



Managed  
Funds.

# Kiwi Wealth Managed Funds

Other material information

Offer of units in the Kiwi Wealth Managed Funds

1 December 2022

This document relates to the Kiwi Wealth Managed Funds (**'Scheme'**), and should be read in conjunction with the Product Disclosure Statement for the offer of units in the Conservative Fund, Balanced Fund, and Growth Fund in the Scheme (**'PDS'**).

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

The information in this document could change in the future. Please check the offer register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) for the latest version of this document.

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 Kiwi Wealth Managed Funds and those involved in providing it

This section contains more information about the Scheme, including details of the manager, supervisor and custodian, underlying fund manager and investment and administration manager for the Scheme.

## About the Scheme

The Scheme is registered under the Financial Markets Conduct Act 2013 (**'Act'**). There are three separate funds within the Kiwi Wealth Managed Funds offered for investment, called the Conservative Fund, Balanced Fund, and Growth Fund (**'Funds'**). There are also two other funds which are not currently offered for investment.

The Scheme and Funds are currently governed by a master trust deed dated 4 May 2018 as amended from time to time (**'Trust Deed'**) and establishment deeds under which the Funds were established within the Scheme dated 4 May 2018 (**'Establishment Deeds'**).

In this document, unless the context requires otherwise, a reference to the 'Trust Deed' includes the Establishment Deeds.

We currently invest the Funds' assets in underlying funds within wholesale managed investment schemes issued by Kiwi Investment Management Limited (**'Kiwi Invest'**), a related party of ours. Kiwi Wealth Investments Limited Partnership (**'KWILP'**) is the investment manager of the Funds and of those underlying funds.

More information on each Fund and their investment policies and objectives can be found in the statement of investment policy and objectives (**'SIPO'**) for the Scheme, which is available at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

## Manager

Kiwi Wealth Limited (**'we'**, **'our'**, or **'us'**) is the manager of the Scheme and each Fund. We are also the issuer of units in each Fund. We are responsible for offering units, accepting applications, managing assets, and administering the Scheme.

Details of our senior leadership team can be found on our website at [www.kiwiwealth.co.nz](http://www.kiwiwealth.co.nz).

Our address and where you can contact us is:

Kiwi Wealth Managed Funds Client Success Team

Freepost 210729  
PO Box 50617  
Porirua 5240

On 30 November 2022, Fisher Funds Management Limited (Fisher Funds) purchased Kiwi Wealth Management Limited and its subsidiary companies (including Kiwi Wealth Limited, the Manager of the

Scheme). Fisher Funds is one of New Zealand's largest specialist investment managers. Information on Fisher Funds can be found on [www.fisherfunds.co.nz](http://www.fisherfunds.co.nz)

## **The investment management team and how they work**

We have delegated the investment management of the Scheme to KWILP under an administration and investment management agreement. However, we retain responsibility for the investments of the Scheme. We may also rely on KWILP to provide other services on our behalf.

The KWILP investment management team is a mixed discipline team, with senior level experience in all aspects of portfolio management across a broad range of global and domestic asset classes.

You can find details about the investment management team on our website at [www.kiwiwealth.co.nz](http://www.kiwiwealth.co.nz).

The activities of the investment management team are governed by the SIPO.

KWILP may invest a Fund's assets with a related party, provided that the transaction is conducted on commercial arm's length terms, in accordance with the requirements of the Act, and subject to the usual principles of prudence, liquidity, and diversification.

## **Administration**

We have delegated administration of the Scheme (including responsibility for keeping and maintaining the register) to KWILP under an administration and investment management agreement. KWILP has in turn, appointed MMC Limited to provide some of the administration functions including registry services and unit pricing for the Scheme.

## **Auditors**

PricewaterhouseCoopers ('**PwC**') is the auditor of the Scheme. PwC is registered under the Auditor Regulation Act 2011. Other than in its capacity as auditor of the Scheme, PwC has no relationship with, or interest in, the Scheme.

PwC may be contacted at:

PricewaterhouseCoopers  
PwC Centre, Level 4, 10 Waterloo Quay  
Wellington 6011  
PO Box 243  
Wellington 6140

## **Supervisor and custodian**

Public Trust is the supervisor of the Scheme. The Supervisor is a statutory corporation and Crown entity established and constituted in New Zealand on 1 March 2002, under the provisions of the Public Trust Act 2001. The Supervisor has more than 140 years' experience in a wide range of services as trustee, executor, manager and attorney. The Supervisor currently administers estates, trusts, funds and agencies. The board of The Supervisor ('**Board**') is responsible for its supervision and management.

The Supervisor's Board can be found at: [www.publictrust.co.nz/about-us/meet-public-trust-team/](http://www.publictrust.co.nz/about-us/meet-public-trust-team/)

The Supervisor is responsible for custody of the Scheme and each Fund's assets, and supervising the performance of our functions under the Trust Deed and all relevant law. The Supervisor currently holds the Scheme's and each Fund's assets on trust for investors.

The Supervisor may delegate any of its duties, powers or discretions (except for its obligation to supervise the performance by us of our functions under the Trust Deed and the Act) to any person it nominates, or appoint any person to be its attorney or agent. The Supervisor remains responsible for the acts and omissions of any such person it nominates or appoints.

