



# WESTPAC ACTIVE SERIES

Other Material Information.

28 February 2025



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## Background

This is an important document in relation to your investment in the Westpac Active Series. It should be read together with the Product Disclosure Statement (**PDS**), the Statement of Investment Policy and Objectives (**SIPO**) and any documents held in relation to the scheme on the offer register at [disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz) (**Disclose**).

In this document:

- the words “you” and “your” refer to you and to other persons who apply for units in the funds that make up the Westpac Active Series or who are allotted units in the funds;
- the words “we”, “us”, and “our” refer to BT Funds Management (NZ) Limited (**BTNZ**), which is the manager (**Manager**) of the Westpac Active Series; and
- the words “current” or “currently”, in relation to legislation, policy, an activity or a practice, mean as at the date of this document. Any legislation, policy, activity or practice may be reviewed or changed without us notifying you.

This document has been prepared pursuant to section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 (**FMCA**) for the purpose of meeting certain of the disclosure requirements applying to the Westpac Active Series under clause 52 of Schedule 4 to the Financial Markets Conduct Regulations 2014 (**FMCR**).

## 1. Introducing the Westpac Active Series

The Westpac Active Series is a managed investment scheme for the purposes of the FMCA. In the Westpac Active Series there are four managed funds (each a fund) for you to invest in. The funds invest in a range of asset classes as described in the PDS and the SIPO. The funds are:

- Westpac Active Growth Trust (**Growth Trust**)
- Westpac Active Balanced Trust (**Balanced Trust**)
- Westpac Active Moderate Trust (**Moderate Trust**)
- Westpac Active Conservative Trust (**Conservative Trust**)

The trust deed governing the funds (**Trust Deed**) and each fund’s Establishment Deed is available on Disclose.

## 2. How does this investment work?

The money you invest buys units in the fund(s) you choose. Each unit represents a share of a fund and has a unit price so that you know what your share of that fund is worth. Changes in the value of the assets of a fund will be reflected in the value of the units. Generally speaking, if the assets of the fund go up in value, your units will be worth more and if they go down in value, your units will be worth less. This means the return on your investment is reflected in any increase or decrease in unit price.

Each unit in a fund has the same value as every other unit in that fund and represents an equal interest in the assets and liabilities of the fund.

The funds may issue any number of units that we choose. There is no maximum number of units that may be issued by a fund.

The units you hold in a fund do not give you any interest in any particular asset of that fund. This means that you cannot, for example, request or require us, or The New Zealand Guardian Trust

Company Limited as the supervisor of the Westpac Active Series (Supervisor), to transfer to you any asset of a fund. Generally speaking, you can only access the value of your investment in a fund by withdrawing the units that you hold in that fund.

Where you invest through an approved custodial portfolio management service (Custodial Service), units will be held by the relevant custodian.

### *Asset valuation*

We value the different assets held by a fund to determine the unit price for that fund. Asset valuations for the funds are typically performed each business day (being a day other than a Saturday or a Sunday or a public holiday in Auckland and Wellington). We apply valuation methods for each asset type that are market standard or are in accordance with the Trust Deed. Our valuation policy permits the use of estimates in asset valuations for example, where assets are illiquid or infrequently traded.

For any new assets for which a market standard valuation approach is not applicable or appropriate, the valuation method to be used is first discussed with the Supervisor and our appointed unit pricing administration manager before being confirmed.

### *Unit price calculation*

Unit prices are calculated by reference to the net asset value of the relevant fund at the time, divided by the number of units that have been issued from that fund. Unit prices are rounded to four decimal places. Some additional information on the calculation of unit prices is set out in the Trust Deed for the Westpac Active Series. We generally calculate unit prices each business day using the asset values determined for that day (as described above).

Any application for units, withdrawal request or switching request accepted before 4pm on a business day (or such later time as we may accept) will, in normal circumstances, receive the unit price applicable for that business day. You can obtain the unit price applicable to any day by contacting us via the contact details in the PDS.

Our current policy is to apply unit prices using the forward pricing method. The use of forward pricing is considered to be good market practice as it removes the arbitrage opportunities associated with the alternative (historical pricing) method. Transactions into or out of the fund are generally processed using the unit price applicable to the business day on which the transaction request was received and accepted.

