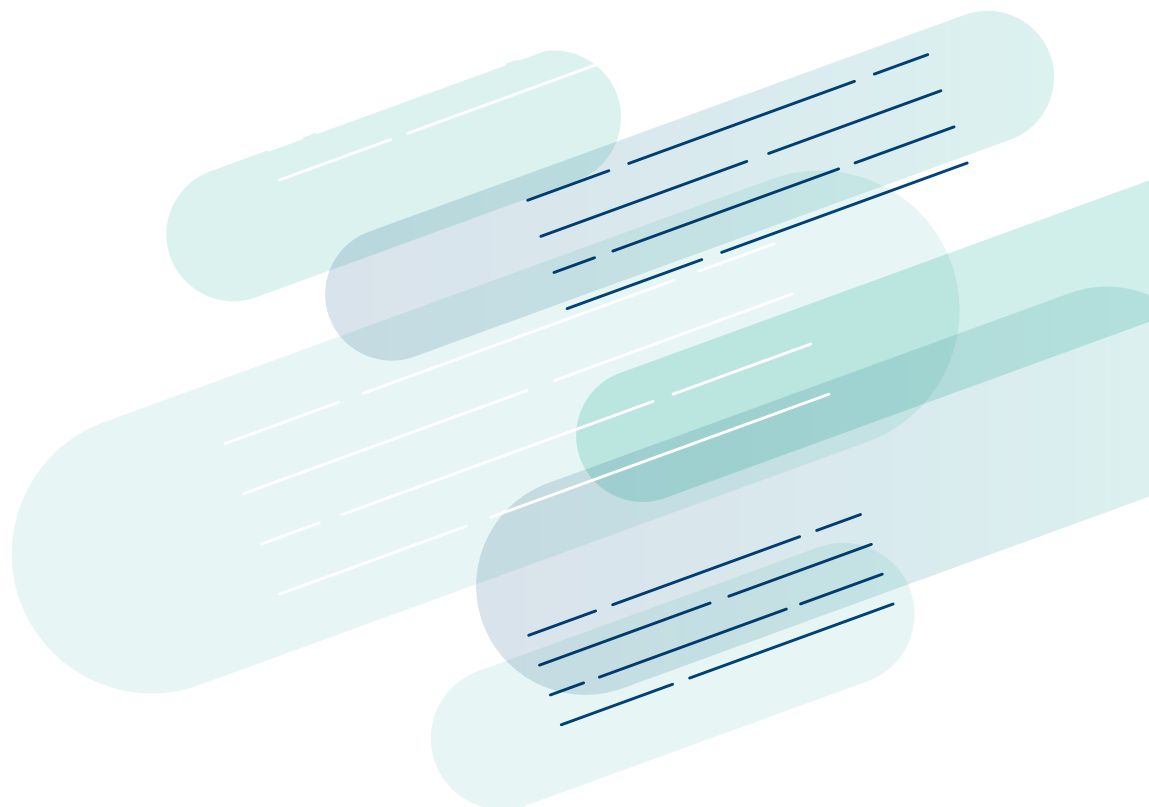




FISHER FUNDS TWO KIWISAVER SCHEME

Other Material Information

Issued by Fisher Funds Management Limited
1 December 2021



We have created the Fisher Funds TWO KiwiSaver Scheme (the Scheme) to help New Zealanders save for the lifestyle they would like to enjoy in the future.

This document provides material information about the Fisher Funds TWO KiwiSaver Scheme to help you make an informed decision about investing in the Scheme. It is an important document and it supports the Scheme's Product Disclosure Statement (PDS) and Statement of Investment Policy and Objectives (SIPO), which can be found on the Disclose Register or on our website ff2kiwisaver.co.nz.

In this document the word 'current' or 'currently' means as at the date of this document and 'you' or 'your' refers to persons who apply to become, or who are, members in the Scheme.

DESCRIPTION OF THE SCHEME AND THE FUNDS

The Scheme, offered by Fisher Funds Management Limited (Fisher Funds, we, us, or our), is a KiwiSaver scheme established on 26 March 2007 and registered as a managed investment scheme under the Financial Markets Conduct Act 2013 (FMCA). The Scheme gives you a choice of the following funds (each a fund and together funds) to invest in:

- » the Fisher Funds TWO KiwiSaver Preservation Fund (Preservation Fund)
- » the Fisher Funds TWO KiwiSaver Conservative Fund (Conservative Fund)
- » the Fisher Funds TWO KiwiSaver Balanced Fund (Balanced Fund)
- » the Fisher Funds TWO KiwiSaver Growth Fund (Growth Fund)
- » the Fisher Funds TWO KiwiSaver Equity Fund (Equity Fund)

The Scheme is a trust governed by a Governing Document between Fisher Funds and Trustees Executors Limited (the Supervisor). The Governing Document sets out how the Scheme must be administered and it can be amended by the Supervisor and us.

In addition to the five funds noted above, the Scheme also includes the Cash Enhanced Fund. This fund closed to new investors on 1 December 2021.

Fisher Funds TWO KiwiSaver Scheme is available to most New Zealanders including:

- » people who apply and are eligible to join; and
- » employees of employers who choose the Scheme as their preferred KiwiSaver scheme.

How do funds work?

The money you invest buys units in your choice of one or more funds based on the price per unit called the unit price. Therefore, each unit you own represents a share of a fund. Your money will be pooled with other investors' money and invested by us. The unit price is calculated each business day so that you'll know what your share of a fund is worth.

We invest only in assets described in the respective SIPO. The value of these assets can change daily, and this will affect the price of the units in a fund. A price fluctuation however will not change the number of units you hold. For example, if the value of the assets goes up, your units in a fund will be worth more and if the value of the assets falls then the units will be worth less.

Each unit in a fund has the same value as every other unit in that fund. Each unit represents equal interests in, and rights to, the assets of the fund. A fund may issue any number of units.

While you buy units in a fund, the units you hold do not give you any interest in any particular asset of that fund. This means that you cannot for example, ask us to transfer to you any underlying shares or property.

We, as the Manager of the Scheme, don't hold your money or own a fund's assets. A custodian, a company independent of us, holds all a fund's assets on behalf of investors. All monies which we (or an agent) receive for investment in a fund are paid into a separate bank account maintained by the custodian.

Assets — how they're valued

The assets held by a fund are usually valued each business day other than the first two business days in April (when we calculate PIE tax for the year ended 31 March). We use an industry standard valuation method based on the last sale price of each listed asset (except where the last sale price falls outside the bid-ask spread, in which case the bid price is used) as at the close of business on each valuation day. If a fund is invested in underlying assets in offshore markets this may cause a delay in pricing of several days. This is because we must wait for the relevant markets to close before we can obtain the last sale price. Public holidays can also delay price availability. The unit price is calculated by dividing the net value of a fund's assets by the number of units in that fund.

