

## Other Material Information Summer KiwiSaver Scheme

**Date: 30 November 2021**

This document contains important information relating to the offer of membership in the Summer KiwiSaver Scheme that is not contained in the Product Disclosure Statement for the Scheme or the other documents within the Scheme's entry on the register of offers of financial products at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose). It should be read together with those documents.

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

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## General Information

In this document:

- the words '**you**' or '**your**' refer to you and other persons who apply for membership of the Scheme or who are accepted as members of the Scheme
- the words '**we**', '**us**', '**Manager**' or '**our**' refer to Forsyth Barr Investment Management Limited, the Manager of the Scheme. We have prepared the information in this document
- where words are defined in this section, those words have the meaning given whenever they are used in this document
- where we refer to something that we or someone else '**currently**' does, this describes our or their practice at the date of this document only. We can review and change our practices without notice to you, as long as we comply with the Trust Deed and the Governing Requirements. Other parties may change their practices at any time.

## Glossary

<b>Australian Complying Superannuation Scheme</b>	means an entity that is a complying superannuation fund for the purposes of Part 5, Division 2 of the Superannuation Industry (Supervision) Act 1993 (Aust) and that is regulated by the Australian Prudential Regulation Authority.  You can find a list of these schemes at <a href="http://superfundlookup.gov.au">superfundlookup.gov.au</a> .
<b>Effective Date</b>	means 19 September 2016, being the date on which the Scheme opted-in to the FMCA regime
<b>Financial Markets Legislation</b>	has the meaning given in the FMCA
<b>fund</b>	means one of the funds in the Scheme, currently: <ul style="list-style-type: none"> <li>• Summer New Zealand Cash</li> <li>• Summer New Zealand Fixed Interest</li> <li>• Summer Global Fixed Interest</li> <li>• Summer New Zealand Equities</li> <li>• Summer Australian Equities</li> <li>• Summer Listed Property</li> <li>• Summer Global Equities</li> <li>• Summer Conservative Selection</li> <li>• Summer Balanced Selection</li> <li>• Summer Growth Selection</li> </ul>
<b>FMA</b>	means the Financial Markets Authority
<b>FMCA</b>	means the Financial Markets Conduct Act 2013 (and includes the Financial Markets Conduct Regulations 2014)
<b>Governing Agreements</b>	means the KiwiSaver scheme provider agreement(s) relating to the Scheme
<b>Governing Legislation</b>	means as appropriate, all laws and regulations applicable to the Manager (including compliance by the Manager with the terms of its licence under the FMCA as a manager of registered schemes), the Supervisor, and the Scheme at applicable points in time, and which may include without limitation, the Financial Markets Legislation and the KiwiSaver Act and methodologies or frameworks issued by the FMA under the Financial Markets Legislation
<b>Governing Requirements</b>	means the Governing Legislation and the Governing Agreements
<b>KiwiSaver Act</b>	means the KiwiSaver Act 2006 and includes the KiwiSaver Rules
<b>KiwiSaver Rules</b>	means the KiwiSaver Scheme Rules contained in Schedule 1 to the KiwiSaver Act
<b>member</b>	means, in relation to a fund, a natural person for the time being entered on the register of members as the holder of a unit in that fund, and in relation to the Scheme means a natural person for the time being entered on the register as the holder of any unit
<b>PDS</b>	means the Product Disclosure Statement for the Scheme (as defined in the FMCA)
<b>PIE</b>	means Portfolio Investment Entity
<b>Scheme</b>	means the Summer KiwiSaver Scheme as a whole, which is a registered KiwiSaver scheme under the FMCA
<b>SIPO</b>	means the Statement of Investment Policies and Objectives for the Scheme (as defined in the FMCA)

## Glossary

<b>Trust Deed</b>	means the Deed under which the Scheme was established, and Trustees Executors Limited is appointed as Supervisor and Forsyth Barr Investment Management Limited is appointed as Manager
<b>Unit</b>	means an undivided part or share in a fund in the Scheme as described in the Trust Deed, and includes part of a unit
<b>Valuation Day</b>	means, in respect of a fund of the Scheme, a day specified as a day in respect of which the value of the assets of the Scheme attributable to the fund is determined

## Additional information on the Scheme and the persons involved

The Summer KiwiSaver Scheme was established on 16 May 2008 in Dunedin, New Zealand when the Trust Deed was signed. The Scheme opted in to the FMCA regime from the Effective Date.

Prior to the Effective Date the Scheme was known as the Forsyth Barr KiwiSaver Scheme.

### Manager

We act as the Manager of the Scheme. As Manager we are responsible for offering and issuing interests in the Scheme to members, managing the assets of the Scheme, and administering the Scheme. We are licensed under the FMCA as a manager of registered schemes. Further information on our licence is available on the FMA website ([www.fma.govt.nz](http://www.fma.govt.nz)) and also on the Financial Service Providers Register website ([www.companiesoffice.govt.nz/fsp](http://www.companiesoffice.govt.nz/fsp)).

Some information about us as at the date of this document is below:

### Directors

#### **Neil Paviour-Smith, Wellington** **Managing Director, Forsyth Barr Limited**

Neil was appointed Managing Director of Forsyth Barr in 2001 and has been working in NZ's capital markets for 30 years. He is also Chancellor of Victoria University of Wellington and Chairman of the NZ Regulatory Board of Chartered Accountants Australia and New Zealand (CAANZ). He is a Fellow of the Institute of Finance Professionals NZ (INFINZ), a Fellow Chartered Accountant and a former director of NZX Limited.

#### **Andrew Bowley, Upper Hutt** **Head of Research, Forsyth Barr Limited**

Andy joined Forsyth Barr in 2012 as Head of Research. He has over 20 years of industry experience. Andy is a FCA Chartered Accountant and has a BEng (Hons) degree in mechanical engineering from the University of Nottingham.

#### **Nicholas Hegan, Wellington** **Head of Legal, Forsyth Barr Limited**

Nick joined Forsyth Barr in 2014. He has over 20 years' experience in the financial and legal industries in NZ and overseas. Nick holds an

LLB (Hons) from Victoria University of Wellington and a BSc (Hons) Mathematics from the University of Canterbury.

#### **Shane Edmond, Christchurch** **Head of Wealth Management, Forsyth Barr Limited**

Shane joined Forsyth Barr in 2002 as Head of Retail Broking, having operated in the stockbroking industry since 1986.

Our Directors may change from time to time without notice to members. The current directors may be found on the Companies Office website, at [www.companiesoffice.govt.nz/companies](http://www.companiesoffice.govt.nz/companies) (company number 2095523).

As at the date of this document we have delegated daily administration of the Scheme to Forsyth Barr Limited (see "Other Parties" below).

### Investment Manager

On 30 November 2021, we entered into an Investment Management Agreement with Octagon Asset Management Limited. Under the agreement, Octagon Asset Management Limited is responsible for the day to day investment management for each of the funds under normal market terms. Octagon Asset Management Limited is a related party of the Manager.

Some information about the Investment Manager as at the date of this document is below:

### Directors

#### **Neil Paviour-Smith, Wellington** **Managing Director, Forsyth Barr Limited** See information above.

#### **Richard Bodman, Wellington** **Independent Director**

Richard is an Independent Director of Octagon Asset Management Limited. He has spent more than 25 years' working in the financial services sector.

He is currently a Non-executive Director of NZX Limited, Independent Director & Chair of Te Ahumairangi Investment Management Limited, and an Independent Director of Forsyth Barr Custodians Limited and Forsyth Barr Cash Management Nominees Limited. He is a member of the Institute of Directors.

***Paul Robertshawe, Wellington***  
***Chief Investment Officer***

Paul is Chief Investment Officer of Octagon Asset Management Limited. Paul joined Forsyth Barr in 2021 and moved to Octagon Asset Management Limited when it was appointed investment manager. He has 25 years of experience in New Zealand's funds management industry and has been running equity portfolios for the past 17 years. Paul holds a BBS degree in Finance and Accounting from Massey University and is a member of Chartered Accountants Australia and New Zealand (CAANZ) and the Institute of Finance Professionals (INFINZ).

The Investment managers Directors may change from time to time without notice to members. The current directors may be found on the Companies Office website, at [www.companiesoffice.govt.nz/companies](http://www.companiesoffice.govt.nz/companies) (company number 8234756).