As specified by the Trust Deed, the Manager and the Supervisor have agreed a compensation policy that will apply if a material unit pricing error or material non-compliance with a unit pricing method requires correction. Under the current policy applied by the Manager and the Supervisor (unless the Manager and the Supervisor agree otherwise), a material unit pricing error is generally an error that equals or exceeds 0.30% of the unit price that would have applied had the error not occurred. Where agreed with the Supervisor, the Manager may choose not to pay compensation to you for an amount less than \$20.

### *Transaction costs*

To make allowance for the cost (or part of the cost) of acquiring or selling assets for a fund (transaction costs), under the Trust Deed we can adjust the price for buying a unit upwards (by establishing a buy price) or adjust the price for selling a unit downwards (by establishing a sell price). We can determine this allowance, and whether or when it is applied. These allowances (if any) are retained by the funds and not by us. We currently do not apply this allowance when calculating unit prices.

### *Making investments*

This offer is only open to you if you are in New Zealand.

Further information on how to invest in the Westpac Active Series is set out in the PDS.

Application moneys are paid into a non-interest bearing bank account upon receipt and applied to the relevant funds in accordance with the Trust Deed.

We have set a minimum investment amount for the funds. If the value of your investment falls below the specified minimum amount, you may be asked to top it up. If you are unable to do this, we can, on

giving you 30 days' notice, redeem or repurchase the entire investment and return the proceeds to you.

We have the right to decline in whole, or in part, any application or postpone the processing of the application pending receipt of cleared funds.

### ***Investing directly in the Westpac Active Series***

You can invest directly in the Westpac Active Series. For more information, see the PDS on [westpac.co.nz/activeseries](http://westpac.co.nz/activeseries) or on Disclose.

### ***Investing through an approved custodial portfolio management service (Custodial Service)***

Investment in the Westpac Active Series is available through any Custodial Service.

Investors who invest through a Custodial Service do not become direct investors in the Westpac Active Series and do not have a direct relationship with us or the Supervisor. Instead, the Custodial Service provider has the direct relationship with us and will be able to exercise any rights attached to units held on the investors' behalf. Investors will have a direct investment relationship with the Custodial Service provider.

A Custodial Service provider will have an agreement with its investors governing the terms of the custodial arrangement. Any Custodial Service provider we approve will have entered into an arrangement with us in respect of the Westpac Active Series. Any terms and conditions in the PDS may be varied by such an arrangement. Investors should contact their Custodial Service provider to find out whether any variations have been agreed between us and the Custodial Service provider.

Investors in a Custodial Service will receive reports, portfolio information and other documentation directly from the Custodial Service provider.

### ***Withdrawals***

We generally action all withdrawals by redeeming units. We can also buy your units from you in certain circumstances. This is called a manager repurchase. We will work out your withdrawal amount by multiplying the number of units to be withdrawn from the fund by the unit price on the date the fully completed and signed withdrawal request has been received by us. Where the fully completed and signed withdrawal request is received on a day that is not a business day the next business day's unit price shall apply.

If we accept a withdrawal request, the withdrawal amount will generally be paid to you within ten business days from the date the fully completed and signed withdrawal request is received by us, or if the fully completed and signed withdrawal request is not received on a business day, within ten business days from the next business day.

Under the Trust Deed, the withdrawal amount must be paid to you within 30 business days from the date the withdrawal request is received by us (subject to the restrictions below).

### ***Restrictions on withdrawals***

Withdrawals from a fund may be suspended by us under the Trust Deed if we determine in good faith that it is desirable for the protection of the fund or in the interests of Unitholders. The maximum suspension period is currently 30 days or such further unlimited period as determined by us with the consent of the Supervisor. We will deem withdrawal requests received during that suspension period to have been received immediately following the expiry of the suspension period.

### ***Insolvency/wind-up***

We may decide to wind up the Westpac Active Series or a fund at any time. If the Westpac Active Series or a fund are liquidated or wound up, any creditor's claims will rank ahead of your claims, though your claims will rank equally with other investors in the relevant fund. If BTNZ or a fund become insolvent, you won't be liable to pay money to anyone.

### ***Transferring units***

You may apply to transfer your units to another person by completing and returning a transfer form. The process for actioning a transfer together with the circumstances in which we may refuse to action a transfer are set out in the Trust Deed.

Please note that we can't make a transfer:

- If the other person is not allowed to be an investor under the Trust Deed; or
- If registration of the transfer would cause a fund to breach the Portfolio Investment Entity (PIE) eligibility requirements.