The Supervisor is licenced pursuant to the Financial Markets Supervisors Act 2011. Full details and conditions which apply in respect of the licence can be found on the Supervisor's website, [www.publictrust.co.nz/business/cts/who-are-we](http://www.publictrust.co.nz/business/cts/who-are-we)

The address of the Supervisor is:

Postal address:  
General Manager  
Corporate Trustee Services  
Public Trust  
Private Bag 5902  
Wellington 6140

Street address:  
Public Trust  
Level 8  
Public Trust Building  
22 Willeston Street  
Wellington Central  
Wellington 6011

## Changes to details

The above details, including the addresses set out above, may change at any time. For up-to-date information call 0800 427 384 or email [questions@kiwiwealth.co.nz](mailto:questions@kiwiwealth.co.nz)

## Indemnities

We and the Supervisor are entitled to an indemnity out of the assets of any Fund if we or the Supervisor are personally liable in respect of any debt, action taken, or omitted in connection with that Fund, or liability or obligation incurred by or on behalf of that Fund. This indemnity will take priority over the claims of any investors and extends to the costs of any litigation or other proceedings in which liability is determined. Any recoveries for matters relating to more than one Fund will be apportioned amongst the Funds in accordance with the Trust Deed.

However, neither we nor the Supervisor are entitled to be indemnified out of the assets of a Fund in respect of any liability arising out of wilful default or wilful breach of trust, or where either of us fails to properly perform certain duties set out in the Act and Trust Deed (including the duty to exercise the degree of care and diligence required by the Act and Trust Deed).

## Referrals

Where third parties refer prospective investors to the Scheme and the Funds, we or any of our owner entities may pay a fee to that third party for the referral.

## 2 Applications

This section contains more information about how to invest in the Funds, including how to apply for units.

### Setting up your investment account(s) and choosing Funds

When you invest, you can open one or more investment accounts for your investment goals and choose to allocate your investment in each account across the Funds. You can choose a different Fund allocation for each investment account you open, which is called your 'investment mandate'. We can rebalance your holdings for each investment account back to your investment mandate at the frequency option that you choose. If you choose more than one Fund for an investment account, your choice must be in multiples of 5% and must add up to 100%.

The easiest way for individual and joint investors to apply for units in a Fund is by completing an online application. Otherwise, all investors can currently apply for units in a Fund by completing the relevant Application Form (found at the back of the PDS and online) and returning it to us with the required payment. You can make a standing application for units, which means you apply for units in a Fund or Funds for an amount per frequency option that you choose, by direct debit or bill payment, without completing a new Application Form.

You can also open an investment account on behalf of a child for whom you are the parent/legal guardian by completing the relevant application form at the back of the PDS and online when available. See section 3 for information regarding the operation of an account opened on behalf of a child.

### Contributions

Initial and subsequent lump sum payments can be made by using the bill payment facility in your bank's internet or phone banking facility. Further details for making these payments can be found on the Application Form at the back of the PDS, online via our online portal, or by contacting us.

Regular contributions can be made by direct debit or by bill payment using your bank's internet or phone banking facility as follows:

- Direct debit - Individual and joint investors can complete the direct debit form for each investment account available online through our portal or at the back of the PDS. All other investors can complete the form found at the back of the PDS for each investment account, or obtained by contacting us and emailing it to [questions@kiwiwealth.co.nz](mailto:questions@kiwiwealth.co.nz)
- Bill payment - You will need to specify your surname or entity name, IRD number and investment account number in the reference details for the payment.

If you require assistance, you can contact us via live web chat at [www.kiwiwealth.co.nz](http://www.kiwiwealth.co.nz), or by calling 0800 427 384 or email [questions@kiwiwealth.co.nz](mailto:questions@kiwiwealth.co.nz)

If you would like to change, stop or restart any of your direct debit payments, you may do so at any time by providing written notice to us and your bank. Allow up to 10 business days for changes to direct debits to be actioned.

## **Minimums and further information on process**

See section 2 of the PDS (How does this investment work?) for the minimum investment amounts and minimum balances that apply, timeframes for issuing units, and more information on how to access the Funds.

## **Non-cash consideration and processing applications**

We have discretion to accept payment in a form other than cash (such as existing investments). We will determine the value of any non-cash payment we accept as if it was an investment of the relevant Fund, by using the 'market value' (which is determined as set out in the Trust Deed) of the particular investment on a valuation day we choose. We will notify you in writing of the valuation day that will be used, and the value that we determine for the non-cash payment. Contact us if you would like to discuss this option.

We may accept an application for units that is not accompanied by the required application monies as long as we or the Supervisor receive those monies before we give effect to the application.

## **We may accept or decline an application**

We have absolute discretion to accept or refuse to accept any application for units or any non-cash payment. If we reject an application or non-cash payment we do not need to give reasons. Our decision must be made, and any units issued, as soon as reasonably practicable after the valuation day for which the relevant application is effective (as set out in the PDS). If we reject an application, we will refund the payment received for that application as soon as practicable.

## **The issue price for units**

Units will be issued at the issue price that applies on the day they are issued. The issue price is based on the value of the Fund's assets on the relevant valuation day.

The issue price per unit issued will be the unit value on the relevant valuation day (which is calculated by dividing the relevant Fund's net asset value by the number of units issued) plus any applicable Buy spread at the time (see section 5 for further information).

## **Identity verification before investing in the Scheme**

Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and tax legislation, we are required to verify the identity and address of, and collect other information relating to, all investors (including transferees) before they invest in the Funds. KWILP collects verification information from you on our behalf. We or KWILP may also request updated information after you become an investor in the Fund(s).

## **Changes to minimums**

All minimum investment amounts and balances referred to in this document are as at the date of this document and may change in the future.