**Senior Management**

The following Octagon Asset Management Limited personnel are involved in the management of the Scheme:

***Craig Alexander***  
***Head of Fixed Interest and ESG***

Craig joined Forsyth Barr in 2013 and moved to Octagon Asset Management Limited when it was appointed investment manager. He has over 25 years of experience spanning New Zealand's banking, insurance and fund management industries. Craig holds a commerce degree from Lincoln University of Christchurch.

***Jason Lindsay***  
***Head of Equities***

Jason joined Forsyth Barr in 2019 and moved to Octagon Asset Management Limited when it was appointed investment manager. He has over 15 years of experience spanning New Zealand's equity research and fund management industries. Jason holds a BCA from Victoria University of Wellington and is a member of Chartered Accountants Australia and New Zealand (CAANZ).

***Paul Robertshawe***  
***Director, Chief Investment Officer***  
See information above.

The ultimate holding company of the Manager, Forsyth Barr Limited and Octagon Asset Management Limited is Forsyth Barr Group Limited.

As at the date of this document we manage other managed investment schemes.

**Supervisor**

Trustees Executors Limited acts as the Supervisor of the Scheme. The Supervisor is responsible for supervising the performance of our functions as manager. The Supervisor (or someone else it appoints) also holds all assets of the Scheme in trust for the Scheme's members. Some information about the Supervisor is below:

**Licence**

The Supervisor has been granted a full licence under the Financial Markets Supervisors Act 2011 to act as a KiwiSaver supervisor. The licence expires on 16 January 2023 and is subject to reporting conditions. Further information on the Supervisor's licence is available on the FMA website ([www.fma.govt.nz](http://www.fma.govt.nz)) and also on the Financial Service Providers Register website ([www.companiesoffice.govt.nz/fsp](http://www.companiesoffice.govt.nz/fsp)).

## Directors

The current list directors of the Supervisor may be found on the Companies Office website, at [www.companiesoffice.govt.nz/companies](http://www.companiesoffice.govt.nz/companies) (company number 142877).

## Incorporation and parent company

The Supervisor was incorporated in New Zealand in 1881, and was re-registered to become a company under the Companies Act 1993 on 30 June 1997. On 1 May 2002 the Supervisor's status as a statutory trustee company was confirmed under its own Act of Parliament, the Trustees Executors Limited Act 2002. The Supervisor changed its name to Tower Trust Limited on 1 May 2002 and changed from this name to its current name on 1 August 2003.

The Supervisor's ultimate holding company is Sterling Grace (NZ) Limited, incorporated in New Zealand on 30 July 2003.

## Custodian

The Supervisor has not contracted an external custodian for the Scheme. It holds the assets of the Scheme through its wholly-owned nominee company, T.E.A. Custodians Limited.

## Other Parties

### Service Providers

We may appoint administration or investment managers to carry out administration or investment management (as applicable) of the Scheme. Any administration or investment managers appointed by us may change from time to time without notice to you.

As at the date of this document we have delegated the functions of investment accounting and registry to:

Trustees Executors Limited  
Level 11, 10 Customhouse Quay  
PO Box 10-519  
Wellington 6143

As at the date of this document we have delegated daily administration to:

Forsyth Barr Limited  
35 The Octagon  
Private Bag 1999  
Dunedin 9054

Forsyth Barr Limited is an authorised body under our licence as a manager of registered schemes.

We have delegated investment management to:

Octagon Asset Management Limited  
Level 19, 157 Lambton Quay  
Wellington, 6011

## Auditor

Deloitte has been appointed as Auditor of the Scheme. Deloitte is registered under the Auditor Regulation Act 2011. Other than in its capacity as auditor, and the provision of tax compliance services which it provides to us, Deloitte has no relationship with, or interests in, the Scheme.



## Scheme Provider Agreement

A Scheme Provider Agreement dated 20 March 2007 (as subsequently amended and varied) governs the relationship between us and Inland Revenue in relation to the Scheme, and explains how we will work together to administer the Scheme.

## No Guarantee

There is no guarantee from the Crown or any other person in respect of the Scheme or any fund of the Scheme.

No person associated with the Scheme guarantees the repayment of capital or the investment performance of the Scheme. Our obligations, and those of the Supervisor, are not guaranteed by any third party.

# Additional information on the terms of the Scheme

This section provides information about the Scheme and how it works.

## Establishment

The Scheme was originally established under a Trust Deed dated 16 May 2008, as amended on 12 September 2012 and further amended on 16 September 2016 by way of a consolidated Trust Deed that was effective as of the Effective Date. The Trust Deed is available on the schemes register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose) (scheme number SCH10648).

The Scheme is registered on the register of managed investment schemes under the FMCA as a KiwiSaver scheme. The operation of the Scheme is governed by the FMCA and the KiwiSaver Act.

When you become a member of the Scheme you get the benefit of, and are bound by, the terms of the Scheme as set out in the Trust Deed. The KiwiSaver Act provides that the KiwiSaver Rules (which, amongst other things, set out the rules around permitted withdrawals from the Scheme) and certain other terms are implied into the Trust Deed.

## Scheme

The Scheme consists of all of the investments, cash, property and other assets, liabilities and obligations held by the Supervisor (or its custodian or nominee).

Legally, the Scheme is a single trust fund. Where the assets of a particular fund are not enough to meet the fund's liabilities, those liabilities will be met from the assets of another fund or funds, in the manner that we (with the approval of the Supervisor) decide. Except in this situation, the

investments of a particular fund will be for the benefit of members who have invested in that fund.

## Funds

The Scheme is divided into a number of funds, under guidelines set by us with the Supervisor. If you do not select a fund or funds to invest in, we nominate one fund as the 'default fund' for your investments. Currently, the default fund is the Summer Balanced Selection. If in the future the Summer Balanced Selection is closed, we will nominate another fund as the default fund.

Unless it would be materially prejudicial to members generally, we may:

- change the terms of a fund - where this is not a material change we just need to notify the Supervisor;
- terminate or merge funds, if we think it would be beneficial for better operation of the Scheme – if this change is material we need to notify the Supervisor and affected members.

We can't make any changes that are contrary to the Trust Deed or the Governing Requirements.

## Commencement and termination of membership

To be eligible to join the Scheme you must meet the New Zealand criteria set out in the FMCA, which are that you are, or are normally, living in New Zealand and are a New Zealand citizen (or entitled to be permanently resident in New Zealand).

If you are a State Services employee serving outside New Zealand, on New Zealand terms and

conditions, in a jurisdiction where it is lawful to offer KiwiSaver membership, you are eligible to join too. You are also eligible if you were previously a member of another KiwiSaver scheme and are transferring your account to the Scheme.

You can join the Scheme if your employer selects the Scheme as its 'employer choice' scheme, or by applying to us (on terms detailed in the Trust Deed, or on other terms determined by us or the Supervisor).

We can decide not to accept your application to join the Scheme. If that happens we will let you know.

Your membership will terminate if you do not hold any units, and we notify you that your membership is to terminate, or where you opt-out of KiwiSaver in accordance with the KiwiSaver Act.

### Account closure

We may close your account if it has a zero balance but we will contact you before we do so.

### Contributions

If you are in paid employment you can contribute to the Scheme 3%, 4%, 6%, 8% or 10% of your gross (before tax) salary or wages. Minimum contributions are 3%. If you do not choose a contribution rate (or notify a new employer of your contribution rate) the rate will be 3%. The rate of contribution that you have selected will continue until you notify a change. Your new rate will apply to the next payment of salary or wages after this notification has been received by your employer.

Contributions will be deducted from your after-tax salary or wages by your employer and paid to Inland Revenue, who will then forward them to us.

You may also make additional lump sum contributions via Inland Revenue or directly to us. There is currently no minimum initial lump sum or regular contribution required after joining.

You may also apply to transfer funds from an approved Australian Complying Superannuation Scheme to a KiwiSaver scheme if you have permanently emigrated to New Zealand.

In most circumstances employers are required to make contributions to KiwiSaver schemes for their employees who are members and not yet

eligible to withdraw or if they joined KiwiSaver at age 60 or over prior to 1 July 2019, and have not opted out of the five year membership requirement. Employers of members who have made a life-shortening congenital condition withdrawal are not obliged to make contributions in respect of those members. Currently, compulsory employer contributions are 3% of gross salary or wages. Employers can contribute additional amounts on top of that. Employer contributions are subject to tax.

