

Product Disclosure Statement

For an offer of units in the NIKKO AM DIVERSIFIED FUNDS

This is a replacement PDS, which replaces the PDS dated 31 October 2019

Dated: 17 March 2020

Issued by Nikko Asset Management
New Zealand Limited

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.business.govt.nz/disclose. Nikko Asset Management New Zealand Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

1. Key information summary

What is this?


This is a managed investment scheme. Your money will be pooled with other investors' money and invested in various investments. Nikko Asset Management New Zealand Limited (**Nikko AM NZ, we, us or our**) will invest your money and charge you a fee for its services. The returns you receive are dependent on our investment decisions and the performance of the investments. The value of those investments may go up or down. The types of investments and the fees you will be charged are described in this document.

What will your money be invested in?

There are 3 investment options offered under this Product Disclosure Statement (PDS).

These investment options are summarised below. More information about the investment target and strategy for each investment option is at Section 3.

| Fund name | Description of the fund and investment objectives | Risk indicator ¹ | Annual fund charges (% p.a. of net asset value (NAV)). All fees and expenses are inclusive of GST where applicable. If you are receiving financial advice, servicing and advice fees may also be applicable ² |
|-----------------------------------|---|-----------------------------|---|
| <p>Nikko AM Conservative Fund</p> | <p>Aims to achieve a return which exceeds the benchmark by 1.00% p.a. over a rolling three year period before fees, expenses and taxes.</p> <p>Diversified portfolio which aims to preserve capital and achieve an investment return above bank deposit rates.</p> <p>Low to medium level of volatility.</p> | | <p>Fund charges:</p> <p>Management fee 0.41%</p> <p>Estimate of expenses 0.26%</p> <p>Performance-based fee:</p> <p>see Section 5 for an explanation of the underlying fund performance fee.</p> <p>Buy/sell spread:</p> <p>0.04% of each investment/redemption</p> |
| <p>Nikko AM Balanced Fund</p> | <p>Aims to achieve a return which exceeds the benchmark by 1.50% p.a. over a rolling three year period before fees, expenses and taxes.</p> <p>Diversified portfolio across income, growth and alternative assets which aims to generate a return while minimising potential losses.</p> <p>Medium to high level of volatility.</p> | | <p>Fund charges:</p> <p>Management fee 0.51%</p> <p>Estimate of expenses 0.26%</p> <p>Performance-based fee:</p> <p>see section 5 for an explanation of the underlying fund performance fees.</p> <p>Buy/sell spread:</p> <p>0.09% of each investment/redemption</p> |

| Fund name | Description of the fund and investment objectives | Risk indicator ¹ | Annual fund charges (% p.a. of net asset value (NAV)). All fees and expenses are inclusive of GST where applicable. If you are receiving financial advice, servicing and advice fees may also be applicable ² |
|----------------------|---|--|---|
| Nikko AM Growth Fund | <p>Aims to achieve a return which exceeds the benchmark by 2.00% p.a. over a rolling three year period before fees, expenses and taxes.</p> <p>Diversified portfolio of predominately growth assets to deliver growth in capital value over the long term.</p> <p>Medium to high level of volatility.</p> |  <p>Lower risk Potentially lower returns</p> <p>Higher risk Potentially higher returns</p> | <p>Fund charges: Management fee 0.76% Estimate of expenses 0.26%</p> <p>Performance-based fee: see section 5 for an explanation of the underlying fund performance fees.</p> <p>Buy/sell spread: 0.13% of each investment/redemption</p> |

¹ As the funds have existed for less than 5 years, a combination of actual returns, underlying wholesale fund returns and market index returns has been used to calculate the risk indicators. Market index returns have been used for the period from February 2015 to March 2018. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the funds.

² **Servicing and advice fees: (Applies only with your agreement and if you are receiving financial advice)**

If we have received a letter of instruction from you to deduct an agreed fee payable to your financial adviser, we will deduct that agreed fee as a servicing and advice fee. The amount of the fee can range from 0% - 1.00% per annum (incl. GST). The fee is paid monthly by redemption of units you hold, until you advise us that you no longer wish us to pay that fee.

