



Other Material Information

Simplicity

Wholesale Property Fund
Investment in Simplicity Living Limited
(not offered to retail investors)

30 June 2025

Simplicity NZ Limited

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1. General

This Other Material Information Document (“Document”) has been prepared to provide investors in the Simplicity KiwiSaver and Investment Funds schemes (“Schemes”) with information on investments by the Schemes in the Simplicity Wholesale Scheme Property Fund (“Property Fund”)

In this Document, “you” or “your” means an investor in the Schemes. “We”, “us”, “our”, “the Manager”, or “Simplicity” refers to Simplicity NZ Limited as the manager of Schemes. The Supervisor of the Schemes is Public Trust.

This document supplements information provided to investors in the Schemes’ Product Disclosure Statements (PDS) and Statements of Investment Policy and Objectives (SIPO).

2. Simplicity Wholesale Funds scheme

Simplicity Investment Management Limited (“SIML”), a wholly owned subsidiary of Simplicity, is the trustee and manager of the Simplicity Wholesale Funds scheme (“Wholesale Scheme”). SIML is an associated person of Simplicity.

The Wholesale Scheme includes the Private Equity Fund, First Home Mortgage Fund, Property Fund, and Cash Fund which were each created through an establishment deed which sets out the investment purpose and details in respect of the types of securities the fund can invest in and any investment restrictions (“Investment Guidelines”).

Simplicity performs all management functions on behalf of SIML. In accordance with their respective SIPOs the Schemes may invest in the Simplicity Wholesale Scheme to gain exposure to various asset classes.

3. Property Fund

Under the Schemes’ SIPOs the Property Fund is a portfolio which holds unlisted shares in a related entity, Simplicity Living Limited (“Simplicity Living”), that develops and owns New Zealand residential property that is designed to be long term rental housing. This portfolio falls under the unlisted New Zealand property asset class and is implemented through the Property Fund.

To gain exposure to the property portfolio the funds within the Schemes purchase units in the Property Fund at the prevailing unit price. The Property Fund currently only accepts investment from the Schemes – it is not offered directly to retail or wholesale investors.

Scheme asset allocations to the Property Fund* as at 24 February 2025 are as follows:

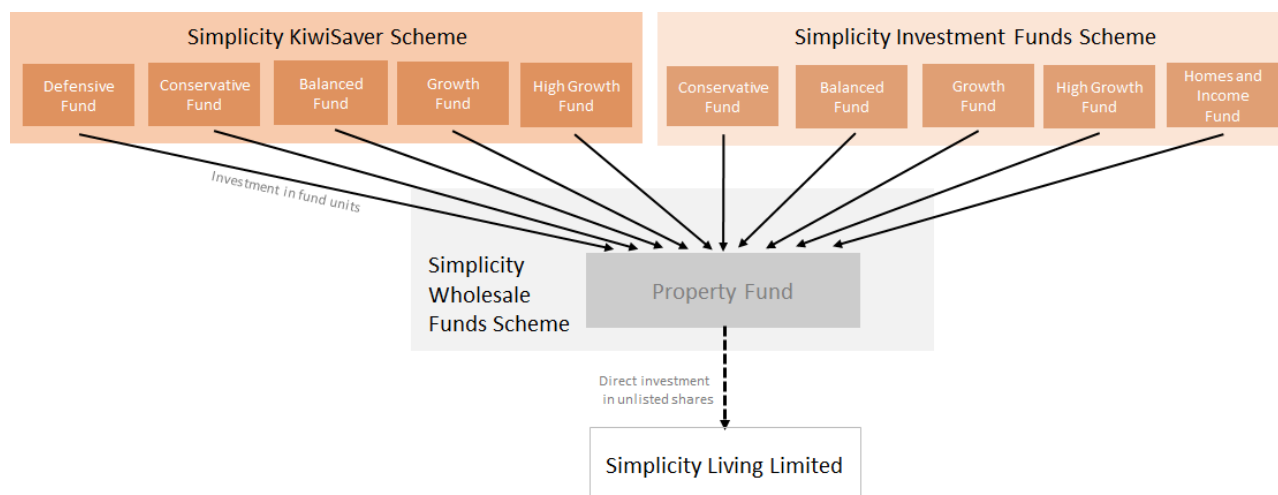
Scheme	Fund	Benchmark [^] (%)	Range (%)
Simplicity KiwiSaver Scheme	High Growth Fund	10	0 - 15
	Growth Fund	8.6	0 - 20
	Balanced Fund	6.25	0 - 15
	Conservative Fund	2.5	0 - 5
	Defensive Fund	5	0 - 10
Simplicity Investment Funds Scheme	High Growth Investment Fund	10	0 - 15
	Growth Investment Fund	8.6	0 - 20
	Balanced Investment Fund	6.25	0 - 15
	Conservative Investment Fund	2.5	0 - 5
	Homes and Income Investment Fund	25	0-50

* Investments in the Property Fund are classified as Unlisted New Zealand Property assets, which are a growth asset.