Our current Unit Pricing and Valuation Policy, available at ff2kiwisaver.co.nz/resource-centre, sets out guidelines for valuing assets that are illiquid or infrequently traded, and for correcting pricing errors.

Market Index

Market indices are used to measure the change in value of specific groups of assets in recognised investment markets e.g. the New Zealand share market. An increase in the value of these assets will lead to a corresponding increase in the value of the market index.

The market index return for a fund refers to the percentage change in the appropriate market index over a given period. As an example, the current market index (sometimes referred to as the benchmark) used for New Zealand shares is the S&P/NZX50 Gross Index including imputation credits. We use a market index return to measure the relative performance of a fund compared to the market performance of the assets it invests in.

Where a fund invests in only one type of asset, or where the combination of its assets predominantly reflects the characteristics of one asset class, the market index return for that fund may be the return of one market index. This is the case for the Preservation Fund, where the market index used is the S&P/NZX 90-day Bank Bill Index.

Where a fund invests in more than one asset type (e.g. shares and fixed interest) several market indices are used. The market index return is therefore a combination or composite return and is calculated using the weighted average of the market indices. In other words, if a fund's strategy is to invest in four different asset classes equally, the fund's market index return will be 25% of the return of each market index. The SIPO outlines which market indices are used for each fund.

Our actual investment portfolios do not necessarily try to mirror market indices and your returns could differ materially from them. This is because we actively choose securities and determine their weighting in the portfolio.

Who is involved?

Manager

Fisher Funds is the Manager of the Scheme. We are responsible for issuing and administering the Scheme and managing the assets in the funds. We may delegate some of these duties to third parties. We may use third party managers to manage assets for us either directly or through underlying funds.

Appointment and removal of the Manager

The Scheme must have an appropriately licensed manager who is not an Associated Person¹ of the Supervisor.

The Supervisor may remove us as Manager if they think it's in the best interest of the members and may appoint a new manager, however if we retire as Manager we may appoint a new manager. Our removal or retirement will not take effect until a new manager has been appointed.

Supervisor

The Supervisor of the Scheme is Trustees Executors Limited. The Supervisor's ultimate holding company is Sterling Grace (NZ) Limited.

Details of the Supervisor's directors, which may change from time to time without notice, are available at companiesoffice.govt.nz/companies.

The Supervisor is licensed under the Financial Markets Supervisors Act 2011 to act as a Supervisor for a range of financial products, including Fisher Funds TWO KiwiSaver Scheme. Further information about the Supervisor's licence is available on the Financial Markets Authority (FMA) website (fma.govt.nz) and on the Financial Service Providers Register website (companiesoffice.govt.nz/fsp).

¹ Has the meaning given to it in the Financial Markets Conduct Act 2013.

Custodian

The Supervisor, after having consulted us, may appoint one or more custodians to look after the assets of the Scheme. The Custodian of the funds is Trustees Executors Limited. Assets may be registered in the name of TEA Custodians Limited or in the name of appointed international sub-custodians.

The custodian or sub-custodian may change, however we will ensure any new custodian has the appropriate skills and experience prior to the Supervisor ultimately appointing them.

Supervisor and Manager indemnity

Subject to relevant law, if either we or the Supervisor is held personally liable to any other person in respect of any debt, liability or obligation, incurred by or on behalf of the Scheme or a fund, or any action taken or omitted in connection with the Scheme or a fund, then we or the Supervisor (as applicable) is entitled to indemnity and reimbursement out of the assets of the Scheme or fund to the full extent of such liability and the costs of any litigation or other proceedings in which such liability has been determined (including, without limitation, legal fees and disbursements).

This indemnity does not cover losses or damages arising from us failing to meet the standard of care required under the Governing Document.

You also indemnify the Supervisor and us for tax paid on income attributed to you by the Scheme. This indemnity only applies if your interest in the Scheme is not sufficient to meet any tax liability on income attributed to you.

Fisher Funds and the Supervisor have a first claim on the assets of the Scheme for any indemnity. The indemnity also extends to any payment made to a person in good faith although it may be later found that the person was not entitled to it.

Winding up and insolvency

We may close, wind up or alter any fund as and when and on such terms and conditions as we determine. If you are affected by the closure of a fund or if we terminate a fund, we will notify you and give you the option to elect to transfer your contributions, and that part of your accounts invested in the relevant fund, to another fund that we offer to you. If you fail to make an election to transfer to a different fund, then subject to the relevant law your contributions, and that part of your accounts invested in the relevant fund, will be invested in another fund as we may from time to time advise.

The Scheme may be wound up if we so decide, if a special resolution of members is passed to wind up the Scheme, or if we are required to do so by law, or by order of the FMA.

In the event that the Scheme or any of the funds become insolvent, there's no further obligation for you to pay any money to any person.

If the Scheme is put into liquidation or wound up, any claims by creditors (e.g. banks) will rank ahead of you. After payment of all creditors, you'll rank equally with all other members in the fund. You will not have your savings returned to you, rather they will be transferred to another KiwiSaver scheme.

Fees and expenses

You will be charged fees and expenses for investing in the Scheme, and these are detailed in the following table.

Manager's fee

Cash Enhanced Fund (closed to new investors):

- » Charged at 0.52% per annum of the Net Asset Value of the fund, deducted from the assets of the fund, calculated at each time the unit price is calculated and payable monthly in arrears. From this fee, we pay the Supervisor fee, all the costs of investment management, and also commission to your financial adviser (if applicable) and all normal expenses.

Preservation Fund, Conservative Fund, Balanced Fund, Growth Fund and Equity Fund:

- » Fees, as shown below, are charged as a percentage of the Gross Asset Value (GAV) of each fund, calculated at each time the unit price is calculated and payable monthly in arrears. From this fee we pay the costs of investment management and brokerage to your financial adviser (if applicable).
 - » **Preservation Fund:** 0.48% p.a.
 - » **Conservative Fund, Balanced Fund, Growth Fund and Equity Fund:** fees are charged as follows:

	Percentage per annum between \$0-100 million	Percentage per annum between \$100-200 million	Percentage per annum in excess of \$200 million
Conservative Fund	0.85	0.80	0.75
Balanced Fund	0.95	0.90	0.85
Growth Fund	1.05	1.00	0.95
Equity Fund	1.10	1.05	1.00

Subject to the Act, we can change the management fees with notice to the Supervisor.