If you are not an employee (or are self-employed) you can make voluntary contributions. These can be regular or lump-sum contributions.

In addition to the contributions described above you can decide to contribute additional amounts, or make arrangements for your employer (or others) to make additional contributions for you.

All contributions paid to us or the Supervisor must be held in trust (this means held for your benefit), in accordance with the FMCA.

You can split your contributions between one or more of the funds of the Scheme by selecting them on the application form that you complete when joining, and you can change this at any time. If you do not select any funds your contributions will be invested into the default fund, which is the Summer Balanced Selection.

### Savings suspension for employees

If you are an employee you may apply to Inland Revenue for a savings suspension. A savings suspension, if granted, allows you to put your contributions on hold, meaning your employer will stop deducting contributions from your pay.

While you are on a savings suspension, your employer does not need to continue with employer contributions.

Currently, a savings suspension will be granted by Inland Revenue if you are suffering, or are likely to suffer, financial hardship (and Inland Revenue has received at least one contribution from you), or one year has passed since you first contributed to KiwiSaver, or became a member of a complying superannuation fund.

A savings suspension must be for a minimum of three months (unless your employer agrees otherwise) and a maximum of one year. If the suspension was taken because of financial hardship it will be for a three month period, unless Inland Revenue agrees to a longer period.

You can revoke and reinstate your savings suspension by notifying your employer. However, unless your employer agrees, you cannot take a savings suspension for that employer for less than three months.

Savings suspensions will not affect any contributions made directly to us, although you can generally change the amount of these contributions at any time.

### Government contributions<sup>1</sup>

For every dollar you contribute to the Scheme, the Government (in most circumstances) will add an extra 50 cents to your savings as a tax credit, up to a maximum of \$521.43 each year. This could change in the future.

Generally, in order to be eligible for a Government contribution you must:

- be over 18 years old and
- not yet eligible to withdraw, and if you joined KiwiSaver at aged 60 or over prior to 1 July 2019, and not have opted out of the five year membership requirement and
- not have made a life-shortening congenital condition withdrawal and
- have made personal contributions and be a New Zealand resident.

The Government contribution is calculated for the year from 1 July to 30 June, and the maximum available credit reduces pro-rata from \$521.43 if you were not eligible for the whole year.

If you are a member of the Scheme and are eligible, we will make a claim for this Government contribution on your behalf in July each year. It will be automatically credited to your account.

If eligible, to achieve the maximum Government contribution of \$521.43 each year, you will need to have contributed at least \$1,042.86 (or approximately \$20 each week) into your account between 1 July and 30 June each year.

### Units

The Scheme is divided into units. Each unit relates to a particular fund and confers an equal interest in the assets of that fund. Members do not however acquire any direct interest in the individual investments of a fund. We may

consolidate or subdivide units, and units can be divided into part-units.

### Applications for units

Contributions that we receive from you will be treated as an application for the number of units (which can be rounded down to four decimal places) in the fund that you have selected, or the default fund, which is the Summer Balanced Selection. If your application is received before 5pm on a Valuation Day your application will be effective for that Valuation Day. If your application is received at or after 5pm on a Valuation Day, or on a day that is not a Valuation Day, your application will be effective on the next Valuation Day. The actual calculation of unit values and issue of units happens on the next Valuation Day following the effective date of the application.

We may specify minimum investment amounts for initial and subsequent contributions to each fund of the Scheme. See the PDS for any current minimums.

### Issue of units

The number of units issued to you will reflect the amount you have invested (less any fees that apply – see below) and the unit issue price (see below). The number of units issued is rounded down to four decimal places, if necessary. We may, after having told the Supervisor, stop issuing units in one or more funds, for a set period or until the relevant fund or the Scheme is wound up.

We may refuse to accept any application for units and do not need to give you reasons why.

### Valuation

The Trust Deed sets out the methodology used to value the Scheme's investments.

We may agree with the Supervisor that another method is appropriate to determine the value of specific investments.

The Scheme's investments are valued on each Valuation Day, in normal circumstances this will be each day that banks are open for business (other than a Saturday or Sunday).

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<sup>1</sup> Previously known as member tax credits or MTCs.

### Unit Value

The unit value for a fund of the Scheme is calculated by dividing the total value of the fund (its assets minus its liabilities) by the number of units that have been issued in the fund.

### Unit issue price

The price at which units in a fund are issued is the unit value (see above) for the Valuation Day on which your application for units is effective, adjusted to reflect an equitable proportion of the management fees, Supervisor fees, and other fees accrued or payable at the relevant time that are not already reflected in the unit value.

### Distributions

The Scheme does not distribute income other than through the redemption of units when a permitted withdrawal is made.

## Withdrawals

The KiwiSaver Act allows withdrawals only in certain circumstances:

### Withdrawal when you reach superannuation age

You can withdraw part or all of your investment in the Scheme after you reach the age where you are entitled to New Zealand superannuation (currently age 65).

If you joined KiwiSaver at aged 60 or over prior to 1 July 2019, you'll also need to have been a member of a KiwiSaver scheme for five years. You can opt out of this five year requirement, but once you do, you lose your eligibility for Government or compulsory employer contributions. Investments that have been transferred to a KiwiSaver scheme from an approved Australian Complying Superannuation Scheme can be withdrawn when you reach age 60 and have "retired" (in terms of the relevant Australian legislation).

You don't have to take your money out, you can choose to leave your money in the Scheme.

### Death

If you die while a member of the Scheme, we must on application by your personal representatives (such as the executors or administrators of your estate), pay your estate the value of your investment in the Scheme. If your investment is less than a set minimum (\$15,000 as at the date of this document) and the requirements of the Administration Act 1969 are met, we can pay the value of your investment directly to a surviving partner or caregiver (or other person permitted in that Act).

### Serious illness

If the Supervisor is reasonably satisfied that you are suffering from serious illness then you may, by applying to the Supervisor, make a serious illness withdrawal. The withdrawal may be up to the full value of your account.

The KiwiSaver Act defines a 'serious illness' as an injury, illness or disability that:

- results in you being totally and permanently unable to engage in work for which you are suited by reason of experience, education, or training, or any combination of those things, or
- poses a serious and imminent risk of death.

The Supervisor may require you to provide medical evidence in support of your serious

illness application, and may require this to be verified by oath, statutory declaration or other formal process.

### Life-shortening congenital condition

If the Supervisor approves your request, you can apply to withdraw from your KiwiSaver account if you suffer from a life-shortening congenital condition. You can choose the amount you withdraw, up to the full value of your account.

Life-shortening congenital condition means a condition that exists for a person from the date of their birth and is likely to reduce the life expectancy of that person, or for persons generally with the condition, below the New Zealand superannuation qualification age.

The Government has identified the following conditions (**'listed conditions'**) that qualify as life-shortening congenital conditions:

- Down syndrome (Down's syndrome)
- cerebral palsy
- Huntington's disease (Huntington's chorea)
- fetal alcohol spectrum disorder.

You may make a life-shortening congenital condition withdrawal if you have a listed condition or a condition that meets the definition above, i.e. a condition that exists for a person from the date of their birth and is likely to reduce the life expectancy of that person, or for persons generally with the condition, below the New Zealand superannuation qualification age.

Please contact us to discuss how you can progress an application for withdrawal.

If you make a life-shortening congenital condition withdrawal you may continue to make contributions to the Scheme but you will no longer be eligible for Government contributions or compulsory employer contributions.

### Significant financial hardship

If the Supervisor is reasonably satisfied that you are suffering, or are likely to suffer, from significant financial hardship, then you may make a significant financial hardship withdrawal. The application must be in the form set by the Supervisor, and must include a completed statutory declaration of your assets and liabilities.

The amount withdrawn may, subject to the Supervisor's approval, be up to the full value of your account less the \$1,000 kick-start contribution from the Government (if you received

that)<sup>1</sup> and any Government contributions you have received.

The Supervisor must be reasonably satisfied that reasonable alternative sources of funding have been explored and have been exhausted. The Supervisor can also direct that the amount withdrawn be limited to a specified amount that would alleviate the particular hardship.