### *Closure of your investment*

In some circumstances we may need to withdraw some or all your units or close your investment in a fund. This may occur where we consider doing so is in the interests of investors in the fund generally, where necessary to preserve a fund's eligibility for PIE status, or where your withdrawal request would leave you with less than the minimum holding.

### *Changes to the Scheme*

#### ***Our ability to make changes***

With the consent of the Supervisor, we can change any fees without notice. If we make a change, you (or a fund as the case may be) will need to pay the new fees. We may also alter the minimum investment and withdrawal amounts, or any notice periods, and introduce transaction costs. We can also close or wind up a fund.

#### ***Making changes to the Trust Deed and SIPO***

We and the Supervisor may amend the provisions of the Trust Deed (including any Establishment Deed). Any such changes can be made under certain circumstances outlined in the Trust Deed. The Supervisor must:

- (a) be satisfied, and must certify, that the amendment does not have a material adverse effect on investors (unless affected investors approve the amendment by special resolution); and
- (b) certify, or obtain a certificate from a solicitor, that the Trust Deed as amended will comply with the content requirements set out in sections 135 to 137 of the FMCA.

We may also amend the SIPO for the Westpac Active Series (after giving prior notice to the Supervisor in accordance with the Trust Deed and the FMCA), including changing benchmark asset allocations and ranges, the primary investments or a fund's benchmark index and objectives.

Any material changes to the SIPO will be described in the annual report for the Westpac Active Series, and a copy of the new SIPO will be lodged on Disclose within 5 working days after any SIPO amendments are made.

### *Borrowing powers*

At our direction, the Supervisor may borrow or make other funding arrangements on behalf of each fund, provided that the total of such liabilities does not exceed 50% of the net fund value of the relevant fund at the date of making such arrangements.

### *Underlying investment managers*

Each fund in the Westpac Active Series invests in one or more wholesale funds, which are also managed by us. Underlying investment managers (which may include BTNZ) manage the assets in the Wholesale Funds. This approach provides investment and operational efficiencies and gives us greater control of the overall cost to investors. The underlying investment managers we currently use, and the Wholesale Funds the funds invest in, are shown in the document titled "Other Material Information – Underlying Investment Managers" which is available on [westpac.co.nz/underlyingmanagers](https://westpac.co.nz/underlyingmanagers) and on Disclose.

#### ***Changes to underlying investment managers***

Underlying investment managers are regularly monitored and reviewed, and may be added or removed without us notifying you. This means the identity and number of underlying investment managers for the funds may vary from time to time.

### 3. Who is involved?

#### *Manager*

The Manager of the Westpac Active Series is BTNZ.

Details of the directors of BTNZ are available at [companiesoffice.govt.nz/companies](https://companiesoffice.govt.nz/companies)

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

The ultimate holding company of BTNZ is Westpac Banking Corporation, ABN 33 007 457 141 (**Westpac Banking Corporation**), an Australian incorporated company. Westpac Banking Corporation is listed on the ASX. BTNZ has been a member of the Westpac Banking Corporation group of companies (**Westpac Group**) since 31 October 2002.

Investments made in the funds do not represent bank deposits with or other liabilities of Westpac Banking Corporation, Westpac New Zealand Limited (**Westpac NZ**) or other members of the Westpac Group. They are subject to investment and other risks, including possible delays in payment of withdrawal amounts in some circumstances, and loss of investment value, including principal invested.

#### *Administration managers*

Trustees Executors Limited and Apex Investment Administration (NZ) Limited have been appointed to perform certain administrative functions for the funds. These administration managers are regularly monitored and reviewed.

#### ***Trustees Executors Limited***

Trustees Executors Limited provides registry administration services which include investor maintenance and servicing, transaction processing, making/receiving payments, reconciliations, investor correspondence and reporting.

#### ***Apex Investment Administration (NZ) Limited***

Apex Investment Administration (NZ) Limited provides fund administration services including calculation of performance, reconciliation of security positions and bank accounts, trade matching and settlement, portfolio valuations, unit pricing and preparation of financial statements.

We may change the administration managers without notice to you. The identity and number of administration managers may vary from time to time.

#### *Licensed Supervisor*

The Supervisor, The New Zealand Guardian Trust Company Limited, has been granted a licence under the Financial Markets Supervisors Act 2011 to act as a supervisor in respect of debt securities and certain registered schemes.