Account fee

\$1.50 per month is deducted from your Scheme account each month and paid to us. We use some of this to pay Trustees Executors Limited in their role as registry and administration services provider.

Supervisor, registry, custody, unit pricing and investment accounting fees

Trustees Executors Limited, acting in its role as Supervisor is entitled to receive fees for its services, and through its Securities Services division is entitled to receive fees for registry, custody, unit pricing and investment accounting services.

Cash Enhanced Fund (closed to new investors):

- » These expenses are paid from the management fee we receive.

Preservation Fund, Conservative Fund, Balanced Fund, Growth Fund and Equity Fund:

- » These expenses are included in the annual fund charges in the quarterly fund update for each fund, available at fisherfunds.co.nz/fund-updates.

Manager and Supervisor expenses

With the exception of the Cash Enhanced Fund, the Supervisor and Fisher Funds are entitled to pay or reimburse ourselves for any costs, charges and expenses properly incurred in respect of the Scheme. These expenses are apportioned between the funds or members' accounts to which they relate at our discretion. The amount of these expenses cannot be determined until they are incurred and will vary from time to time. The total expenses incurred will be reported in the annual Scheme financial statements.

Cash Enhanced Fund (closed to new investors):

- » No expenses of the Scheme, other than transaction costs, will be charged to the Cash Enhanced Fund, except for fees in respect of certain exceptional services (e.g. a meeting of members or obtaining a court direction in respect of the Scheme).

Preservation Fund, Conservative Fund, Balanced Fund, Growth Fund and Equity Fund:

- » These expenses are paid out of the assets of the funds and reflected in their respective unit prices. The amount of these expenses cannot be determined until they are incurred and will vary from time to time. Those expenses will indirectly affect the returns of the fund.

Investment in other managed funds

Cash Enhanced Fund (closed to new investors):

- » In addition to directly acquired assets, the fund currently invests in wholesale funds that are also managed by Fisher Funds, which may charge fees and incur expenses. No fees are currently charged for investing in such underlying funds. The underlying funds may incur supervisor, custodian and administration expenses, but these expenses are currently rebated back to the fund.

Preservation Fund, Conservative Fund, Balanced Fund, Growth Fund and Equity Fund:

- » In addition to directly acquired assets, each of the funds currently invests in wholesale funds that are also managed by Fisher Funds. The funds in the Scheme do not incur a management fee on investments in wholesale funds managed by Fisher Funds.
- » The funds and the underlying funds they invest into may also invest in other managed funds managed by third parties not associated with us. Those funds may charge fees, including entry fees, exit fees, performance-based fees and management fees, and incur expenses.

- » The amount of the fees and expenses of any underlying funds is included in the annual fund charges in the quarterly fund update for each fund, available at fisherfunds.co.nz/fund-updates.

GST on fees and expenses

All fees and expenses exclude goods and services tax (GST) unless otherwise stated and GST may be added where required.

What are the risks?

There's always some risk when you invest and the level of risk varies depending on what you invest in. The level of risk is usually related to the possible return you might achieve from your investment. For example, investing in shares is likely to give you a higher return, however shares come with more risk than say property.

Investments in the Scheme are not guaranteed by the Crown, Fisher Funds, the Supervisor, or any other person or company and nor does any party promise the repayment of, or returns on, investments in the Scheme. The value of your investment can go up but it can also go down and this positive and negative movement is called volatility. You may not recover the full amount you've invested or receive any returns on your investment.

As a general rule, cash and fixed interest investments (called income assets) tend to be less volatile than commercial property, shares and alternative investments like derivatives or foreign exchange (called growth assets). Therefore the greater the proportion of growth assets in a fund, the greater the potential to experience negative returns over the period of your investment. However, higher risk investments also have the potential for higher returns.

Fisher Funds oversee this risk on your behalf. On the following pages we outline the risks associated with investing in the Scheme and how we manage those risks. It is important to note that no mitigation strategy can eliminate all risks associated with investment.

Type of risk	Description	How we manage it
Investment returns risk	Different types of investments have different risks and perform differently at different times. For example, the return on growth assets tends to go up and down more than the returns from income assets. This means short term fluctuations in the value of a fund are common, especially for funds that invest mostly in growth assets like shares.	<p>Our minimum quality criteria must be met before any investment is included in a fund's portfolio.</p> <p>We develop, in consultation with the Supervisor, a SIPO which describes the allowed investments, exposure levels and investment criteria for the investments held in the funds.</p> <p>We regularly monitor the holdings of the funds to ensure they remain within the criteria specified in the SIPO.</p> <p>We may visit companies or seek additional information in respect of investments held to be satisfied of their ongoing suitability.</p>
Market risk	Investment market performance can be affected by economic conditions such as investor opinion, inflation, employment rates and interest rates (including negative interest rates). Political events, and environmental and technological issues also impact investment market performance.	We keep our knowledge of various market factors up to date through a review of economic data both locally and internationally, as well as conducting our own research. This information is used when making investment management decisions.

Type of risk	Description	How we manage it
Currency risk	Investments in foreign assets are bought and sold with foreign currency, and the funds may hold foreign currencies directly. The value of the foreign assets and currency can change (up or down) when there are movements in the exchange rate between the New Zealand dollar and the foreign currency.	Where we can, we monitor the currency positions and may adjust the hedging levels of the currency exposure attributable to the holdings of the overseas assets.
Investment manager risk	How we choose to allocate each fund's investments (and the investment decisions made by the managers of any underlying funds in which we invest) will affect that fund's returns. In particular, our investment style may result in our returns differing from any market index and from competing investments.	<p>We maintain an up-to-date knowledge of various market factors through a review of economic data both locally and internationally while also conducting our own research. This information is then taken into consideration when making investment management decisions.</p> <p>We assess external managers and monitor their performance and compliance with investment guidelines to ensure they are taking appropriate measures to mitigate their own investment manager risk.</p> <p>We aim to complete a review of the strategic asset allocation for the funds every two years to ensure we take into account updated capital market assumptions.</p>
Credit risk	The issuer of a security, an institution that we deposit funds with, or a third party that provides a guarantee for either may not honour their obligations, fail to complete transactions, or may become insolvent. If this occurs you may not recover the full amount of your investment in that fund.	We analyse the creditworthiness of the issuers we purchase securities from, institutions we choose to deposit funds with, and third parties that provide a guarantee for either.
Counterparty risk	A party to an investment contract may not honour their obligations, or fail to complete a transaction, or may become insolvent. If this occurs in any of the investment contracts held by a fund, you may not recover the full amount of your investment in that fund.	Fisher Funds deals with reputable brokers and trading platforms. For physical securities our preference is to pay on delivery of the financial instrument. For derivatives and OTC contracts we ask counterparties to post collateral against unrealised losses to minimise potential losses in the event of default. Not all counterparties post collateral.
Interest rate risk	<p>Fixed interest investments may become more or less valuable depending upon changes in interest rates. If market interest rates rise, existing fixed rate investments become less valuable because new fixed interest investments will pay the current, higher rate of interest, and vice versa when market interest rates fall.</p> <p>Interest rate risk is more applicable to funds that invest mostly in income assets such as fixed interest securities.</p>	Where possible, we consider the expected impact of economic factors on interest rate sensitivity (i.e. the impact a change in interest rates will have) when selecting investments for the funds.

