Pie Funds

Other Material Information

PIE FUNDS MANAGEMENT SCHEME

Issued by Pie Funds Management Limited

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Introduction

This document provides additional detail about important aspects of your investment in the Pie Funds Management Scheme (**Scheme**). It applies to each fund within the Scheme, unless we specify otherwise and should be read with the relevant fund Product Disclosure Statement (**PDS**), the Statement of Investment Policy and Objectives (**SIPO**) and any other documents held on the Disclose Register at www.disclose-register.companiesoffice.govt.nz.

In this document:

- "you" or "your" refers to a person who applies to invest in the funds that make up the Scheme or who invests in the funds; and
- the words "Pie Funds", "we", "our" or "us" refer to Pie Funds Management Limited (**Pie Funds**), who is the manager of the Scheme.

1 The funds

This document relates to a registered managed investment scheme known as the Pie Funds Management Scheme. There are nine (9) managed funds in the Scheme (each a **Fund**, and together the **Funds**). Further important information in relation to each Fund is set out in the relevant PDS for each Fund and the SIPO.

The Governing Document governing the Scheme and each Fund (with the Conditions of Establishment for each Fund), the PDS which sets out important information in relation to each Fund and the SIPO which each Fund is invested in accordance with, are available at www.piefunds.co.nz and www.disclose-register.companiesoffice.govt.nz.

The Funds are the:

- Pie Australasian Growth Fund (the **Growth Fund**);
- Pie Australasian Dividend Fund (the **Dividend Fund**);
- Pie Australasian Emerging Companies Fund (the **Emerging Fund**);
- Pie Global Small Companies Fund (the **Global Fund**);
- Pie Chairman's Fund (the **Chairman's Fund**);
- Pie Conservative Fund (the **Conservative Fund**);
- Pie Growth 2 Fund (the **Growth 2 Fund**);
- Pie Growth UK & Europe Fund (the **Growth UK & Europe Fund**); and
- Pie Climate Friendly Fund (the **Climate Friendly Fund**).

2 The manager, its directors and senior managers

The Manager of the Funds is Pie Funds. Pie Funds was incorporated in New Zealand under the Companies Act 1993 on 9 July 2007 and is responsible for investment management and administration of the Funds. Details of the directors of Pie Funds are available at companiesoffice.govt.nz/companies. The directors may change from time to time without notice to you.

Pie Funds was granted a licence to act as manager of the Scheme under the FMCA by the Financial Markets Authority (the FMA) on 1 September 2015. The licence is subject to the standard conditions imposed on licensed managers of managed investment schemes by the FMA.

Our directors

STEVEN MURRAY NICHOLS

Independent Non-Executive Director, Chairman of the Board and Remuneration Committee

(Dip Bus, Dip Management)

Steve Nichols was appointed to the Board in March 2013 to strengthen Pie's focus on compliance and corporate governance. He was appointed Chairman of the Board in February 2016.

Steve has extensive senior operational and strategic leadership experience in the financial services sector, working for 20 years from 1987 as a shareholder and director of MHG, specialists in the insurance broking industry. Steve was also a director and shareholder of UK based underwriting agency, InterGlobal until it was sold in 2007. He was directly involved in establishing InterGlobal's business interests internationally in the UK, Europe, the Middle East and Asia.

Steve was appointed Chief Executive of Payments NZ Ltd in 2010, a company that is privately owned by New Zealand's eight settlement banks. The company governs the rules and standards of New Zealand's payment systems. Steve resigned from this role in 2014 to pursue commercial directorships and personal business interests.

MICHAEL DAVID JAMES TAYLOR

Executive Director, Founder, CEO, Chairman of the Investment, People & Culture and KiwiSaver Committees, member of the Remuneration Committee

(BBS, NZX Dip)

Mike is the Founder and CEO of Pie Funds.

Prior to starting Pie Funds in 2007, he worked in a variety of roles in the financial industry both here and in the UK, including as a banking analyst for HBOS and an equities dealer for ABN Amro. His early career provided him with a diverse range of experience across the finance sector which Mike has used successfully in his roles as CEO and portfolio manager. Mike has a Bachelor of Business Studies in Finance from Massey University and a NZX Diploma. Having purchased his first shares at the age of eighteen, Mike went on to grow his own personal portfolio and then that of friends and family, before starting Pie Funds roughly ten years later.

Mike is a substantial shareholder of Pie Funds Management Limited.

ROY GRENVILLE KNILL

Independent Non-Executive Director, Chairman of the ESG Committee and member of the Investment Committee

(BHB, MBChB, FRNZCGP)

Roy joined the Investment Committee in April 2013 and was appointed a director on 31 December 2013. He was chairman of the Investment Committee in April 2015 - April 2019.

Roy brings over thirty-five years of investing experience to the Investment Committee and an ability to summarise fundamental and technical information in a way that provides clarity and discipline to investment decisions.

Much of Roy's time at Pie has been spent working with the Investment Committee to develop and formalise Pie's investment process.

Roy is a GP by profession, has an MBChB from the University of Auckland and is a Fellow of the New Zealand College of GPs.