Further information on the Supervisor's licence is available at the Financial Markets Authority's website [fma.govt.nz](https://fma.govt.nz).

#### *Registrar and Custodian*

BTNZ is the Registrar of the funds and an electronic register for the funds is kept at BTNZ's head office in Auckland.

The custodian is The New Zealand Guardian Trust Company Limited, acting through its nominee company, Guardian Nominees Limited. Assets of the funds may be registered in the name of Guardian Nominees Limited.

#### ***Supervisor and Manager indemnity***

The Supervisor and the Manager are entitled to be indemnified out of the relevant fund from and against any expense and liability that may be incurred in prosecuting or defending any action or suit on behalf of or in connection with the relevant fund, to the fullest extent permitted by law, and may recover any loss suffered by Unitholders in respect of their units unless the Supervisor or the Manager has failed to comply with the requirements of the FMCA (as applicable) in respect of the relevant fund.

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

Further information in relation to the Supervisor's and our responsibilities and indemnities is set out in the Trust Deed.

Any claims made by us or the Supervisor in connection with the above indemnities will be paid for out of Scheme assets and will not be covered by the management fee (see section 5 of the PDS for more information on the management fee and what this includes).

### *Management Agreement*

A Management Agreement between us and the Supervisor dated 2 May 2016 (as amended from time to time) sets out the arrangements between us and the Supervisor in relation to certain operational matters relating to the funds. The Management Agreement specifies the reports and information to be provided by us to the Supervisor and the requirements for operating the funds' bank accounts and record keeping.

Nothing in the Management Agreement limits or alters the powers of the Supervisor or our duties under the Trust Deed and applicable law.

## **4. More about fees**

### *Management fees and expenses*

We are responsible for the management of the Westpac Active Series, its funds and their investments and we are paid a management fee, which is limited by the Trust Deed.

We and the Supervisor are entitled to be reimbursed from the funds for certain expenses (inclusive of GST, if applicable) incurred in carrying out our duties in relation to the Westpac Active Series, including expenses relating to services provided by an administration manager. However, we currently cover from our management fee all the expenses that are incurred by us on a normal day-to-day basis in relation to the operation and administration of the funds.

Under the Trust Deed, the maximum aggregate annual administration fee and management fee we may receive from a fund is 2.5% per annum of the gross fund value of that fund.

### *Supervisor's fee and expenses*

The Supervisor charges an annual fee in respect of its services performed for each fund. Under the Trust Deed, the maximum level of this fee is 0.50% per annum of the gross fund value of each fund.

Currently, we pay this annual fee to the Supervisor from our management fee.

### *Underlying fund fees*

The funds that BTNZ chooses to invest in (including Wholesale Funds) may charge management fees. Under our current policy, when we invest in a Wholesale Fund, the Wholesale Fund will not charge management fees or application fees. In addition, we currently pay from our management fee all the fees charged by any underlying investment managers who manage the assets in the Wholesale Funds, so those fees will not affect the amount of your returns. See section 5 ("Related parties and managing conflicts of interest") for more information.

The Wholesale Funds incur trading costs and expenses (including the actual costs of buying and selling investments, such as brokerage fees, spreads and any other out-of-pocket transaction costs which are repaid to custodians). These trading costs and expenses are additional to the management fee. They affect the value of the Wholesale Funds and consequently have an impact on the returns of the funds.

### *Administration fee*

We do not currently charge an annual administration fee, but we may do so in future subject to any limits imposed by the Trust Deed.



### *Termination fee*

If a fund is wound up, the Supervisor may deduct a termination fee from the assets of the fund. The maximum termination fee is 0.2% of the gross fund value of the relevant fund at the date of termination. The Supervisor does not currently intend to charge a termination fee.

### *Variation to fees*

We may agree with the Supervisor to vary the fees at any time (including to introduce new fees). Our ability to do so is subject to any limits imposed by the Trust Deed including any fund Establishment Deed.

### *Goods and Services Tax (GST)*

GST is not included in any of the fees stated in the PDS. GST will be added to any fees where applicable.

## **5. Related parties and managing conflicts of interest**

We may use related parties to provide services in respect of the funds as summarised below.

Westpac NZ and Westpac Banking Corporation are related parties of BTNZ. Westpac NZ and Westpac Banking Corporation provide banking services to the funds and receive commercial benefits from this arrangement. Westpac NZ also receives a fee from BTNZ for providing support services and distributing the funds.

