

Salt Investment Funds

Other material information

18 October 2019



This document relates to the offer of units in the Salt NZ Dividend Appreciation Fund, Salt Enhanced Property Fund, and Salt Long Short Fund (Funds). It should be read in conjunction with the product disclosure statement for the Funds (PDS).

This document contains material information that is not contained the PDS or otherwise included in the Funds' entry on the register of offers of financial products. Further information about the Funds is contained in the PDS and the Funds' register entry.

The information in this document could change in the future. Please check the offer register at www.companiesoffice.govt.nz/disclose for any updates.

See the Glossary in section 8 for the meanings of capitalised terms used in this document. Some terms are also defined in the body of this document.

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1 The Funds and those involved in providing the Funds

This section contains more information about the Funds, including details of the manager, supervisor, investment manager, and administration manager of the Funds.

About the Funds

Each Fund is a separate fund established within the Salt Investment Funds. The Salt Investment Funds is a registered managed investment scheme under the Financial Markets Conduct Act 2013 (FMCA).

Each Fund was established on 16 April 2014 (although each Fund commenced operations at a later date). Each Fund has a duration of 80 years from the date it was established unless it is wound up earlier (as described in section 6).

The Salt Investment Funds is governed by a consolidated and amended master trust deed dated 7 September 2016. Each Fund is governed by a separate amended and consolidated Establishment Deed (Establishment Deed). The Establishment Deed for the Salt Long Short Fund is dated 7 September 2016. The Establishment Deed for each of the other two Funds is dated 10 February 2017.

More information on each Fund and its investment policy and objectives can be found in the Funds' statement of investment policy and objectives (SIPO), which is available at www.companiesoffice.govt.nz/disclose.

About the manager and investment manager of the Funds

Salt Investment Funds Limited (we, us, and our) is the manager of the Funds. Our functions, responsibilities, and duties are outlined in the Trust Deed.

We are licensed under the FMCA as a manager of registered schemes for a term expiring on 30 August 2021. The conditions of the licence imposed by the Financial Markets Authority are published on www.fspr.govt.nz. If you have queries about our licence, please contact us.

We are a wholly-owned subsidiary of Salt Funds Management Limited (Salt). Salt is the investment manager for the Funds.

Salt is a boutique investment management firm specialising in managing New Zealand-centric listed equity and property mandates. Salt is an "active" fund manager and has a strict focus on investing in those companies that it believes will add value for shareholders. Its investment process allows it to single out those companies that it believes will deliver earnings and cash flows above and beyond those that it judges the equity market is implicitly reflecting in their share prices. Salt's intention is to sustainably add value for clients over time.

Our and Salt's address is:

Level 3, The Imperial Buildings
44 Queen Street
Auckland

Our and Salt's directors are currently:

<p>Matthew Goodson CFA, BA, MCA (Hons, 1st)</p> <p>Managing Director</p>	<p>Matthew has more than 24 years' experience in the finance sector. Matthew is currently the Portfolio Manager for the Salt NZ Dividend Appreciation Fund, Salt Enhanced Property Fund, and Salt Long Short Fund.</p> <p>Matthew started his career as an Economist with Garlick & Co from 1993-1995 before becoming Head of Research from 1995-1997. He then spent seven years in New York working for BZW and Goldman Sachs JB Were as Director, Wholesale Equities before returning to New Zealand in 2004 to work for First NZ Capital also as Director, Wholesale Equities until 2009. During this time Matthew also managed a long short fund for First NZ Capital from 2006-2008. Immediately prior to joining Salt, Matthew was employed for over four years as Portfolio Manager at BT Funds Management (NZ) Limited, a wholly owned subsidiary of Westpac Financial Services Group Limited.</p> <p>Matthew has a Bachelor of Arts degree and Masters in Commerce and Administration (First Class Honours) from Victoria University of Wellington and is a holder of the right to use the Chartered Financial Analyst® designation.</p> <p>Matthew is also a shareholder in Salt.</p>
<p>Paul Harrison BCA, CA, MBA</p> <p>Managing Director</p>	<p>Paul has more than 28 years' experience in the finance sector.</p> <p>Paul started his career as an Accountant with Ernst & Whinney in 1985. He then spent nine years working as an Associate Director for Southpac Investment Management and five years as Investment Manager for Goldman Sachs JB Were Asset Management. Other roles have included Director and CFO for software company EstarOnline Limited and an Institutional Adviser for share broker Doyle Paterson Brown. Immediately prior to joining Salt Funds Management Limited, Paul was employed for over five years as Portfolio Manager at BT Funds Management (NZ) Limited, a wholly owned subsidiary of Westpac Financial Services Group Limited.</p> <p>Paul has a Bachelor in Commerce and Administration from Victoria University of Wellington and a Masters of Business Administration from Auckland University. He also holds the Chartered Accountant (CA) designation.</p> <p>Paul is also a shareholder in Salt.</p>
<p>Kirsty Campbell LLB (Hons), CMINSTD</p> <p>Independent Director</p>	<p>Kirsty has more than 18 years in the finance sector. She is an independent director of Salt and the chair of the Compliance Committee.</p> <p>Kirsty has a portfolio of governance roles and is also a director of Clarity Advisory Ltd, a commercial advisory firm. She is a member of the board of Public Trust, an independent director of NZHL, Salt Funds Management Limited, Enviro-Mark Solutions Limited and New Plymouth PIF Guardians Ltd and has several other governance roles. Her previous roles include independent director of Simplicity NZ Limited, Head of Supervision at Financial Markets Authority and Senior Manager with ANZ.</p> <p>She is a Chartered Member of the Institute of Directors and an Accredited Investment Fiduciary®. Kirsty has a Bachelor of Law (Hons) and a post-graduate Diploma in Legal Practice, from the University of Edinburgh.</p>

Our directors can be contacted at our address.