[^] Benchmark allocations are the Fund's long term target asset allocation, actual asset allocation can differ within the stated range.

Investment structure

The following diagram illustrates the Property Fund investment structure:



Investment strategy

The Property Fund invests exclusively in unlisted ordinary shares of Simplicity Living, which is an associated person of Simplicity which, through SIML, controls 100% of the voting shares in Simplicity Living.

Investment by the Property Fund into Simplicity Living shares provides initial and ongoing capital funding for the company's build-to-rent residential property developments.

The Property Fund's investment objective is, through its investment in Simplicity Living shares, to achieve:

- a pre-tax target return on construction (including land purchased for development) of 12.5% to compensate investors for the use of capital.
- a target return of 5 year rolling NZ CPI + 3% on completed properties to recognize the lower risk characteristics of completed residential property, while compensating investors for the associated illiquidity of the investments.

Investment performance is currently recognised through monthly valuation of the Property Fund's shareholding in Simplicity Living, which includes accounting for the accrual of the Standard Development Margin on capital provided for developments (WIP), any changes in Simplicity Living's corporate position, and any valuation events (e.g. the completion of a development project or the revaluation of a completed property). Simplicity Living currently does not distribute net operating income from rent as dividends to the Property Fund, instead redeploying any excess cashflow at its discretion into ongoing development projects, where it is recognised as WIP and attracts a Standard Development Margin.

Investment guidelines

The Property Fund's Investment Guidelines are set by SIML and are subject to the agreement of Public Trust. The Investment Guidelines look through the Property Fund's investment in Simplicity Living shares to the rental property development projects that Simplicity Living undertakes.

A summary of the Property Fund's Investment Guidelines is as follows:

- The criteria for the Property Fund to invest in shares of Simplicity Living to provide capital funding for the purchase of land to be used for future development are as follows:
 - o Residential property development will be a permitted or discretionary activity on the land to be purchased. Where the activity is discretionary, Simplicity Living must reasonably expect the activity to be permitted based on documented evidence provided by an independent planning expert.
 - o The land to be purchased is in one of the major urban areas of Auckland, Hamilton, Tauranga (including Mount Maunganui), Wellington, Lower Hutt, Queenstown and Christchurch, and is located close to amenities including transport hubs, schools, and shopping.
 - o The negotiated purchase price of the land is not more than 5% over a valuation by an independent registered valuer which is provided on an 'as-is' undeveloped basis.
- The criteria for the Property Fund to invest in shares of Simplicity Living to provide capital funding for the commencement of a development project are as follows:
 - o At least 5 business days prior to commencement of the development project, Simplicity Living must obtain certification from an independent quantity surveyor that the proposed

development and construction can be undertaken and completed within the budgeted cost allowances and timeframes as set out in the project construction programme.

- The expected development margin of the project at completion must be at least 15%, which is calculated as follows:

Expected development margin (%) = $(a - b - c - d) / a$

- a. completed project valuation (per independent registered valuer)
 - b. Acquisition cost of land
 - c. Total budgeted project costs
 - d. 5% project cost contingency (n.b. excludes debt facility interest)
- The projected internal rate of return (IRR) of the project must be at least 12.5% based on the project budget (b + c + d), the development timeline / schedule, and valuation on completion (a).

Prior to approving funding for a new land purchase / development project, Simplicity obtains certification from two Simplicity Living directors that the proposal meets all of the investment criteria.

Investment valuation

The Property Fund's investment in Simplicity Living shares is valued as a private equity investment. Simplicity has adopted the International Private Equity and Venture Capital Valuation Guidelines ("IPEV Guidelines"), which represent the prevailing best practice to establish the 'fair value' for private capital investments. In accordance with the IPEV Guidelines, fair value estimates are based on the Enterprise Value ("EV") of Simplicity Living.

