength Rating (FSR) given by an approved ratings agency. Lifetime Income Limited has been issued with the following ratings by A.M. Best:

- Financial Strength Rating of **B-**
- Long-Term Issuer Credit Rating of **bb-**

These ratings reflect the fact that Lifetime Income Limited is a new insurer with no pre-existing business. The rating scales are shown in following tables. A more detailed explanation of the ratings and scales is available at **ambest.com/ratings/ubcr.pdf**

A.M. Best FSR Scale	
A++, A+	Superior
A, A-	Excellent
B++, B+	Good
B, B-	Fair
C++, C+	Marginal
C, C-	Weak
D	Poor
E	Under Regulator Supervision
F	In Liquidation

A.M. Best Long-Term Issuer Credit Rating Scale	
aaa, aaa-	Exceptional
aa, aa+ /aa-	Superior
a, a+ / a-	Excellent
bbb, bbb+ / bbb-	Good
bb, bb+ / bb-	Fair
b, b+ / b-	Marginal
ccc, ccc+ / ccc-	Weak
Cc	Very weak
c, c-	Poor

Group insurance policy

You can find the group insurance policy on the Offer Register at **companiesoffice.govt.nz/disclose**

Insurer

Lifetime Income Limited is a life insurance company licensed by the Reserve Bank of New Zealand under the Insurance (Prudential Supervision) Act 2010.

As a licensed life insurance company, Lifetime Income Limited is subject to prudential and other regulatory requirements designed to minimise the risk of Lifetime Income Limited failing. Some key requirements are summarised below:

- Lifetime Income Limited is New Zealand's first approved provider of variable annuity business under the Reserve Bank of New Zealand's (RBNZ) Standard for Variable Annuity Business 2015. Under the Standard, Lifetime Income Limited must submit an independent review of its risk management to the Reserve Bank of New Zealand at least every three years;
- Lifetime Income Limited must meet minimum solvency requirements in accordance with the RBNZ's solvency standards on a continuous basis with six monthly reporting and disclosure obligations to the Reserve Bank of New Zealand;
- Lifetime Income Limited must maintain a minimum level of capital. This must be in excess of either $5,000,000 or the (risk-based) calculated minimum solvency capital requirement - whichever is higher;

Lifetime Income Limited is required to operate at least one statutory fund and notify policyholders which statutory fund their life insurance policy is referable to. The policyholder is Public Trust as Supervisor of the Scheme.

Withdrawals

KiwiSaver is designed to help you save for retirement, and as such you can only withdraw from the Scheme in the circumstances set out in the PDS.

You can only give us a withdrawal notice when you become entitled to a benefit under the Scheme. More information on permitted withdrawals is contained in the PDS.

You can also transfer to another KiwiSaver Scheme at any time by contacting a new KiwiSaver provider.

Some information, additional to that in the PDS is set out below regarding withdrawals.

Savings Suspensions

If you are making regular contributions to the Scheme from your salary or wages, you can apply to the Inland Revenue Department to have a savings suspension. Your employer will stop deducting regular contributions from your salary or wages. You can seek a savings suspension of between 3 months and 1 year, and you can apply for another holiday. Generally, you must have been contributing for at least 12 months before you suspend savings, but if you are suffering, or likely to suffer financial hardship, the Inland Revenue Department may grant you a savings suspension of up to 3 months.

Contribution Rates

You are able to change your contributions rate by advising your employer the new rate (currently 3%, 4%, 6%, 8% or 10%). You can only do this every three months unless your employer agrees otherwise.

When you reach New Zealand superannuation qualifying age (currently 65)

Provided you have been in KiwiSaver for five years, you (or a complying superannuation fund) are able to make withdrawals from the Scheme. You can also remain invested.

The minimum withdrawal is $1,000, and there is no maximum - you are entitled to withdraw the full amount of your benefit.

First Home

If you wish to apply for this benefit, 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.

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 accumulated member tax credits or the Government kick-start contribution (if applicable).

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 will need to provide us with proof that you have emigrated permanently.

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.

Suspension of withdrawals

We may, in certain circumstances, suspend the obligation to redeem Units by issuing a withdrawal 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 withdrawal suspension notice within 90 days after the date on which the withdrawal suspension notice was given, unless the Supervisor agrees otherwise. The Supervisor must not unreasonably withhold its agreement to extend a withdrawal 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.

Meetings

The Trust Deed provides for Unitholder meetings.