### 3 Withdrawals, switches, and transfers

This section contains more information about how to switch between Funds, transfer units to other people, and make withdrawals.

#### How to make a withdrawal

You can usually withdraw part or all of your investment at any time. Individual and joint investors can request a withdrawal via our online portal or by sending a completed withdrawal form to us. Otherwise, all investors can request a withdrawal by sending a completed withdrawal form to us. Contact us for the required form. You will need to specify the investment account in respect of which you want to make the withdrawal. All withdrawals are processed in accordance with your investment mandate for that investment account unless, for a lump sum withdrawal, you request otherwise. A withdrawal notice is irrevocable once given (unless we agree otherwise).

Unless you are making a full withdrawal from an investment account (in which case that investment account may be closed), you will need to maintain at least the minimum balance, which is \$100 per investment account. See section 2 of the PDS (How does this investment work?) for the minimums that apply and timeframes for withdrawing units.

#### *Period for processing withdrawals*

Due to the Funds' weekly unit pricing cycle (which may change), it may take us up to 15 business days from the date of receipt of a valid withdrawal request to pay the withdrawal or set up a regular withdrawal facility.

#### *The value of units*

We will satisfy a withdrawal request by redeeming units and paying you the amount withdrawn in cash. The withdrawal value per unit withdrawn will be the unit value on the relevant valuation day (which is calculated by dividing the relevant Fund's net asset value by the number of units issued) less the Sell spread (see section 5 for further information). Tax may also be deducted before the withdrawal amount is paid to you – see section 6 for more information.

#### *Our ability to redeem units*

We can redeem or treat as void any units that could or would result in a Fund losing its status as a portfolio investment entity, units that have been issued against payments that do not clear, and units that we determine have been issued in error. Where units are voided the applicant will be paid their withdrawal value and (subject to maintaining equity between investors) any other compensation we consider appropriate. We can also redeem units to pay tax on your behalf (see section 6 for more information) or in the circumstances outlined in section 7.

From time to time we can set a minimum holding for the Funds and investment accounts. If an investor's balance falls below the relevant minimum (which is \$100 per investment account), they may, at our discretion, be deemed to have given a withdrawal notice for their remaining units in that investment account, and following payment, the account will be closed.

## Transferring your units

You are able to transfer your units to another person, provided the required minimum balances are met by both you and the transferee after the transfer, and you transfer at least \$100 (unless you are transferring all of your units).

You will need to complete a transfer form approved by us and if the transferee is not already an investor in the Scheme, then they must complete an Application Form which can be found at the back of the PDS (and online in the case of individual and joint investors) and provide information that allows us to verify their identity and address, before we can process the transfer.

Unless we determine otherwise, we will process a transfer as a withdrawal and subsequent application for units in the relevant Fund or Funds. 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 investor held, less any units redeemed to pay the existing investor's tax liability.

### *Suspension of transfers*

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

## Switching between Funds

You may switch a dollar amount or number of units between Funds within an investment account by giving us a switching notice that specifies the Funds you want to switch between. A notice is irrevocable once given (unless we agree otherwise), and switching notices must comply with any specifications we prescribe. If you switch between Funds, we will automatically update your investment mandate for the relevant investment account(s) to match your new Fund choice, rounded to the nearest multiple of 5%.

Switches between Funds within an investment account can also be made by changing your investment mandate for that investment account. If you choose more than one Fund for an investment account, your choice must be in multiples of 5% and must add up to 100%.

Switches will occur in accordance with our weekly investment cycle (which may change).

If you have selected rebalancing and change your investment mandate for an investment account, we will rebalance your existing Fund holdings for that investment account to your new investment mandate at that time.

Please contact us for the required form. Alternatively, a switch from one fund to another can be requested online via our customer portal.

You will need to satisfy the relevant minimums for applications and withdrawals, and Buy/Sell spreads may apply, as a switch between Funds is processed as a withdrawal from one Fund and an application for units in another Fund. We have absolute discretion to decline to implement a switch, without giving reasons.

## Moving balances between investment accounts

You can also move your balances between investment accounts subject to satisfying the relevant minimums for applications and withdrawals. Buy/sell spreads may apply where your investment accounts are invested in different Funds or have a different investment mandate.

Please contact us for the required form.

## Identity verification

We may require updated identity verification information from you before paying you a withdrawal. KWILP collects verification information from you on our behalf.

## Suspending or deferring withdrawals and switches

Under the Trust Deed there are a number of situations where we can restrict withdrawals and switches. As transfers are processed as an application and withdrawal, any restrictions may also affect your ability to transfer units to other persons. Specifically, these situations are:

<b>Suspensions</b>	<p>If we in good faith determine that giving effect to withdrawal notices or switching notices is not practicable, would or may be prejudicial to the general interests of the investors in a Fund or Funds, or is not desirable for the protection of a Fund or Funds, we can, following consultation with the Supervisor, either:</p> <ul style="list-style-type: none"><li>• suspend withdrawals and switches from the Fund for up to 90 days (or longer, if the Supervisor agrees); or</li><li>• pay out withdrawals requested by one or more investors in instalments over a period of up to 90 days (or longer, if the Supervisor agrees) or in a lump sum at the end of that period.</li></ul> <p>There is no limit on the extensions of time that the Supervisor could agree to. If we suspend withdrawals from a Fund and that suspension subsequently ends (either through the passing of time or us cancelling it early), then any investor affected by that suspension who still wishes to withdraw will need to provide a new withdrawal notice or confirm that we should process their withdrawal based on the notice already given.</p>
<b>Side-pocketing</b>	<p>Subject to relevant law and the Trust Deed, we can, with the prior written approval of the Supervisor, create a 'side-pocket' of assets of one or more Funds if we consider that it is in the interests of the investors in that Fund or Funds generally to do so.</p> <p>Side-pocketing is designed to separate a Fund's illiquid assets from more liquid assets (for example, in situations where withdrawals might otherwise need to be suspended). This usually involves restricting your ability to access the units in the Fund that relates to those assets, without affecting your ability to access the non-quarantined assets.</p>

We will notify affected investors if we ever exercise any of the above powers.