The other key members of our and Salt's investment and management team are currently:

<p>Paul Turnbull BBS (Hons)</p> <p>Chief Investment Officer</p>	<p>Paul has more than 21 years experience in the finance sector. He is the Chief Investment Officer at Salt, with primary responsibilities including management of the investment team, model portfolio construction, sector research and ESG.</p> <p>Paul started his career as a research analyst at Ord Minnett from 1997-2001. He then spent eleven years in Melbourne with JCP Investment Partners firstly as a research analyst from 2002-2010 and then as Head of Research from 2010 to 2012. Paul returned to New Zealand to work for First NZ Capital from 2013-2019 as a Director, Research with sector responsibilities including Transport, Gaming and Equity Strategy.</p> <p>Paul has a Bachelor of Business Studies (Honours) from Massey University, Palmerston North.</p> <p>Paul is also a shareholder in Salt.</p>
<p>Roger Clayton BCom (Hons), LLB, MCom</p> <p>Chief Operating Officer</p>	<p>Roger has more than 20 years' experience in the financial services sector. He is the Chief Operating Officer at Salt Funds Management.</p> <p>Roger started his finance career in 1997 as a key account manager in JP Morgan's equity derivatives middle office in London. He returned to New Zealand in 2000 to work as an investment product advisor for Royal & SunAlliance. Roger then spent seven years with the Westpac Group from 2004 to 2011 in several roles including Senior Product Development Manager at BT Investment Management in Sydney and Head of Product at BT Funds Management NZ where he oversaw the launch of the Westpac KiwiSaver Scheme.</p> <p>Prior to joining Salt, Roger was employed for seven years at ASB Bank, a wholly owned subsidiary of the Commonwealth Bank of Australia. Most recently as Head of Wealth Product where he led the transition of ASB's managed investment schemes into the Financial Markets Conduct regime.</p> <p>Roger is also a shareholder in Salt.</p>

Details on other members of Salt's investment team can be found on our website at www.saltfunds.co.nz.

Currently, the following directors and employees of us and Salt (either directly or through associated entities) hold units in the Funds:

- Salt Long Short Fund: Matthew Goodson, Paul Harrison, and Kirsty Campbell.
- Salt Enhanced Property Fund and Salt NZ Dividend Appreciation Fund: Matthew Goodson.

Administration Manager

We have appointed MMC Limited as administration manager (Administration Manager) to provide unit pricing and registry services for the Funds. The Administration Manager is also the unit registrar for the Funds.

Supervisor and Custodian

The supervisor of the Funds is The New Zealand Guardian Trust Company Limited (Supervisor). The New Zealand Guardian Trust Company Limited is also the Funds' custodian (although it may delegate

some or all of its custodial functions from time to time, and as at the date of this document, has appointed the Asset Servicing division of National Australia Bank Limited as sub-custodian). The Supervisor's functions, responsibilities, and duties are outlined in the Trust Deed.

Its address is:

Level 14
191 Queen Street
Auckland

You can obtain details of the Supervisor's directors at any time from the Companies Office website at www.companiesoffice.govt.nz/companies.

The Supervisor has been granted a licence under section 16(1) of the Financial Markets Supervisors Act 2011 to act as a supervisor in respect of superannuation schemes, debt securities, non-fund schemes, specified managed funds, and KiwiSaver schemes for a term expiring on 16 March 2023.

A copy of the Supervisor's licence, including the conditions on the licence, can be obtained at the FMA's website: www.fma.govt.nz. If you have any queries about the licence please contact the Supervisor in the first instance.

Solicitors

The solicitors for the Funds are Kensington Swan.

Auditor

PricewaterhouseCoopers are the Funds' auditors. PricewaterhouseCoopers and its partners have obtained auditor licences under the Auditor Regulation Act 2011. Other than in its capacity as auditor, PricewaterhouseCoopers has no relationships with, or interests in, the Funds.

Tax advisors

Ernst & Young is the Funds' tax advisor.

Changes to details

The addresses and individuals disclosed above may change from time to time. You can obtain up-to-date details from the Companies Office website www.companiesoffice.govt.nz/companies or by calling us on 09 967 7276.

Indemnities

We and the Supervisor are entitled to an indemnity out of the assets of a Fund if we or it are held personally liable in respect of any debt, liability, or obligation incurred by or on behalf of that Fund or for any action taken or omitted in connection with that Fund. The indemnity extends to the costs of any litigation or other proceedings in which liability is determined.

However, neither we nor the Supervisor are entitled to be indemnified out of the assets of a Fund if doing so would be void under the FMCA or any other applicable legislation (including where the expense or liability is caused by a failure to show the degree of care and diligence required by the FMCA).

No guarantee

No person guarantees the payment of any money payable from the Funds, including the repayment of any investment in the Funds or the payment of any return on it.

2 Applications, switches, transfers, and withdrawals

This section contains more information about applying for units in the Funds, switching between Funds, transferring units, and withdrawing from the Funds.

Applying for units

You can apply for units in a Fund that is open to applications by completing the relevant application form (see the PDS) and returning it to us with the required consideration (which must be cash, or if we permit, in a form other than cash such as existing investments).

See the PDS for the minimum investment amounts that currently apply and timeframes for issuing units.

You can make a standing application for units, which means you apply for units in a Fund or Funds for an amount per month (or other period we determine), including by direct debit, without filling out a new application form.

Investments in the Funds can be made either directly or through an administration service approved by us. Any such investment will be held by the administration service's custodian on your behalf and different minimum investment levels to those set out below may apply to the particular service that you use. Contact us for a list of approved administration services at any time.

We have an absolute discretion to accept or refuse to accept any application for units in whole or in part. If we reject an application we do not need to give reasons. Our decision must be made, and any units issued, within five business of the valuation day for which the relevant application is effective (as set out in the PDS). If we reject an application, we will promptly refund the money paid. Interest will not generally be paid on application moneys refunded.