See Section 4 “What are the risks of investing?” for an explanation of the risk indicator and for information about other risks that are not included in the risk indicator. To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/tools/investor-kickstarter.

Who manages the Scheme and the Funds?

The Manager of the Scheme and the funds is Nikko AM NZ. See Section 7, “Who is involved?” for more information.

How can you get your money out?

Investments in the funds are redeemable.

You may at any time request the redemption of some or all of your investment. In some circumstances, we may suspend or defer withdrawals. See “Withdrawing your investments” under Section 2 for more information.

Your investment in the funds can be sold but there is no established market for trading these financial products. This means that you may not be able to find a buyer for your investment.

How will your investment be taxed?

The funds offered under this PDS are Portfolio Investment Entities (PIEs).

The amount of tax you pay in respect of a PIE is based on your prescribed investor rate (PIR). To determine your PIR, go to <https://www.ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate>. See Section 6, “What taxes will you pay?” for more information.

Where can you find more key information?

Nikko AM NZ is required to publish quarterly updates for the funds. The updates show the returns and the total fees actually charged to investors during the previous year. The latest fund updates are available at www.nikkoam.co.nz/invest/retail. The Manager will also give you copies of those documents on request.

Contents

| | |
|---|----|
| 1. Key information summary..... | 2 |
| 2. How does this investment work?..... | 5 |
| 3. Description of your investment options | 7 |
| 4. What are the risks of investing?..... | 9 |
| 5. What are the fees?..... | 11 |
| 6. What taxes will you pay? | 13 |
| 7. Who is involved?..... | 13 |
| 8. How to complain | 14 |
| 9. Where you can find more information | 15 |
| 10. How to apply..... | 15 |



2. How does this investment work?

This PDS is an offer to purchase units in the Nikko AM Diversified Funds. Each of the funds is a trust established within the Scheme and governed by the Trust Deed effective 1 July 2016 (the Trust Deed).

The money you invest buys units in a fund. When you invest in the fund or funds you choose, your money is held on trust and pooled with the money of other investors in the fund. We use this money to buy assets for the fund on behalf of all investors in the fund. Assets are selected and managed by a professional investment management team in the manner described in Section 3, "Description of your investment options".

The purchase of units gives you the right to the returns from the assets of the fund, but does not give you legal ownership of the fund's assets.

The assets of each fund are not available to be applied to meet the liabilities of any other fund in the Scheme.

Each fund's unit price is usually calculated on each Business Day by dividing the total net value of the fund's assets by the number of units on issue in the fund, rounded to four decimal places.

The funds' assets are valued independently of us. The value of your investment will be impacted by any change in the value of the assets of the fund which is reflected in the unit price of the fund. You can calculate the value of your investment by multiplying the number of units you hold in the fund by the exit price of a unit. The most recent unit prices are available at www.nikkoam.co.nz/invest/retail.

Benefits of investing in the funds include the following:

- your money is managed by our investment professionals; and
- we have access to investment opportunities and markets that may not be accessible to all investors

Distributions

The funds in this PDS do not currently distribute income or capital gains. Any income or capital gains will be included in the unit price calculated for these funds.

Making investments

To invest in the funds, contact us for an application form.

Please see Section 10 "How to apply" for more information or contact us at NZenquiries@nikkoam.com.

The minimum initial investment in the funds is \$250. The minimum investment amount is subject to change. Further investments must be at least \$20. Further investments can be made by lump sum or regular investments.

We may accept or refuse any application either in whole or part and we are not required to give any reason or ground for such refusal.

Withdrawing your investments

See section 10 for how to redeem if you are investing via a party other than the Manager, such as a PIP or custodial service. You can contact us to request a redemption of some or all of your investment at any time.

There is a minimum redemption amount of \$250. The number of units redeemed will be calculated by dividing the dollar amount you request to redeem, less any withdrawal fee (not currently charged), by the applicable exit price of a unit. Any redemption request which would cause an investor's holding in a fund to fall below \$250 may be deemed by us to be a redemption request in respect of their entire holding in the fund.

We will deduct from your redemption proceeds an amount equal to any applicable PIE tax on income allocated to redeemed units.