We or our directors (or associated persons of us) may invest in the funds.

The funds invest in Wholesale Funds. Our current policy is that the Wholesale Fund will not charge:

- (a) application fees (if any); or
- (b) management fees (or that if management fees are charged, they are rebated in full to the investing fund).

More information on the Wholesale Funds and underlying investment managers can be found in the document titled "Other Material Information – Underlying Investment Managers" which is available on Disclose.

If the Supervisor (or a related company of the Supervisor) is also the supervisor of a Wholesale Fund, then it will either not charge any fee for that Wholesale Fund to the investing fund or it will refund any fee so charged.

### *Conflicts of interest policy*

Because we are a member of the Westpac Group and have directors who are senior executives with the Westpac Group, an inherent conflict of interest arises.

How conflict would/could materially influence the funds

- We or a Westpac Group entity may have an incentive to invest in investment funds managed by us or that entity (or otherwise within the Westpac Group) ahead of investment funds managed by third party investment managers.
- We may have an incentive to utilise other members of the Westpac Group for the supply of services and as counterparties for banking products and derivatives trades, ahead of third parties.
- We may have an incentive to influence underlying investment managers to invest in securities (including investment funds) issued by us or others within the Westpac Group ahead of other investments.

### **Steps taken to manage conflicts of interest**

The FMCA imposes statutory controls on managing conflicts of interest:

- We must, in exercising any power, or performing any duties, exercise the care, diligence and skill that a prudent person engaged in that profession would exercise in those circumstances; act honestly and in good faith in acting as manager; act in the best interests of investors; and treat investors equitably.
- Where we contract out our functions to other parties, we must seek to ensure the persons to whom we contract those functions perform them to the above standards as if we were performing them ourselves. We must also monitor the performance of those functions.
- Where a related party transaction provides a related party benefit as prescribed by the FMCA, we must notify the Supervisor and provide any certifications required by the FMCA.

### **Westpac NZ Conflicts of Interest Policy**

We have built relevant statutory controls into our internal compliance processes and procedures. As part of the Westpac Group, we also comply with the Westpac NZ Conflicts of Interest Policy (**Policy**). The Westpac Group is committed to identifying, declaring and managing conflicts of interest.

The Policy sets out what a conflict of interest is and provides a framework for how to identify, declare and manage it.

Any conflict of interest is recorded in Westpac NZ's centralised conflicts of interest register.

Conflicts of interest are a standing item on the agenda for the BTNZ Investment Committee (or any similar committee that may replace it) operated by BTNZ management. Further information on the BTNZ Investment Committee can be found in the SIPO on Disclose.

Westpac NZ has a separate policy and guidelines covering gifts and hospitality.

## **6. More about the risks of investing**

**Main risks of investing:** The main risk is **investment risk** – the risk of negative or lower than expected returns on your investment. All investments have investment risk. If market conditions are volatile or you invest for a short time, it is reasonably foreseeable that your overall returns from a fund or funds may be less than you expect or may be negative for a period of time. This may also be the case if you withdraw your investment, or switch between funds, during periods of higher volatility. If returns are less than charges paid and you withdraw your money at this time, it is possible that you could receive back less money than you put in.

We have identified the following principal risks that may produce this result and below we also describe how we seek to manage these risks (where possible). It is important to note that risks can only be managed to a certain extent.

**Market risk** – the risk that the value of a fund changes due to factors (here or overseas) affecting a particular financial market such as equities or fixed interest. These factors can include the economy, inflation, changes in interest rates and currency exchange rates, government and private debt levels, technological progress, productivity growth and company profits, each of which can impact market returns. Other factors include government policy in areas such as taxation and regulation, and shocks such as pandemics and geopolitical or environmental events. We seek to reduce market risk to some extent by diversifying across asset classes, investment sectors, countries, investment managers and/or investment styles.

**Asset allocation risk** – the risk that allocations to riskier assets adversely affect a fund's performance. Generally, growth assets (e.g. equities) are more volatile than income assets (e.g. fixed interest) and more likely to produce negative returns in the short term. Each asset class in which the funds invest also has risks which are of particular significance to that asset class (see page 11). We offer a range of funds, with different allocations to growth and income assets, to cater for differing investor risk profiles.