## **Changes to minimums**

All minimum withdrawal, switch, and transfer amounts, and minimum balances, referred to in this document are as at the date of this document and may change in the future.

## **Investing on behalf of a Child**

The parent(s)/legal guardian(s) that open an investment account on behalf of a child (a person under the age of 18) are referred to as the Sponsor(s). The Sponsor(s) have full control over the account and make all decisions relating to the account until the child reaches the age of 18, at which time, full control over the account will pass over to the child and the Sponsor(s) will have no authority to act on the account or obtain information on the account. All contributions to the account and instructions issued on the account by the Sponsor(s) must be for the sole benefit of the child, and any withdrawals must be paid into a bank account held in the name of the child.

If the Sponsor(s) become mentally incapacitated or dies prior to the child reaching 18 years of age, the child's legal guardian(s) will take control over the account and make all decisions relating to the account until the child reaches the age of 18.

## 4 Risks

This section provides a general overview of how risks affect your investment and details some risks associated with an investment in the Funds.

### What are my risks?

It's important that you invest with realistic expectations – knowing the potential upside, and the potential downside.

All investments have risks. There is a risk that at any time the value of your investment in a Fund could be less than the amount you have invested, especially if you have selected a Fund or combination of Funds through your investment accounts, with an allocation to growth assets. It is also possible you may not receive the returns you expect. There are risks associated with the Funds that could affect your ability to recover the amount invested or impact on the returns payable from the Funds.

There are three types of risk to consider:

- general investment risks;
- specific risks applying to the Scheme, and the Funds; and
- other risks.

We recommend that you seek financial advice before making a decision to invest in the Funds.

### General investment risks

Investment necessarily requires the taking of risk, in order to generate an expected return. We take a range of measures to manage this risk including diversification and maintaining high levels of liquidity.

Our investment manager, KWILP's approach is to ensure proper diversification by investing across a number of assets, sectors, countries and industries. KWILP also puts a high value on liquidity – being able to sell assets quickly.

When selecting external investment managers, KWILP considers diversification, liquidity, cost, potential risk and returns, and tax efficiency. When investing in managed funds or unit trusts KWILP also considers the credentials and track record of the manager, transparency, and fees.

Type of risk	Description	What we and KWILP do to address these risks
Investment return risk	The possibility of your investment either losing value or not gaining value and therefore not meeting your return expectations. That is, the uncertainty that an investment will deliver its expected return.	The investment management team operates within the guidelines set out in the SIPO and Trust Deed. This means they must keep each Fund within its allowed asset allocation limits, and they

Type of risk	Description	What we and KWILP do to address these risks
		<p>must only invest in permitted asset classes.</p> <p>It is important to note that the asset allocation range specifies an upper limit for shares which the investment management team must not exceed. There is no corresponding lower limit, however, which means that if they believe the market conditions dictate, the exposure to shares may be taken all the way down to zero (even in the Growth Fund).</p>
Asset class risk - Cash and bank deposits	<p>You could get a lower return than expected if:</p> <ul style="list-style-type: none"> <li>• interest rates change; or</li> <li>• the bank or issuer is unable to pay the interest or return the principal.</li> </ul>	Diversification: KWILP invests in bank deposits with a number of different banks and term deposits over a range of different terms.
Asset class risk – Fixed interest: Government and corporate bonds	<p>You could get a lower return than expected if:</p> <ul style="list-style-type: none"> <li>• interest rates change; or</li> <li>• the bank or issuer is unable to pay the interest or return the principal.</li> </ul> <p>Corporate bonds may become difficult or impossible to sell – they can become illiquid.</p> <p>Changes in interest rates can lead to changes in the value of investments and could result in gains or losses. For example, if interest rates fall, the value of fixed interest investments generally rises. If interest rates rise, the value of fixed interest investments generally falls.</p>	<p>Diversification: KWILP buys bonds with a number of different issuers, both NZ and global, and at different maturity dates.</p> <p>Duration (a measure that tracks with average maturity of investments) is actively managed against a benchmark.</p>
Asset class risk – Shares	<p>Share values fluctuate for many different reasons, including company performance, economic factors, and market conditions. This can lead to gains and losses in the value of these investments.</p>	<p>KWILP buys shares primarily in global companies on world share markets. These are mainly very liquid markets. When selecting shares, KWILP considers among other things:</p>