We will pay net proceeds to you as soon as possible after processing the request and in any event no later than 30 days after receipt. We may however suspend or defer withdrawals or delay payment under certain conditions summarised in the Nikko AM NZ Other Material Information document (on the offer register) or as set out in full in the Trust Deed (on the scheme register). In those circumstances, you may have to wait a longer period of time before you can withdraw your investment.

How to switch between funds

You can request to switch part or all of your investment from one fund to another fund within the Scheme at any time by contacting us. We may decline or delay the switch without providing a reason. Switches investors can make in any calendar year are limited to 12. Unless you are switching all of your investment, at least \$250 must remain in the fund. A buy/sell spread may be applicable.

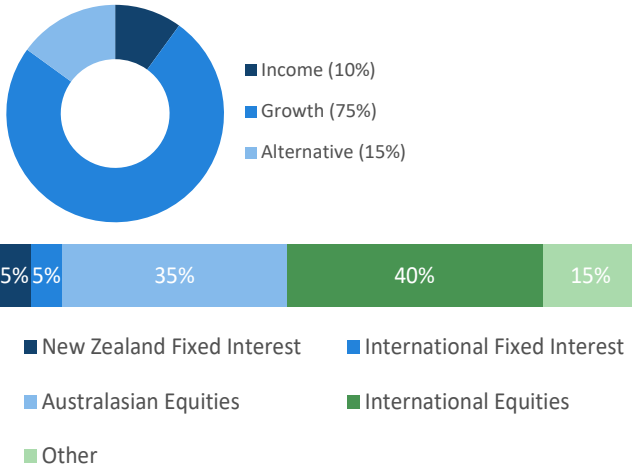
A switch is regarded as a withdrawal from an investment and an acquisition of a new investment. If you make an application to withdraw or switch, we will deduct any PIE tax required from the amount that is withdrawn or switched between the funds and pay any such PIE tax to Inland Revenue.

This PDS is for the Nikko AM Diversified Funds. Information on other Nikko AM NZ funds not offered under this PDS can be found at www.nikkoam.co.nz/invest/retail:

- Nikko AM Cash and Fixed Interest Funds PDS
- Nikko AM Domestic Equity Funds PDS
- Nikko AM Global Equity Funds PDS
- Nikko AM Option Fund PDS.

3. Description of your investment options

| Fund | Summary of investment objective and strategy | Target asset mix | Risk Indicator | Minimum suggested investment timeframe |
|-----------------------------------|---|---|---|--|
| <p>Nikko AM Conservative Fund</p> | <p>Fund Objective: To achieve a return which exceeds the benchmark by 1.00% p.a. over a rolling three year period before fees, expenses and taxes.</p> <p>Source: Nikko AM²</p> <p>Strategy:³ Invests across a range of actively managed funds to create a diversified portfolio with a focus on lower risk assets.</p> | <p>Targets 100% investment in the Nikko AM Wholesale Conservative Fund.</p> | <p>3¹</p> <p>Volatility: low to medium.</p> | <p>Two years</p> |
| <p>Nikko AM Balanced Fund</p> | <p>Fund Objective: To achieve a return which exceeds the benchmark by 1.50% p.a. over a rolling three year period before fees, expenses and taxes.</p> <p>Source: Nikko AM²</p> <p>Strategy:³ Invests across a range of actively managed funds to create a diversified portfolio with a balanced mix of lower and higher risk assets.</p> | <p>Targets 100% investment in the Nikko AM Wholesale Balanced Fund.</p> | <p>4¹</p> <p>Volatility: medium to high.</p> | <p>Three years</p> |

| Fund | Summary of investment objective and strategy | Target asset mix | Risk Indicator | Minimum suggested investment timeframe |
|----------------------|--|--|---|--|
| Nikko AM Growth Fund | <p>Fund Objective: To achieve a return which exceeds the benchmark by 2.00% p.a. over a rolling three year period before fees, expenses and taxes.</p>  <p>Source: Nikko AM²</p> <p>Strategy:³ Invests across a range of actively managed funds to create a diversified portfolio with a focus on higher risk assets.</p> | Targets 100% investment in the Nikko AM Wholesale Growth Fund. | 4 ¹ Volatility: medium to high. | Five years |

¹ As the funds have existed for less than 5 years, a combination of actual returns, underlying wholesale fund returns and market index returns have been used to calculate the risk indicators. Market index returns have been used for the period from April 2015 to March 2018. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the funds.