We may (and will on receipt of a written request from the Supervisor, or a written request from members holding at least 5% of the Units of the Fund) convene a meeting of the members of that Fund. We must give members 14 Business Days' notice of the meeting.

The quorum for meetings is currently members or their proxies present or who have cast postal, email or electronic votes, and who hold Units with a combined value of no less than 10% of the value of the Fund held by those persons who are entitled to vote (unless a special resolution is to be put to the meeting).

A "special resolution" is a resolution approved by members holding Units with a combined value of no less than 75% of the value of the Units held by those members who are entitled to vote and who vote on the question and includes any resolution relating to a matter that is required by the FMC Act, the FMC Regulations or the Trust Deed to be done by way of special resolution.

A meeting of members of a Fund can give directions to the Supervisor if those directions are consistent with the Trust Deed and the FMC Act and the directions are given by a Special Resolution passed at that meeting. The Supervisor is not liable for anything done, or omitted to be done, in good faith in giving effect to such a direction. The Supervisor may also, at its discretion, apply to the High Court under the FMC Act for an order in respect of any direction given.

The Supervisor will nominate a chairperson to chair each meeting.

Amendments to the Trust Deed

Subject to the FMC Act and the provisions of the Trust Deed, we may agree with the Supervisor to amend the Trust Deed. 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.

Indemnities

Each investor indemnifies the Supervisor and the Manager if the value of the investor's Units is not sufficient to meet any liability for tax payable by the Fund, the Manager or the Supervisor and that is determined by the Supervisor or the Manager to be attributable to the investor.

8. More information about market indices

Where to find more information

The Funds' returns are measured against various market indices as set out in the SIPO. More information about these market indices can be found on the web pages of the following:

- S&P/ASX 300 index;
- S&P/NZX 50 index;
- Reserve Bank New Zealand Official Cash Rate;
- Bloomberg NZBond Govt 0+ Yr Index;
- Bloomberg Barclays MSCI Global Aggregate SRI ex ESG Exclusions Index;
- FTSE Developed World ex Australia ex ESG Exclusions Index.

9. Fees and expenses

Buy/Sell Spreads

At this stage we do not charge any buy/sell spreads. Buy spreads may be added to the Unit price on entry to a Fund, and sell spreads may be deducted from the Unit price on exit from a Fund. If these are applied it will be described in more detail in the relevant PDS. The purpose of buy/sell spreads is to make sure that any transaction costs incurred as a result of an investor entering or leaving a Fund are borne by that investor, and not other members in that Fund. Under the Trust Deed, we determine the buy/sell spreads based on what we consider to be a fair amount payable having regard to expected transaction costs. We may change the buy/sell spreads from time to time, and will update the relevant PDS for the Fund if we do so.

Management Fee

We are paid a management fee for acting as Manager of each Fund. The current management fee is disclosed in the PDS. The Trust Deed allows us to change those management fees from time to time and without notice to you.

We may, in our discretion, charge an investor or certain classes of members lower management fees than as currently disclosed in the PDS.

Income Guarantee Insurance Premium

If you've chosen to invest in the Guaranteed Income Fund you'll pay an income guarantee insurance premium for the cover provided under the group insurance policy. The current insurance premium is disclosed in the PDS. The premium is calculated daily and deducted monthly from your Guaranteed Income Fund balance. The premium is not refunded when you make a withdrawal.

We and Lifetime Income Limited sets the premium based on a variety of factors, including the cost of providing and hedging any payments makes under the insurance policy and the cost of setting aside capital to meet Reserve Bank of New Zealand solvency requirements. We'll notify you in advance of any premium changes.

Changes to fees

These fees may be varied, or new fees may be imposed, from time to time in accordance with the Trust Deed.

Supervisor's Fee

The Supervisor is entitled to be paid, by way of remuneration for its services, a fee. The Supervisor's fee is determined on the basis of a scale agreed from time to time between us and the Supervisor.

In addition, the Supervisor is entitled to receive a fee of such amount as is from time to time agreed between us and the Supervisor for convening and attending meetings of members. There is no limit on this fee. The Supervisor is also entitled to be reimbursed for various expenses in accordance with the Trust Deed.

On termination of a Fund, the Supervisor is entitled to be paid from the Fund a reasonable fee of such amount as is approved by us, based on the time spent by the Supervisor on matters relating to the termination of the Fund. There are no limits on the amount of this fee in respect of each Fund, apart from the requirements that it be reasonable in the circumstances and be approved by us.