Type of risk	Description	How we manage it
Liquidity risk	Low liquidity can affect the ability of the fund to make payments when needed (such as meeting withdrawal requests) and the fund may receive a lesser amount than expected if the assets have to be sold quickly and there are few buyers.	We operate a portfolio liquidity risk management framework to help ensure that portfolios are well-positioned to withstand stress scenarios and to allow portfolios to potentially take advantage of opportunities provided by market dislocations.
Unfulfilled investment objectives	There is no guarantee that the funds will achieve the investment objectives set out in each fund's SIPO and these objectives should not be taken as a guarantee or assurance of returns. A failure to meet investment objectives would affect the value of the relevant fund.	We regularly monitor the returns of the assets held by the funds. We may alter the mix of investments held if our analysis indicates that this could better achieve the funds' objectives. Any amendment to the SIPO objectives must be made in consultation with the Supervisor to ensure members' best interests are considered.
Inflation	Inflation is a term used to describe the rise of average prices through the economy. Simply, inflation refers to the increased cost of living. There is a risk that if you receive returns from your investment in the Scheme that are less than the rate of inflation, you may not be able to buy as many goods and services with your money as when you initially invested in the Scheme. Inflation may impact on real returns.	Some investments may perform better than others during periods of inflation and we consider this when we design portfolios.
Derivative risk	<p>A derivative is typically a financial contract such as futures contracts or swaps, whose value depends on the future value of its underlying assets such as shares, bonds, currency or cash.</p> <p>Derivatives may be used as an alternative to investing in a physical asset, or as a risk management tool, providing a similar exposure to the investment without buying or selling the asset underlying the derivative.</p> <p>Any risks which can affect the physical asset can also affect the derivative and therefore their use may not remove all exposure they are intended to manage.</p>	The funds and the underlying funds may use derivatives to gain exposure to assets that are consistent with the SIPO or to manage currency exposures.
Operational or systems failure	Risk may arise from a process failure, fraud, litigation, disruption to business by reason of an industrial dispute, system failure, natural disaster or other unforeseen event affecting the funds (or the markets generally).	Business continuity plans are in place for periods of business disruption caused by unforeseen circumstances.
Key personnel	The success of each fund depends to a significant extent upon us continuing to employ a number of key personnel. Profiles of the Fisher Funds investment team can be found at fisherfunds.co.nz/about/investment-team .	To minimise turnover, Fisher Funds fosters an environment which attracts and retains key personnel, while at the same time operating in a collaborative manner therefore minimising key personnel risk.

Type of risk	Description	How we manage it
Legislative and regulatory	Returns may be affected by any adverse legislative or regulatory changes in both New Zealand and offshore, which could have an impact on any investment or the markets in which they operate. Changes to legislation could have a significant impact on the Scheme and your investments in the funds.	We keep abreast of proposed legislative and regulatory changes that may influence our investments, business or the markets in which we operate. When necessary we make submissions to ensure our clients and our business interests are represented.
Taxation	Changes in taxation rates or tax rules in New Zealand or overseas may affect the value of the assets of the funds and/or your return.	We consider taxation implications when selecting investments. When changes in taxation are proposed, we review existing investments to understand any impact. Inland Revenue is currently reviewing the rate of GST charged on services provided by fund managers.
PIE status	Should the Scheme fail to satisfy the PIE eligibility criteria necessary to retain PIE status, this could result in the Scheme being taxed at a higher rate than the individual Prescribed Investor Rate (PIR) of members. It may also result in the funds being taxed on investment gains.	We monitor factors influencing the Scheme's PIE status on a regular basis and have processes in place to minimise potential breaches of PIE eligibility criteria, which may include adjusting a member's unitholding to maintain PIE status.
Borrowing	Where permitted by the SIPO we may borrow on behalf of the funds and this may include borrowing against the assets of a fund. This may exaggerate the effect of any increase or decrease in the value of the assets of the fund and increase the risk of insolvency. Under our current investment strategies this risk is predominantly relevant to funds that invest in unlisted property assets. The funds may invest in other funds, which may borrow from time to time.	Portfolios are subjected to stress testing to monitor the impact of borrowing on the risk profile of the funds.

UNDERSTANDING YOUR INVESTMENT

Joining Fisher Funds TWO KiwiSaver Scheme and making investments

It's easy to join or transfer to the Scheme and the process of joining, and who can join is outlined in our PDS.

You may be enrolled automatically if your employer has chosen the Scheme as their preferred KiwiSaver scheme, or you can choose to join the Scheme directly by completing an application form. In either case you can choose the funds you wish to invest in or take part in GlidePath. If you do not choose a fund or GlidePath you will be invested in the Balanced Fund.

GlidePath

GlidePath is a service that automatically invests your savings in a fund or mix of funds depending on your age; it's not a separate fund.

Until age 28 you will be invested in the Equity Fund with a 100% allocation to growth assets. Every year from age 28, we adjust how your investment balance and future contributions are invested in a mix of funds. From age 28, on average your allocation to growth assets reduces by 1.2% per annum.

The GlidePath model is based on assumptions regarding retirement age, life expectancy and expected returns for each asset class. If any of these factors change significantly, we'll amend our model. This could result in a one-off change to your asset allocation to bring it into line with our new model, and could mean that the details above will change.

We will contact GlidePath members annually when their mix of funds is changed. The table below shows when annual changes will occur:

If your birthday falls between	Your mix of funds will be changed on or about
1 December and 28 February	15 March
1 March and 31 May	15 June
1 June and 31 August	15 September
1 September and 30 November	15 December

The times at which we buy and sell units in the funds to achieve your new asset allocation are preset and do not take into account market conditions at the time.

There are no additional charges to take part in GlidePath.

GlidePath does not take into account all your personal circumstances and may not be suitable for you, as it's based on saving for your retirement. For example, it may not be suitable if you plan to use your KiwiSaver for your first home.