**Active investment management risk** – to the extent that we and the underlying investment managers actively manage investments, a fund may have investments which are more concentrated on particular assets, asset types, fixed interest maturity periods, geographies or industries. This will

typically lead to returns which vary from the benchmarks for the asset classes we invest in and creates the risk that the poor performance of an investment more significantly impacts returns. In addition, while derivatives are typically used to enable investments and manage risks, they may not perform in line with expectations (resulting in unexpected gains or losses and increased volatility). To mitigate the risks noted above in relation to adopting an active investment management approach, we employ investment professionals and where we use external underlying investment managers, they are appointed based on an assessment process that takes into account both qualitative and quantitative factors. Once an external underlying investment manager is appointed, we monitor their performance, strategy and investment processes on a regular basis.

**Credit risk** – the risk that an investment in cash, fixed interest or derivatives may be impacted if an issuer or entity doesn't repay what they owe. This could result in lower returns and/or the loss of some or all of the money invested by a fund. Where appropriate, the investment strategy seeks to incorporate an assessment of creditworthiness and appropriate diversification to reduce credit risk.

**Liquidity risk** – the Scheme or a fund may be limited in its ability to meet your withdrawal, transfer or switch request if it cannot sell or accurately value assets and we may suspend or restrict withdrawals, transfers or switches in certain circumstances. This may occur because some assets are less liquid than others, which means it's harder to sell the assets within a timely period or without having a significant impact on their value. In some cases, assets may not be so easily converted into cash for various reasons such as a lack of demand for the asset, disruptions in the market or large withdrawals. We seek to manage liquidity risk by investing primarily in liquid markets and securities. We monitor and adjust each fund's liquidity levels in order to meet any liabilities and withdrawals during normal market conditions.

**Sustainable investment risk** – sustainability and climate change risks can impact investment returns. Our funds follow a sustainable investment approach, consistent with our belief that this has a higher overall likelihood of creating and protecting long-term value. This leads to a reduced universe of investments to choose from, which may result in forgoing some financially profitable investment opportunities.

Additional risks which may be relevant at different times include:

- **Regulation risk** – any change in tax or other applicable legislation or regulation can impact a fund's returns.
- **Product risk** – changes may be made to the Scheme from time to time including changing a fund's aim, strategy, benchmark asset allocation or ranges, underlying investment managers or administration managers, adding to, closing or winding up the funds, or changing the fees and charges or minimum amounts. Any material changes will be made after consultation with or notice given to the Supervisor.
- **Contractor risk** – a third party may fail to properly provide services to us in relation to the Scheme. We have selected reputable third parties to provide services to the Scheme. All third parties are required to meet agreed service levels and are subject to ongoing monitoring and review by us.
- **Operational risk** – risks may arise from a failure of processes and procedures, fraud, litigation, disruption to business by industrial disputes, system failures, pandemics, natural disasters and other unforeseen external events which might affect our business or a fund and its assets. We seek to manage this risk with a risk management framework that includes core principles as well as policies and processes for measuring and monitoring risk. In addition, we and our administration managers have regularly tested business continuity plans in place to address certain types of business disruption.
- **Tax related risk** – if the Scheme fails to satisfy the PIE tax eligibility criteria as set out in the Income Tax Act 2007, and that failure is not remedied within the period permitted under that Act, the Scheme may lose its PIE status. In that case, the Scheme will be taxed at 28% on its taxable income. We have implemented processes to monitor ongoing PIE eligibility compliance for the Scheme and have a number of powers available to us to proactively manage this risk. Additionally, if you notify us of a Prescribed Investor Rate (**PIR**) which is lower than the correct PIR, or you fail to advise us when your PIR increases, your investment income will still be taxable

at your correct PIR, and you will be required to pay any tax shortfall as part of the income tax year-end process.

Each asset class in which a fund invests also has risks which are of particular significance to that asset class and are the risks considered most likely to affect the value of your investments in that asset class. These particularly significant risks (by asset class) are:

#### *Income assets*

##### **Cash & cash equivalents** - *Particularly significant risks: inflation risk, interest rate risk and credit risk*

The value of a fund's cash assets may not keep pace with inflation (inflation risk). This could mean that even though your investment may be growing in value, it may not give you the same buying power in the future as you would expect in today's money. The value of cash assets will be affected by changes to interest rates (interest rate risk) and can also be impacted by the ability of an issuer to pay interest or repay a loan or an issuer's creditworthiness declining (credit risk).