**‘Significant financial hardship’** includes significant financial difficulties that arise because of:

- your inability to meet minimum living expenses
- your inability to meet mortgage repayments on your principal family home, resulting in the mortgagee (for example a bank) seeking to enforce the mortgage
- the cost of modifying a home to meet special needs arising from you or a dependant having a disability
- the cost of medical treatment for an illness or injury suffered by you or a dependant
- the cost of palliative care for you or a dependant
- the cost of a funeral for a dependant
- you suffering from a serious illness (as explained above).

### Permanent emigration to Australia

If you permanently emigrate to Australia you cannot make a cash withdrawal on the basis of permanent emigration (as explained below), but you may transfer the full value of your account (net of taxes and fees but including any Government contributions) to an Australian Complying Superannuation Scheme.

Your withdrawal application must include a completed statutory declaration that you have permanently emigrated to Australia, and proof of your departure from New Zealand (for example, evidence of confirmed travel arrangements, passport evidence and evidence of any necessary visas). You must also show that you have lived at an Australian address after you left New Zealand.

The ability to transfer also depends on the Australian Complying Superannuation Scheme accepting the transfer. Amounts transferred will become subject to the terms of the Australian

Complying Superannuation Scheme they are transferred to.

### Permanent emigration elsewhere

If you permanently emigrate to a country other than Australia you may (at least one year after you move) apply to make a withdrawal. You can withdraw an amount equal to the full value of your account, less:

- any Government contributions, and
- any amounts transferred from an approved Australian Complying Superannuation Scheme (although any positive investment returns on those amounts can be withdrawn).

Alternatively you may ask us to transfer the full value of your account (less any Government contributions and amounts transferred from an approved Australian Complying Superannuation Scheme) to an overseas superannuation scheme (that is authorised under New Zealand regulations, if any are in place).

Your withdrawal application must include a completed statutory declaration that you have permanently emigrated from New Zealand, and proof of your departure from New Zealand (for example, evidence of confirmed travel arrangements, passport evidence and evidence of any necessary visas). You must also show that you have lived at an overseas address during the year after you left New Zealand.

### Withdrawal to purchase a home or land for a home

If you have not previously made a withdrawal for this reason, you can make a withdrawal from the Scheme to purchase a home or land for a home in New Zealand (including a home on Māori land), if:

- at least three years have passed since Inland Revenue received your first KiwiSaver contribution; or
- you have been a member of a KiwiSaver scheme or complying superannuation fund for three years or more.

It is a condition that the land or home must be (or be intended as) your main home.

This type of withdrawal is mainly aimed at those buying their first home. If you have previously owned a home or land, in some circumstances it

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<sup>1</sup> If you joined KiwiSaver before 2pm on 21 May 2015, the Government kick-started your account with a tax-free contribution of \$1,000.



is also possible to a withdrawal to purchase a subsequent home or land for a home as a 'second chance' buyer. All of the other criteria must be met, and Kāinga Ora must confirm that it is satisfied that your financial position (in terms of assets and liabilities) is what would be expected of a person who has never owned a home. Information about qualifying is available on the Kāinga Ora website (<https://kaingaora.govt.nz/>).

The amount withdrawn must not exceed the value of your account, less the sum of \$1,000 which must remain in your account, and any amounts transferred from an approved Australian Complying Superannuation Scheme (although any positive investment returns on those amounts can be withdrawn).

You may also be eligible to receive a First Home Grant. First Home Grants are administered by Kāinga Ora - Homes and Communities (neither we nor the Supervisor are involved), and are available to members who satisfy eligibility criteria. Visit <https://kaingaora.govt.nz/> for more information.

#### **Withdrawal to meet tax and student loan liabilities on foreign superannuation transfers**

If you transfer your investment in a foreign superannuation scheme to the Scheme, and are liable to pay New Zealand tax on the transfer, or have New Zealand student loan repayments arising from the transfer, you may make a withdrawal from the Scheme to pay those liabilities (but not to pay penalties or interest).

The amount withdrawn can be up to:

- in the case of a withdrawal to meet tax liabilities, the lesser of the tax liability arising from the transfer and your liability for terminal tax (this means your final tax bill taking into account any provisional tax already paid) in that tax year; or
- in the case of a withdrawal to meet student loan repayment obligations, the amount of those loan repayments.

In addition, the total amount withdrawn cannot be higher than the value of your account less the \$1,000 kick-start contribution from the Government (if you received that)<sup>1</sup> and any Government contributions you have received.

You must make your application within two years of the liability for tax or student loan repayments

being calculated. It must be made in the form that we set, and be accompanied by a statutory declaration about the transfer and resulting tax liability, and any other information that we need.

Any withdrawal made will be paid to Inland Revenue, and not to you, if this is possible. Otherwise, it will be paid to you. Withdrawal to meet the above liabilities is optional, and you may need to consider the impact of a withdrawal on your foreign superannuation scheme benefits or other issues under the laws governing your foreign superannuation scheme.

#### **Court order withdrawal**

In some circumstances, a court may order that we pay money out of your account.

#### **Making a withdrawal**

If you think you are entitled to withdraw, you can apply to make a withdrawal from the Scheme by providing us with a withdrawal notice in the form that we (or the Supervisor) set. The notice must specify the dollar amount or number of units to be withdrawn from a fund or funds of the Scheme (or state that a full withdrawal is required, in which case the number of units will be adjusted for any attributed tax or tax credit).

We may prescribe a minimum value of units that a Member must hold and a minimum additional contribution amount for each fund (see the PDS for any current minimums). A withdrawal notice cannot be taken back once given.

Withdrawal notices must contain enough information to show (in our judgement) that you are allowed to make the withdrawal, and if a minimum holding or withdrawal amount applies, it must meet those minimums (unless it is a full withdrawal). A withdrawal notice is not deemed to be received unless we have received all of the required information and any minimums are met.

For any withdrawal application we, or the Supervisor (where they are responsible for deciding on your application), may require documents or information within your application to be verified by oath, statutory declaration, or other formal process. This can include requiring you to verify (by providing medical evidence) any medical matters that you have stated in your application.

A completed withdrawal notice received before 5pm on a Valuation Day will be effective for that

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<sup>1</sup> If you joined KiwiSaver before 2pm on 21 May 2015, the Government kick-started your account with a tax-free contribution of \$1,000.

Valuation Day. A completed withdrawal notice received at or after 5pm on a Valuation Day or on a day that is not a Valuation Day will be effective on the next Valuation Day. The actual calculation of unit values and redemption of units happens on the next Valuation Day following the effective date of the withdrawal.

The withdrawal value of a unit is the unit value for the Valuation Day on which your withdrawal notice is effective, adjusted to reflect an equitable proportion of the management fees, Supervisor fees, and other fees accrued or payable at that time that are not already reflected in the unit value.

When a withdrawal notice becomes effective, we will arrange the redemption of the requested number of units with a value equal to the withdrawal amount. We will pay this aggregate amount of money to you (or your representatives), less any applicable fees and taking into account tax not already accounted for. We are required to redeem units within the timeframes set out in the Trust Deed and KiwiSaver Act.

We may have to redeem some of your units if we think that is necessary to enable the Scheme to maintain its status as a PIE. If this happens we will notify you first, and follow the process detailed in the Trust Deed.

## Switching

You may switch a monetary sum or number of units between funds by sending us a switching notice. A switch notice, once given, cannot be taken back. Switching notices must be in the form set by us.

A switching notice takes effect as a withdrawal of units in the current fund, and an application for units in the new fund that you nominate. As a result, the provisions of the Trust Deed dealing with applications and withdrawals will apply (including any fees or minimum amounts applicable to the application or withdrawal). No minimum switch amounts currently apply.

We can decide not to accept a switch request. If that happens we will let you know.

## Transfers

If you join another registered KiwiSaver scheme you can request that we transfer an amount equal to the value of your investment in the Scheme over to that other scheme (less any applicable

fees and tax). You can only be a member of one KiwiSaver scheme at a time, but you can transfer between KiwiSaver schemes at any time.

We may, without the consent of affected members, transfer an amount equal to the value of some or all members' accounts to another registered KiwiSaver scheme. Before this type of transfer can take place we need to obtain agreement from the Supervisor, and the FMA.

If you are entitled to a benefit or transfer from another superannuation scheme or KiwiSaver scheme, we will, on terms determined by us, accept a transfer (of an amount notified by the other scheme) into the Scheme. This amount will be treated as a contribution to the Scheme by you.