Expenses

We and the Supervisor are entitled to reimbursement for all reasonable costs and expenses incurred by either of us on behalf of each Fund. These include the costs of preparation of this Document and other documents in relation to the offer of the Units in the Funds, professional advisers' fees, taxes/duties and other administration costs. There is no limit on the amount of reimbursement of expenses to which the Manager and Supervisor are entitled. The payment of these expenses is included in the annual fund charges for which an estimate is provided in the PDS and that will be disclosed in the fund updates (once available) and on the register entry on the offer register for the Funds on the Disclose website at **companiesoffice.govt.nz/disclose**. As at the time of publishing of this document, we intend to absorb all expenses within our administration and management fees.

10. Financial Statements and auditor's report

Financial statements for the Funds are available on the Disclose register: **companiesoffice.govt.nz/disclose**.

The Funds' financial statements are 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.

11. Risks

The Scheme has been established to help you save for your retirement. We will invest the contributions you make in the Scheme. All investment carries a degree of risk and no level of return is promised or guaranteed.

The value of your Units in the Scheme will go up and down, so it is possible that you could receive less from the Scheme than you invest, particularly if you invest for a short period of time and market conditions have been poor.

The PDS sets out the material risks to your investment in the Scheme.

In addition, the following risks may mean that you receive less than you invest in the Scheme.

Suspension of redemptions

The Funds allow redemption of Units, subject to certain procedural requirements, including our right under the Trust Deed to delay and/or suspend redemptions. During normal operational circumstances, redemptions can be met out of cash held by the relevant Fund. However, if the value of redemptions significantly outweighs the value of subscriptions, the Fund may not be able to meet withdrawal requests out of cash reserves and will be reliant on selling or redeeming (whichever is relevant) some of the Fund's assets to enable it to meet the repayment requests. These Fund assets may not be immediately realisable.

Valuation risk

The Funds' Unit prices are based on the latest market information. For securities or stocks that are illiquid or trade infrequently this pricing may not fully reflect the price available to either buyers or sellers. Accordingly, there is a risk that the quoted Unit price may change when these assets are revalued by the market following a transaction.

Operational risk

The Funds may be exposed to operational risks that result from external events or failure of internal processes, people and systems. These risks include technology risk (including business systems failure), human error or failure, fraud, non-compliance with legal and regulatory obligations, counter-party performance under outsourcing arrangements, legal risk, data integrity risk, security risk and external events (including pandemics).

Risk of loss of PIE status

The eligibility requirements to maintain PIE status pose a risk. Although we have mechanisms available to manage compliance with the PIE eligibility requirements, there remains a risk that the Funds could lose PIE status if there is a breach of those requirements and we do not become aware of the breach in time to correct it. This risk, if manifested, may have an adverse effect on the tax position of the relevant Fund and/ or you. In particular, distributions made by the Fund to you would be taxable for you (subject to exceptions for returns of subscription amounts) if the Fund lost PIE status.

Wrong PIR risk

If you provide a PIR that is lower than the correct PIR you will be liable for any tax shortfall (and any interest and penalties) and must file a tax return. If you provide a PIR that is higher than your correct PIR, or you do not provide a PIR and so are subject to the default rate of 28%, you will not be able to claim back the excess tax paid.

12. 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. It is important to seek professional taxation advice before you invest or deal with your investment in any way as the taxation treatment of your investment will be specific to your circumstances and to the nature of your investment.

PIE

The Funds have elected to be 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. To the extent this tax liability is not paid by the Fund, you may need to pay the tax directly to the Inland Revenue Department.

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 28%, 17.5% or 10.5% 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 Inland Revenue Department 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 Inland Revenue Department 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 IRD 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 the Inland Revenue Department website **www.ird.govt.nz/toii/pir/** 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.

Guaranteed Income Fund

Lifetime Income Limited, the insurer for the Guaranteed Income Fund, has a binding ruling in relation to a unit trust issued by a related party of the insurer to the effect that (in respect of the insured features of that product):

- Those features do not prohibit that fund from being a PIE, and PIE tax rules apply;
- Withdrawals from the fund will be excluded income, and payments to investors are exempt income;
- Payment of premiums is not a dividend to investors;
- The general anti-avoidance provision does not apply to the arrangement;

This ruling does not extend to the Simplicity Guaranteed Income Fund, but we have received an opinion that we would be given the same ruling, and that therefore the tax treatment should be the same.