Type of risk	Description	What we and KWILP do to address these risks
	Shares can also become difficult or impossible to sell – they can become illiquid.	diversification, liquidity, cost, potential risk and returns, and tax efficiency.
Asset class risk - Managed funds and unit trusts	<p>Managed funds share some risks with the underlying assets as described above, as well as some additional risks:</p> <ul style="list-style-type: none"> <li>the fund manager may not perform as expected, or may go out of business;</li> <li>if the fund manager is dependent on the expertise and skill of particular individuals, the fund may suffer if those people leave; or</li> <li>managed funds may have different levels of liquidity than the underlying investments.</li> </ul>	KWILP generally uses managed funds and unit trusts to get exposure to markets when it's not practical or efficient for them to access those markets directly. When selecting a managed fund or unit trust, KWILP considers a range of key factors including the performance track record, management structure, investment process and philosophy, operations, risk management and compliance, transparency, liquidity and fees.
Market risk	Financial markets can fluctuate significantly, affecting returns in most asset classes. You should be prepared for declines in your unit values, especially in the short term, and particularly if you are invested in a Fund with exposure to shares.	<p>We offer three different Funds, with different exposure to shares. Each Fund has a different level of exposure, and therefore different levels of risk. You should invest in Fund(s) that match your investment timeframe and your risk profile. If you need help to determine your choice of Fund(s) you should seek financial advice.</p> <p>Within the Funds and their underlying funds, KWILP may make investment decisions to manage market risk.</p>
Company risk	The financial uncertainty faced by an investor who holds securities of a specific company and is therefore exposed to fluctuations in that company's performance.	When KWILP selects a company, it considers things such as diversification across issuers, as well as their management structure, track record, credit worthiness, operations, risk management and compliance and transparency. KWILP buys shares primarily in global companies on world share markets.
Currency risk	Some of the assets in the Funds are international shares, fixed interest or cash – they are denominated in foreign currencies.	KWILP can use derivatives, such as forward foreign exchange contracts, cross currency swaps and currency

Type of risk	Description	What we and KWILP do to address these risks
	<p>Returns can be affected by movements in the value of the New Zealand dollar and the relevant foreign currency.</p> <p>If the New Zealand dollar goes up, the relative value of these assets goes down. If the New Zealand dollar goes down, the relative value of these assets goes up.</p> <p>In some of the Funds, KWILP may also take outright foreign currency exposures. Returns on those exposures can be affected by the relative movements in different foreign currencies, separate to the movement in the New Zealand dollar.</p>	options to manage some of the currency risk.
Credit risk	The risk of investment loss due to a company becoming insolvent and being placed into receivership, liquidation or statutory management or being otherwise unable to meet its financial obligations.	KWILP addresses the credit risk through broad diversification of investments by sector, geography, industry and issuer. KWILP invests in New Zealand and globally. Investments are weighted by credit rating.
Derivative risk	<p>Permitted derivatives may be used to manage risk in the Funds such as interest rate risk or currency risk.</p> <p>Derivatives may also be used to assist with implementing investment strategy as an alternative to investing in the physical asset.</p> <p>There are a range of derivative instruments with examples being forward foreign exchange contracts and interest rate swaps. The use of derivatives may not remove all exposure to risks that are managed.</p> <p>The tax treatment of the derivative may differ from the tax treatment that is applicable to the underlying asset for which the derivative is in place and this may result in an investor's after-tax exposure to the relevant currency not matching the target exposure for the Funds. There is also a risk that the party with whom the derivative contract is made either defaults on that</p>	<p>Derivatives are permitted to be used for risk management, and efficient investment implementation.</p> <p>As at the date of this document, permitted derivatives are interest rate swaps, cross currency swaps, futures and options, forward foreign exchange contracts and currency options. Derivative transactions and positions are independently monitored against relevant limits by the investment compliance team and outcomes reported through to governance bodies.</p> <p>KWILP endeavours to minimise the mismatch in tax treatments. Counterparties for derivatives transactions are regularly reviewed for quality and stability.</p>

Type of risk	Description	What we and KWILP do to address these risks
	contract or fails to meet its obligations, resulting in a loss.	
Liquidity risk	There is a risk that a Fund cannot meet financial obligations in a timely manner. This risk arises where there is a mismatch between the maturity profile of investments and the amounts required to pay withdrawals.	<p>KWILP takes reasonable care to ensure it can enter and exit securities within a reasonable timeframe. They also address liquidity risk through broad diversification of investments by sector, geography, industry and issuer. They invest in New Zealand and globally. They also take into consideration maximum duration constraints for each Fund.</p> <p>KWILP also manages liquidity risk for term deposits by only investing in term deposits with a maturity of one year or less.</p>

Investment transactions and positions are monitored against relevant limits by the investment compliance team and outcomes reported to governance bodies.

## Specific risks applying to the Funds (and therefore the Scheme)

### *The risks associated with active investment management*

Both active and passive investment management styles may be used by the investment management team within the Funds and the underlying funds that the Funds invest in. An active style seeks to improve risk and/or return by actively choosing investments, however a positive outcome is not guaranteed and this may not work in your favour. The total level and type of active risk is limited and carefully controlled.

The investment management team operates within the guidelines set out in the SIPO. This means they must keep each Fund within its allowed asset allocation limits, and they must only invest in permitted asset classes.

It is important to note that the asset allocation range specifies an upper limit for shares which the investment management team must not exceed. There is no corresponding lower limit, which means the exposure to shares may be taken all the way down to zero (even in the Growth Fund). The reason for this approach is to give the investment management team the flexibility to reduce exposure to the sharemarket if they believe market conditions dictate. This may differ from the asset allocation limits of other managers which may require they keep a fixed proportion of the fund invested in shares. While the investment management team has the flexibility to alter the allocation to shares, it does not mean they will do so. Typically, a material deviation from benchmark allocations would only be made in unusual or extreme circumstances, and it would be rare that the allocation to shares would be lower than two thirds of its benchmark weight within any given Fund.