² More information on the Income, Growth and Alternative Categories is available in the SIPO for the Scheme.

³ Full details of the strategy, permitted investments and restrictions for the fund are outlined in the SIPO.

We may make changes to the Statement of Investment Policy and Objectives (SIPO) of the Scheme from time to time, after having given reasonable prior written notice to, and in consultation with, the Supervisor. We consider whether the changes are in investors' best interests and will notify you of any material changes before we make them. Material changes to the SIPO will also be described in the Scheme's annual report.

The current SIPO for the funds can be found on the Disclose register at www.business.govt.nz/disclose or on our website www.nikkoam.co.nz/invest/retail.

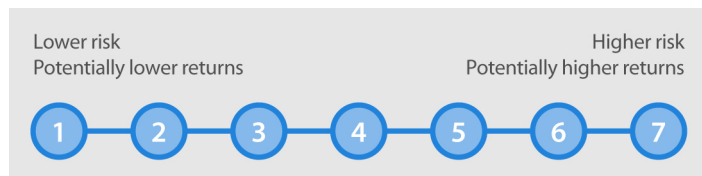
Further information about the assets in the funds can be found in the fund updates at www.nikkoam.co.nz/invest/retail.

4. What are the risks of investing?

Understanding the risk indicator

Managed funds in New Zealand must have a standard risk indicator. The risk indicator is designed to help investors understand the uncertainties both for loss and growth that may affect their investment. You can compare funds using the risk indicator.

Example Risk Indicator



This is an example Risk Indicator. For the fund Risk Indicator, see the “Key Information Summary” section.

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund’s assets goes up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/tools/investor-kickstarter.

Note that even the lowest category does not mean a risk-free investment, and there are other risks (described under the heading “Other specific risks”) that are not captured by this rating.

This risk indicator is not a guarantee of a fund’s future performance. The risk indicator is based on the market index returns and wholesale fund returns for the period from October 2014 to March 2018 and actual fund returns from April 2018 to September 2019. While risk indicators are usually relatively stable, they do shift from time to time. You can see the most recent risk indicator in the latest fund update for the fund.

General investment risks

Some of the things that may cause the funds’ value to move up and down, which affect the risk indicator, are:

Asset allocation risk: The largest determinant of returns and volatility is the proportionate allocation to different underlying assets. Accordingly, asset allocation will impact the overall returns of the fund.

Interest rate risk: Changes in interest rates. An increase in interest rates results in the capital value of fixed interest investments falling. A decrease in interest rates results in the capital value of fixed interest investments rising.

Market risk: Economic, technological, political and legal factors and market sentiment can change. These changes may affect the value of financial products in investment markets, the fund’s investments and the value of the units in the fund.

Credit risk: Interest earning securities represent loans to borrowers that include central and local government, registered banks and companies. Credit risk is the risk that a borrower may default on interest or capital repayments.

Cybersecurity and operational risk: Cybersecurity breaches may allow an unauthorised party to gain access to the fund’s assets, customer data, or proprietary information, or cause the fund or its service providers to suffer data corruption or lose operational functionality. Similar incidents affecting issuers of the fund’s securities may negatively impact performance. Operational risk may arise from human error, error by third parties, communication errors, or technology failures, among other causes.

Currency risk: Currency risk occurs where the New Zealand currency appreciates or depreciates relative to the currency of the country in which the fund invests. The return on or value of your investment may be reduced where the New Zealand dollar rises or falls relative to other currencies.

Company specific risk: In addition to market factors, a specific company’s business outlook may deteriorate because of management changes, strategy decisions, competitor activities or declining demand for its products or services.

Where a fund invests in the securities of companies affected by these circumstances, investors' returns from their investment may be negatively affected.