We can also redeem or treat as void any units that could or would result in a Fund losing its status as a portfolio investment entity (PIE). Where units are voided the applicant will be paid their subscription monies and (subject to maintaining equity between unit holders) any other compensation we consider appropriate.

Switching

You may switch between Funds, as long as you satisfy the relevant minimums for applications and withdrawals. We may decline to implement a switch in our sole discretion, including where the switch could or would result in a Fund losing PIE status. We do not need to give reasons where we decline to implement a switch.

Making a withdrawal

You may make a withdrawal from any Fund by giving us a withdrawal notice. A withdrawal notice may be in writing or by electronic means. We have a discretion to accept verbal notices, but currently do not intend to do so. See the PDS for the minimum withdrawal amounts that currently apply and timeframes for withdrawing units, and contact us for the required form. A withdrawal notice is irrevocable once given.

We may satisfy a withdrawal request by (through the Supervisor) transferring investments of the relevant Fund to you. If your withdrawal is for less than 5% of a Fund's net fund value for the relevant valuation day, your and the Supervisor's agreement is required before a transfer of investments can occur. These investments will have a market value (determined in accordance with the Trust Deed) equal to the amount that you would have received in cash (that is, after deduction of any applicable transaction costs). Where we transfer assets to you, we will determine which investments to transfer to you after considering your and the other unit holders' interests.

From time to time we can set a minimum holding for a Fund or a unit holder, and if a unit holder's holding falls below the relevant minimum, they will be deemed to have given a withdrawal notice for their remaining units.

We can also suspend withdrawals and switches from a Fund, as set out in the 'Changes that can be made' section.

Transfers

You can transfer units to another person by completing and signing a transfer form approved by us.

Unless we determine otherwise, we will process a transfer as a withdrawal and subsequent application for units in the relevant Fund. However, the issue price for units issued will be the same as the withdrawal value for the units withdrawn to facilitate the transfer. This means that the transferee will receive the same number of units that the existing unit holder held, less any units redeemed to pay the existing unit holder's tax liability.

The number of units transferred and the number of units remaining must satisfy the minimum requirements set by us from time to time. The minimum transfer and remaining holding amounts (unless the existing unit holder transfers all of his or her units) are currently:

Type of minimum	Minimum per Fund
Minimum transfer amount	\$1,000
Minimum remaining Fund holding after transfer (both existing unit holder and transferee)	\$5,000

We may suspend transfers from time to time. We cannot suspend transfers for more than 30 working days in a calendar year without the Supervisor's agreement. We may also decline a transfer, including where the transfer would or could result in an affected Fund losing its status as a PIE. Before a transfer can occur, the existing unit holder must pay all duties, taxes, and other commissions, fees, and charges in respect of that transfer.

3 Fees and expenses

This section contains more information about the fees and expenses for investing in the Funds.

Additional information about fees in the PDS

Set out below is additional information about the fees making up the annual fund charges disclosed in the PDS.

Management fees

We are paid a management fee for managing the investments of each Fund, plus GST. The current fees are set out in the PDS.

We may increase (up to a maximum of 2%) the management fee in respect of a Fund after giving at least one month's prior notice to affected unit holders and the Supervisor.

Other management and administration charges

Fee	Further information
Supervisor's fees	<p>The Supervisor is paid its Supervisor's fee for acting as supervisor of each Fund.</p> <p>The Supervisor is entitled to a fee from each Fund of up to 0.05% plus any GST per annum of the gross fund value of that Fund as agreed with us (subject to a minimum fee of \$30,000 plus any GST per annum, which is spread equitably across all of the Funds).</p> <p>The Supervisor can review its fee on an annual basis and increase its fee with our agreement by giving at least one month's prior notice to affected unit holders.</p> <p>The Supervisor is also entitled to special fees, which will be paid from the relevant Fund(s), for services of an unusual or onerous nature outside the Supervisor's regular services (including, for example, convening meetings of unit holders, breaches of trust, and exercising discretions), as we agree with the Supervisor from time to time.</p>
Custodian's fees	<p>The Custodian is paid its Custodian's fee, plus GST, for acting as custodian of each Fund. The Custodian is also entitled to reimbursement of expenses. This is paid out of each Fund as an expense. The custody fee may change from time to time.</p>
Administration fees	<p>The administration fee, plus GST, is paid to MMC Limited for providing unit pricing and registry services to each Fund. The Administration Manager is also entitled to reimbursement of expenses. These are paid out of each Fund as an expense.</p> <p>We can also agree to pay the Administration Manager special fees for additional services that the Administration Manager provides to a Fund from time to time. We may also agree to change the Administration Manager's fees in the future.</p>

Fee	Further information
Establishment cost recoveries	<p>The Salt Investment Funds were established on 16 April 2014.</p> <p>A proportion of the costs of establishing the Salt Enhanced Property Fund, and subsequently offering units to the public, incurred by us and the Supervisor, including legal fees, are currently being recouped from that Fund's before-tax investment earnings, in instalments, over a period of up to 5 years.</p>
Other expenses	<p>Subject to the indemnity limitations in the FMCA, we and the Supervisor are entitled to the reimbursement of expenses incurred in performing services in respect of each Fund. We are also entitled to receive any value added tax or duty or similar tax payable in respect of the management fee including GST.</p> <p>Subject to the cap disclosed below, the expenses incurred in operating each Fund are usually deducted from that Fund and include audit and legal expenses.</p>

We have currently agreed to cap the maximum amount of these other management and administration charges (other than extraordinary or special fees or expenses) at the following percentage of each Fund's average daily gross fund value:

- Salt NZ Dividend Appreciation Fund: 0.20% per annum, excluding GST
- Salt Enhanced Property Fund: 0.25% per annum, excluding GST
- Salt Long Short Fund: 0.25% per annum, excluding GST.