Simplicity operates a monthly valuation model to calculate the EV and derive the ordinary share value for Simplicity Living. The model relies on monthly reporting provided by Simplicity Living and includes the following key elements:

- A. The value of the corporate entity based on discounted projected future cash flows
- B. The entity's net cash position
- C. The latest independent market valuation of completed properties
- D. The book value of properties under development, based on the capital deployed through issuance of ordinary shares, and reinvested operational cash flow.
- E. A non-compounding accrued development margin ("Standard Development Margin") to conservatively recognise value-add during the life of each development project based on capital deployed to projects (D.). The current Standard Development Margin factor is set by Simplicity and is 20% per annum calculated daily on the amount of capital committed to each project.

The valuation model applies a 5% discount factor to non-development items (A, B, and C) to allow for the lack of marketability (ability to sell promptly and at reasonable transaction costs) of these assets. The rate of the marketability discount factor is set by Simplicity at its discretion and is reviewed regularly to ensure that it remains appropriate and in line with IPEV guidelines.

A monthly EV report for Simplicity Living is prepared on behalf of Simplicity by an external valuation agent. The report is reviewed and signed off by Simplicity, and a monthly pricing schedule is produced for Simplicity

Living shares at the beginning of each calendar month. This schedule is provided to the fund administrator for the Property Fund, who uses it to underpin calculation of the unit price for the Property Fund on each valuation day in that month.

Valuation Events

Certain events can occur that impact the valuation of Simplicity Living shares and correspondingly the value of units in the Property Fund. These include:

- Simplicity Living reviews independent valuations of completed properties on a periodic basis and obtains full valuations at least annually. Any updates to completed property valuations, which may occur due to a change in local property market conditions, are reflected in the EV report in the month following Simplicity Living's receipt of the updated valuation. This may result in either an increase or decrease in the EV and valuation of Simplicity Living shares, which is reflected in the Property Fund's unit price.
- Where Simplicity Living's corporate position changes (for example, due to changes in personnel or operating costs or the timing of cashflows) this may impact the Simplicity Living's EV, the valuation of its shares, and in turn the Property Fund's unit price.
- Where the development margin at completion of a project differs from the 20% Standard Development Margin accrued against WIP committed to the project, this difference is recognised in the value of the completed property included in the EV in the month following valuation of the completed property. As the Standard Development Margin rate is set conservatively, Simplicity considers that recognition of excess development margin at completion of each project is likely, but there is a possibility that development margin at completion may be less than the accumulated Standard Development Margin, in which case the value of Simplicity Living's EV and shares may decrease, resulting in a reduction in the Property Fund's unit price.

Simplicity's priority is to recognise changes in valuation in a manner that treats underlying Schemes and their investors fairly and equitably.

Investment risks

Information on Scheme risks is available in the respective Product Disclosure Statements, SIPOs, and Other Material Information documents on the Disclose Register. Risks that are particularly relevant to funds with investment exposure to the Property Fund include:

- **Property development risk:** There are risks that increases in construction costs or construction delays or changes in property valuations and residential rental markets could have a negative impact on the value of Simplicity Living shares held by the Property Fund, and in turn the value of units of the Property Fund.
- **Liquidity risk:** Liquidity risk is the inability to effectively satisfy redemption requests (turn an investment into cash) from investors in a timely, orderly, and cost-effective manner. The Schemes' investment in units in the Property Fund are an illiquid investment, as these units may not be able to be converted to cash because of a lack of a market in which to sell the Property Fund's only asset, which is unlisted shares in Simplicity Living Limited.
- **Valuation risk:** The Funds' unit prices are based on the latest asset valuations, including the valuation of units in the Property Fund. The Property Fund's unit valuation relies on Simplicity's valuation model for unlisted shares in Simplicity Living Limited, and any delay, omission, or inaccuracy in this valuation

model may impact the accuracy of valuation of units in the Property Fund.

Scheme funds with a higher asset allocation to the unlisted property portfolio (Property Fund) have higher exposure to the above risks.

Simplicity manages these risks by maintaining limited diversified fund asset allocations to the Property Fund, monitoring compliance with the Property Fund's investment guidelines and valuation policy, and maintaining oversight of Simplicity Living's business performance (including development project tracking) to satisfy itself that the level of risk is appropriate to the Property Fund's objectives.