ROGER KERR

Independent Non-Executive Director, Chairman of the Risk & Compliance Committee, member of the Remuneration Committee

(B.Com, ACA, FCTP, FNZIM)

Roger has been involved in Pie Funds since inception, first as Chairman from 2007-2012, then Board Advisor from 2012-2016. In July 2016, Roger accepted the role as an Independent Non-Executive Director and Chairman of the Risk & Compliance Committee.

Roger has had an extensive career in New Zealand's financial and investment markets spanning four decades, including corporate treasury management consultancy with Bancorp, Asia-Pacific Risk Management and PwC. Roger's previous governance roles include Board Chairman of Trust Investments Management, board member of the National Provident Fund and on the advisory board of the New Zealand Government Debt Management Office.

LANCE RICHARD JONES

Executive Director, COO, Chairman of the Wealth & Advice Committee, member of the KiwiSaver, Risk & Compliance and ESG Committees

(BCom (Accounting), ACA)

Lance is currently the COO and CFO of Pie Funds. Prior to that he was COO at OMF Limited for 19 years looking after its Finance, Compliance, Operations and IT teams and Company Secretary on the Board. He is a qualified accountant and offers significant experience in the financial services industry, accounting, risk and compliance. He has a Certificate in Company Direction and very good general commercial and strategy expertise.

Lance is Chairman of the Wealth & Advice Committee for Pie Funds, as well as a member of the Risk & Compliance Committee and ESG Committee (as well as alternative member of the KiwiSaver Committee).

ANA-MARIE LOCKYER

(Independent Non-Executive Director)

(BCOM, DIP GRAD)

Ana brings over 20 years of broad banking and financial services experience from 10 years in the local and global Wealth team at ANZ Bank. At ANZ Ana had a number of strategic and executive roles across insurance and investments, including responsibility for New Zealand's largest KiwiSaver scheme. She also spent a further 10 years in commercial and product functions at Henderson Global Investors in London. Ana has also held governance roles for ANZ Samoa and the Financial Services Council and is currently General Manager of AA Finance.

Ana qualified as a Chartered Accountant and was admitted as a member of the Australian Institute of Company Directors. She is passionate about financial literacy, savings and retirements outcomes for New Zealanders and diversity in the financial services industry.

CECILIA ROBINSON

(Independent Non-Executive Director)

Cecilia brings broad brand, marketing and business strategy experience to the Board.

Cecilia is a serial entrepreneur founding Au Pair Link and My Food Bag with her husband, James.

Au Pair Link was sold to the Evolve Education group as part of the roll-up in 2014. When sold, Au Pair Link was one of the largest Au Pair companies in the world and one of the largest home-based early childhood education services in New Zealand.

In 2016, 70% of My Food Bag was sold to private equity group Waterman Capital. Since inception, My Food Bag has delivered over 60 million meals, become the 3rd largest food retailer in New Zealand and currently delivers 10,000 meals to charities across New Zealand per/month.

Cecilia has won the Westpac business awards and was subsequently named the Supreme Woman of Influence in the Westpac/Fairfax Women of Influence Awards 2017.

After serving as Co-CEO of My Food Bag for 6 years, alongside her husband James, the couple resigned in 2018 to focus on family, other business opportunities and philanthropic work. The Robinsons continue as Directors and shareholders of My Food Bag, and Cecilia is also a founding Trustee of the Princes Trust NZ. Cecilia has consulted to Pie Funds for the past 12 months with a focus on people management, marketing and business strategy.

Pie Funds' senior managers

In addition to Michael Taylor as CEO and Lance Jones as COO, the other key members of our investment and management team are currently:

MARK DEVCICH

Chief Investment Officer and Portfolio Manager, member of the Investment Committee

(BCom, LLB, CFA, CA)

Mark is Chief Investment Officer focusing on investment decisions and ensuring Pie Fund's investment strategy continues to be implemented successfully.

Mark is also the co-portfolio manager for the Emerging Companies Fund and member of the Investment Committee.

Prior to joining Pie Funds in 2010, Mark worked at PricewaterhouseCoopers in both the Financial Assurance and M&A taxation divisions.

Mark has a Commerce degree and a Law degree from the University of Auckland, is a CFA charter holder and a qualified chartered accountant.

PAUL GREGORY

Group Head of Investments, member of the ESG, Investment, KiwiSaver, Risk & Compliance and Wealth & Advice Committees

Paul is the Group Head of Investments and is responsible for investment oversight, Environmental, Social and Governance investing, investor education and communication.

Prior to joining Pie Funds in December 2017, Paul was part of the executive team at the Financial Markets Authority, focussed on external communications and investor capability. Paul also spent more than six years at the New Zealand Superannuation Fund focussed on communications and the selection, evaluation and monitoring of global investment managers.

JAMES PATERSON

Head of Wealth, member of the Wealth & Advice Committee

(BBS, Grad Dipp Financial Services, AFA)

James is licensed to provide financial advice and recommendations to high-net-worth clients. He also currently manages the wealth advisory team, client services team and business development team. He is a member of the Wealth & Advice Committee.

Prior to joining Pie in 2018, James was Head of Advice at Fisher Funds Management Limited in Auckland.