Liquidity risk: The risk that an investment may not be able to be sold quickly enough to prevent or minimise a loss. A lack of liquidity may also affect the amount of time it takes to satisfy withdrawal requests.

Derivative Risk: We will enter into foreign currency exchange contracts to manage currency exposures. We may also enter into other derivative contracts to manage interest rate and credit exposures. Certain risks arise out of the use of derivatives, including significant gains or losses.

Other specific risks

Short selling risk: Some of the underlying funds that the Nikko AM Conservative, Nikko AM Balanced and Nikko AM Growth Funds invest in can use short selling investment strategies. Short selling is selling financial securities the seller does not own (i.e. borrowing the security from a broker), with the understanding that it must later be repurchased and returned to the broker. If this strategy is implemented there is the additional risk that the price of the security increases and a loss is incurred. The maximum limit on the value of securities that can be short sold is a small portion of the underlying funds gross asset values, and those underlying funds make up only a portion of the allocation of the Nikko AM Conservative, Nikko AM Balanced and Nikko AM Growth Funds. The potential impact on these funds is therefore low.

Leveraged strategy risk: The Nikko AM Conservative, Nikko AM Balanced and Nikko AM Growth Funds all invest in the Nikko AM Wholesale Option Fund ("Wholesale Fund"). The Wholesale Fund uses a leveraged investment strategy to simultaneously sell call and put options on long dated government bonds. The Wholesale Fund can incur significant short term losses quickly due to extreme movements (called "volatility") in long-term interest rates. As an example of the impact of volatility on the Wholesale Fund, when the US Government was downgraded from an AAA to AA+ credit rating in August 2011, the Wholesale Fund fell by 29% over the month. When this type of event occurs, the increased volatility which caused the initial loss will also likely result in the Wholesale Fund receiving a higher stream of income when new options are sold (where those new options will have higher income). The impact of interest rate volatility is magnified by the use of leverage. For every \$1 in the Wholesale Fund, up to \$6 of call options and \$6 of put options can be sold. The options are sold in pairs, each comprising a call and a put option with the same expiry date. Accordingly, the effective leverage of the Wholesale Fund is 6 times the value of the Wholesale Fund. This has the potential to negatively impact the performance of the Nikko AM Conservative Fund, Nikko AM Balanced Fund and Nikko AM Growth Fund.

5. What are the fees?

Statement about fees

You will be charged fees for investing in the funds. Fees are deducted from your investment and will reduce your returns.

The fees you pay will be charged in two ways-

- Regular charges (for example, annual fund charges). Small differences in these fees can have a big impact on your investment over the long term.
- One-off fees (for example, individual action fees).

Annual fund charges

| | Management Fee (% p.a. of NAV) | Estimate of Expenses % p.a. of NAV | Estimated performance-based fee and unrelated underlying fund expenses (% p.a. of NAV) | Estimated Total Annual Fund Charges (% p.a. of NAV). |
|----------------------------|--------------------------------|------------------------------------|---|--|
| Nikko AM Conservative Fund | 0.41%p.a. | 0.26% p.a. | 0.13% p.a. | 0.80% p.a. |
| Nikko AM Balanced Fund | 0.51%p.a. | 0.26% p.a. | 0.27% p.a. | 1.04% p.a. |
| Nikko AM Growth Fund | 0.76%p.a. | 0.26% p.a. | 0.17% p.a. | 1.19% p.a. |

GST: All fees and expenses are inclusive of GST where applicable.

Management fee: We charge an annual management fee to each fund as set out above. The management fee is used to pay for the management of the relevant fund's assets, including underlying investment costs, the supervisor's fee and administration costs of the relevant fund (such as audit fees, registry services and unit pricing and accounting services).

Expenses Estimate: We cap the general operating expenses at 0.25% p.a. of the fund's net asset value (excluding GST). Extraordinary expenses are not included in this cap, but are included in our estimate when known. "Expenses" may include, among other things, supervisor, custodian, audit and legal fees.

Unrelated underlying fund expenses: An underlying unrelated fund, into which the Nikko AM Conservative, Nikko AM Balanced and Nikko AM Growth funds invest, has expenses embedded. An explanation of how these are estimated is included in the Other Material Information document at www.business.govt.nz/disclose.