We may increase or remove the cap on fees or expenses for a Fund by one month's notice to affected investors.

Performance fees

We are also entitled to a performance fee, plus GST, for the Salt Long Short Fund and Salt Enhanced Property Fund, as set out in the PDS.

Both the amount and the basis of calculation of these performance fees may be amended by giving at least one month's prior notice to affected unit holders and the Supervisor (for example, the benchmark hurdle rate or fee percentage could be changed).

GST

All fees are disclosed on a before-tax basis. GST will be added to fees and may be included in some expenses where applicable. GST at the standard rate of 15% currently applies to our, the Supervisor's (and Custodian's), and Administration Manager's fees. It is currently only charged on 10% of our fees based on an industry agreement with Inland Revenue. The proportion of these fees on which GST is charged may change.

Individual action fees

Buy / sell spread

Investors are currently charged a buy/sell spread to reflect the associated transaction costs of buying or selling units in a Fund. These reflect our estimate of the brokerage and other costs incurred when units are purchased or redeemed.

The current buy/sell spreads (which can change at our discretion) are as follows:

Fund	Buy/sell spread	How and when payable
Salt Long Short Fund, Salt Enhanced Property Fund and Salt NZ Dividend Appreciation Fund	0.20% of funds invested into the Funds and 0.20% of funds withdrawn from the Funds.	The spread is deducted from the relevant amount at the time you invest or withdraw. The spread is retained in the relevant Fund and ensures other investors entering and exiting the Fund do not adversely affect the returns on your investment. No spreads are charged on units issued as a result of distribution re-investment.

Contribution and withdrawal fees

The information in this sub-section forms part of the PDS.

We do not currently charge contribution or withdrawal fees, and do not intend to do so. However, we may charge the following fees in the future:

Fee / description	Minimum / maximum	How and when payable
Contribution fee	Up to 5% of the cash or other consideration forwarded for units.	Paid on the issue of units in the relevant Fund by deduction from the application amount and payment to us.
Withdrawal fee	Up to 5% of any withdrawal amount.	Paid on the redemption of units by deduction from the amount realised and paid to us.

Transaction costs

In addition to the above, transaction costs, which include brokerage, short selling expenses and other associated costs, are reflected in the Funds' unit prices and could therefore affect returns.

Basis of estimates of annual fund charges in the PDS

The annual fund charges included in the PDS are our best estimates of the amount we expect to charge in respect of the Funds. The annual fund charges cover Management fees, Supervisor's fees, Custodian's fees, Administration fees, Establishment cost recoveries, Other expenses, and Performance fees.

We have made estimates of these amounts in the PDS on the following basis:

- **Management fees, Supervisor's fees, Custodian's fees, Administration fees, Establishment cost recoveries and Other expenses:** We have estimated these based on each Fund's fees and expenses paid in the 12 months to 31 March 2019, based on each Fund's Gross Fund Value (as defined in the Trust Deed), and converted to an annualised percentage of average net asset value over the period.
- **Performance fees:** We have estimated these based on the average of the Fund's last three years of performance fees payable against its performance fee hurdle rate of return, based on

Gross Asset Value and converted to a percentage of average daily net asset value over the period.

Fund	Performance fee to 31 March 2017	Performance fee to 31 March 2018	Performance fee to 31 March 2019	Average over three years
Salt Enhanced Property Fund	0.14%	0.02%	0.00%	0.05%
Salt Long Short Fund	0.21%	0.08%	0.00%	0.09%

4 How Portfolio Investment Entity (PIE) tax works for the Funds

Tax will affect your returns. Tax laws are complex and can have different or further consequences than those described in this section. In addition, the information in this section is based on tax laws currently in force and is subject to change. You should seek independent professional tax advice before investing or withdrawing.

References in this section to 'us' include a reference to your administration service provider, if that is how you invested and your provider is a proxy for unit holders under the Income Tax Act 2007, as they conduct the PIE tax administration for their clients.

Portfolio investment entity tax

Each Fund is a multi-rate portfolio investment entity. All of each Fund's taxable income (or loss) will be allocated between unit holders based on their proportionate interest in the Fund. We calculate tax payable on income allocated to each member at their nominated prescribed investor rate. Tax is then paid as described in this section.

You need to give us your IRD number and applicable prescribed investor rate when you first invest in a Fund. If you don't, you will be taxed on income allocated to you at the default rate of 28%.

The prescribed investor rates for New Zealand resident individuals are:

If your taxable income ¹ was ...	and your taxable income plus your PIE income/loss was ...	in the two income years ² before the relevant tax year ³ for ...	your prescribed investor rate is ...
\$14,000 or less	\$48,000 or less \$48,001 - \$70,000	either year either year ⁴	10.5% 17.5%
\$14,001 - \$48,000	\$70,000 or less	either year	17.5%
\$48,001 or more	any amount	each year	28%
any amount	\$70,001 or more	each year	28%

- 1 Your 'taxable income' is your worldwide income including income earned during any period you were not tax resident in New Zealand.
- 2 An 'income year' is usually the period from 1 April to 31 March the following year, although Inland Revenue can approve alternative dates.
- 3 A 'tax year' is always the period from 1 April to 31 March the following year.
- 4 If you are eligible for more than one prescribed investor rate you can choose the lowest rate.

The prescribed investor rates for other unit holders are:

If you are ...	your prescribed investor rate is ...
a proxy, company, incorporated society, PIE, or registered charitable trust	0%
a non-resident	28%
trustees or superannuation scheme	your choice of 0%, 17.5%, or 28% ²
testamentary trust	your choice of 0%, 10.5%, 17.5%, or 28% ²
joint investor, partnership, or unincorporated society ¹	your choice of 0%, 10.5%, 17.5%, or 28% ²

- 1 Joint investors should consider splitting their investments. If you do invest jointly, income will be allocated to the unit holder with the highest prescribed investor rate which may impact on their prescribed investor rate in the future. If more than one joint investor has the highest prescribed investor rate, income will be allocated to the joint investor named first.
- 2 If you are a trust and elect the 28% rate, beneficiaries will be unable to receive PIE income at rates lower than 28%. In addition, beneficiaries will not be entitled to a credit for or refund of any excess tax paid.