3 Other parties

Supervisor

The supervisor of the Scheme is Trustees Executors Limited (the '**Supervisor**'). The Supervisor is responsible for monitoring our compliance in accordance with the Governing Document, our licensing conditions and the Financial Markets Conduct Act 2013 (FMCA).

A current list of the directors of the Supervisor is available online at companiesoffice.govt.nz/companies. The directors of the Supervisor may change from time to time without notice to you.

The Supervisor has a licence under section 16(1) of the Financial Markets Supervisors Act 2011 to act as a supervisor in respect of managed investment schemes. Details of the licence are available on the Financial Markets Authority (FMA) website, www.fma.govt.nz and on the Financial Service Providers Register website, companiesoffice.govt.nz/fsp.

Administration manager

Administration of the Scheme has been delegated to MMC Limited. This includes certain administrative functions of the Funds, including investment accounting services (unit pricing and asset valuation) and registry services (scheme administration).

Custodian

MMC Limited is the custodian of the Funds' assets (**Custodian**).

Auditor and other advisers

The auditor (PricewaterhouseCoopers New Zealand) is registered under the Auditor Regulation Act 2011. Other than in its capacity as auditor, the auditor has no relationships with, or interests in, the Funds.

MinterEllisonRuddWatts is our primary external legal adviser.

Manager and supervisor indemnity

Subject to all applicable law, Pie Funds and the Supervisor will be indemnified out of the assets of a Fund from and against any loss, expense or liability that may be incurred in performing any of our or their respective duties or exercising any of our or their respective powers in relation to a Fund.

Neither we nor the Supervisor are bound to make any payment to investors except out of the assets of a Fund, nor will the Supervisor or us be liable to investors to any greater extent than the investments, cash and other property vested in or received by the Supervisor or us, except to the extent that we or the Supervisor have failed to comply with the requirements of the FMCA (as applicable) in respect of the relevant Fund only.

4 Managing conflicts of interest

General description of conflicts of interest

Pie Funds, our directors, employees or other associated persons may choose to invest in the Funds. Therefore the Funds may be affected by a potential conflict of interest. This potential conflict of interest could arise through:

- Investment or operational decisions being made to benefit investors in Pie Funds Management Limited, over investors in the Funds; or
- Investment or operational decisions being made to benefit those investors in the Funds who are Pie Funds directors, employees and associated persons ahead of those investors who do not have that status.

Either conflict, however, is contrary to Pie Funds' policies, procedures and expectations of behaviour. It is also contrary to our obligations and duties under the FMCA.

In reality, the depth of financial involvement by Pie Funds' directors, employees in the Funds and management company is a key strength underpinning Pie Funds' alignment of interests with our investors.

Additional conflicts may include certain Funds' (i.e. Chairman's Fund, Climate Friendly Fund, Conservative Fund and Global Fund) (**Relevant Funds**) ability to invest in some or all of the other Funds (**Other Pie Funds Products**). Investment by the Relevant Funds in any of the Other Pie Funds Products are done so on an arm's length basis and fees and expenses incurred in relation to these investments are not rebated.

A conflict could arise here through investment decisions to invest the Relevant Funds in the 'best performing' Other Pie Funds Products and/or change the investment of these funds frequently, even though this may not be in the best interests of investors. Again, this conflict is contrary to our policies, procedures and expectations of behaviour.

Steps taken to manage conflicts of interest

STATUTORY DUTIES OF PIE FUNDS AS MANAGER

The FMCA imposes statutory duties on us as the manager of the Funds, such that Pie Funds must:

- act honestly in acting as a manager;
- in exercising any powers or performing any duties as a manager:
  1. act in the best interests of investors; and
  2. treat investors equitably;
- not make use of information acquired through being the manager in order to:
  1. gain an improper advantage for itself or any other persons; or
  2. cause detriment to investors,
- as a professional manager of a registered scheme, in exercising any powers, or performing any duties, exercise the care, diligence and skill that a prudent person engaged in that profession would exercise in the circumstances; and
- where we contract out some or all of our functions as manager to a third party:
  1. ensure that those functions are performed in the same manner, and subject to the same duties and restrictions, as if we were performing them directly; and
  2. monitor the performance of those functions.

PIE FUNDS' CONFLICT OF INTERESTS POLICY

Pie Funds has in place a Conflicts of Interests Policy relating to conflicts of interest between Pie Funds (or individual staff) and Investors' Interests (the Conflicts Policy). The statutory duties under the FMCA set out above have been built into the Conflicts Policy.

The purpose of the Conflicts Policy is to allow conflicts of interest to be proactively and quickly identified and managed in a manner that is fair to investors. The Conflicts Policy is intended to facilitate Pie Funds' directors and employees to recognise, disclose and manage conflicts between Pie Funds (or individual staff) and investors, and the Conflicts Policy sets out a procedure to manage and resolve potential or apparent conflicts in a way that is fair to investors.

Pie Funds also has in place a Code of Conduct, Code of Ethics and a Disclosure of Interests Policy which support the Conflicts Policy.

5 Risks

The risk disclosures set out below are supplemental to the general risks disclosed in the PDS for each Fund.

There are some risks involved in relation to investing in a Fund. Understanding and managing risk is fundamental to any successful investment policy, so it is very important that you become familiar with the concept of risk.