GlidePath also does not take into account your personal risk tolerance and may not be suitable if you're particularly cautious when it comes to investing.

You can opt into GlidePath at any time. You can also opt out of GlidePath at any time by completing a switch form, which asks you to choose your own mix of funds to invest in. Fisher Funds reserve the right to remove the GlidePath service and we'll give you two months' notice if this happens. If GlidePath is no longer available then you'll remain invested in the combination of funds you were in when GlidePath closed or you can choose which funds to reinvest in.

Salary and wage earners

If you're working and a KiwiSaver member there is a minimum contribution rate of 3% of your before tax salary or wages. Alternatively, you can choose to contribute 4%, 6%, 8% or 10%. Your contribution is deducted from your after tax salary or wages. You have the flexibility to change your contribution rate once every three months, or more often if your employer agrees. Any change will take effect from the next payment after you've advised your employer. If you don't make a contribution choice, your rate will be set at the minimum (currently 3%).

If you're paid through the PAYE system, your contributions are deducted from your earnings and paid to Inland Revenue by your employer. If this is the first KiwiSaver scheme that you join, Inland Revenue will hold all contributions it receives for you in an interest-bearing account (at a rate set by Inland Revenue) for three months before passing those contributions to us.

If no tax deductions are necessary from your Salary or Wages under the PAYE rules (and you're not a private, domestic worker) then you don't need to contribute to KiwiSaver from your Salary or Wages.

Your current contribution rate will follow you if you transfer from another KiwiSaver scheme without changing jobs. However, if you do change jobs your contribution rate will be set at the minimum unless you notify your new employer of a new rate.

You can also make extra contributions to KiwiSaver as often as you wish through Fisher Funds, or through Inland Revenue who can be contacted at kiwisaver.govt.nz.

Employer contributions for salary and wage earners

If you're contributing, your employer is also required to make regular contributions to your KiwiSaver. They'll contribute a minimum of 3% (or can choose to contribute more – check these details with your employer) of your before tax salary or wages (excluding, government parental leave payments and ACC compensation) if you're:

- » over 18; and
- » under 65 (subject to the minimum membership requirement outlined below); and
- » not on a savings suspension and are contributing.

Your employer contributions may be split between your Fisher Funds TWO KiwiSaver Scheme and another superannuation scheme you're a member of, subject to certain criteria¹.

Your employer will deduct any withholding or other taxes or deductions necessary before paying any contributions to the Scheme. Your employer can choose to stop making employer contributions once you are entitled to withdraw your investment, having reached the age of 65.

If you joined KiwiSaver (or a complying fund) before 1 July 2019, a 5 year minimum membership requirement applies if you were aged 60 or over when you joined. During the 5 year minimum membership period you are entitled to compulsory employer contributions if you are contributing from your wages or salary. Once you've reached the age of 65 you can opt out of this requirement, however if you do so you will forgo your entitlement to compulsory employer contributions.

Self-employed or not employed

If you're self-employed or not employed, you can choose to make regular contributions or lump sum payments of any amount at any time. This can be done through Inland Revenue or by completing a direct debit form available on ff2kiwisaver.co.nz. You have the flexibility to stop or change your regular contribution amounts at any time by writing to us.

If you're self-employed and also an employee then you're required to contribute to the Scheme only out of your after-tax Salary or Wages from that employment.

Children

If you're under 18, you or anyone on your behalf, can make regular contributions or lump sum payments of any amount at any time. If you're under 18 and start working and are paid through the PAYE system, your employer will make your contributions however, employers do not need to make employer contributions until you reach the age of 18.

Implications of joining and not contributing

Fisher Funds believes that KiwiSaver is not suitable for anyone looking to join (including under 18s) who is not intending to make an initial contribution of at least \$1,000 or regular contributions to achieve that amount, as account fees will erode your contributions.

Additional contributions

Other people, including your employer, can make additional contributions to the Scheme at any time. We may accept other contributions payable to the Scheme and may impose terms and conditions, for example, we currently require direct lump sum investments to be of at least \$100.

Government contribution

You may also receive a Government contribution of up to \$521.43 a year (50 cents for every \$1 you contribute up to a maximum of \$1,042.86) as long as you are between the ages of 18 and 65 and live mainly in New Zealand.

If you joined KiwiSaver (or a complying fund) before 1 July 2019, a 5 year minimum membership requirement applies if you were aged 60 or over when you joined. During the 5 year minimum membership period you are entitled to receive the Government contribution. Once you've reached the age of 65 you can opt out of this requirement, however if you do so you will forgo your entitlement to the Government contribution. Your entitlement will be pro-rated from 1 July in the year that you opt out until the date you opt out.

In the first year of membership, the Government contribution is calculated from the date your first contribution is received to 30 June following that contribution.

Fisher Funds will collect your Government contribution from Inland Revenue every year (or partway through the year if you cease your membership and are entitled to a Government contribution) and allocate it across the funds you're invested in. If you also have contributions credited to a complying superannuation fund, the Government contribution will be paid to the scheme that requests it first. The Government may change the amount of the Government contribution in the future.

¹ If you joined a superannuation scheme offered by your employer prior to 1 April 2008, that was registered before 17 May 2007 (or could join such a scheme under a collective agreement that was in force before 17 May 2007), any contributions required to be paid by your employer to that scheme may count towards the compulsory employer contributions required for the Scheme to the extent they vest within the first five years of being paid.

Savings suspension

If you've been contributing to KiwiSaver for 12 months, you can apply to Inland Revenue for a savings suspension, which can be between three months and one year. If you're on a savings suspension your employer may reduce, suspend or stop their contributions too.

If you're suffering, or likely to suffer, financial hardship (and Inland Revenue has received at least one contribution from you) then if you apply, Inland Revenue may grant you a savings suspension of three months or longer.

Inland Revenue will notify you before your savings suspension ends and then you can apply for another savings suspension if necessary.

You may resume contributing at any time by asking your employer to start making deductions from your salary or wages.

Employer preferred KiwiSaver provider

An Employer may choose Fisher Funds TWO KiwiSaver Scheme as their preferred provider of KiwiSaver to their employees. Once approved by Fisher Funds and Inland Revenue is notified, they become an Active Choice Employer. This means that unless you advise your employer otherwise, you'll be enrolled in the Scheme.

An Active Choice Employer must notify Inland Revenue if they wish to change or cancel their preferred choice of KiwiSaver scheme. Inland Revenue may also give the employer notice that its choice of KiwiSaver scheme has been revoked. If that occurs any existing members employed by that employer will continue as members of the Scheme.