Hedging taxation treatment

The financial arrangement rules will apply to foreign currency hedges where the Fair Dividend Rate (**FDR**) currency hedges method cannot be applied or is not adopted. The FDR foreign currency hedges tax calculation method may or may not be implemented on a fund by fund basis, as appropriate. That method is intended to minimise mismatches in income and expenditure on hedges relating to shares taxed under the FDR method or which are listed on the ASX, and income on those shares.

13. No Guarantee

None of the Manager, the Supervisor, any member of Simplicity or any other person guarantees the return of capital and/or the repayment of Units to you.

14. Key Documents in understanding the scheme and how it operates

These include:

- Trust Deed;
- SIPO;
- Manager Licence to operate;
- Scheme Provider Agreement with the Inland Revenue Department;
- Simplicity NZ Limited's constitution;
- The group insurance policy (if you've invested in the Guaranteed Income Fund)

The documents are available from us at: **simplicity.kiwi**.

15. Glossary

"Assets" means any asset of a Fund (whether tangible or intangible) as more fully defined in the Trust Deed.

"ASX" means the Australian Stock Exchange.

"Current Value" means the Assets less the Liabilities of the Fund as more fully defined in the Trust Deed. For Unit pricing purposes, it is not necessarily equivalent to the net asset value in the financial statements. For example, differences arise due to the cost of realisation being included in the financial statements and other adjustments that are made for unit pricing purposes.

"Custodian" means Simplicity Nominees Limited.

"Document" means this Other Material Information Document which has been prepared to meet the requirements of section 57(1)(b)(ii) of the FMC Act and clause 52 of Schedule 4 of the FMC Regulations.

"FMA" means the Financial Markets Authority, the government agency responsible for regulating capital markets and financial services in New Zealand.

"FMC Act" means the Financial Markets Conduct Act 2013.

"FMC Regulations" means the Financial Markets Conduct Regulations 2014.

"Funds" means the investment funds set out in the table on page 3.

"Liabilities" means the liabilities of a Fund (e.g. unpaid administrative costs and expenses) as more fully defined in the Trust Deed.

"Management Agreement" means the agreement between the Manager and MMC Limited dated 21 April 2016 pursuant to which the Manager effectively outsources administration and investment management functions to MMC Limited and MMC Limited provides resources (including people, operational and financial resource) to the Manager as required to perform those functions.

"Manager", **"we"**, **"us"** and **"our"** means Simplicity NZ Limited, the manager of the Funds and the Scheme.

"Maximum Investor Interest" means that an investor in an investor class must not hold more than 20% of the total investor interests in the class as defined in the Tax Act.

"MMC Limited" means MMC (New Zealand) Limited.

"NZX" means NZX Limited.

"PIE" means a portfolio investment entity for the purposes of the Tax Act.

"PIE income" means the income attributed to a person by the PIEs in which the person has invested, less any losses attributed to the person by PIEs, but does not include any dividends paid to the person by Listed PIEs (a type of PIE). Dividends from a Listed PIE that are not excluded income under the Tax Act are taxable income.

15. Glossary

"PDS" means a product disclosure statement under the FMC Act. A PDS is a document containing information about the Scheme intended to assist a prudent but non-expert person to decide whether to invest in that Fund. A retail investor must be given a copy of the relevant PDS before investing. The PDSs for the Funds can be obtained from the offer register on the Disclose website **companiesoffice.govt.nz/disclose**.

"PIR" means the Prescribed Investor Rate as that term is defined in the Tax Act.

"Scheme" means the Simplicity KiwiSaver scheme, a registered scheme under the FMC Act.

"SIPO" means the statement of investment policy and objectives for the Scheme. In broad terms, the SIPO is a document setting out the parameters pursuant to which each of the Funds will be invested. The SIPO for the Scheme can be obtained from the Disclose website **companiesoffice.govt.nz/disclose**.

"Supervisor" means Public Trust, the supervisor of the Scheme and the Manager.

"Tax Act" means the Income Tax Act 2007.

"Trust Deed" means the trust deed entered into between the Supervisor and the Manager dated 10 June 2016.

"Unit" means an undivided interest in the relevant Fund as more fully defined in the Trust Deed.

"You" or **"Your"** refers to a person who invests in the Funds.

Hello.
We are Simplicity™.
We're the nonprofit KiwiSaver Plan.
We help manage your money.
But we're not a bank.
We make you more.
Without making profits ourselves.
Because that's what's right.
That's what's fair.
We are Simplicity™.