Performance-based fees: The funds invest in related Nikko AM funds and there are performance-based fees charged by some of those underlying funds as follows:

The Nikko AM Wholesale Balanced Fund and Nikko AM Wholesale Growth Fund invest in the Nikko AM Wholesale Concentrated Equity Fund which charges a performance fee, payable to Nikko AM, of 10% of gains above the hurdle rate. The "hurdle rate" is the minimum return the Nikko AM Wholesale Concentrated Equity Fund must achieve before being able to charge a performance fee. The hurdle rate for the Nikko AM Wholesale Concentrated Equity Fund is 5% above the Reserve Bank of New Zealand Official Cash Rate over a 12 month financial period. Performance-based fees are payable only if the Nikko AM Wholesale Concentrated Equity Fund's performance exceeds the high water mark. The high water mark is equal to the performance level of the Nikko AM Wholesale Concentrated Equity Fund at the end of the last financial period when a performance fee was charged. This means if the Nikko AM Wholesale Concentrated Equity Fund loses value over one or more financial periods, Nikko AM NZ must achieve investment returns above the high water mark for the Nikko AM Wholesale Concentrated Equity Fund before receiving another performance-based fee. The high water mark cannot be reset unless the Nikko AM Wholesale Concentrated Equity Fund's performance exceeds that mark. The performance fee for each financial period is accrued daily in the unit price and paid at the end of the financial period. A financial period for the fund is 12 months ending 31 March in each year. The performance fee does not have a maximum limit.

We compare the Nikko AM Wholesale Concentrated Equity Fund's performance, for the Nikko AM Diversified Fund's composite benchmark, against the S&P/NZX50 Index. However, the hurdle rate of return for the performance fee payable to us is based on the Reserve Bank of New Zealand Official Cash Rate plus 5%. This means you may be paying a performance fee even if the Nikko AM Wholesale Concentrated Equity Fund's performance does not match or beat the S&P/NZX50 Index.

The Nikko AM Wholesale Conservative, Nikko AM Wholesale Balanced and the Nikko AM Wholesale Growth Funds invest in the Nikko AM Wholesale Option Fund which charges a performance fee, payable to Nikko AM, of 15% of gains above the hurdle rate.

The “hurdle rate” is the minimum return the Nikko AM Wholesale Option Fund must achieve before being able to charge a performance fee. The hurdle rate for the Nikko AM Wholesale Option Fund is 4% above the S&P/NZX Bank Bills 90-Day Index over a 12 month financial period. Performance-based fees are payable only if the Nikko AM Wholesale Option Fund’s performance exceeds the high water mark. The high water mark is equal to the performance level of the Nikko AM Wholesale Option Fund at the end of the last financial period when a performance fee was charged. This means if the Nikko AM Wholesale Option Fund loses value over one or more financial periods, Nikko AM NZ must achieve investment returns above the high water mark for the Nikko AM Wholesale Option Fund before receiving another performance-based fee. The high water mark cannot be reset unless the Nikko AM Wholesale Option Fund’s performance exceeds that mark. The performance fee for each financial period is accrued daily in the unit price and paid at the end of the financial period. A financial period for the Fund is 12 months ending 31 March in each year. The performance fee does not have a maximum limit.

Nikko AM NZ distribution fee: We act as distributor for JP Morgan Alternative Asset Management (“JPMAAM”) in New Zealand. We receive a fee for arrangement of the investment of the Nikko AM Conservative, Nikko AM Balanced and Nikko AM Growth Funds in JPMAAM’s investment vehicles. This fee is paid to Nikko AM NZ from the management fee that JPMAAM charges the unrelated underlying fund. Therefore, it will not affect returns to investors.

The annual fund charges are calculated and accrued daily and reflected in the unit price. The management fee and expenses are paid monthly to us.

Individual action fees and trading costs

There are currently no contribution, establishment, termination, withdrawal or switching fees being charged to the funds offered under this PDS. We can introduce these fees in the future as set out in the Trust Deed.

You may be charged other fees on an individual basis for investor-specific decisions or actions.