All investments carry some level of risk, and there is typically a direct relationship between risk and return. Generally, the greater the risk, the greater the potential return and the lower the risk, the lower the potential return over the long term. Also, the higher the degree of risk an investment carries, the more its price may fluctuate.

The main types of risks that you face are that you may not receive the returns you expect, that the capital value of your investment may end up less than you originally invested, or that you may be unable to get back your money when you need it. This might happen as a result of changes in a broad range of variables. Investments in a Fund are not guaranteed.

Because of the risks set out below, it is foreseeable that you may receive back less than you paid to invest into a Fund, if any of the risks eventuate. We describe what steps we take to mitigate these risks (where possible) below. It is important to note that despite taking such steps, we cannot mitigate the risks completely.

- **Company specific risk:** an investment of the relevant Fund (whether directly or indirectly), in a company may be affected by unexpected changes in that company's operations, shareholder base, governance and/or ownership structure (specifically where shareholders have lodged their shares as collateral), business environment, or the company may become insolvent. Environmental, social and governance risks can arise or increase (for example, health and safety or labour issues with the company's staff; or issues arising from environmental impact of the company's activities). This risk is mitigated (but not eliminated) by us performing thorough due diligence, and by each potential investment opportunity in a company being rigorously analysed before inclusion in a Fund's portfolio. We do not invest directly in companies whose principal business activity is excluded as part of our ESG policy. We also make best efforts to avoid indirect investments via managers, Exchange-Traded Funds and derivatives. For more information, see our ESG policy;

- **Market risk:** the performance of a Fund will be affected by the performance of investment markets generally. The value of investments may go up or down in line with market movements. This in turn affects the value of the units in a Fund. This risk is generally outside our control, and includes movements in the general price level, supply and demand in the market in which the investments are made and the sectors in which the investments are made. Markets will be affected by a range of factors including investor sentiment, political events, inflation, prevailing interest rates, economic and regulatory conditions and broader events like changes in technology and environmental events. Prices will fluctuate. This risk is mitigated (but not eliminated) by hedging (offsetting) the market risk. We periodically protect the assets of a Fund in the event of a market correction by purchasing exchange traded (or OTC) put options, short selling individual or baskets of listed shares and/or other equity derivatives. We may also protect the assets of the fund by short selling exchange traded Futures;

- **Investment manager risk:** investment management decisions (such as allocation of a Fund's investments between asset classes, investment sectors and individual investments) made by us or any underlying fund manager (where we invest through the Global Fund, which uses a range of investment managers to make investment decisions) will affect returns, as will the performance of the businesses underlying the investments. Even though investment managers make the investment decisions, the outcomes cannot be predicted with certainty and results will vary accordingly. To manage this risk, we seek to utilise professional investment managers whom we regularly monitor. We select any Managed Fund and its investment manager for inclusion in the Global Fund according to specific criteria (which involves considering a number of factors). Changes of investment manager can also affect returns;

- **Key personnel:** the departure of any of our key personnel named in this document could impact on the performance of a Fund. The performance of a Fund will depend largely on the quality of the management of the Fund. To minimise turnover, we foster a culture which attracts and retains key personnel while at the same time operating in a collaborative manner therefore minimising key personnel risk;

- **Liquidity risk:** we may not be able to easily convert some non-cash investments into cash and, in respect of the Global Fund, the Conservative Fund, Climate Friendly Fund and Chairman's Fund, withdrawals from the managed funds or the Other Pie Funds Products (as applicable) may be suspended because of either inadequate market depth, disruptions in the market place, investment into illiquid securities or our inability to accurately value securities in listed or unlisted companies (to the extent invested in directly or indirectly). This may lead to loss of capital. Financial products may, from time to time, and especially in falling markets, become less liquid. Liquidity risk is generally greater for unlisted companies than for listed companies. This risk is mitigated (but not eliminated) by actively managing a Fund (as the position of companies can change rapidly) and by understanding the investments which the Fund and the managed funds' fund managers (in respect of the Global Fund) hold so that at any one time a Fund has sufficient liquid investments to meet withdrawal requests. In addition, the Emerging Companies Fund is subject to a three calendar month notice period in order to mitigate liquidity risk given the Emerging Companies Fund is invested in Emerging Companies, the shares in which may be more illiquid in certain circumstances;

- **PIE status:** the risk of a Fund failing to satisfy the eligibility criteria for PIE status and that failure not being remedied within the permitted period under the Income Tax Act

2007. If PIE status is lost by a Fund, a Fund would be taxed as a company at a rate of 28%, rather than at each investor's PIR under the PIE regime (and you would be taxed on any distributions or redemptions accordingly). We monitor factors influencing a Fund's PIE status on a regular basis and have processes in place to minimise potential breaches of PIE eligibility criteria;

- **Currency risk:** as a portion of the underlying investments may be invested in overseas jurisdictions in foreign currencies, returns may be affected by movements between the other currencies and the New Zealand dollar (the NZD). If the NZD appreciates, the value of the foreign currency investments will drop (in NZD terms) which may have an adverse effect on the domestic value of international investments. We actively manage all currency exposure. It is not our intention to 100% hedge the currency at all times; however, this decision is ultimately at our discretion. Overseas transactions may be unhedged;