## Suspension

We may suspend withdrawals relating to a fund because of:

- termination of one or more funds
- suspension of trading on any market
- financial, political or economic conditions
- the nature of any investment
- any other circumstance or event relating to the Scheme or generally, where we believe that accepting the withdrawal would not be practicable or would materially prejudice members generally or the members of the particular fund.

A suspension will result in switches out of the affected fund also being suspended.

We need to notify the Supervisor about this, and we will also notify anyone that submits a withdrawal notice or switching notice during this period. A suspension can last up to 90 days, and may be extended with the consent of the Supervisor.

## Winding up

A fund will close and be wound up:

- if we decide and notify the Supervisor (as long as that is not prohibited in the Governing Requirements); or
- if the whole Scheme is being wound up.

Within 14 days of winding up a fund we must give you notice of the winding up and (unless the whole Scheme is being wound up) of our intention to, at the end of a specified period (being at least 10 business days), reinvest the assets of that fund.



If the default fund (currently the Summer Balanced Selection) is wound up we must nominate an alternative fund as the default fund.

If a fund is wound up, you will need to select a new fund(s) to invest in following the wind-up. We will specify a substitute fund that will apply if you do not select another fund.

When a fund is wound up we will sell or convert into cash all investments of the fund, and pay out or make provision for any liabilities of that fund. The cash held in respect of that fund is then reinvested in accordance with your instructions, or if no instructions are received, in the substitute fund.

The Scheme as a whole may be wound up if we decide (and notify the Supervisor), if the Governing Requirements require it, or if a court or regulatory authority orders it. After the date that it closes no further members will be allowed to join, no further contributions will be accepted, no withdrawals or switches may be made, and the Supervisor will sell all of the assets of the Scheme.

The proceeds of the sale of assets will be applied first to cover the costs of winding up and settling liabilities of the Scheme, second to cover any unpaid withdrawals, and third to provide for paying out remaining members the value of their accounts on a pro-rata basis. If there is any

money left, proceeds will then be used to top-up amounts payable in respect of unpaid withdrawals and to remaining members on a pro-rata basis. All amounts payable to remaining members will be dealt with in accordance with the KiwiSaver Act (meaning that they will be transferred to the member's account in the member's new KiwiSaver scheme).

The Supervisor will follow a procedure set out in the FMCA to let the FMA know about the wind-up.

### Liability of, and indemnities available to, Manager and Supervisor

The Trust Deed limits our liability and the liability of the Supervisor in certain circumstances, and grants certain indemnities to us in relation to the proper performance of our functions. In particular, but subject to the terms of the Trust Deed and Governing Requirements:

- We and the Supervisor act in a representative capacity for you, and are under no personal liability.
- We and the Supervisor, and each of our directors, officers and employees, have a general right of indemnity from the Scheme. This covers all liabilities and expenses incurred in operating the Scheme or exercising our powers.

## Additional information on fees

You pay two regular charges:

- an annual fund charge
- an account fee

There are currently no one-off fees for the Scheme.

More detail about the components of these charges is set out below.

### Annual fund charges

An annual fund charge (as set out in the PDS) applies for each fund. This covers:

- a) management and administration charges paid to us out of the fund for performing our functions as manager of the Scheme
- b) the Scheme's expenses that are attributable to the fund, including expenses incurred by us in managing the

- Scheme, and fees charged by the Supervisor and any Custodian
- c) management and administration charges paid out of any other managed investment scheme that the fund invests into (an '**underlying fund**'), including schemes where we are the manager.

The amounts in a) and b) are paid out of the relevant fund, and so directly affect the unit value for that fund.

The amounts in c) are paid out of the relevant underlying fund, and so are reflected in the value of the relevant fund's investment in that underlying fund (and as a result indirectly affect the unit value for that fund).

The annual fund charge is calculated daily. More details about the components of this charge are set out below.

#### **a) Fees paid to us as Manager**

We are entitled to a fee from each fund for performing our functions as manager of the Scheme of an amount we determine (plus GST if any), subject to the Trust Deed and the Governing Requirements. The fee is calculated on a basis agreed with the Supervisor, and is currently paid monthly in arrears.

We adjust our fee for each fund so that the aggregate fund charge for that fund (taking account of any fee rebates) comes to the level detailed in the PDS. This means that we need to calculate the amounts in b) and c) below and take account of any relevant fee rebates so that we can calculate our fee.

We may need to estimate the amount in c) (see below), in which case our fee and the annual fund charge as a whole will be estimated.

We are able to waive or reduce our fees.

#### **b) The Scheme's expenses**

The Supervisor is entitled to a fee as agreed with us (plus GST, if any), subject to the Trust Deed and Governing Requirements. The fee is calculated on a basis agreed between us and the Supervisor, and is currently paid monthly in arrears. The Supervisor is also entitled to reimbursement out of the Scheme of expenses that it incurs in performing its services in relation to the Scheme. This includes any amounts paid by the Supervisor to any Custodian it appoints in respect of the services provided by the Custodian in relation to the Scheme.

We currently pay any amounts due to the Supervisor out of our fee.

We are entitled to reimbursement out of the Scheme of expenses we incur in performing our services in relation to the Scheme. Currently, we pay those expenses out of the fees paid to us as manager.

We also currently pay out of our fees any amounts due to Trustees Executors Limited and Forsyth Barr Limited for providing administrative services, and Octagon Asset Management Limited for providing investment management services, in respect of the Scheme.

#### **c) Management and administration charges for underlying funds**

The annual fund charge detailed in the PDS also includes management and administration charges paid out of underlying funds. These charges are paid out of the relevant underlying

fund, not the Scheme, and (unless we are the manager of the underlying fund) are not calculated by us.

We have to estimate these charges if we are not the manager of that other scheme and the charges are not based on fixed percentages of net asset value. To do that, we use the charges disclosed in the most recent publicly available annual reports from the manager of the underlying fund at the time we make the estimation. Where these reports do not fully cover such charges, we obtain further information from the manager of the underlying fund.

The actual amounts incurred may vary from our estimates.

In practice, before calculating our fee we rebate to the relevant fund an amount equal to the total management and administration charges paid out of underlying funds (using charges estimated as above where required).

All of the funds in the Scheme can invest into underlying funds. A number of the funds may invest into listed property vehicles, but we do not currently consider any of those vehicles to themselves constitute underlying funds. The Scheme does not invest into any underlying funds that charge performance-based fees.

#### **Account fee**

An account fee (as set out in the PDS) is deducted by us from your account on the last day of each month. This fee covers administration of your account.

#### **Trail Commission**

Forsyth Barr Limited may pay a financial advice provider associated with your account an ongoing commission based on your account balance. This payment is made by Forsyth Barr Limited and is not paid out of your account.

#### **The fees can be changed**

The existing fees may change or we may start charging fees which are not currently charged. Subject to the Trust Deed, we are able to:

- rebate or reduce any charge, in respect of any member or group of members
- vary the amount or calculation basis of any fees

- start charging switching, entry, exit, or transfer fees

If we want to increase our fees, we must notify the FMA. We will also tell you if we are making a change.

### Reasonable fees

The KiwiSaver Act requires certain fees charged by KiwiSaver schemes to be reasonable. You, or

the FMA, can apply to the courts for an order that any unreasonable fee be cancelled or reduced. You must make this application within one year of the fee being imposed.

## Additional information on the funds in the Scheme

The Scheme offers a range of funds. You can choose to invest into one or more of these funds in any combination.

If you do not make a choice about which fund(s) your contributions are to be invested in, your contributions will be invested into the Summer Balanced Selection.

The information in this section applies only to the funds currently offered. See the PDS for details of those funds and a summary of their investment objectives and target investment mix, as well as information relating to risks and suggested investment timeframes.

There is no guarantee that a fund will meet its investment objectives, or that a positive investment return will be achieved.

### Statement of investment policies and objectives

Each fund of the Scheme will invest in investments authorised under the Trust Deed and in accordance with the SIPO that we have agreed with the Supervisor. The SIPO covers each fund and details the types of investments that can be made and any limits on those, any limits on the proportions of each type of asset invested in, and

explains the way we develop and amend the investment strategy, and measure performance against the objectives of the funds. The SIPO also describes our approach to responsible investment.

All monies available for investment in the Scheme will be invested in accordance with the SIPO. The SIPO is available for review on the schemes register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose) (scheme number SCH10648).