Servicing and advice fees (Applies only if you agree and are receiving financial advice)

If we have received a letter of instruction from you to deduct an agreed fee payable to your financial adviser, we will deduct that agreed fee as a servicing and advice fee. The amount of the fee can range from 0% - 1.00% per annum (incl. GST). The fee is paid monthly by redemption of units you hold, until you advise us that you no longer wish us to pay that fee.

Further information about the servicing and advice fee is available in the Servicing and Advice Fees document on Disclose at www.business.govt.nz/disclose.

Buy/sell spreads: A buy/sell spread is a trading cost charged on application and withdrawal of units from a fund to cover the external costs of buying and selling assets of the fund. When you enter or leave the fund, any buy or sell spread applicable at that time will be a cost to you. The buy spread is added to the unit price on entry to the fund, and the sell spread is deducted from the unit price on exit from the fund. The buy/sell spread stays in the fund to cover the transaction costs and is not a fee paid to us. The purpose of the buy/sell spread is to ensure that transaction costs incurred as a result of an investor entering or leaving the fund are borne by that investor, and not other investors in the fund. We may vary the buy/sell spread from time to time.

The current buy/sell spreads are:

Nikko AM Conservative Fund: 0.04% of each investment/redemption

Nikko AM Balanced Fund: 0.09% of each investment/redemption

Nikko AM Growth Fund: 0.13% of each investment/redemption

Example of how fees apply to investors

Simon invests \$10,000 in the Nikko AM Balanced Fund.

A buy spread of 0.09% is incorporated in the unit price that he pays for his investment. This equates to \$9.

This brings the starting value of his investment to \$9,991.

He is charged management and administration fees, which work out to about \$103.91 (1.04% of \$9,991). These fees might be more or less if his account balance has increased or decreased over the year.

Simon is not charged a performance-based fee if the Fund earned more than its target.²

Estimated total fees for the first year

Individual action fees: \$100 (if you have agreed to a servicing and advice fee of 1.00%)

Fund charges: \$103.91

Trading costs: \$9

² Note that there are underlying related fund performance fees, estimates of which are included in the above example.

See the latest fund update for an example of the actual returns and fees investors were charged over the past year.

This example applies only to the Nikko AM Balanced Fund. If you are considering investing in other funds or investment options in the Scheme, this example may not be representative of the actual fees you may be charged.

The fees can be changed

We can change fees from time to time, and can also add new fees. We will give you at least one month's notice if we increase any fee or commence charging any new fee. Any change to the fees will be made in accordance with the Nikko AM NZ Trust Deed.

Nikko AM NZ must publish a fund update for the funds showing the fees actually charged during the most recent year. Fund updates, including past updates, are available at www.nikkoam.co.nz/invest/retail.

6. What taxes will you pay?

The funds are portfolio investment entities. The amount of tax you pay is based on your prescribed investor rate (PIR). To determine your PIR, go to

<https://www.ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate>

. If you are unsure of your PIR, we recommend you seek professional advice or contact Inland Revenue. It is your responsibility to tell us your PIR when you invest or if your PIR changes. If you do not tell us, a default rate may be applied. If the advised PIR is lower than the correct PIR, you will need to complete a personal tax return and pay any tax shortfall, interest, and penalties. If the default rate or the advised PIR is higher than the correct PIR, you will not get a refund of any overpaid tax.

For more information in relation to taxation refer to the "Nikko AM NZ Investment Scheme – Other Material Information" document on the Disclose register.

7. Who is involved?

Nikko Asset Management New Zealand Limited is the Manager of the funds.

About Nikko Asset Management New Zealand Limited

Nikko AM NZ is a wholly owned subsidiary of Nikko Asset Management Co., Ltd (**Nikko AM**), headquartered in Japan. Nikko AM is a global asset manager with investment professionals across the world's major financial centres. In New Zealand we provide investment management services for domestic assets through our Auckland-based investment team and contract offshore managers to manage global assets.