Inland Revenue may tell us to disregard a prescribed investor rate you have given us and apply a different rate instead. In addition, as set out in the table above, if you are not resident in New Zealand for tax purposes, only the option of having tax deducted at 28% is available, and your investment could have additional tax implications for you in your own tax jurisdiction.

Each Fund's tax liability on PIE income allocated to you each year will ordinarily be deducted at the earliest of the following three times by cancelling units equal to the value of the tax liability:

- at the end of the income year (that is, after 31 March)
- if you make a withdrawal or switch to a different Fund, or transfer units to another person (including partial withdrawals, switches, or transfers)
- if at any time when the balance of your remaining investment is, or could potentially become, insufficient to cover the Fund's accrued tax liability on income allocated to you (we will consider potential market movements when determining whether your remaining investment is of sufficient value), in which case if you are making a partial withdrawal or switch a full withdrawal or switch will be required.

Any interest paid on money held in a bank account after unit holders' units are cancelled to pay PIE tax but before that money is paid to Inland Revenue will be dealt with as we see fit. We currently intend to pay any interest back into the relevant Fund. Your share of any tax credits for PIE tax losses or other excess tax credits a Fund you are invested in receives will usually be allocated to you by the issue of additional units. If you have elected the 10.5%, 17.5%, or 28% rate, you cannot include a loss attributed to you in your tax return.

If you have given us a 0% prescribed investor rate, if you have given us a rate that is lower than it should be, or if you are a trust that has not chosen the 28% rate and not allocated the income to beneficiaries on the appropriate tax rates, you will need to pay tax on PIE income that is allocated to you. This means that you will need to include PIE income allocated to you in your New Zealand income tax return (including where you have derived PIE income from the Fund as beneficiary income from a trust), together with details of any PIE tax paid by us on your behalf. In all other cases, if you have given us the correct prescribed investor rate, the tax paid on income allocated to you will be a

final tax and no obligation to file a New Zealand income tax return will arise in respect of your investment in the Fund.

PIE income from a Fund may affect assistance provided by Work and Income, and is treated as income for working for families tax credits and student loan repayment obligations. In addition, if you are required to include PIE income in your tax return it will be taken into account in determining child support payments.

Each year we will give you an annual tax statement, which will include the amount of PIE income allocated to you and the amount of tax paid at your chosen prescribed investor rate. We will also ask you to confirm your IRD number (if not already provided) and prescribed investor rate.

You need to tell us if your correct prescribed investor rate changes or if you cease to be a New Zealand resident, as the rate for non-residents is 28%. If you do not do so, or if you give us a rate that is lower than it should be, you will be personally liable to pay any resulting tax shortfall, including any penalties or interest, and may need to file a tax return. If tax is overpaid because you have given us the wrong prescribed investor rate the overpaid tax is not usually refundable or creditable (although if you have chosen the 0% rate or are a trust and have chosen a rate other than 28% you can claim a credit for any tax paid on PIE income allocated to you).

Withdrawals from the Funds and any distributions are not taxed in New Zealand as they are excluded income.

Tax on investments made by all of the Funds

Capital gains or losses made by a Fund on most holdings of New Zealand resident companies and Australian resident listed companies with franking accounts that are included on an approved index under the Australian Securities Exchange market rules are not taxable or deductible, although distributions from these holdings are taxable.

Other foreign shares (including shares in Australian resident companies not listed above) and funds held by a Fund will generally be subject to the Foreign Investment Fund (FIF) rules and are generally taxed under the fair dividend rate (FDR) method. Under this method, each Fund will be deemed to have derived taxable income equal to 5% per annum of the average daily market value of the shares for the relevant tax year. Dividends or other distributions received from investments taxed under this method are not taxable, although foreign tax credits may be available to offset fair dividend rate tax payable. Foreign currency hedges of shares and funds subject to fair dividend rate tax may also be taxed using a version of those rules (rather than under the financial arrangement rules).

Foreign shares and funds held by a Fund are generally taxed under the FIF comparative value method (that is, on the basis of the annual change in market value plus distributions and any disposal gains) if they:

- offer guaranteed or fixed rate returns
- are non-participating redeemable shares
- are 80% or more invested in financial arrangements or fixed rate shares that are denominated in or hedged to New Zealand dollars
- are otherwise determined by Inland Revenue to be debt in economic terms.

Debt securities and other financial arrangements held by a Fund directly are taxed under the financial arrangements rules using the IFRS taxpayer method, which reflects financial reporting. Foreign exchange gains and losses may instead be taxed under a method similar to the FDR rules in some cases.

Tax on short selling investments

Shares borrowed and subsequently sold by the Salt Long Short Fund and the Salt Enhanced Property Fund, (that is, shares sold short) that fall within the:

- category of shares disclosed above for which capital gains or losses are not taxable or deductible will also be excluded from the calculation of taxable income. Any manufactured dividends (also known as dividend replacement payments) received on collateral will be taxable as income and manufactured dividends paid on borrowed shares will be considered tax deductible to the Fund
- 'other foreign shares' category of shares disclosed above will likely be taxed under normal income recognition principles, whereby any income and gains arising from these transactions will be considered taxable income. Any manufactured dividends received on collateral will be taxable as income and manufactured dividends paid on borrowed shares will be considered tax deductible to the Fund.

Please contact us for details of the particular tax treatment applying to the investments of a Fund at any time.