### Underlying funds

The Scheme may invest into financial products directly, or may invest indirectly by investing in another managed investment scheme (an '**underlying fund**') to achieve the desired investment exposure.

As at the date of this document the Scheme intends to invest in the following underlying funds where we are the manager:

- the Octagon Investment Funds, a master unit trust comprising a range of different Funds (which are Portfolio Investment Entities).

Information on current investments in any other underlying funds (if any) is available from us.

## Additional information on taxation

Tax will affect your returns. Tax laws are complex and can have different consequences than those described in this section. In addition, the information in this section is a simplified overview based on New Zealand tax laws in force as at 28 October 2021, but tax laws are subject to change. Neither we nor the Supervisor accepts any responsibility for the taxation implications of your investment in the Scheme. You are advised to consult your own independent tax adviser.

The following information is based on the Scheme being a multi-rate PIE - if the Scheme were to cease being a multi-rate PIE then the tax treatment will be different. In this taxation section, references to 'resident' mean 'tax resident'.

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<sup>1</sup> Your 'income', for this purpose, is your gross salary and wages plus employer superannuation contributions, before deduction of employer superannuation contribution tax, in the previous tax year (or, if you have worked for less than a

### Tax on employer contributions

Employer contributions are subject to employer superannuation contribution tax which with effect from 1 April 2021, are at the following rates:

<i>If your income<sup>1</sup> in the previous income year was...</i>	<i>your employer superannuation contribution tax rate is...</i>
less than \$16,800	10.5%
between \$16,801 and \$57,600	17.5%
between \$57,601 and \$84,000	30%
\$84,001 and \$216,000	33%
\$216,001 upwards	39%

year with your employer your employer's estimate of this for the current tax year).

## Taxing multi-rate PIEs

The Scheme is a type of portfolio investment entity (PIE) known as a multi-rate PIE. All of the Scheme's taxable income (or loss) per fund will be allocated between members based on their proportionate interest in the fund. We calculate tax payable/receivable on income/loss allocated to each member at their nominated or default prescribed investor rate. Tax is then paid/refunded as described in this section.

You need to give us your IRD number and applicable prescribed investor rate when you join the Scheme. If you do not provide a prescribed investor rate you will be taxed on income allocated at the default rate of 28%. The Inland Revenue may also instruct us to update your PIR if their records indicate a change is required.

The prescribed investor rates for New Zealand tax resident individuals<sup>1</sup> are:

<i>If your taxable income<sup>2</sup> was...</i>	<i>and your taxable income plus your PIE income/loss was...</i>	<i>in the two income years<sup>3</sup> before the relevant tax year<sup>4</sup> for...</i>	<i>your prescribed investor rate is...</i>
\$0 - \$14,000	\$0 - \$48,000	either year	10.5%
	\$48,001 - \$70,000	either year <sup>5</sup>	17.5%
\$14,001 - \$48,000	\$0 - \$70,000	either year	17.5%
\$48,001 or more	any amount	each year	28%
any amount	\$70,001 or more	each year	28%

The Scheme's tax liability on PIE income allocated to members will ordinarily be deducted at the earliest of the following three times by cancelling units equal to the value of the tax liability:

- at the end of the income year (that is, after 31 March)
- if a member makes a full or partial withdrawal or switch
- if at any time (and especially upon a partial withdrawal or switch) the balance of a member's remaining investment is, or could potentially become, insufficient to cover the Scheme's accrued tax liability on income allocated to that member (we will consider potential market movements when

determining whether a member's remaining investment is of sufficient value), in which case if a member is making a partial withdrawal or switch a full withdrawal or switch will be required.

<sup>1</sup> For individuals who are not New Zealand tax resident, the prescribed investor rate is 28%. They also will need to consider the tax implications where they are tax resident.

<sup>2</sup> Your 'taxable income', which is calculated in accordance with the Income Tax Act 2007, is based on your worldwide income, and may include income earned when you were not a tax resident in New Zealand.

<sup>3</sup> An 'income year' is usually the period from 1 April to 31 March the following year, although Inland Revenue can approve alternative dates.

<sup>4</sup> A 'tax year' is always the period from 1 April to 31 March the following year.

<sup>5</sup> If you are eligible for more than one prescribed investor rate you can choose the lowest rate.

Your share of any tax credits for PIE tax losses or excess tax credits the Scheme receives will usually be allocated to you by the issue of additional units.

If you have given us the correct prescribed investor rate, the tax paid on income allocated to you will be a final tax (and this investment will not require you to file a tax return, although you may have other reasons to file one).

PIE income from the Scheme may affect assistance provided by Work and Income, but is excluded from your income for the purposes of working for families tax credits and student loan repayment obligations. If you are required to include PIE income in your tax return it will be taken into account in determining child support payments.

Each year we will give you an annual tax statement, which will include the amount of PIE income allocated to you and the amount of tax paid at your chosen or default prescribed investor rate. We will also advise you of your current prescribed investor rate and remind you to notify us if this needs to be changed.

You need to tell us if your correct prescribed investor rate changes or if you cease to be a New Zealand resident. The Inland Revenue may also tell us to update your PIR if their records indicate a change is required, in which case we will update your PIR and let you know.

If the rate applied to your PIE income is lower than your correct PIR you will be required to pay any tax shortfall as part of the income tax year-end process. If the rate applied to your PIE income is higher than your PIR 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.

Withdrawals from the Scheme are not taxed as they are excluded income (provided the correct prescribed investor rate has been applied - see above paragraph).

### Tax on investments made by the Scheme

The funds may gain their investment exposure by investing in underlying managed investment

schemes ('Underlying Funds'). Where they do, tax on investments made by the Underlying Funds will be relevant to the returns of the Scheme. Where Underlying Funds are Portfolio Investment Entities the following information is relevant:

Gains or losses made by the Underlying Funds on most holdings of shares in New Zealand resident companies and Australian resident listed companies with franking accounts that are included on an Australian Stock Exchange approved index are not taxable or deductible, although distributions from these holdings are taxable.

Other foreign shares and foreign funds held by the Underlying Funds are generally taxed under the fair dividend rate ('FDR') method which deems the Underlying Funds to have income by reference to 5% per annum of average daily opening market value of those foreign shares and foreign funds. Distributions received from investments taxed under this method are not taxable, although foreign tax credits may be available to offset FDR tax payable. Foreign currency hedges of shares subject to FDR may also be taxed using a version of FDR (rather than under the financial arrangement rules).

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

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

Debt Securities held by the Scheme or funds directly are taxed under the financial arrangement rules using the IFRS taxpayer method, which reflects financial reporting.



The above comments relate to New Zealand tax - foreign investments may be subject to tax in foreign countries.

### PIE tax advantages

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

## Additional information on risks

All investments carry risk. There are risks associated with the Scheme that could affect your ability to recover the amount of your contributions, or impact on the returns payable from the Scheme. Events affecting investments cannot always be foreseen, and no-one guarantees any rate of return (or the return of capital). The value of your investments can go up and down at any time.

We cannot eliminate all risk. We will do our best to try to mitigate (meaning reduce and manage) the risks, but we cannot guarantee that our risk management methods will always be successful.

Before joining the Scheme you should carefully consider the risks. A financial advice provider can explain the risks in more detail, and tailor advice to suit your needs and objectives.

The main risks of investing in the Scheme are summarised in the PDS – namely general investment return risk (as it relates to different asset classes), and also currency risk, liquidity risk, investment manager risk and single trust fund risk.

This section sets out other risks that you should consider before joining the Scheme.

The Scheme's SIPO also provides information relating to how we manage risk.

### Market risk

Market risk is the risk of the value of the Scheme's investments being affected by developments in economies and financial markets (such as changes in market sentiment, inflation, interest rates, and employment), and

regulatory and political conditions. This could result in reduced returns or capital being lost.

### Credit risk

Credit risk is the risk that a borrower defaults or is otherwise unable to meet its financial obligations, resulting in the level of returns being reduced or the full amount of the investment not being recovered. In order to mitigate credit risk, the funds diversify their investments across a number of issuers, limit their exposure to any one issuer and, for a given issuer, generally have lower exposures where the issuer has a lower credit rating.