- **Derivative risk:** we may use Derivative Instruments such as Futures and options. Derivatives are financial contracts whose value depends on the future value of underlying assets such as shares, bonds, currency or cash. As a result of using Derivative Instruments, the investment movements may be more volatile than if a Fund, or that part of the Conservative Fund invested in non-cash assets, is invested solely in shares (whether directly or indirectly). Risks associated with Derivative Instruments include a Fund not being able to meet its payment obligations as they arise and the risk that the other party to the Derivative Instrument will fail to perform its contractual obligations (known as the "counterparty credit risk"). This risk is mitigated (but not eliminated) by performing due diligence on derivative counterparties. We mainly use derivatives to hedge the funds' investments and mitigate market risk. Sometimes derivatives are used as an investment strategy on the financial markets;

- **Regulatory risk:** returns may be affected by any adverse regulatory changes in New Zealand, Australia or elsewhere, which could have an impact on investments or adversely affect our, or in relation to the Global Fund, a managed fund's fund manager's, cost base. We maintain a working knowledge of proposed legislative and regulatory changes that impact the Funds, and where relevant, will make submissions to regulators with a view to ensuring investors' interests are represented;

- **Counterparty credit risk:** a counterparty credit to a contract may fail to meet their obligations under it, causing loss to a Fund. This potentially arises with various financial products including Derivative Instruments and fixed interest. This risk is mitigated (but not eliminated) by analysing counterparty creditworthiness when selecting counterparties to transact with;

- **Taxation and legislative change risk:** changes in taxation rates or tax rules may impact your investment returns. The taxation assumptions used in this document are based on existing New Zealand tax legislation. Any changes to such legislation may materially impact the returns of a Fund. It is recommended that you seek advice from a tax adviser before making an investment into a Fund. We maintain a working knowledge of proposed legislative and regulatory changes that impact on a Fund and where relevant, will make submissions to regulators with a view to ensuring investors' interests are represented;

- **Operational risk:** it is very important that we and, in respect of the Global Fund, the fund managers of the managed funds maintain systems and practices that ensure investment operations run smoothly and accurately. Failures in this area can lead to large losses due to such things as incorrect trade settlements, incorrect payment instructions or poorly defined documentation. This risk is mitigated (but not eliminated) by regularly reviewing our systems and practices and performing operational due diligence on each fund manager of a managed fund as part of our rigorous research process undertaken prior to investment and on any third party to which we outsource any of our core operational functions;

- **Service provider risk:** you could be adversely affected if any of the various parties involved in the operation of a Fund, including the Supervisor, us, or other underlying administration, fund or investment managers, fail to perform their obligations. This risk is mitigated (but not eliminated) by undertaking due diligence on all third party service providers to a Fund, and using third party service providers who are well regarded in the New Zealand market or their respective overseas markets;

- **Product risk:** changes may be made to a Fund from time to time including changing the Authorised Investments, a Fund's investment strategy, changing fees and charges or minimum investment amounts. These changes could impact on a Fund's returns. Any material changes are made in agreement with the Supervisor or by notice to the Supervisor (or in some cases the investors) and will be subject to our internal processes; and

- **Portfolio Concentration Risk**: As some of the Funds hold concentrated portfolios, returns of the Funds may be dependent upon the performance of individual companies. The concentrated exposure may lead to increased volatility in a Fund's unit price and may affect performance.

This is not an exhaustive list and there may be additional risks which arise. For Other Specific Fund risks, please refer to the relevant Fund's PDS.

6 Taxation

This section briefly summarises the New Zealand taxation regime as it applies to the Funds. It is intended as a general guide only, as tax law does change.

All investors have different taxation positions and you should seek your own tax advice prior to investing.

Each Fund is a Portfolio Investment Entities (PIE) for tax purposes. Tax concessions apply to entities which qualify as PIEs. In particular, certain types of investors in a PIE (such as natural persons) will be taxed differently where they invest in a PIE. In addition, gains derived by PIEs in relation to disposals of New Zealand and certain listed Australian companies are not subject to tax.

The Fair Dividend Rate calculation method (FDR) applies to calculate taxable income from investments in offshore equities (excluding certain Australian resident listed companies). This method calculates taxable income based on a deemed annual return of 5% of the market value of the offshore equity investments determined on a daily basis.

Portfolio investment entities

Under the PIE regime, we will attribute taxable income earned by the Funds to you in accordance with the proportion of your interest in the overall Funds. The income attributed to you will be taxed at your 'prescribed investor rate' (PIR), which is currently capped at 28%. Unless you have a PIR of 0%, we will effectively pay tax on your behalf and undertake any necessary adjustments to your interests in the Funds (by way of cancellation or issue of units) to reflect that the Funds pay tax at varying rates on behalf of different investors. The Registrar has been delegated these functions by us.

PIRs for individuals

If you are an individual your PIR will either be 10.5%, 17.5% or 28%. Your PIR will be 10.5% if:

- you are a New Zealand tax resident; and
- your taxable income in either of the two immediately prior tax years was $14,000 or less (excluding income from PIEs); and
- your combined taxable income and attributed PIE income in either of the two immediately prior tax years was $48,000 or less; and
- you have supplied the Funds with your Inland Revenue Department (IRD) number and elected the 10.5% rate.