PIE tax advantages

Investing in a PIE can provide tax advantages relative to direct investment. Capital gains made on most investments in New Zealand shares, and most Australian listed shares, are not taxable irrespective of the level of trading undertaken. In addition, because the prescribed investor rates at which tax is paid on PIE income are determined by investors' taxable income over the past two tax years but are capped at 28%, and no other tax is generally payable by individual investors, there can be tax advantages if you are on a higher marginal tax rate.

5 Risks

All investments involve some degree of risk that can affect your ability to recover the full amount of your investment or impact on the level of return.

Risk and return are related. Generally, the greater the level of risk, the greater the expected return over the longer term. As an investor, you need to determine your own level of risk tolerance before investing. You should seek advice from an appropriately qualified financial adviser to determine your risk tolerance level.

No person guarantees the payment of any money payable from the Funds, including the repayment of any investment in the Funds or the payment of any return on it. In addition, due to the unique risks associated with an investment in the Salt Long Short Fund or Salt Enhanced Property Fund, these Funds will not be appropriate for all investors.

The risks disclosed in the PDS are divided into general investment risks and other specific risks. This section provides more information on investment return risk, and outlines other general risks that will apply to your investment in the Funds.

Additional information on risks

Risk	Additional information
Investment return risk	<p>As discussed in the PDS, investment risk is the risk that returns from the Funds' investments will be negative or lower than expected, affecting the value of your investment in the Funds, and different asset classes have different levels of risk. More information on the risks associated with each relevant asset class is set out below.</p> <ul style="list-style-type: none">• Equity risk - Equity investments (shares) are generally ownership interests in a business, company, or corporation. They offer the possibility of greater returns than cash and fixed interest, and tend to be more accessible and liquid than other securities. However, the risk factor with equity investments is relatively high, as the value is very much dependent on the performance of, and any specific issues relating to, the company that issued them, as well as the economic performance of the countries and markets they operate in. <p>Equity investments in a company also rank lower than money owed to the company's creditors and bond holders. There are also extra costs due to brokerage services.</p> <ul style="list-style-type: none">• Cash risk - Cash is suitable for short term requirements, but inflation may erode its value. Investment returns from cash investments are generally expected to be lower than for other assets (such as shares and property) and accordingly tend to be lower risk. However, where cash assets are placed on bank deposit there is a small risk of the bank defaulting, meaning it may not be able to pay interest or repay principal and resulting in some or all of the cash being lost.• Property securities risk - Property investments (in relation to the Funds) are generally investments in a property-owning entity (for example, listed property), and as such are exposed to the same risks as shares. In addition, the value of the underlying property (and therefore the property investments) are affected by demand, location, the quality of the property, market conditions, opinions, and the market for property investments.

Risk	Additional information
Regulatory risk	Regulatory risk is the risk of future changes to laws or regulations (including tax or managed fund legislation) that could affect the operation of the Funds or your investment in any of them. In addition, there is the risk that the Trust Deed could be amended in a manner permitted by law that adversely affects your interests.
Taxation risk	Changes in taxation rates, policies, regulations and laws or tax treatment of an investment in a Fund may impact your investment returns and the effectiveness of the Fund's investment strategy (e.g. short selling). We recommend you seek advice from a tax adviser before making an investment into a Fund.
Fund liquidity risk	There is a risk of a Fund being unable to meet monetary obligations in a timely manner, which arises where there is a mismatch between the maturity profile of investments and the amounts required to pay benefits (although the Funds' investments are managed with a view to ensuring their cashflow requirements are met).
Insolvency risk	There is a risk of one or more of the Funds becoming insolvent and being placed into receivership, liquidation, or statutory management, or being otherwise unable to meet their financial obligations during the term of your investment in it.
Administration risk	There is a risk of technological or other failures impacting on the operation of the Funds or financial markets in general.
Loss of PIE status risk	There is a risk of a Fund losing its PIE status and instead being subject to tax on its net investment income at a flat rate of 28% (although we have processes in place to manage compliance with the PIE eligibility requirements).
Risk of changes to Funds	There is a risk of a Fund being wound-up or changes to the way a Fund operates being made while you invest in it.

There may also be risks that are currently unknown that may affect your investment in a Fund at a future point in time.

However, unit holders do not incur any liabilities (including contingent liabilities) in relation to the Funds other than the purchase price for units and a requirement to indemnify us and the Supervisor in respect of any tax paid or payable in respect of you and your units.

6 Changes that may be made

The table below describes the key changes that we and the Supervisor can make to the way the Funds operate.

Key change	How changes may be made
Trust Deed	<p>We and the Supervisor may at any time make any alteration, modification, variation or addition to the provisions of the Trust Deed (by means of a deed executed by us and the Supervisor) in either of the following cases:</p> <ul style="list-style-type: none"> • if the Supervisor is satisfied that the change does not have a material adverse effect on the unitholders; or • if the change is approved by, or contingent on approval by, special resolutions (as defined in the Trust Deed) of the unitholders that are or may be adversely affected by the change (or, if applicable, of each separately affected class of unitholders in each Fund). <p>Certain procedural requirements also need to be complied with.</p>
Suspensions	<p>If as a result of:</p> <ul style="list-style-type: none"> • a decision to wind-up one or more of the Funds; • the suspension of trading on any exchange; • financial, political, or economic conditions in any financial market; • the nature of any investment; or • the occurrence or existence of any other circumstance or event relating to the Fund or generally, <p>we form the opinion in good faith that it is not practicable, or would be materially prejudicial to the interests of unit holders generally for us to give effect to withdrawal notices or switching notices, we may suspend withdrawals and switches from that Fund by giving a notice to that effect to the Supervisor and any unit holder of that Fund that gives or has given a withdrawal or switching notice that has not been given effect to.</p> <p>A suspension may last up to three months, or longer if the Supervisor agrees to an extension. We must cancel a suspension if the circumstances that gave rise to the suspension cease to apply. There is no limit on the period that a suspension can be extended for with the Supervisor's agreement.</p>
Large withdrawals	<p>If a withdrawal or switching notice, or a series of withdrawal and/or switching notices have been received within three months and those notices in aggregate relate to more than 5% of the units on issue in a Fund at the time of the last notice (or any other percentage we specify by at least 30 days' prior notice to unit holders and the Supervisor), we can defer the redemption of those units.</p> <p>We will give notice to the Supervisor and affected unit holders of any deferral, and that notice will set out the intended dates of redemption of units. We are able to redeem affected units progressively by instalments with effect from one or more valuation days falling in a period we specify, and/or in total at the expiry of a period we determine. In each case, the period cannot be longer than 90 days unless the Supervisor approves, and the Supervisor cannot</p>