### *Fund of funds risk*

Each of the Funds currently invests in wholesale underlying funds of which Kiwi Invest is the manager, and KWILP is the investment manager.

Decisions they make in respect of those underlying funds may affect your investment in the Funds (for example, if withdrawals or switches from the underlying funds are restricted in accordance with the governing document for those funds).

## **Other risks**

### *The risk that the Fund(s) you invest in may be too risky or too cautious*

A principal risk associated with investment decisions is being in a Fund that is either too risky, or too cautious, for your timeframe and goals. Either way, you risk ending up with less money than you expect or need when you withdraw.

Here are some examples:

- Being in a growth or higher risk investment fund when you need to access your money in the short term – within the next three years. You risk having to withdraw when markets are down, and you could get less than you expected.
- Being in the Conservative or Balanced Fund when you have a 10 year+ timeframe. You risk missing out on longer-term growth potential, and not having enough to reach your investment goals.

To manage this risk:

- Use the Sorted Investor Profiler tool to help you decide on the Fund(s) that will best suit your timeframe and goals: visit [www.sorted.org.nz/tools/investor-profiler](http://www.sorted.org.nz/tools/investor-profiler).
- Review the Funds you are invested in periodically and change them to suit your changing circumstances.

If you need help choosing the most suitable Fund(s) for you, you should seek financial advice.

### *The Scheme is not guaranteed*

None of us, the Supervisor, or any other person will compensate you if your investment in the Scheme or any Fund fails.

## **Additional risks**

Other material risks that could affect your investment are:

Risk	Description
Regulatory risk	Future changes to tax legislation or other regulatory changes could affect the operation of the Scheme or a Fund, or investors' returns. There is also a risk of the

Risk	Description
	Trust Deed being amended in a manner required or permitted by law that has the effect of adversely affecting your interests.
Administration risk	The risk of a technological or other failure impacting on the Scheme or financial markets in general.
Tax risk	<p>The structure of the Scheme is such that, each Fund is a separate portfolio investment entity ('<b>PIE</b>') for tax purposes.</p> <p>Accordingly, there is a tax risk that if a Fund fails to satisfy the PIE eligibility criteria, and that failure is not remedied within the period permitted under the Income Tax Act 2007, the Fund may lose PIE status. This would result in the Fund being subject to tax on its net investment income at the company tax rate (28%). Distribution and redemption of units could also be taxed upon receipt by the investor. We have processes to monitor compliance with the requirements for retaining PIE status for the Funds.</p> <p>Tax risk also exists in relation to the underlying investments of the Funds and our calculation of the tax payable on any returns each makes. Additionally, there are risks of the rate of tax charged and the basis on which tax is imposed changing, as well as us either over or underpaying tax within the Funds on your behalf due to you providing us with the wrong PIR or not advising us to change your PIR when it needed to be changed.</p>
Winding up risk	The risk of a Fund, or the Scheme, being wound-up or changes to the way they operate being made while you invest in them.

## 5 Fees and other charges

This section contains more information about the fees and charges that you will pay as an investor in the Funds.

### Additional costs, charges and expenses

Both we and the Supervisor are entitled to be reimbursed from the Funds, in addition to the fees stated in the PDS, for all other expenses, losses, costs, or liabilities where the following apply:

- in the case of the Supervisor, it has consulted with us prior to incurring the relevant expenses, losses, costs, or liabilities; and
- a prudent professional supervisor or manager (as appropriate) would consider it reasonable to incur such expenses, losses, costs, or liabilities in order to assist us or the Supervisor (as the case may be) comply with its obligations and duties under the Trust Deed and at law.

You can find out the total amount of expenses charged to the Funds in a year by looking at the financial statements, once available, on the Scheme's schemes register entry at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

### How we estimate fees and charges

An estimate has been used to calculate the 'Other costs (estimate)' in the PDS, which are included in the 'Total estimated annual fund charges' figures. Underlying fund fees have been estimated using end of month holdings for a period of 12 months and the total expense ratio (TER) of the underlying funds.

### Limits on fees and expenses

Under the Trust Deed the maximum fees that we can charge out of each Fund are:

Contribution fee	5% (plus any GST) of the consideration for meeting the issue price of units.
Annual Fees	2% (plus any GST) per annum of the net asset value of the Fund.
Performance fee	To be set at the time any performance fee is introduced.
Withdrawal fee	5% (plus any GST) of the amount withdrawn.
Supervisor fee	0.075% (plus any GST) per annum of the net asset value of the Fund.

There are no limits on the Buy/Sell spreads that we can charge. Subject to the above limitations and the limitation set out under 'Additional costs, charges, and expenses' above, there is no limit to the amount of remuneration that we can be paid or on the amount of expenses we can recover.

### GST on fees

All fees are stated on a GST exclusive basis.

From the annual fund charges we pay for administration, supervision, custodian, and investment management services. Where applicable, GST will be charged at the standard rate of 15%.

## 6 Tax

This section provides more information on the tax consequences of investing in the Funds.

### Important note

The information in this document is intended as general guidance only. We recommend that you seek professional tax advice specific to your individual circumstances prior to investing, so that you clearly understand the tax implications of such an investment.

You should also monitor the tax implications of investing in the Kiwi Wealth Managed Funds and should not assume that the position will remain the same as it is when you start investing. Neither we, nor the Supervisor or any other person, accepts any responsibility for the tax consequences of your investment in the Kiwi Wealth Managed Funds.

### Portfolio investment entities

Each Fund is a portfolio investment entity for tax purposes and the following comments are based on each Fund remaining a PIE.

