

Private Wealth Series

Who manages my money?

Other Material Information

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Find out more about how Private Wealth Series is managed

This document tells you more about how Private Wealth Series (Private Wealth Series or Scheme) is managed. It describes:

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This document together with the current Product Disclosure Statement (PDS) and the Statement of Investment Policy and Objectives (SIPO) for the Scheme, and any other documents available, gives you information about the Scheme. This document, the PDS and SIPO are available at bnz.co.nz/pws or held on the Scheme's Disclose Register entry at companiesoffice.govt.nz/disclose

In this document:

- 'you' and 'your' means you and any other persons who are or become investors of Private Wealth Series
- 'we', 'us', 'our' and BNZISL refer to BNZ Investment Services Limited, the manager of Private Wealth Series.

Investments in Private Wealth Series are not bank deposits or other liabilities of Bank of New Zealand (BNZ) or any other member of the National Australia Bank Limited group. They are subject to investment risk, possible delays in repayment, possible loss of income and possible loss of principal invested. No person (including the New Zealand Government) guarantees (either fully or in part) the performance or returns of Private Wealth Series Funds or the repayment of capital. National Australia Bank Limited, the ultimate owner of BNZ, is not a registered bank in New Zealand but a licensed bank in Australia and is subject to the supervision of the Australian Prudential Regulation Authority.

1. Our investment approach

We are the Manager of Private Wealth Series and our role is to decide how to invest the assets of the funds in the Scheme (Funds). We currently use the skills and experience of an investment consultant to choose a range of underlying investment managers who ultimately choose the underlying investments the Funds invest in.

The Funds can invest directly in securities or by investing in underlying investment funds managed by us or underlying investment managers.

Each of the Funds also holds cash for liquidity purposes in an interest-bearing bank account with the Bank of New Zealand (BNZ).

We invest your money responsibly

We take responsible investment, including environmental, social, and governance considerations, into account in the investment policies and procedures of Private Wealth Series.

➤ You can get an explanation of the extent to which we take responsible investment into account in those policies and procedures at bnz.co.nz/investingresponsibly

2. Summary of our underlying investment managers

Our current underlying investment managers for each asset class are set out below.

We intend to appoint the following managers to replace Russell Investment Management Limited (Russell Investments) as the manager of international fixed interest:

- State Street Global Advisors, Australia, Limited (State Street); and
- Columbia Threadneedle Investments (Columbia Threadneedle).

We also intend to:

- appoint First Sentier Investors Realindex Pty Ltd (Realindex Investments) as another investment manager of Australasian equities; and
- remove Nikko Asset Management New Zealand Limited as an investment manager of Australasian equities.

We expect this to be completed by 30 September 2021.

While we work hard to keep this information current, the underlying managers can be added to, removed or changed without prior notice.

| Asset class | Underlying investment managers |
|------------------------------|--|
| Cash and cash equivalents | Nikko Asset Management New Zealand Limited |
| New Zealand fixed interest | AMP Investment Management (N.Z.) Limited |
| | Harbour Asset Management Limited |
| International fixed interest | Russell Investment Management Limited |
| Australasian equities | Castle Point Funds Management Limited |
| | Mint Asset Management Limited |
| | Nikko Asset Management New Zealand Limited |
| International equities | MLC Investments Limited |

Benchmark indices

Each Fund's performance is measured against a benchmark index. You can find information about the benchmark index for the Fund's in the Statement of Investment Policy and Objectives on the Disclose Register at companiesoffice.govt.nz/disclose

3. Details about our underlying investment managers

A brief description of each underlying investment manager follows. These descriptions have been provided to us by each underlying investment manager. For further information please refer to their websites.

All of our underlying investment managers have signed up to the Principles for Responsible Investment. More information is available at unpri.org

AMP Investment Management (N.Z.) Limited (AMP Capital)

AMP Capital is a leading specialist investment manager, with a global network of offices in developed and emerging markets. As a majority-owned subsidiary of AMP Limited, AMP Capital is part of the AMP group, sharing a history that dates back to 1849.

AMP Capital has over 70 years' experience managing investments for Australian, New Zealand and international investors. During this time, it has evolved from a traditional funds management organisation to a broad-based investment management company, providing services to all sectors of the financial services industry. In New Zealand, AMP Capital has approximately 60 staff in Auckland and Wellington.