Contact details

- Phone: 09 307 6388
- Freephone: 0800 303 308
- Email: NZenquiries@nikkoam.com
- Write: PO Box 3892, Shortland Street, Auckland 1140

Who else is involved?

| | Name | Role |
|---------------|---|---|
| Supervisor | Public Trust | Supervisor of the Scheme under the Financial Markets Conduct Act 2013 and responsible for monitoring Nikko AM NZ's compliance with its obligations. |
| Custodian | BNP Paribas Fund Services Australasia Pty Limited ("BNP") | Appointed by the Supervisor to hold all of the assets of the funds on behalf of the investors. |
| Administrator | BNP | Perform services including fund valuation, unit pricing, fund accounting and PIE fund administration. |
| Registrar | MMC Limited | Perform unit registry services. |
| Auditor | KPMG | Auditor of the Scheme and the funds. |

8. How to complain

Any complaints about the funds or the Scheme may be referred to the Manager via the contact details provided under Section 7, "Who is involved?".

You can also complain to the Supervisor at:

Public Trust

Level 9, 34 Shortland Street, Auckland 1010
PO Box 1598, Shortland Street, Auckland 1140
0800 371 471

CTS.enquiry@publictrust.co.nz

www.publictrust.co.nz/corporate-trustee-services

The Manager and the Supervisor are both members of the Financial Services Complaints Limited independent dispute resolution scheme.

If you have made a complaint to us and it has not been resolved within 40 days or if you are dissatisfied with the proposed resolution, you can refer it to:

Financial Services Complaints Limited

Level 4, 101 Lambton Quay, Wellington 6011
PO Box 5967, Wellington 6140
Freephone 0800 347 257 or 04 472-FSCL

www.fscl.org.nz

Financial Services Complaints Limited will not charge a fee to any complainant to investigate or resolve a complaint. Further information about referring a complaint to Financial Services Complaints Limited can be found at www.fscl.org.nz.

9. Where you can find more information

Further information relating to the Scheme, the units and the funds (for example, financial statements) is available on the offer register and the scheme register at www.business.govt.nz/disclose and a copy of information on the offer register or scheme register is available on request to the Registrar of Financial Service Providers. You will not be charged any fee to access this information.

An annual statement and PIE Tax Statements will be sent to you or made available through an electronic facility by the end of each June. These provide information such as your balance at year end, change in balance during the year, what fees you have been charged and how much PIE tax has been paid on your behalf.

You can find more information about us and the funds on our website www.nikkoam.co.nz/invest/retail.

10. How to apply

Individual investors can apply at www.goalsgetter.com, otherwise you can apply by contacting us for application forms.

We may accept or refuse any application either in whole or part and we are not required to give any reason or ground for such refusal.

Investing through a Portfolio Investor Proxy (PIP) or a custodial service

When you invest through your advisor, or a PIP or a custodial service, such as InvestNow, you will not become a direct investor in the fund and will not have a direct relationship with us or the Supervisor. Rather, the PIP or the custodial service has the direct relationship with us and will be able to exercise any rights attached to units held.

All reports, notices and other documentation will be sent directly to the PIP or the custodial service and not to you.

When you want to redeem your investment, you need to contact your advisor, PIP, or custodial service.

The PIP and any custodial service may have entered into an arrangement with us in respect of the fund which may vary the terms and conditions of investment in the fund. You should contact your PIP or the custodial service for details of:

- the minimum investments or minimum withdrawals required by your PIP or the custodial service, and the consequences of failing to meet those minimums;
- the timing of cut-off times for applications and withdrawals; and
- whether any fees and charges are payable to the PIP or the custodial service (in addition to fees and charges set out in this PDS).

When you invest through a PIP then neither the Manager nor the Supervisor will undertake the following responsibilities, which will instead be undertaken by the PIP:

- calculating and organising payment of tax liability on income attributed to the PIP by applying the PIRs of the underlying investor;
- making adjustments to the units held on your behalf (by requesting the redemption of units) or the distributions (if any) or requiring payments to be made which reflect the tax liability on income attributed to you;
- organising the provision of returns and other information to Inland Revenue; and
- providing us any information concerning the underlying investor that may be relevant to whether the fund continues to meet PIE eligibility requirements.

If you would like further information on how to invest in the funds, please contact us at NZenquiries@nikkoam.com.