Invalid enrolments

Your enrolment in Fisher Funds TWO KiwiSaver Scheme may be invalid if:

- » you do not meet the citizenship or permanent residency requirements; or
- » your automatic enrolment breached the automatic enrolment rules (because, for example, you were aged under 18 or in temporary employment, or had not commenced new employment as defined in the Act).

If your enrolment is invalid, we'll pay to Inland Revenue the current market value of your investment, which includes:

- » all amounts contributed;
- » plus or minus positive or negative returns;
- » less any withdrawal; and
- » less any amount transferred to the Scheme from an Australian scheme.

Inland Revenue will refund:

- » the market value of your investment (with interest) to you;
- » employer contributions to your employer; and
- » Government contributions to the Government.

We will pay any amount transferred into the Scheme from an Australian scheme (or, if it's a lesser amount, the current market value of your investment) back to that Australian scheme, or if you choose, to another Australian complying superannuation scheme. If it's not appropriate to repay the transferred amount back to the original scheme and you do not make a choice, Inland Revenue will choose one for you.

You must notify Inland Revenue or us of an invalid enrolment as soon as possible.

Suspension of contributions

We have the right at any time to determine that no further contributions shall be accepted into a particular fund for a specified period of up to 90 days. If we do so, we will give notice to the affected members advising them of the period of closure of the fund. During the period of closure, we must nominate an alternative fund into which contributions will be invested. The period of closure may be extended at our discretion subject to notice of that extension being provided to affected members.

Withdrawing your investment

KiwiSaver is a long term investment plan, designed to help you save for the lifestyle you'd like to enjoy in the future. In most cases, you can't withdraw your savings until you've reached the age of 65. In some cases though, you may be able to cash in some or all, of your investment early and we have described these situations below in the "Early withdrawals" section.

Retirement Withdrawals

Once you've reached the age of 65 you can choose to:

- » continue investing in Fisher Funds TWO KiwiSaver Scheme;
- » stop contributions by giving your employer a non-deduction notice;
- » make one-off or regular withdrawals from your investment;
- » transfer your investment to another investment product; or
- » withdraw all your investment and close your account.

If you joined KiwiSaver (or a complying fund) before 1 July 2019, a 5 year minimum membership requirement applies if you were aged 60 or over when you joined. Once you've reached the age of 65 you can opt out of this requirement, and make a partial or full withdrawal. If you choose to make a partial withdrawal you must opt out of the 5 year membership requirement and will forgo your right to compulsory employer contributions and the Government contribution.

You can request a withdrawal by writing to us or using the required form available at ff2kiwisaver.co.nz. We will pay withdrawals to your nominated bank account.

Minimum withdrawal amounts

Currently if you've reached the age of 65 (subject to the minimum membership requirement outlined above), you can make:

- » lump sum withdrawals of \$500 or more; or
- » regular withdrawals of \$100 or more a month.

If you want to remain a member of the Scheme, you'll need to maintain a balance of \$1,000 after any withdrawal. If you make a withdrawal that results in your balance falling below \$1,000 we can pay you the full balance and close your account.

We may change the minimum account balance and introduce other terms and conditions for withdrawals.

Early withdrawals

In some special cases, subject to the Act, you may be able to access some or all of your investment. These include:

- » first home purchase
- » permanent emigration to a country other than Australia
- » significant financial hardship
- » serious illness
- » life-shortening congenital condition

First Home Withdrawal

One of the great benefits of KiwiSaver is that you have the flexibility to use it to purchase your first home in New Zealand. You may be eligible to make a first home withdrawal if:

- » you've been a member of one or more KiwiSaver schemes or a complying superannuation fund for a combined total of three or more years; and
- » you've never made a home purchase withdrawal before; and
- » you intend the purchase of relevant land or an interest in a building on Māori land, to be your principal place of residence; and
- » you've never owned an estate in land, either alone or jointly with another person (limited exceptions apply).

You must leave a minimum balance of \$1,000 in your account and in addition, you can't withdraw any amounts transferred from an Australian complying superannuation scheme although any post-transfer investment earnings on those funds can be used.

You can make a first home withdrawal application only after the sale and purchase agreement has been signed and at least ten business days before settlement. If you were not resident in New Zealand at any time while you've been a member of a KiwiSaver scheme, you need to allow an additional five days. You cannot make a First Home Withdrawal after your property purchase has settled. We will make payments to your solicitor or conveyancer only.

If you've owned a home before you may be eligible to make a withdrawal to purchase a home as a 'Second Chance' homeowner if you:

- » meet the first three criteria above; and
- » can supply written confirmation from Kāinga Ora that your financial position is what is expected of a person who has never owned a home. For more information and an application form contact Kāinga Ora on 0508 935 266 or visit kaingaora.govt.nz.

KiwiSaver First Home Grant

Another great benefit for KiwiSaver members is the KiwiSaver First Home Grant administered by Kāinga Ora. The KiwiSaver First Home Grant is a tax-free grant of up to \$10,000 available if you've been making regular minimum² contributions to your KiwiSaver for at least three years and meet all first homebuyer's criteria. You may be entitled to:

- » \$1,000 for each year that you've contributed to KiwiSaver (maximum \$5,000); or
- » \$2,000 per year up to a maximum of \$10,000 to purchase or build a new home.

These grants are not paid out of your KiwiSaver investment and for more information, including whether the First Home Grant remains available, the required contribution levels and the other qualifying criteria contact Kāinga Ora on 0508 935 266 or visit kaingaora.govt.nz.

Permanent emigration

To Australia

Fisher Funds TWO KiwiSaver Scheme members who permanently immigrate to Australia, cannot make a cash withdrawal. However, if your balance is below the maximum transfer amount set by Australian legislation you can transfer your full KiwiSaver entitlement, including Government contributions, to an Australian complying superannuation scheme, which accepts such transfers.

To other countries

If you've permanently emigrated from New Zealand to anywhere other than Australia you can,

- » after one year — withdraw your investment (excluding the Government contribution amount and any Australian sourced amounts); or
- » at any time after emigration transfer your investment (excluding Government contribution amount) to a foreign authorised superannuation scheme.

In both circumstances, we'll repay your Government contribution amount to the Government. Any Australian sourced amounts will remain in the Fisher Funds TWO KiwiSaver Scheme.

To make a permanent emigration withdrawal or transfer you'll need to provide:

- » a statutory declaration confirming that you've permanently emigrated from New Zealand; and
- » documentary evidence proving when you left New Zealand and that you've lived at an overseas address at some time during the year after departure.

After emigrating, you can leave your balance in the Scheme until you reach the age of 65 and then choose whether to withdraw it as outlined in the "Retirement withdrawals" section.