##### **Fixed interest** - *Particularly significant risks: inflation risk, interest rate risk, credit risk and market risk*

The value of a fund's fixed interest assets may not keep pace with inflation (inflation risk) which could mean that even though your investment may be growing in value, it may not give you the same buying power in the future as you would expect in today's money. The value of fixed interest assets will be affected by changes to interest rates (interest rate risk). It can also be impacted by the ability of a borrower to repay a loan or pay interest, the ability of a counterparty to meet payments, or an issuer's creditworthiness declining (credit risk). The value of the fund's fixed interest assets will also be affected by factors such as market movements and sentiment, and the economic performance of the country or sector (market risk). Fixed interest may involve extensive use of derivatives. The potential gains and losses from derivatives can be substantial and can increase the volatility of a fund's returns.

In the case of fixed interest securities held in international markets, there is also the market risk of currency movements impacting returns.

#### *Growth assets*

##### **Equities** - *Particularly significant risk: market risk*

The value of a fund's equity assets will be affected by factors such as the performance of individual companies, market movements and sentiment, and the economic performance of the country or sector.

In the case of equities held in international or Australian markets, there is also the risk of currency movements impacting returns.

##### **Listed property** - *Particularly significant risk: market risk*

The value of a fund's property assets will be affected by factors such as movements in equity markets, the demand for property generally, the demand for the property type and location, the quality of specific properties, the performance of individual property securities, the general economy, market sentiment and movements in interest rates.

In the case of listed securities or underlying properties held in international or Australian markets, there is also the risk of currency movements impacting returns.

##### **Other** - *Risks particular to the asset class: market risk, liquidity risk and derivatives risk*

Other growth asset classes may be more complex and less liquid than traditional assets, particularly in times of significant market volatility. They can also involve more extensive use of derivatives. The potential gains and losses from derivatives can be substantial and can increase the volatility of a fund's returns.

## **7. More about tax**

Each fund is a multi-rate PIE for tax purposes. This means that the taxable income of a fund will be attributed to Unitholders in proportion to the units held in that fund and that any taxable income attributed to you will be taxed within that fund at the most recent PIR that you (or the Inland Revenue)

have notified to us or the default rate (currently 28%) if no PIR has been notified. Information on current PIRs and how to determine your PIR can be found at [ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate](http://ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate).

We will work out the PIE tax (after offsetting any applicable tax credits) that is attributable to you and then cancel units held by you equal in value to that amount. Similarly, if you are due a refundable PIE tax credit, we will issue additional units equal in value to the amount of the refund. We'll usually make these adjustments for PIE tax after the end of the relevant fund's income year. However, if you withdraw, switch, or transfer units during the year, then we'll make tax adjustments at that time. A fund may also elect to deduct PIE tax from any distributions made to you (although the funds do not currently make regular distributions).

If your PIR was not correct during the tax year, Inland Revenue will complete an end of year wash-up following the end of the tax year. This may mean you have further tax to pay (currently capped at a maximum tax rate of 28%) if your PIR was too low. If your PIR was too high, any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

You can find more information about PIEs on the Inland Revenue website [ird.govt.nz](http://ird.govt.nz) (search for 'PIEs'). We and the Supervisor do not take any responsibility for your taxation liabilities. You should seek your own independent professional advice as to your particular tax position.

A fund must comply with certain requirements to maintain its PIE status. We have powers under the Trust Deed to ensure those requirements are met. For example, while a fund is a PIE you may be restricted from holding more than 20% of the units of a fund. We have the power to restrict your purchase of units, or compulsorily withdraw some or all of your units, in a fund if the number of your units breaches, or will breach, that 20% limit and threatens that fund's eligibility for PIE status.

Where units are held through a Custodial Service, the Custodial Service is a proxy for the investor in a PIE (**PIE Investor Proxy**). The PIE Investor Proxy will be responsible for the payment of tax, and the attribution of income, losses, tax credits and refunds for tax purposes, in respect of the units. Neither we nor the Supervisor will be liable for the attribution of income, losses or refunds or the payment of tax in respect of units held through PIE Investor Proxies.

It is your responsibility to tell BTNZ (where you are invested directly) or the Custodial Service provider (where you are invested through the Custodial Service) your PIR when you invest in a fund or if your PIR changes. If you do not tell BTNZ or the Custodial Service provider, a default rate will be applied.