As a PIE, income earned by a Fund will be attributed to all investors in proportion to their interests in the Fund. We will pay tax to Inland Revenue on your behalf and adjust your interest in the Fund to comply with PIE tax requirements.

We calculate your portion of tax on this income based on your prescribed investor rate ('PIR'), which can be 0%, 10.5%, 17.5% or 28%. These tax rates are set by legislation, and you are responsible for making sure we have your correct PIR on record. If you do not tell us your PIR, your income will be taxed at the highest rate.

You can advise us of your PIR at any time, including when it changes, by contacting the Kiwi Wealth Client Success Team on 0800 427 384, or [questions@kiwiwealth.co.nz](mailto:questions@kiwiwealth.co.nz).

If you are investing jointly with another person or persons, the highest PIR of the joint investors will be used. We notify Inland Revenue of the joint investors details and Inland Revenue split the income and tax equally between all joint investors. If you disagree with Inland Revenue's allocation of income and tax to joint investors, we are unable to change this but you can change the allocation in myIR (all joint investors will need to make this change).

For information on determining your PIR please visit the Inland Revenue website at [www.ird.govt.nz/pir](http://www.ird.govt.nz/pir) or call them on 0800 227 774.

Provided that you advise us of your correct PIR and IRD number, tax paid by a Fund on income attributed to you will generally be a final tax.

If you are a NZ tax resident natural person, Inland Revenue will calculate any PIE tax over/under paid based on the PIR applied and add that to your end of year income tax position as part of its automated year end assessment process. No further action is required where the PIR applied is correct for the year.

If you are a non-NZ tax resident or entity other than a natural person, if your PIE income is taxed using:

- the 28% PIR, no further action should be required

- an advised PIR less than the 28% PIR but greater than 0%, you may need to file a NZ income tax return and may be liable to Inland Revenue for further tax and penalties
- a PIR of 0%, you will need to file a NZ income tax return.

You should note that the Commissioner of Inland Revenue is able to notify us to disregard a PIR advised by you if the Commissioner considers the rate to be incorrect and will notify us of the PIR which is to be applied. In these circumstances, we are required to apply the PIR as soon as reasonably practicable. The rate notified by the Commissioner will then apply in respect of your interest in a Fund unless you subsequently notify us of a different PIR.

## Calculating PIE tax

A Fund's tax position for a period is calculated as the sum of its investors' tax positions (based on their respective PIRs) for that period. If, in a period, the sum of investors' tax positions means the Fund makes a tax loss, or if the Fund has more New Zealand tax credits attributed to it than are required to meet its tax liability, generally we will claim a tax credit from Inland Revenue. We have the option of allocating each investor's proportional share of that tax credit to the investor's account when it is received.

As a PIE, any gains made by a Fund from disposing of shares in New Zealand resident companies and certain Australian resident listed companies will be excluded from its taxable income. Tax on most overseas shares and interests in managed funds held by a Fund will be calculated using either the fair dividend rate ('FDR') or the comparative value ('CV') methods, depending on the particulars of the investment and any determinations issued by the Commissioner of Inland Revenue.

Under the FDR method, a Fund derives taxable income of 5% per annum of the opening market value of the relevant overseas shares and interests in managed funds at the start of each valuation period (e.g. weekly). This is adjusted for any quick sales (being relevant overseas shares and interests in managed funds purchased and sold within the same period). Any dividends or other returns flowing from overseas shares and interests in managed funds that are taxed under the FDR method will not be separately taxed in New Zealand. Also under the FDR method, there are no tax deductions for any losses in respect of holdings in overseas shares and interests in managed funds.

Under the CV method, a Fund derives taxable income equal to the difference between the value of the relevant overseas shares and interests in managed funds at the end of a valuation period and the value of those shares and interests at the start of that valuation period, with adjustments made for certain gains (which include any relevant dividends and tax credits and any proceeds from disposing of the relevant shares and interests) and costs (which include any relevant foreign income tax which is paid or payable and any costs in relation to purchasing the relevant shares and interests).

Most overseas shares and interests in managed funds held by a Fund are taxed pursuant to the FDR method.

Tax payable on a Fund's other income (e.g., interest on bank deposits) will be calculated according to the relevant tax rules. Tax may be imposed in overseas jurisdictions in relation to overseas investments (although this may give rise to a tax credit in New Zealand).

Where a Fund invests in funds that are themselves PIEs (such as the underlying funds managed by Kiwi Invest), the funds should attribute PIE income to the Fund to be taxed in the same way as if the underlying investments had been held by the Fund directly.

## **PIE tax advantages**

Investing through a PIE may provide tax advantages over investing directly. For example:

- a Because the PIRs at which tax is paid on PIE income are capped at 28%, and no other tax is generally payable by individual investors, there can be tax advantages to investing in a PIE if you are on a marginal tax rate higher than 28%.
- b PIEs can take steps to ensure foreign withholding tax (eg, on dividends) is deducted at the correct rate and manage foreign withholding tax reclaims for tax deducted in excess of the correct rate directly. Consequently, investing through a PIE can relieve investors of administrative obligations required to ensure foreign withholding tax is deducted at the correct rate.
- c Gains made on disposals of most Australian and New Zealand shares are not taxable even when those shares are actively traded.
- d Investing through a PIE allows foreign exchange contracts hedging certain offshore investments to be taxed under the fair dividend rate method – better reflecting the tax treatment of the underlying securities, which should reduce volatility for tax purposes. Individuals investing directly are unable to apply the fair dividend rate method to such hedges.