Key change	How changes may be made
	unreasonably withhold its approval. The withdrawal value of affected units will be calculated on the valuation days on which they are redeemed
New Funds and amalgamating Funds	<p>The Trust Deed allows us and the Supervisor to establish new funds within the Salt Investment Funds by entering into an establishment deed which sets out the terms of the new Fund.</p> <p>We can also, after giving the Supervisor and all affected unit holders at least two months' written notice and subject to relevant law, amalgamate any Funds together or divide any Fund into separate Funds, by way of a deed amendment. We cannot do this during the period of any suspension.</p>
Investments	<p>Each Fund is invested in 'authorised investments'. Each Fund's particular authorised investments are set out in its Establishment Deed and listed in the SIPO.</p> <p>We and the Supervisor can change the authorised investments and investment strategy for a Fund by amending its Establishment Deed. We can change other aspects of a Fund's investment policy and objectives by amending the SIPO after giving notice to the Supervisor in accordance with the Trust Deed. We will give affected unit holders one month's notice of any material changes to the SIPO.</p>
Distributions and bonus units	<p>We can distribute amounts from a Fund at any time in accordance with the Trust Deed, which may be made up of all or part of the income or capital of that Fund.</p> <p>We currently intend to make semi-annual income distributions from the Salt NZ Dividend Appreciation Fund and Salt Enhanced Property Fund. Distributions are not paid from the Salt Long Short Fund. We may change our distribution policy for any Fund from time to time.</p> <p>We can also, if the Supervisor accepts our recommendation, capitalise the whole or part of the income or capital of a Fund and apply it to issuing new units to be distributed as fully paid bonus units.</p>
Borrowing	<p>If allowed by the relevant Establishment Deed, and subject to the limits set out in the relevant Establishment Deed, the Supervisor may, and must if we direct, borrow and raise money for the purposes of a Fund on any terms we and the Supervisor think fit. We can give security from the relevant Fund for borrowings.</p> <p>We do not intend to borrow in respect of the Funds unless for settlement purposes. There is currently no limit on borrowings for the Salt Long Short Fund and Salt Enhanced Property Fund (although these Funds do not borrow money to generate financial leverage, and leverage only currently occurs through the use of short selling and derivatives). Borrowing is limited for the Salt NZ Dividend Appreciation Fund to a maximum of 25% of the net fund value of that Fund unless otherwise agreed with the Supervisor.</p>

Key change	How changes may be made
Winding up	<p>A Fund will be wound up if:</p> <ul style="list-style-type: none"> • we resolve to wind up that Fund and give notice in writing of that resolution to the Supervisor; • a special resolution of the unit holders of that Fund is passed resolving to wind up that Fund; • the Salt Investment Funds is wound up as set out below; or • eighty years has passed since the commencement date for that Fund. <p>The Salt Investment Funds as a whole will be wound up if:</p> <ul style="list-style-type: none"> • we resolve to wind up the Salt Investment Funds and give notice in writing of that resolution to the Supervisor; • a special resolution of all unit holders of the Salt Investment Funds is passed resolving to wind up; or • the Salt Investment Funds' registration under the FMCA is cancelled or the Salt Investment Funds are required to be wound up under the FMCA.

7 Material contracts, conflicts of interest, and market indices

This section sets out information on material contracts, conflicts of interest, and the market indices against which we measure the Funds' performance. It contains information for the purposes of clause 52 of Schedule 4 to the Financial Markets Conduct Regulations 2014.

Material contracts

The following is a summary of the contracts that we consider to be material in respect of the Funds:

Administration services agreement

We have entered into a replacement administration services agreement (including service level agreement) in respect of the Funds dated 11 May 2016 with MMC Limited and Salt Funds Management Limited (Salt).

The agreement replaces the original administration contract between us and MMC Limited dated 19 May 2014, and re-documents the terms on which we have delegated various administrative functions to MMC Limited, including the provision of unit pricing and registry services.

Management agreement with Supervisor

We have entered into a management agreement with The New Zealand Guardian Trust Company Limited (Supervisor) dated 7 September 2016 that sets out the arrangements between us and the Supervisor in relation to certain operational matters relating to the Funds.

The management agreement specifies the reporting and information to be provided by us to the Supervisor, the requirements for operating the Funds' bank account, and record keeping requirements.

Nothing in the management agreement limits or alters the powers of the Supervisor or our duties under the master trust deed and establishment deeds for the Funds (Trust Deed) and applicable law. In the event of any inconsistency between the management agreement and the Trust Deed, the Trust Deed will prevail.

Management support agreement with Salt

We have entered into a management support agreement with Salt dated 15 September 2016, as subsequently amended on 30 March 2017.

Under this agreement, we effectively outsource investment management functions in respect of the Funds to Salt, and Salt provides us with support and resources (including people, operational and financial resources), in respect of the Funds, in order for us to perform our functions, discharge our duties, and otherwise conduct our business.

Global master securities lending agreement

We have entered into a global master securities lending agreement dated 29 May 2014, as subsequently amended on 20 July 2016, with the Supervisor (as supervisor) and Macquarie Bank Limited. We enter into securities lending transactions with Macquarie Bank Limited in respect of the Salt Long Short Fund and Salt Enhanced Property Fund under this agreement. Under this agreement, we are required to provide collateral to Macquarie Bank Limited when we borrow securities.