### Counterparty risk

Counterparty risk is the risk that a party to a contract defaults or is otherwise unable to fulfil its obligations. If this occurs the full amount invested may be lost or the scheme may be otherwise negatively affected. In order to mitigate counterparty risk, the funds restrict trade execution to counterparties who use payment and security delivery platforms that we consider to be acceptable. We also restrict over-the-counter derivative transactions to counterparties that have executed satisfactory documentation, and are rated (Standard and Poor's) A or better.

### Derivative risk

A derivative is a financial contract the value of which depends on the current or future value of specified underlying assets, interest and foreign exchange rates, or indices. Derivative risk is the risk that a derivative is used and losses occur or are exaggerated as a result of movements in the underlying variables.

Where permitted by the Scheme's SIPO, the funds may use derivatives as part of their investment strategy. Generally, under the SIPO derivatives are either used as a risk management tool or to provide an exposure to an underlying investment which is similar to buying or selling the actual investment. As a result, the derivatives risk for the funds is similar to the 'market risk' described above. Derivatives also give rise to counterparty risk, as described above. Underlying managed investment schemes may also use derivative strategies.

### Benchmark risk

Benchmark risk is the risk that, where a fund has a benchmark, the fund does not match the performance of the benchmark. For example, where the benchmark delivers a positive return, the fund could have a positive return even if it underperforms the benchmark. Currently, none of the funds in the Scheme are actively managed against a benchmark.

### Multi asset risk

The Summer Conservative Selection, Summer Balanced Selection and Summer Growth Selection invest in different asset classes in proportions that we determine. We may also decide to vary those proportions from time to time if we believe that will benefit members. Multi asset risk is the risk that we choose these proportions poorly, thereby giving lower returns for the Summer Conservative Selection, Summer Balanced Selection and/or Summer Growth Selection than expected by members.

### Underlying funds risk

If the funds invest in other managed investment schemes, they will be exposed to any adverse circumstances that impact on those schemes.

The manager of the underlying managed investment scheme (which could be us) may close an investment fund without notice or on limited notice, and this may result in some of the investments of a fund being held in cash pending the identification of an appropriate replacement investment. The manager of the underlying managed investment scheme may also suspend withdrawals or switches in some circumstances. If this occurs, this may negatively affect members' ability to withdraw from the Scheme or switch between funds.

### Risks relating to the collection and payment of contributions by employers

In most cases employers are responsible for deducting contributions from your pay, and passing them (together with any employer contributions) to the IRD, who will pass them on to us. There is a risk that this process may fail, or that there may be a delay, which could adversely affect some or all of the members employed by that employer.

### Regulatory risk

Regulatory risk is the risk of future changes to laws or regulations (including tax, KiwiSaver, the FMCA, or other legislation) that could affect the operation of the Scheme or its investments, or the benefits available to members. For example, an amendment to the KiwiSaver Act or the Income Tax Act 2007 could affect members' contributions or benefits, or entitlements to Government contributions.

Another example of this is the FMCA itself, which has fundamentally changed the laws that regulate the structure and offering of KiwiSaver schemes and other collective investment vehicles in New Zealand. The FMCA is relatively new legislation involving areas of law that are open to new and differing legal interpretations. The regulator's approach to overseeing and enforcing this



legislation is likely to continue to develop over time.

### Other general risks

There are other general risks applying to the Scheme that could affect returns. They include:

- administration risk, which is the risk of technological or other failure in an administrative process impacting on the Scheme or the markets in which the funds invest;
- the risk of the Scheme losing its status as a PIE, which may mean that the Scheme would revert to a tax status that is less favourable for members;
- insolvency risk, where the Scheme becomes insolvent or is placed into receivership or similar, which could mean that a member does not receive back the full amount of their interest in the Scheme; and
- the risk that those providing services in relation to the Scheme fail to perform their obligations.

The impact that future economic conditions may have on the funds cannot be predicted, they may be positive or negative. There may be negative returns in the funds from time to time, and negative returns could continue for a period of time. There can be no assurance that future economic conditions will not materially and adversely affect fund investments. There may also be risks that are unknown at the date of this document. We recommend that you consult a financial advice provider before making a decision to invest in the Scheme.

Because of the impact of fees, and the fact your contributions are used to pay fees before they are used for investments, it is possible that you will receive less than your contributions, in the event that you cease to be a member only a short time after joining.

## Related party transactions, conflicts of interest, and changes to the Scheme

### Related party transactions

We will only enter into transactions where a related party (a person associated with us or the Scheme) benefits from the transaction where that is permitted by the Governing Requirements. We will notify the Supervisor and arrange for certification where required. Investment or administration managers and other delegates that we appoint must also comply with this requirement. However, we or any related party will not be liable to account to the Scheme for any profit arising from those types of transactions, unless that is required by the Governing Requirements.

### Conflicts of interest

A **conflict of interest** in relation to a fund means a financial or any other interest, a relationship, or any other association of ours, of an investment manager for the Scheme, or of a relevant person that would, or could reasonably be expected to, materially influence our investment decisions or the investment decisions of an investment manager (or both) in respect of the fund.

A **relevant person** for these purposes includes our and Octagon Asset Management Limited's directors and senior managers, as well as the employees of Octagon Asset Management Limited who make the investment decisions for the funds.

There are a number of conflicts of interest in relation to each fund in the Scheme that currently exist or may arise in the future:

**Conflict of interest****How the conflict of interest could influence our or Octagon Asset Management Limited's investment decisions****How the conflict of interest is managed**

<b>Octagon Asset Management Limited may make purchases and sales of financial products on behalf of funds other than the funds in the Scheme. This may result in the funds in the Scheme purchasing financial products from, or selling financial products to, other funds for which Octagon Asset Management Limited makes the investment decisions, or competing with those funds for the same investment opportunities.</b>	Depending on the remuneration arrangements in relation to the other funds, the Octagon Asset Management Limited employees making the investment decisions for the funds could be encouraged by those arrangements to trade between Scheme funds and the other funds on terms that disadvantage the Scheme funds, or to allocate sought-after investment opportunities to funds other than the Scheme funds.	See 'Related party transactions' above.  Octagon Asset Management Limited only carries out trades between Scheme funds and other funds that it manages when the trade is in the interests of both funds and trade pricing is on arm's-length terms, and has an order allocation policy which ensures that all orders (including in relation to public offerings) are allocated fairly amongst the funds that it manages.
<b>Secondary market purchases and sales of financial products for the funds are executed through Forsyth Barr Limited.</b>	Forsyth Barr Limited receives brokerage for transactions executed through it. This means that the Octagon Asset Management Limited employees making the investment decisions for the funds of the Scheme could be encouraged by the brokerage paid to Forsyth Barr Limited to transact when they otherwise might not have.	The brokerage charged by Forsyth Barr Limited to the funds is at or below normal commercial rates. There is no direct link between brokerage received by Forsyth Barr Limited or any profit that Forsyth Barr Limited makes trading on its own account, and the remuneration of the Octagon Asset Management Limited employees making investment decisions for the funds.
<b>Forsyth Barr Limited trades on secondary markets for other clients and may also trade for its own account.</b>	If the counterparty to a transaction for a fund is a Forsyth Barr client, Forsyth Barr Limited will also receive brokerage from that client. This means that the Octagon Asset Management Limited employees making the investment decisions for the funds of the Scheme could be encouraged by the brokerage to be paid to Forsyth Barr Limited by the other client to transact when they otherwise might not have.  If Forsyth Barr Limited is the counterparty to a transaction for a fund, then Forsyth Barr Limited may benefit if (in the case of a sale by the fund) the price of the financial product increases or (in the case of a purchase) the price of the financial product decreases. This means that the Octagon Asset Management Limited employees making the investment decisions for the funds of the Scheme could be encouraged by Forsyth Barr Limited's opportunity to benefit from the transaction to transact with Forsyth Barr Limited as a counterparty when they otherwise might not have.	Our board receives regular reporting on the brokerage paid out of the funds to Forsyth Barr Limited to check that transaction levels remain appropriate. In addition see the general policies and procedures below.