² You must have contributed at least the minimum allowable percentage of your total income to a KiwiSaver scheme, complying fund or exempt employer scheme for at least three years. (From 1 April 2013 the minimum contribution was increased to 3 percent of your income, 3 percent of the minimum wage for non-earners or 3 percent of your yearly benefit for beneficiaries. From 1 July 2007 to 31 March 2009 the minimum contribution was 4 percent, and from 1 April 2009 to 31 March 2013 it was reduced to 2 percent.)

Significant financial hardship

If you're experiencing significant financial hardship (as defined in the Act), or are likely to, you may be able to access your KiwiSaver savings. The following are key points about significant financial hardship:

- » the Supervisor reviews and decides all applications for significant financial hardship;
- » the Supervisor must be reasonably satisfied that you're suffering or likely to suffer from significant financial hardship and that you've explored and exhausted reasonable alternative sources of funding;
- » the Supervisor must be satisfied that the withdrawal amount is required to alleviate the hardship;
- » the amount of the withdrawal is at the discretion of the Supervisor and may not be for the full amount you've requested;
- » withdrawal amounts will not include any kick-start contribution and Government contribution amounts; and
- » a statutory declaration will be required, which includes your assets and liabilities.

Serious illness

If you're suffering from serious illness (as defined in the Act), you may be able to make an early withdrawal. The Supervisor reviews and decides all applications for serious illness withdrawals and must be reasonably satisfied that you're suffering from a serious illness. Medical evidence will be required to support your withdrawal request.

The amount of the serious illness withdrawal may be up to the value of all of the contributions to your KiwiSaver.

Life-shortening congenital condition

If you have a life-shortening congenital condition (as defined in the Act), you may be able to make an early withdrawal. The Supervisor reviews and decides all applications for such withdrawals and must be reasonably satisfied that you have a life-shortening congenital condition. Medical evidence will be required to support your withdrawal request.

The amount of the withdrawal may be up to the value of all of the contributions to your KiwiSaver account. If you choose to make a life-shortening congenital condition withdrawal, you are treated as having reached the New Zealand superannuation qualification age and you will forgo your right to compulsory employer contributions and the Government contribution.

Death

Fisher Funds will on request, ensure your KiwiSaver savings are paid to the executors or administrators of your estate if you die. If, at that time, your full balance is less than a prescribed amount (currently \$15,000) we may pay your balance directly to a personal representative, such as a surviving partner or child. The personal representative will need to provide documentary proof of their relationship with you and complete a signed declaration.

Other circumstances of withdrawal

We will comply with any legislation or court order requiring us to release your KiwiSaver savings. This includes a property sharing order made under the Property (Relationships) Act 1976.

You can withdraw savings transferred into your KiwiSaver from an Australian complying superannuation scheme if you've reached age 60 and satisfy the retirement definition in Australian legislation. You'll need to sign a statutory declaration that you do not intend to work again to qualify for access to your Australian savings.

Requests to accept transfers from non-Australian superannuation schemes are assessed on a case-by-case basis. If you transferred savings from such a scheme to your KiwiSaver before 9 April 2015 you may make a withdrawal to pay any associated tax liability or student loan repayments. Applications must be made within two years of the tax liability or student loan repayment obligations being assessed. In some circumstances, the withdrawal may trigger a foreign tax liability. We recommend that you seek independent tax advice if you're in this situation.

If at any time, you did not mainly reside in New Zealand you won't be entitled to Government contributions for the period you were away. If you've received Government contributions for these periods, it's important that a statutory declaration be supplied at the time of your withdrawal stating any periods for which you did not reside mainly in New Zealand to ensure we're aware your Government contribution amount is wrong.

Payments

Payments can take up to 10 days to be paid to your nominated bank account or to an authorised recipient.

If you are invested in multiple funds, you may make a partial withdrawal from one or more funds of your choice. If you do not make a choice the withdrawal amount will be deducted from the funds in the same proportion as your current investment strategy (e.g. if you contribute 60% to fund A and 40% to fund B, 60% of your withdrawal value will be taken from fund A and the remaining 40% from fund B). If there is an insufficient balance in one of your funds to withdraw in the same proportion as your current investment strategy, we will make your withdrawal based on the proportion of your current investment balance in each fund (e.g. if your balance is 70% in fund A and 30% in fund B, 70% of your withdrawal value will be taken from fund A and the remaining 30% from fund B).

Any tax payable or refundable will be adjusted for either from your payment in the case of a full withdrawal or from your remaining balance in the case of a partial withdrawal.

Leaving Fisher Funds TWO KiwiSaver Scheme membership

You will end your membership in the following instances:

- » you withdraw all your KiwiSaver savings;
- » you transfer to another KiwiSaver scheme (or an Australian complying superannuation scheme or other approved overseas scheme when emigrating);
- » you die;
- » the Scheme is closed;
- » we give you notice that the balance of your account is zero and your membership is terminated;
- » at our discretion, if your accounts' balance is equal to or less than your tax liability; or
- » you opt out of the Scheme in accordance with the Act.

Transferring your investment to or from another scheme

You may transfer to or from another KiwiSaver scheme at any time but you can only belong to one KiwiSaver scheme at a time.

Deferral of withdrawals

We may suspend withdrawals under certain circumstances if we, in good faith, form the opinion that it is, or would be materially prejudicial to the Scheme, the interests of the members of the Scheme or members who have invested in the relevant fund as the case may be, to permit withdrawals. If we do so, we will give a suspension notice to that effect to the members of the Scheme or the members who have invested in the relevant fund. There is no time limit as to the duration of the suspension notice, which will expire once we give notice to the relevant members that the suspension notice is cancelled, either in whole or in part.

Transfers from overseas superannuation schemes

You can transfer savings from an Australian complying superannuation scheme to the Scheme if you've permanently immigrated to New Zealand. We do not currently accept direct transfers from superannuation schemes in any other country.

Any exchange rate and currency conversion fees applied by the Australian complying superannuation scheme responsible for transferring the money to New Zealand will affect the value of any Australian transfer.

We may apply conditions and restrictions (including fees, amounts and frequency) that we consider appropriate on transfers from Australian complying superannuation schemes.

Transferring ownership to another person

Units you hold in any fund can't be sold, assigned or otherwise transferred to any other person unless required by law.

Tax

We provide the following information on tax related to Fisher Funds TWO KiwiSaver Scheme as a general guide only and neither the Supervisor nor we accept any responsibility for your taxation liabilities. Please seek independent tax advice before investing.