Investment Monitoring

Simplicity monitors the Property Fund investment in shares of Simplicity Living through its Investment Committee ("IC"). The IC receives reporting from Simplicity Living which includes development project tracking against budget and timelines. Any investment into Simplicity Living via the Property Fund is reviewed and approved by the IC, with Simplicity certifying for each investment transaction that it is conducted on arm's length, meets investment objectives and is in the interests of the Schemes' members.

4. About Simplicity Living

Simplicity Living Limited (company number 8254440) is an unlisted private built-to-rent company wholly owned by the Simplicity Wholesale Property Fund which holds shares through its nominee, Simplicity Investment Nominees Limited.

The company develops and operates high quality long-term residential rental properties in main centres. The company's strategic goal is to meaningfully increase the supply of quality rental housing in New Zealand by developing approximately 10,000 long-term residential properties over a 10-year time horizon.

Simplicity Living's competitive advantage arises from its experienced management, innovative and scalable construction system, careful selection of development sites, sustainable building standards, and long-term rental management approach.

Simplicity Living's website is simplicityliving.kiwi

Financing

Simplicity Living is financed through a combination of operating (rental) income from completed rental properties, and private equity capital investment by the Property Fund.

The Property Fund's investment guidelines permit Simplicity Living to obtain bank credit facilities as a backup to capital financing – permission from Simplicity's IC is required prior to drawdowns on these facilities. Simplicity Living maintains a committed credit facility with a New Zealand bank which is secured by its assets (including completed rental properties) and is used for contingency cashflow management purposes. Use of the facility is subject to Simplicity's approval.

Development projects that meet the Property Fund's investment criteria are approved following a feasibility study and the initial investment funds the purchase of land and initial development costs (e.g. planning permission application and site preparation). Incremental costs for all approved projects are funded by monthly investment requests.

Completed property portfolio

As at 1 June 2025 all of Simplicity Living's completed properties were in Auckland:

Property	Rental Units	Status
Kupenga Apartments (Pt. England)	111	Fully Leased
Oranga Apartments (Onehunga)	48	Fully Leased
Range View Apartments (Mt. Albert)	51	Fully Leased
TOTAL	210	

Committed development pipeline

As at 1 June 2025 all of Simplicity Living's committed developments were in Auckland:

Development	Planned Rental Units	Phase	Projected completion timeframe
Reiputa (Mt. Wellington)	297	Construction	Mid 2026
Waiaatarua (Remuera)	330	Construction	Late 2026
Morningside (Grey Lynn)	264	Planning	Early 2027
TOTAL	891		

5. Frequently Asked Questions

The following is a selection of frequently asked questions relating to the Property Fund and its investment in unlisted shares of Simplicity Living.

Q. Can I invest directly into the Property Fund?

A. No, the Property Fund is not offered to retail or wholesale investors. The Property Fund only accepts investment from funds in the Schemes in accordance with their respective investment mandates.

Q. Can I invest directly into Simplicity Living?

A. No, Simplicity Living is an unlisted company that is wholly owned by the Property Fund.

Q. How can I get indirect investment exposure to the Property Fund / Simplicity Living?

A. Most diversified funds in the Schemes and the Homes and Income Investment Fund have an asset allocation to the unlisted property portfolio, which is implemented through the Property Fund – see section 3. for information on target asset allocations for each fund. The fund with the highest target asset allocation to the property portfolio is from the Homes and Income Investment Fund, which is targeting a 25% allocation to the Property Fund in the long term. Current allocations are available in the Quarterly Fund Updates available on Simplicity's website. Product Disclosure Statements are also available at www.simplicity.kiwi.

Q. Is Simplicity Living's financial information publicly available?

A. No, as a private company Simplicity Living Limited does not publicly disclose financial information.

Q. How do I know that the investment in Simplicity Living is appropriately governed?

A. A Simplicity director sits on the board of Simplicity Living and monitors the company for the benefit of the shareholder and underlying investors. Both Simplicity Living and the Simplicity Wholesale Funds scheme (which includes the Property Fund) are independently audited on an annual basis. Simplicity's Investment Committee monitors the Property Fund's investment in Simplicity Living and receives monthly reporting from Simplicity Living to satisfy itself that developments are progressing to plan and completed properties are being appropriately valued and managed.

Q. Can my investment in the Schemes be opted out of exposure to the Property Fund / Simplicity Living?

A. No. If you have chosen a fund with an allocation to the property portfolio, this allocation is part of Simplicity's overall investment strategy for the scheme and fund. The KiwiSaver Default Fund and the single sector Investment Funds do not have an allocation to the property portfolio.