<b><i>Conflict of interest</i></b>	<b><i>How the conflict of interest could influence our or Octagon Asset Management Limited's investment decisions</i></b>	<b><i>How the conflict of interest is managed</i></b>
<p><b>Forsyth Barr Limited is currently involved, and is likely in the future to be involved, in offers of financial products for issue or sale (including IPOs) as an arranger, lead manager, or co-manager.</b></p> <p><b>Related companies such as Forsyth Barr Group Limited may be involved in making firm commitments of demand for, or underwriting, those offers.</b></p> <p><b>The financial products offered may be acquired by a fund.</b></p>	<p>Forsyth Barr Limited will receive management, advisory or other fees in connection with its role.</p> <p>Forsyth Barr Group Limited or the relevant related company will receive firm commitment, underwriting, or other fees in connection with its role.</p> <p>This means that the Octagon Asset Management Limited employees making the investment decisions for the funds of the Scheme could be encouraged by the fees to be paid to Forsyth Barr Limited or Forsyth Barr Group Limited to participate in offers of financial products when they otherwise might not have.</p>	<p>There is no direct link between the fees received by Forsyth Barr Limited or Forsyth Barr Group Limited and the remuneration of the Octagon Asset Management Limited employees making investment decisions for the funds.</p> <p>Our board receives regular reporting on fees received by Forsyth Barr Limited or Forsyth Barr Group Limited in relation to transactions undertaken by the funds to check that transaction levels remain appropriate.</p> <p>In addition see the general policies and procedures below.</p>
<p><b>The funds have voting rights in relation to the securities they hold. The firm may be a corporate adviser to issuers of securities, including issuers whose securities are held by the funds. The fees the firm receives from an issuer may depend on whether security holders approve certain transactions, for example transactions the firm is advising on.</b></p>	<p>The staff making the voting decisions for the funds could be encouraged by the prospect of fees being paid to the firm to exercise the funds' voting rights differently than they would if acting in the best interests of investors in the funds.</p>	<p>There is no direct link between fees received from issuers by Forsyth Barr Limited and the remuneration of the Octagon Asset Management Limited employees making investment decisions for the funds.</p> <p>Our board receives regular reporting on voting decisions by the funds to check that the decisions are appropriate.</p> <p>In addition see the general policies and procedures below.</p>
<p><b>We may invest your money in the Octagon Investment Funds, which we manage.</b></p>	<p>We receive management and administration fees as manager of the Octagon Investment Funds.</p> <p>This means that the Octagon Asset Management Limited employees making the investment decisions for the funds of the Scheme could be encouraged by the fees to be paid to us as manager of the Octagon Investment Funds to invest in the Octagon Investment Funds when they otherwise might not have.</p>	<p>We currently rebate in full any management and administration fees we receive in respect of the Scheme's investment into the Octagon Investment Funds.</p> <p>In addition, see the general policies and procedures below.</p>
<p><b>We may invest your money in funds managed by persons who are associated with us.</b></p>	<p>The manager of the associated fund will receive management and administration fees in connection with our investment in that fund. The Octagon Asset Management Limited employees making the investment decisions for the funds of the Scheme could be encouraged by the association between us and the manager to invest in the associated fund when they otherwise might not have.</p>	<p>We only invest in associated funds when the fees for those funds are set on arm's length terms. In addition, there is no direct link between the fees received by the manager of the associated fund and the remuneration of the Octagon Asset Management Limited employees making investment decisions for the funds.</p> <p>See also the general policies and procedures below.</p>

### ***Conflict of interest***

### ***How the conflict of interest could influence our or Octagon Asset Management Limited's investment decisions***

### ***How the conflict of interest is managed***

**The Octagon Asset Management Limited employees making the investment decisions for the funds may have a direct or indirect financial interest in financial products in which they transact for the funds, or have personal relationships or outside business interests that give rise to non-work duties or interests relevant to the issuer of those financial products.**

The employees making the investment decisions for the funds could be encouraged by their personal financial or other interests to transact for the funds when they otherwise might not have.

The Octagon Asset Management Limited employees making the investment decisions for the funds are required to disclose their personal holdings of financial products, their outside business interests and any other relevant conflicts of interest, and their investment decisions are monitored in light of those disclosures. See also the general policies and procedures below.

**Octagon Asset Management Limited's employees may also be shareholders of Octagon Asset Management Limited. In addition, many of the directors and senior managers within the Forsyth Barr Group are shareholders of Forsyth Barr Group Limited, our parent company.**

Shareholders may receive dividends from Octagon Asset Management Limited (Forsyth Barr Group Limited), and the value of their shares may increase, depending on the financial performance of Octagon Asset Management Limited (the Forsyth Barr group). This means that the Octagon Asset Management Limited employees making the investment decisions for the funds of the Scheme could be encouraged to transact in a manner that financially advantages Octagon Asset Management Limited or other entities in the Forsyth Barr group of companies to the detriment of investors in the funds.

See above for how particular conflicts of interest for the Octagon Asset Management Limited employees making investment decisions are managed, and the general policies and procedures below.

Each fund may be affected by each conflict of interest disclosed above.

We have a number of policies and procedures in place to ensure that any potential conflicts of interest are identified and managed. The key policies and procedures in this regard are:

- Disclosing the existence of conflicts of interest to members, including through this document.
- Codes of conduct for all employees of Forsyth Barr and Octagon Asset Management Limited. These codes provide that employees must never permit their personal interests to conflict with, or to appear to conflict with, the interests of clients. All employees must make all reasonable efforts to avoid conflicts of interest and ensure that clients are fairly treated.
- Our Conflict Management Arrangements, which set out the Forsyth Barr Group's procedures for identifying and dealing with conflicts, or potential conflicts, of interest.
- Internal supervision by our Compliance team which seeks to ensure that our directors and employees comply with the laws and rules referred to above.
- Regular reporting on compliance-related issues to our board, including on brokerage and other fees paid out of the funds to Forsyth Barr Limited or Forsyth Barr Group Limited, and on voting decisions made by Octagon Asset Management Limited in relation to financial products held by the funds.

## Changes to the Scheme

Certain aspects of the operation of the Scheme and all other KiwiSaver schemes, such as minimum contribution levels and the circumstances in which benefits may be withdrawn, are prescribed in the KiwiSaver Act. The KiwiSaver Act (or other Governing Legislation) may be amended from time to time by the Government and any such amendment may impact on the Scheme.

Subject to relevant law, we may make the following changes to the Scheme from time to time:

### *How changes may be made*

<b>SIPO</b>	We will review the SIPO annually and if changes in market conditions necessitate changes to either the nature or type of investments that can be made and any limits on those, or any limits on the proportion of each type of asset invested in. Following that review we may make changes to the SIPO, if we decide a change is needed. If any changes are made to the SIPO then notice will be given to the Supervisor, and the Scheme's register entry will be updated accordingly. A copy of the current SIPO is available on the Scheme's entry on the schemes register available at <a href="http://www.companiesoffice.govt.nz/disclose">www.companiesoffice.govt.nz/disclose</a> .
<b>Trust Deed</b>	We may agree with the Supervisor to amend or replace all or part of the Trust Deed, subject to the provisions of the Trust Deed and the Governing Requirements. Amendments can be made where the Supervisor is satisfied that the amendment will not have a material adverse effect on members, where members approve the amendment, or otherwise in accordance with the FMCA. Where required we will give you notice of the changes. A copy of the current Trust Deed is available on the Scheme's entry on the schemes register at <a href="http://www.companiesoffice.govt.nz/disclose">www.companiesoffice.govt.nz/disclose</a> .
<b>Fees</b>	We are entitled to alter charges (including increasing fees or starting to charge fees) at any time, within the limits set by the Trust Deed and the Governing Requirements. Please see section 3 'Additional information on fees' for more details.
<b>Minimum additional contribution amounts</b>	We may alter the minimum additional contribution amounts for the Scheme. The current minimum additional contribution amounts (if any) are set out in the PDS for the Scheme available on the Scheme's entry on the offer register at <a href="http://www.companiesoffice.govt.nz/disclose">www.companiesoffice.govt.nz/disclose</a> .
<b>Minimum value of units</b>	We may set and make changes to the minimum value of units that a member must hold in the Scheme, and which applies to withdrawals and switches. The current minimum contribution amounts (if any) are set out in the PDS for the Scheme available on the Scheme's entry on the offer register at <a href="http://www.companiesoffice.govt.nz/disclose">www.companiesoffice.govt.nz/disclose</a> .
<b>Variation, termination and merger of funds</b>	Unless it would materially prejudice the interests of members, we may vary, terminate or merge funds of the Scheme. When making these changes we need to comply with the provisions of the Trust Deed and the Governing Requirements, and we'll notify the Supervisor and affected members where that is required by the Trust Deed.