Your PIR will be 17.5% if:

- you are a New Zealand tax resident who does not qualify for the 10.5% rate; and
- your taxable income in either of the two immediately prior tax years was $48,000 or less (excluding income from PIEs); and
- your combined taxable income and attributed PIE income in either of the two immediately prior tax years was $70,000 or less; and
- you have supplied the Funds with your IRD number and elected the 17.5% rate.

If you do not qualify for the 10.5% PIR or 17.5% PIR, your PIR will be 28%. Individuals investing jointly with another person must elect 28% if either investor does not qualify for the lower rates.

If you have recently become a New Zealand tax resident, it is likely you will need to take into account your worldwide income when determining your PIR.

Information on current PIRs and how to determine your PIR can be found at ird.govt.nz/toii/pir/workout/.

PIRs for other investors

Trust investors will have a PIR of 0% unless they elect to apply a 17.5% or 28% PIR. A trustee of a testamentary trust may also elect a 10.5% PIR. If a 0% PIR applies, the Funds will not pay tax on the trust's behalf and the trust must include the attributed income in its own tax return at the appropriate rate. If trust investors elect to apply a 10.5% or 17.5% PIR, the trust must include the attributed income in its own tax return at the appropriate rate (and claim a credit for the tax already paid by the Funds). If trust investors elect a 28% PIR, the Funds will pay tax on the trust's behalf at the 28% rate and that will be a final tax.

Companies, charities and managed investment schemes that provide a valid IRD number will have a PIR of 0%. The Funds will not pay tax on their behalf. Instead they must include the attributed income in their own tax return.

Other taxation information

You should advise us of your PIR and IRD number when you make an application to become an investor. You should also advise us of any changes to your PIR. If you do not advise a PIR and IRD number, we will apply the 28% tax rate. If you notify us of a lower PIR than you are entitled to, you will be required to pay the resulting tax shortfall to the IRD personally and you may be liable for interest and penalties on that shortfall. The IRD will not refund tax overpaid if an incorrect PIR is used. You will be asked to reconfirm your PIR at least once a year. The IRD can instruct us to disregard your notified PIR if the IRD considers that the rate you notified is incorrect. In such cases, we must apply the rate the IRD considers appropriate.

Taxable income is attributed annually to 31 March.

If the Funds are in a tax loss position or have excess tax credits (which will include imputation credits received by the Funds, but will not include foreign tax credits), the Funds will receive a refund for investors not on a 0% PIR. The benefit of the refund will be passed on to these investors by way of additional units in the Funds. Investors electing a 0% PIR can claim their share of the loss or excess credits in their own tax return.

Distributions and amounts paid on the withdrawal of units are not subject to any tax, although if you have a PIR greater than 0% we may cancel the units to meet the Funds' tax liability at the time of withdrawal.

Offshore equity investments

Most overseas shares held by the Funds (to the extent the Funds have direct investments in Smaller Companies and Medium Companies) will be taxed pursuant to the FDR. Any dividends or other distributions flowing from overseas shares will not be separately taxed in New Zealand under FDR. Gains and losses in respect of holdings in overseas shares to which FDR applies do not affect the taxable income of the Funds for tax purposes.

Other income

Other income of the Funds will be subject to the relevant normal tax rules. Tax may be imposed in overseas jurisdictions in relation to overseas investments (although this may give rise to a tax credit in New Zealand).

This document has been written for New Zealand tax residents only. The favourable tax status of the Funds may well NOT apply for non-New Zealand tax purposes to individuals, trusts, or corporates from outside New Zealand.

7 Investing through a PIP or another custodial service

You may invest in the Funds directly or through a PIP or other custodial service or a wrap account ('**Custodial Service**') we have approved to introduce clients to our Funds.

If you invest through a Custodial Service, you will not become a direct investor in the Funds and will not have a direct relationship with us or the Supervisor. Rather, the PIP or the Custodial Service will have the direct relationship with us and will be able to exercise any rights attached to Units held. You will have a direct investment relationship with your PIP or the Custodial Service.

A PIP or the Custodial Service will have an agreement with you governing the terms of the custodial arrangement. Although you will not become a registered Investor in a Fund, you are entitled to rely on the PDS, this Document and any other information on the Disclose register in respect of the offer of Units in the Fund. Reports, notices and other documentation will be sent directly to the PIP or the Custodial Service and all correspondence will be conducted by us with the PIP or the Custodial Service.

The PIP or the Custodial Service will have entered into an arrangement with us in respect of the Funds. The PDS, this Document and any other information on the Disclose register outline the terms and conditions of investment in the Funds made by a PIP or the Custodial Service, which may have been varied by such an arrangement. You should contact your PIP or the Custodial Service to ascertain whether any variations have been agreed between us and them.

You should ascertain from your PIP or the Custodial Service:

- whether any minimum investments or minimum withdrawals (other than those specified in the PDS) have been agreed between us and the PIP;
- the minimum amount that the PIP or Custodial Service requires to be invested and the consequences of failing to maintain that minimum amount;
- whether there are any timing cut-off times for transacting (e.g. applications and withdrawals); and
- whether any fees and charges are payable to the PIP or the Custodial Service (in addition to fees and charges set out in the PDS).