AMP Capital is an active fund manager and aims to deliver outstanding investment outcomes, with a focus on returns and risk management. Investment decisions are based on rigorous and repeatable research and modelling, using the depth of investment knowledge across AMP Capital. AMP Capital's team of investment professionals and global partners operate across a broad range of asset classes. Through a network of international offices, AMP Capital offers global reach for some of the best investment opportunities the world has to offer. It has experienced investment professionals on the ground in the major markets, sourcing and managing investment opportunities for investors.

Castle Point Funds Management Limited (Castle Point)

Castle Point is a New Zealand boutique fund manager, established in 2013 by its investment team, which comprises Richard Stubbs, Stephen Bennie, Jamie Young and Gordon Sims. Castle Point's investment philosophy is focused on long-term opportunities and investor alignment.

The team is experienced and the shared philosophy allows for robust, constructive debate. Portfolios are co-managed and all members of the team participate in company analysis and fund management duties.

The team uses a highly disciplined approach to identifying investment candidates based on an investment philosophy that focuses on long-term investment performance. Each candidate is then subjected to a thorough research process to identify only the best value, growth, and quality companies. Portfolios are then constructed around these companies to cater for the risk/return tolerances of different investor groups.





Columbia Threadneedle Investments (Columbia Threadneedle)

A newly appointed manager, Columbia Threadneedle, will jointly manage international fixed interest with State Street. During the transition, both the new and old managers will be accountable for the investments.

Columbia Threadneedle manages investments for institutions, pension funds, sovereign wealth funds, and endowments and foundations. Columbia Threadneedle has expansive reach, currently represented in 17 countries with a global team of 2,000 people working together. Expertise is diverse with more than 450 investment professionals sharing global perspectives across all major asset classes, markets and with the capability to create bespoke solutions matched to clients' specific requirements.

180 analysts are dedicated to finding original, actionable insights that are shared and debated with portfolio managers. Columbia Threadneedle believes well-managed companies that look to the future are better positioned to navigate the risks and challenges inherent in business and achieve sustainable performance and long-term value creation. Responsible Investment (RI) principles are an important factor, and it has developed proprietary tools that provide a robust RI framework and better analysis for portfolio managers to enhance their decision-making.

An independent Investment Consultancy & Oversight team ensures the integrity of an investment strategy. The team works in partnership with its portfolio managers to foster continuous improvement and ensure strategies are managed consistent with client expectations and their desired outcome.

First Sentier Investors Realindex Pty Ltd (Realindex Investments)

A newly appointed manager, Realindex Investments, will be added as another manager of Australasian equities. Realindex Investments was established in 2008 and is a wholly owned investment management subsidiary of First Sentier Investors (FSI). Realindex Investments is focused on partnering with clients to provide systematic equity solutions utilising its index and intelligent implementation, smart beta and active quantitative equity capabilities.

As at 31 December 2020 Realindex Investments managed approximately AUD 30 billion across Australian and New Zealand, global and emerging market shares. It has a dedicated team of portfolio managers, quantitative analysts, and product and client specialists responsible for the research, construction, portfolio management, trading and institutional sales and service of its underlying strategies. As a part of FSI, Realindex Investments benefits from the IT systems, back office and administration, legal, dealing, compliance and distribution support from a strong parent company.

Harbour Asset Management Limited (Harbour)

Established in December 2009, Harbour is a highly rated New Zealand-based funds management firm. Harbour manages Australasian equities and New Zealand fixed interest securities, as well as multi-asset solutions.

Harbour's clients include large government institutions, corporate superannuation funds, community trusts, charities, family offices, philanthropic groups, iwi, KiwiSaver providers and retail investors. Years of experience as a team and lessons learned over many market cycles have helped Harbour craft robust and disciplined investment processes for equities and fixed interest securities.

Environmental, social and governance (ESG) considerations play a key role in Harbour's investment decisions.

Mint Asset Management Limited (Mint)

Mint is an independent, boutique fund manager established in 2006 and based in Auckland, New Zealand. The business is wholly owned by its employees and looks to provide investors with access to a team of experienced and successful investment professionals. Mint sees the key strengths of its business as its size, structure and independence.

Mint is an active manager and uses its own research to invest in companies it believes to be undervalued. Once invested, these positions are monitored continuously to ensure the fundamentals behind the decision to invest have not changed. As a result, the portfolios reflect its best investment ideas and are structured to provide sustainable income and capital growth, with a strong emphasis on risk management.

MLC Investments Limited (MLC)

MLC has been looking after the investment needs of generations of Australians. MLC is currently a member of the National Australia Bank Limited Group of companies (NAB Group).