## 7 Powers in the Trust Deed

This section provides a general overview of some powers in the Trust Deed and at law that may have a material impact on the Scheme, or any Fund.

Further information can be found in the Trust Deed, which is available from the Scheme's entry on the schemes register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

### We can change the Trust Deed

We can make changes to the Trust Deed (including the Establishment Deeds) with the agreement of the Supervisor, and within the rules of the Act, if either:

- the Supervisor is satisfied that amendment does not have a material adverse effect on investors; or
- the amendment has been approved by (or is contingent on approval by) separate special resolutions of the investors that are or may be adversely affected by the amendment (or, if applicable, of each separately affected class of investor).

The Trust Deed (including the Establishment Deeds) could also be amended in any other manner permitted by law.

### We can change the SIPO

The Scheme has a SIPO which covers each Fund. Subject to the Trust Deed and any applicable law, we can amend or replace the SIPO with the Supervisor's consent. We will give you at least two weeks' prior notice of changes to the allowable ranges of the asset allocations of the Funds.

### We can establish new Funds within the Scheme

We can, with the Supervisor's agreement, establish new Funds within the Scheme. Any new Funds will be established by us and the Supervisor entering into an establishment deed.

### The Scheme, or a Fund, could be wound up

We could decide to wind up the Scheme or a Fund in the circumstances provided for in the Trust Deed. The Scheme could also be wound up by order of the court (on the application of the Financial Markets Authority or the Supervisor).

If the Scheme is wound up, we will sell all of the Scheme's assets, pay the costs of closing down the Scheme from the proceeds of selling assets, and pay investors out in cash in proportion to their holdings in each Fund.

If we wind up a Fund, we will send affected investors a notice that offers them the opportunity to either receive their entitlements in cash or to switch to a different Fund within the Scheme. That notice will also specify a default substitute Fund that investors will automatically be switched into on the winding up of the Fund if they do not choose one of the above two options. We will pay investors in cash, or switch them into their chosen substitute Fund depending on their election. If we do not receive an

election within the time period we specify in the notice, we will switch investors into the default substitute Fund on wind up.

We also have discretion to offer investors the opportunity to receive their entitlements in the form of assets held any Funds they are invested in, instead of cash. We can suspend withdrawals, switches, and applications for units from the date a wind up is triggered, and can defer the sale of a Fund's investments if we in good faith determine that exceptional circumstances apply.

### **We can require investors to withdraw their units in certain circumstances**

We may redeem all of an investor's units in the Funds if we reasonably believe that:

- the investor no longer meets the eligibility criteria to be an investor in the relevant Fund(s);
- the investor has not provided us with the information we need to comply with the law (including laws relating to anti-money laundering) or we have been unable to verify that information;
- the investor has used or is using the Scheme to facilitate fraud, money laundering or other criminal offending; and/or
- the law requires us to terminate our relationship with the investor.

If this applies, we will give the relevant investor notice and they will be treated as having made a request to withdraw from the Funds they are invested in with immediate effect.

### **Changes required by law**

We will make changes that are required by law, such as changes to reflect the Act and other legislation we are required to comply with.

## 8 Glossary

In this document, unless the context requires otherwise:

**'Act'** means the Financial Markets Conduct Act 2013 and, where applicable, includes the Financial Markets Conduct Regulations 2014.

**'Buy spread'** means the amount added to the unit price when you apply for units in a Fund (including for rebalancing and switching). The Buy spread reflects our estimate of the total cost of buying underlying investments held by a Fund when an investor buys units in that Fund.

**'Currently'** means as at the date of this document.

**'Establishment Deeds'** means the establishment deeds between us and the Supervisor dated 4 May 2018 under which the Funds were established.

**'Funds'** means the three funds that have been established within the Kiwi Wealth Managed Funds (the Conservative Fund, Balanced Fund, and Growth Fund), and **'Fund'** means whichever one is relevant.

**'General Partner'** means Kiwi Wealth Investments General Partner Limited.

**'Kiwi Invest'** means Kiwi Investment Management Limited, a related party of ours. Kiwi Invest is the issuer of the underlying funds that the Funds are currently invested in.

**'KWILP'** means Kiwi Wealth Investments Limited Partnership. We are a subsidiary of KWILP, and have appointed KWILP as the investment manager and administration manager for the Scheme.

**'Manager', 'we', 'our' and 'us'** means Kiwi Wealth Limited, the manager of the Scheme.

**'Net asset value'** means the net asset value of a Fund, calculated in accordance with the Trust Deed. In the Trust Deed, this is referred to as 'Fund Value'.

**'PDS'** means the product disclosure statement for the offer of units in the Funds for the Kiwi Wealth Managed Funds.

**'PIE'** means a 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. Each Fund is a PIE.

**'PIR'** means prescribed investor rate, and is the rate the PIE uses to calculate tax on PIE income.

**'Scheme'** means the Kiwi Wealth Managed Funds.

**'Sell spread'** means the amount deducted from the unit price when you redeem your units in a Fund (including for rebalancing and switching). The Sell spread reflects our estimate of the total cost of selling underlying investments held by a Fund when an investor sells units in that Fund.

**'SIPO'** means a statement of investment policy and objectives agreed with the Supervisor for the Scheme which covers each Fund.

**'Trust Deed'** means the master trust deed dated 4 May 2018 for the Kiwi Wealth Managed Funds, as amended from time to time (and, unless the context requires otherwise, includes the Establishment Deeds).