Q. What is the relationship between Simplicity Living and Simplicity?

A. Simplicity Investment Management Limited ("SIML"), a wholly owned subsidiary of Simplicity, is the trustee and manager of the Simplicity Wholesale Funds scheme ("Wholesale Scheme"). The Wholesale Scheme includes the Property Fund, which owns 100% of the unlisted shares of Simplicity Living. A Simplicity director sits on the board of Simplicity Living to represent the interests of the Property Fund and investors in the Schemes.

Q. How are potential conflicts of interest managed?

A. Simplicity has a Conflicts of Interest Policy which sets out, among other things, how it manages related party transactions between the Schemes and the Wholesale Scheme. All such transactions are made under a certificate issued by Simplicity that confirms that the transaction is conducted on an arms-length basis (i.e. on terms that would be no less favourable than those that might be offered to an unrelated third-party investor), are in accordance with the Schemes' SIPOs and the Property Fund's approved investment guidelines, and are in the interests of investors in the Schemes.

Q. Can Simplicity investors apply to rent a Simplicity Living home?

A. Anyone can register interest in renting in one of Simplicity Living's properties at its website:
www.simplicityliving.kiwi

Q. How does the Property Fund's investment in Simplicity Living shares generate returns for investors?

A. Because Simplicity Living's rental income stream is reinvested into approved property developments, dividends are not currently paid to the Property Fund on its shareholding. Performance of this investment is through changes in the value of Simplicity Living Shares, which can occur through the accrual of Standard Development Margin on the capital deployed to property developments, the valuation of developed properties at completion, and changes to the valuation of completed rental properties owned and operated by Simplicity Living. See the Investment Valuation section of this document for more information.

Q. How are Simplicity Living's developments and properties valued for the purpose of establishing its EV and the value of the shares held by the Property Fund?

A. Completed properties are valued by an independent register valuer – these valuations are performed at least annually and refreshed on a quarterly basis. Prior to approval and funding, developments are subject to a detailed feasibility study which establishes the expected development margin at

completion. During development projects are valued at the cost of capital committed (“WIP”), with a Standard Development Margin accrual of 20% per annum (non-compounding) calculated and accrued daily. Approximately 1 year after commencement of construction Simplicity Living obtains an as-completed value assessment by a registered valuer in order to update the expected development margin at completion.

Q. What is the current occupancy rate, turnover rate, and net rental yield of Simplicity Living’s completed properties?

- A. As a private company, Simplicity Living does not publish occupancy or turnover rates or rental yields for its rental property portfolio. Simplicity Living sets rents at prevailing competitive market rates. The Property Fund’s long term target yield for the completed property portfolio, which is a combination of net rental yields and underlying property valuation changes, is 5 year rolling NZ CPI + 3%. Due to the quality, amenity, and location of its rental properties, the availability of longer-term lease options, and extremely strong demand experienced to date, Simplicity Living expects occupancy rates to be high and tenancy turnover rates to be low in comparison to the broader market.

Q. How can I find out my fund’s exposure to the Property Fund / Simplicity Living shares?

- A. Simplicity provides tools on its website which enables investors to “look through” to the underlying assets of each KiwiSaver and Investment Fund – links are provided below. To use the tool, input the amount invested and fund type you are in, and look for “Simplicity Living Ltd Ordinary Shares” in the Top 10 or New Zealand asset listings – the approximate dollar value of investment exposure to Simplicity Living (held via the Property Fund) is shown.

[Simplicity KiwiSaver Scheme - where in the world is my money? tool](#)

[Simplicity Investment Funds Scheme - where in the world is my money? tool](#)

Q. Why does Simplicity allocate a significant part of my fund’s investments to the Property Fund / Simplicity Living?

- A. Simplicity believes that Simplicity Living Limited has an enduring competitive advantage, due to its strategy and funding structure, expert management, and innovative and scalable construction system, and commitment to the long-term rental market which is likely to provide favourable risk-adjusted returns to Simplicity’s investors. Long term returns from operating a quality rental property portfolio in a cost-efficient manner are considered more likely to be stable through market and business cycles. The investment’s value has the added benefit of being local and tangible. Please note that the KiwiSaver Default Fund and the single sector Investment Funds do not have an allocation to the property portfolio.