If your Custodial Service is a Proxy for PIE tax purposes, it will undertake certain responsibilities instead of us or the Supervisor, including:

- calculating and organising payment of tax liability on income attributed to the Proxy by applying the PIRs of the underlying Investors;
- making adjustments to the Units held on behalf of underlying investors (by requesting the redemption of Units) or the distributions (if any) made to underlying investors or requiring payments to be made by the underlying investors which reflect the tax liability on income attributed to the underlying investors;
- organising the provision of returns and other information to the IRD; and
- providing us any information concerning the underlying investors that may be relevant to whether the Fund continues to meet PIE eligibility requirements.

8 Other relevant information

Market indices – Further information

Where relevant, we may reference an appropriate local market index for comparative purposes in demonstrating a Fund's returns. However, we do not formally benchmark the performance of the Funds or have benchmark asset allocation or ranges for the Funds against which we monitor and rebalance actual asset allocations.

Please refer to the Schedules to the SIPO which set out the rationale for the selection of the relevant local market indices against which each Fund is compared for the purposes of demonstrating its returns.

More information on the relevant indices can currently be found at the following web pages:

- **S&P/ASX Small Ordinaries Accumulation Index (XSOAI) (AUD)**
  http://au.spindices.com/indices/equity/sp-asx-small-ordinaries
- **S&P Global SmallCap (Total Return) Index (STEMGLU) (USD)**
  http://us.spindices.com/indices/equity/sp-global-smallcap-us-dollar
- **S&P/ASX Emerging Companies Index (Total Return) (XECAI) (AUD)**
  http://au.spindices.com/indices/equity/sp-asx-emerging-companies-index
- **NZBond Bank Bill Index (NZD)**
  https://www.bloomberg.com/quote/BNZBIL:IND
- **Morningstar UK Small Cap-NR GBP Index**
  Contact Pie Funds directly www.piefunds.co.nz
- **MSCI ACWI Low Carbon Leaders Index (USD)**
  https://www.msci.com/low-carbon-indexes

The local market indices Pie Funds uses for comparative purposes in demonstrating a Fund's returns may be updated by Pie Funds at any time.

The indices and those web pages may be renamed or replaced from time to time without notice to investors.

Overseas investors

The offer to invest in the Funds is being made to retail investors in New Zealand.

No person may offer, invite, sell or deliver any units, distribute any document (including this document) to any person outside New Zealand except in accordance with all the legal requirements of the relevant jurisdiction.

Unless otherwise agreed with us, any person or entity subscribing for units in any Fund will, by virtue of such application, be deemed to represent that he, she or it is not in a jurisdiction that does not permit the making of the offer or invitation of the kind contained in the PDS and the application is not for the account or benefit of a person within such jurisdiction.

We may in the future, at our sole discretion, offer units in the Funds in Australia to persons who are professional investors or otherwise wholesale clients under the Australian Corporations Act 2001.

We may in the future, at our sole discretion offer units in the Funds in Australia in accordance with the requirements for Australian offerings under the Trans-Tasman Mutual Recognition Scheme. If we do so, the following prescribed warning statement would be applicable to Australian investors:

PART 1 - WARNING STATEMENT

- This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.
- This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.
- There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.
- The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

- Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.
- The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
- If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

PART 2 - ADDITIONAL WARNING STATEMENT: CURRENCY EXCHANGE RISK

- The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.
- If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

PART 3 - ADDITIONAL WARNING STATEMENT: TRADING ON FINANCIAL PRODUCT MARKET

- If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

PART 4 - ADDITIONAL WARNING STATEMENT: DISPUTE RESOLUTION PROCESS

- The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

None of Pie Funds, the Supervisor, the Administration Manager, nor any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is eligible to invest in the Funds.

Material contracts

A summary of the contracts that we consider to be material in relation to the Funds is set out below:

- **Governing Document and Conditions of Establishment for funds:** establish and govern the Funds. They have been entered into between us and the Supervisor, and may be amended from time to time. Copies are available on the Scheme Register on the Disclose website at www.disclose-register.companiesoffice.govt.nz under the Scheme register entry.
- **Supervisor Agreement:** supplements the Governing Document and sets out the agreement with the Supervisor regarding reporting and information to be provided by us to the Supervisor.
- **Services Agreement and Service Level Agreement:** We have entered into a Service Agreement and Service Level Agreement (SLA) with MMC Limited. The SLA relates to a range of administrative services that MMC provides us in respect of the Funds, including registry and investment accounting and other associated services.

Related party transactions

The Chairman's Fund, Climate Friendly, Conservative Fund and Global Fund may invest in Other Pie Funds Products. These investments, and the fees that may apply in the different funds, are explained in the relevant PDSs. We have completed related party transaction certificates with the Supervisors consent and as required under the FMCA.

Valuation

We must calculate the net asset value of the Funds on each business day or at such other intervals (not exceeding 31 days) as we determine after consultation with the Supervisor.

Determinations of the net asset values of the Funds take effect from the time they are made and remain in force until the next succeeding determination of the net asset value of the Funds is made by us.