Conflicts of interest

A conflict of interest occurs when a staff member, senior manager, director or any other person we engage (referred to in this section as an employee) has a personal interest in a matter or action connected with our activities. In relation to investment decisions for the Funds, a conflict of interest is a financial or any other interest, a relationship, or any other association of a relevant person that would, or could reasonably be expected to, materially influence the investment decisions that we or Salt (or both) make in respect of the Funds.

A 'relevant person' means us, Salt, or:

- a director, senior manager, or employee of ours who has a significant impact on the investment decisions that are made in respect of the Funds
- an associated person (as defined in the FMCA) of ours (or a director or senior manager of that associated person).

Details of conflicts of interest that currently exist at the date of this document, or that are likely to arise in the future, are as follows:

Nature of conflict	Funds affected	Influence on investment decisions
We are a subsidiary of Salt, who is the investment manager of the Funds.	All Funds	As a subsidiary of Salt, we may have an incentive to appoint Salt over a third party investment manager.
Directors and employees of ours and Salt's may from time to time hold units in the Funds.	All Funds (see section 1 for details of those holding units in the Funds as at the date of this document)	Decisions made by affected directors and employees may be influenced by their personal interest in the Funds.
We may in the future receive distribution commissions from underlying fund managers based on the Funds' investments in those manager's underlying funds.	All Funds	We may be influenced to invest funds with those managers as we would receive commissions or fees for doing so.

We have taken, and will continue to take, the following steps to manage the above conflicts:

- Complying with the requirements of the FMCA for related party transactions. The FMCA prohibits transactions with related parties, unless the transaction falls within an exception (for example, transactions on commercial arm's-length terms) or the Supervisor consents to the transaction (which it can only do if it considers the transaction to be in the best interests of investors, or the transactions are approved by (or contingent on approval by) a special resolution of investors).
- Adopting our own Conflicts of Interest and Related Party Transactions Policy (separate from Salt's policy). This policy sets out our process for identifying and managing any conflicts of interest and related party transactions. It requires employees to raise any potential conflict of interest with one of our directors, who will escalate that conflict to the full Board if the director decides a potential adverse conflict of interest exists. The Board will then determine measures to address any conflict identified. Our policy also addresses trade execution, personal investments

of employees, gifts and hospitality, and board memberships. We have also adopted a Code of Conduct, Trade Execution Policy, Soft Dollar Policy, and Internal Trades Policy.

In addition, as we are the manager of a registered scheme under the FMCA, we are subject to duties under the FMCA, including duties to act honestly and in the best interests of investors. Our directors and senior managers are also subject to duties, including a duty prohibiting them from making use of information acquired through their position in order to gain an improper advantage for themselves or any other person, or cause detriment to investors.

Market indices

In our quarterly fund updates for the Funds, we are required to compare each Fund's performance against the return of a broad broad-based securities index or indices that are appropriate in terms of assessing movements in the market in relation to the returns from the assets in which the relevant Fund directly or indirectly invests.

You can obtain more information on each market index as follows:

Fund	Market index or indices	Where you can find more information
Salt NZ Dividend Appreciation Fund	S&P/NZX 50 Gross (including imputation credits) Index	www.nzx.com/markets/nzsx/indices/NZ50
Salt Enhanced Property Fund	S&P/NZX All Real Estate (Industry Group) Gross (including imputation credits) Index	www.nzx.com/markets/nzsx/sectors/NZRE
Salt Long Short Fund	Blend of 50% S&P/NZX 50 Gross (including imputation credits) Index and 50% ASX 200 Accumulation Index (100% hedged to NZD)	www.nzx.com/markets/nzsx/indices/NZ50 www.asx.com.au/products/capitalisation-indices.htm#sp_asx_200_index

8 Glossary

In this document, unless the context otherwise requires, each term listed below has the meaning set out in the following table:

Administration Manager	MMC Limited, the administration manager for the Funds
currently	As at the date of this document
Custodian	The New Zealand Guardian Trust Company Limited, which holds the assets of each Fund as custodian
Establishment Deed	The establishment deed for each Fund
Gross fund value	A Fund's net assets, ignoring the aggregate of any accruals for fees and expenses (including our fees and the Supervisor's fees), calculated in accordance with the Trust Deed
FMCA	The Financial Markets Conduct Act 2013
Fund	A fund within the Salt Investment Funds, which are the: <ul style="list-style-type: none">▪ Salt NZ Dividend Appreciation Fund▪ Salt Enhanced Property Fund▪ Salt Long Short Fund
Net fund value	The Fund's gross fund value less the aggregate of any accruals for fees and expenses (including our fees and the Supervisor's fees)
PIE	Portfolio investment entity, a special type of investment vehicle for income tax purposes where tax is usually paid on your behalf at a rate approximating your marginal tax rate
Salt	Salt Funds Management Limited, our parent company and the investment manager of the Funds
Shorting, short selling, shorts, and short positions	'Shorting' or 'short selling' (also referred to as 'shorts' and 'short positions') is borrowing shares from a counterparty and selling these with the intention of buying them back at a later date and at a lower price in order to return the borrowed shares back to the counterparty and realise a profit. However, if the subsequent purchase price is higher than the initial selling price, the relevant Fund will incur a loss
Supervisor	The New Zealand Guardian Trust Company Limited, the supervisor of the Funds
SIPO	The statement of investment policy and objectives for the Funds
Trust Deed	The master trust deed governing the Funds and, unless the context requires otherwise, also includes each Establishment Deed
we, us, and our	Salt Investment Funds Limited, the manager of the Funds
you or your	A person or entity that invests in the Funds, whether directly or through an administration service provider.