Investment not subject to the Foreign Investment Fund (FIF) Regime

Funds holding shares in New Zealand resident companies or certain companies resident in Australia that are listed on the Australian Securities Exchange are taxed on those shares under the ordinary New Zealand tax rules. Dividends on such shares are usually fully taxable, with a credit allowed for any attached imputation credits (but not for any Australian franking credits). The funds are entitled to a tax credit for any withholding tax deducted from such dividends. Tax should not be payable by the funds on any gains from the sale of such shares.

Investment subject to the FIF Regime

Other international shares held by the funds are usually taxed under the Fair Dividend Rate (FDR) method in the FIF regime. Under that method, these shares give rise to deemed income in an income year (being 1 April – 31 March) equal to 5% (or a pro rata portion) of the average daily market value of the shares for that income year (or part year). The funds are entitled to a credit for any withholding tax paid on dividends received from the shares, subject to certain limits. Any dividends or profits from sales of the shares are ignored for tax purposes. No tax deduction may be claimed for any losses in respect of the shares under this method.

Other non-equity investments

Interest earned by the funds, foreign exchange gains from non-New Zealand dollar denominated debt instruments and income derived from hedging contracts or other derivatives are generally taxable. The funds are entitled to a deduction for expenses incurred in earning their income and for any foreign exchange and hedging losses.

Tax on contributions

No additional tax is payable if your contributions to the Scheme are made from your after tax income.

Tax on withdrawals

Under current legislation, except as described below, when you withdraw funds in New Zealand the amount withdrawn will not be subject to any further tax.

PIE tax treatment and timing

The Scheme is a multi-rate Portfolio Investment Entity (PIE) for tax purposes. This means that any taxable income of the Scheme will be taxed at your Prescribed Investor Rate (PIR). Providing the correct PIR will also mean no further tax is payable each year or when you make a withdrawal. Shortly after the end of the tax year or after a full withdrawal from the Scheme, we'll give you information on your investment, including the amount of income attributed to you and the amount of any PIE tax on your investment for the year.

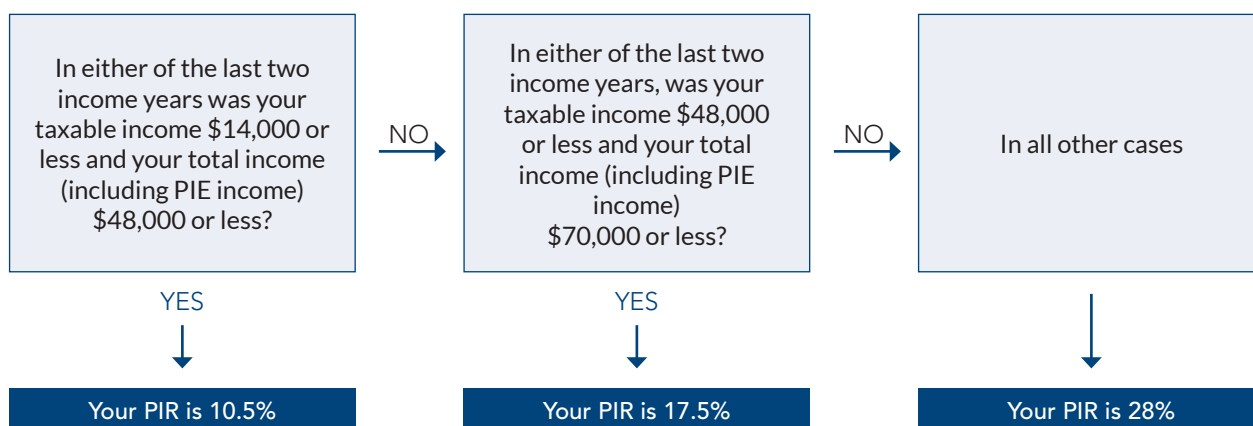
We'll calculate the tax on your share of taxable income based on the PIR that you provide and cancel units held by you to the value of the amount owed by you and pay the tax to Inland Revenue. We'll also issue additional units to you to reflect the amount of any tax credit owed to you. Tax adjustments are made as at 31 March each year or whenever you switch, transfer or withdraw units.

If your balance is equal to or less than the tax that is payable on income earned since the start of the tax year, we will cancel any remaining units and pay the tax liability to Inland Revenue.

PIRs and individual members

Individuals who are New Zealand tax residents determine their PIR based on their taxable income and their total income (i.e. taxable income plus attributed PIE income less attributed PIE loss) in the previous two income years. To work out your PIR, use the table below, call us on 0800 20 40 60, or go to Inland Revenue's website ird.govt.nz/toii/pir.

How to calculate your PIR



We'll give you information about your attributed income at the end of the tax year or after a full withdrawal from the Scheme. This information will help you determine whether you need to change your PIR for the next tax year.

Fisher Funds may be notified of a change to your PIR

If Inland Revenue believes your PIR is incorrect, they may provide us with an updated PIR for you. We would then update your KiwiSaver account with the new PIR. You can subsequently provide us with a different PIR if you believe the PIR Inland Revenue provided is incorrect.

New residents to New Zealand

In determining your PIR, you must treat gross income earned from foreign sources (in the income year you became a New Zealand resident and in the preceding two income years) as if it were taxable income. However, you may choose that this rule not apply if you expect that your taxable income in the relevant year will be significantly lower than your total income in the income year prior to becoming a New Zealand resident. In that case, your returns from the fund will be taxable, with a credit being available for any PIE tax paid.

PIRs and non-residents

If you stop being a New Zealand tax resident, your PIR will be 28%. Although a non-resident may not need to file a New Zealand tax return, you may need to file a return in your country of residence.

Employer Superannuation Contribution Tax (ESCT)

Employer contributions to the Scheme are subject to ESCT at the following rate, which is deducted before the contributions are credited to your account:

Total salary or wages and the before-tax employer superannuation contributions made for your benefit (which include KiwiSaver contributions) in the previous year	ESCT rate
\$16,800 or less	10.5%
\$16,801 – \$57,600	17.5%
\$57,601 – \$84,000	30%
\$84,001 – \$216,000	33%
Over \$216,001	39%

The above rates are subject to change and the most recent rates are available at ird.govt.nz.

If you were not employed for the full previous tax year, the rate will be based on estimates of your expected taxable earnings and employer superannuation contributions for the current tax year.

Relevant policies

Copies of the following policy documents are available at ff2kiwisaver.co.nz/resource-centre:

- » Broker Selection
- » Conflicts of Interest
- » Portfolio Trading
- » Proxy Voting
- » Responsible Investment
- » Soft Dollar Commission
- » Unit Pricing and Valuation
- » Unlisted and Suspended Securities
- » Liquidity Risk Management



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