We will determine the net asset value of the Fund by taking the market value of the assets of the Funds and deducting the liabilities of the Funds (including any investors' income entitlements to the Funds, costs, charges, or expenses of the Funds and any money held n respect of the applications for units in the Funds that have not been accepted by us. We may also include in such market value any other amount which, in our opinion, should be included for the purposes of making an equitable and reasonable determination of the net asset value of the Funds.

In addition, subject to compliance with the Governing Document, we may make a special determination of the net asset value of the Funds at any time if we consider that special circumstances have arising that warrant such a determination and we advise the Supervisor of the details of the circumstances.

Determinations of the net asset value of the Funds take effect from the time they are made and remain in force until the next succeeding determination of the net asset value of the Funds is made by us We may, from time to time, engage valuers or other suitably qualified persons for the purposes of assisting the fixing of the current fair market value of any investment. We are entitled to rely upon the advice of any such valuer or other person and they shall be deemed to be acting as an expert.

Borrowing powers

Borrowing is permitted under the Governing Document, but we do not currently intend to do this.

No guarantee

No undertakings are given to you in this document or otherwise in relation to the return of capital. None of the Manager, the Supervisor, their respective directors or any other person guarantees or promises the repayment of, or returns on, your investment in the Funds.

Investor liability

Each investor indemnifies the Supervisor and us in respect of any taxation amount paid or payable by us or the Supervisor in respect of that investor which cannot be recovered by way of adjustment of their unitholding or distribution entitlements.

Other than in respect of any tax liability of that investor, no investor is liable personally for any debt or liability (contingent or otherwise) of the Funds or liable to indemnify us for debts or liabilities of the Funds. Investors are not partners and in acting as the manager under the Governing Document we are not an agent of investors, nor do we have the power to incur liabilities on your behalf.

Financial statements and auditor's report

Financial statements for the Funds are available on the Disclose register: www.disclose-register.companiesoffice.govt.nz. The auditor's report on the financial statements will accompany the financial statements uploaded to the Disclose register each year.

Consequences of insolvency

Subject to any payment that is required to be made under the indemnity by you described above, you will not be required to pay any money in addition to the amount you have invested and have no liability to any person should we or any of the Funds become insolvent.

If a Fund is wound up, you will receive a proportionate share of assets of that Fund after all creditors' expenses including the expenses of any agents, solicitors, auditors or persons employed in connection with the winding up of that Fund and any outstanding fees (including remuneration payable to us and the Supervisor) have been paid. The claims of all investors in the relevant Fund will rank equally.

Procedure on winding up

On termination of any Fund in accordance with the Governing Document, all monies arising from the sale and realisation of the investments and assets of the Fund will be held and applied by the Supervisor as follows:

- first, in payment or retention of all costs, charges, expenses, claims and liabilities incurred and payments made by or on behalf of the Supervisor or us and payable from the Fund of all the remuneration payable to the Supervisor and us;
- secondly, in payment to the investors (including holders of fractional units) in proportion to their respective holdings of units at the time of distribution;
- if, in the opinion of the Supervisor, it is expedient to do so, the Supervisor may make interim payments or distributions on account of the monies to be distributed; and
- each distribution will be made only against delivery to the Supervisor of such form of receipt and discharge as may be required by the Supervisor.

Amending the Governing Document and SIPO

We can amend the Governing Document with the agreement of the Supervisor. This must be done in accordance with the Governing Document and the FMCA. The Supervisor is prevented from agreeing to any proposed amendment unless it is satisfied that such amendments do not have a material adverse effect on the members of the Scheme, or that the amendment is approved by or is contingent on the approval of investors.

We can also amend the SIPO, by giving prior notice to the Supervisor.

Glossary

Board means the board of directors of Pie Funds Management Limited.

Derivative Instrument means a financial instrument whose value is derived from one or more underlying assets. For example, a share option derives its value from the value of the underlying share.

Emerging Companies refers to companies the shares in which at the time of investment have a Market Capitalisation of up to $250 million in local currency.

FMCA means the Financial Markets Conduct Act 2013.

Futures means a financial contract to purchase an asset (or the seller to sell an asset), such as a physical commodity, or an index, at a predetermined future date and price.

Market Capitalisation means the total value of the company's shares on issue.

Medium Companies refers to companies the shares in which we determine have a medium Market Capitalisation relative to the exchange that they are listed on, and may also include unlisted smaller companies.

OTC or **Over the Counter** refers to a security which is not traded on a formal stock exchange.

PDS means, in relation to a Fund, the most recent product disclosure statement for that Fund.

PIP means a Portfolio Investor Proxy also known as custodians, nominees or wrap accounts. They are intermediary nominees or agents through which investors can invest into a Pie Fund.

Portfolio Investment Entity (PIE) has the meaning given to that term under section YA1 of the Income Tax Act 2007.

Scheme means the Pie Funds Management Scheme.

SIPO means, in relation to the Scheme, the written Statement of Investment Policy and Objectives.

Smaller Companies refers to companies the shares in which we determine have a small Market Capitalisation relative to the exchange that they are listed on. Smaller Companies also includes Emerging Companies, and may also include unlisted smaller companies.