MLC believes that the best way to manage its portfolios is to employ the skills of multiple specialist investment managers. It has appointed JANA Investment Advisers Pty Limited (JANA) to advise on and manage the JANA Multi-Manager Global Share Trust's investments. JANA is minority owned (45%) by MLC Investments Ltd (MLC), which is currently part of the National Australia Bank Limited Group.

IOOF Holdings Limited announced on 31 August 2020 that it has agreed with the National Australia Bank Limited Group to conditionally purchase MLC, including MLC's minority interest in JANA. The purchase will be completed on 30 June 2021 (subject to regulatory approvals).

JANA advises a large number of institutional clients, including industry funds, public sector funds, corporate funds, charities and foundations.

JANA's investment experts have extensive knowledge and experience designing and managing portfolios using a multi-manager investment approach. JANA has the experience and resources to find some of the best investment managers from around the world. JANA's investment managers may be specialist in-house managers, external managers or a combination of both.

JANA researches hundreds of investment managers from around the world and selects from the best for its portfolios. It then combines them in the portfolios, so they complement each other. This multi-manager approach helps to reduce risk and deliver more consistent returns.

To make sure the portfolios are working hard for investors, JANA continuously reviews and actively manages them.

JANA may adjust the investment managers because its assessment of the future market environment has altered or because it has found new ways to balance risk and return in the portfolio. JANA delivers better returns by avoiding unnecessary costs. It does this by carefully managing cash flows, tax and changes in the portfolios.

Nikko Asset Management New Zealand Limited (Nikko AM NZ)

Nikko Asset Management New Zealand Limited is a wholly owned subsidiary of Nikko Asset Management International Limited, which in turn is a wholly owned subsidiary of Nikko Asset Management Co. Limited (Nikko AM), headquartered in Tokyo, Japan. Nikko AM is a dedicated global asset manager with approximately 200 investment professionals across the world's major financial centres. As one of the largest investment managers in New Zealand, Nikko AM NZ believes investments are best managed by sector specialists within a comprehensive risk management framework. Nikko AM NZ manages the investment of cash and cash equivalents and Australasian equities from its Auckland office.

Russell Investment Management Limited (Russell Investments)

With more than 80 years of experience, Russell Investments is a global asset manager and one of only a few firms that offers actively managed, multi-asset portfolios and services that include advice, investments and implementation (day-to-day management). Russell Investments believe the best way to reach your desired outcomes is with a multi-asset approach that combines: asset allocation, capital markets insights, factor exposures, manager research and portfolio implementation. Russell Investments uses these capabilities to help institutional investors, financial advisers and individuals guided by an adviser's personalised advice.

Russell Investments adopts a multi-manager investment approach that brings together specialist underlying investment managers with different, but complementary, investment styles. This approach gives exposure to different types of investments, geographic regions and investment managers.

Russell Investments chooses underlying investment managers following a robust research process, which involves meeting the investment management teams face to face. It has extensive criteria to identify the top investment managers and strategies available from around the world, no matter who provides them. Russell Investments also believes in continuously monitoring managers; managers selected for portfolios are replaced or reassigned whenever necessary. Russell Investments has a responsible investment policy that is reviewed annually.



State Street Global Advisors, Australia, Limited (State Street)

A newly appointed manager, State Street, will jointly manage international fixed interest with Columbia Threadneedle following the transition replacing Russell Investments. During the transition, both the new and old managers will be accountable for the investments.

Established in 1978, State Street Global Advisors Limited (SSGA) is the asset management arm of State Street Corporation, an indexing pioneer and the creator of the world's first ETFs. The State Street Australian office, opened in 1991, is a wholly owned subsidiary of SSGA.

For four decades, SSGA has been committed to helping clients, and those who rely on them, achieve their investment objectives. SSGA have partnered with many of the world's largest, most sophisticated investors and financial intermediaries, helping them to reach their goals through a rigorous, research-driven investment process spanning both indexing and active disciplines. SSGA's scale and global reach offer clients unrivaled access to markets, geographies and asset classes, and in delivering thoughtful insights and innovative solutions.

SSGA's heritage as an ESG investing leader goes back more than 35 years, having launched the first ESG mandate in 1985. As an early leader in low-carbon investing and a signatory of the United Nations Principles for Responsible Investing (UNPRI) since 2012, SSGA integrates ESG across all investment teams and is a recognised leader in asset stewardship and corporate governance. Effective asset stewardship lies at the heart of SSGA's fiduciary responsibility. A robust and extensive asset stewardship program is a key pillar in the overall ESG approach and this program is designed to promote long-term sustainable returns on behalf of its clients.

