



QUAYSTREET®
ASSET MANAGEMENT

QUAYSTREET
KIWISAVER SCHEME

OTHER MATERIAL INFORMATION

1 APRIL 2020



QUAYSTREET ASSET MANAGEMENT LIMITED

This document replaces the other material information dated 23 December 2019



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1. GENERAL

This 'Other Material Information' document contains information that is considered by QuayStreet Asset Management Limited ('QuayStreet', 'we' or 'us') to be 'material' to the QuayStreet KiwiSaver Scheme (the 'Scheme') that is not contained in the Product Disclosure Statement ('PDS') for the Scheme. This document is provided to meet the requirements of section 57(1) (b) (ii) of the Financial Markets Conduct Act 2013 ('FMC Act').

On 12 September 2016 QuayStreet replaced Craigs Investment Partners Superannuation Management Limited as the Manager of the Scheme and the Scheme was renamed the QuayStreet KiwiSaver Scheme (known previously as the Craigs Investment Partners kiwiSTART Defined Scheme).

The Scheme is a KiwiSaver scheme.

2. KEY TERMS OF THE SCHEME

The QuayStreet KiwiSaver Scheme was established under a Trust Deed dated 16 August 2007 and was then known as the ABN AMRO Craigs START KiwiSaver Scheme 2. The Scheme was renamed the Craigs Investment Partners kiwiSTART Defined Scheme on 31 August 2009 and was renamed the QuayStreet KiwiSaver Scheme with effect from 12 September 2016. The Scheme is governed by an amended and restated Trust Deed dated 29 August 2016 but effective from 12 September 2016.

The Scheme only invests in the QuayStreet Funds. The QuayStreet Funds were established under a Master Trust Deed dated 19 September 2007 (as amended) ('Master Trust Deed'), together with separate Establishment Deeds for each QuayStreet Fund. The Master Trust Deed and Establishment Deeds were consolidated and amended on 1 June 2016.

We are the Manager of the QuayStreet KiwiSaver Scheme and the QuayStreet Funds.

ELIGIBILITY

Any natural person entitled to permanently reside in New Zealand and living in New Zealand (subject to certain exceptions) may apply to join the Scheme as a member by completing an application form attached to the latest PDS.

We may refuse any application without giving a reason.

The KiwiSaver Act 2006 (the 'KiwiSaver Act') sets out how persons who have joined the Scheme, but are not eligible to do so, will be treated.

PARTICIPATING EMPLOYERS

Membership of the Scheme is also available to employees of employers that have chosen the Scheme as their preferred KiwiSaver scheme.

If you are allocated to the Scheme because it is your employer's preferred KiwiSaver scheme and you have not provided an investment direction, your contributions will be invested according to the default investment fund selected by your employer as detailed in the participation agreement entered into between your employer and us.

CONTRIBUTIONS

If you're employed, you can choose to make regular contributions of 3%, 4%, 6%, 8% or 10% from your before-tax salary or wages. Your contribution is deducted by your employer from your salary or wages and paid to the Scheme via Inland Revenue. If you do not choose a rate, the default contribution rate is 3%. You may pay additional regular or lump sum amounts into the Scheme at any time. You can change the rate at which you contribute to the Scheme by talking to your payroll team at your place of work.

Subject to certain exceptions in the KiwiSaver Act, if you are:

- over age 18;
- not yet eligible to receive a retirement benefit;
- contributing at the required contribution rate from your salary or wages,



your employer will be required to make employer contributions to the Scheme of a minimum 3% of your gross salary or wages. Employer contributions are subject to employer superannuation contribution tax. All employer and employee remuneration based contributions are paid through Inland Revenue.

If you are self-employed (and don't deduct PAYE), or aged over 65 years, or not working, you can make lump sum payments or regular contributions to the Scheme. You can decide the timing and amount of your contributions.

When you reach New Zealand Superannuation qualification age (currently age 65) and become entitled to withdraw your benefit you can continue to make regular contributions from your salary or wages. Your employer may stop contributing.

SAVINGS SUSPENSION

If you are an employee, you may apply to Inland Revenue to stop making contributions to the Scheme by taking a "savings suspension".

You can apply for a savings suspension if:

- 12 months or more have passed since Inland Revenue or any KiwiSaver scheme received your first contribution - in which case your savings suspension can be between three months to one year; or
- Inland Revenue has received at least one contribution from you and you are suffering or likely to suffer financial hardship - in which case your savings suspension can be for a maximum of three months (unless Inland Revenue agrees otherwise).

You can get more information and the 'Savings Suspension Request Form' from ird.govt.nz/kiwisaver or by contacting Inland Revenue.

You may stop or restart a savings suspension by giving notice to us and your employer. However, you may not do so at intervals of less than three months unless your employer agrees.

If you are granted a savings suspension, your employer may also suspend the contributions it makes to the Scheme for your benefit. Your employer's compulsory contributions will resume when you start contributing to the Scheme again via a payroll deduction.

If you are on a savings suspension, you will not receive Government contributions into the Scheme on your behalf unless you have voluntarily made contributions into the Scheme.

INVESTMENT DATES

Your contributions, whether regular or lump sum, will be invested into the Scheme on the next available investment day. Currently we operate two investment days each week, (or the next business day if the selected date falls on a public holiday (based on Auckland), although we may trade more frequently where client trade volumes are large enough to permit.

GOVERNMENT CONTRIBUTIONS

Most contributing members of a KiwiSaver scheme will be eligible for a 'Government Contribution' each year of up to \$521.43. The Government contribution will be paid into the member's scheme and the amount of Government contribution received will be 50 cents for each dollar contributed by the member, up to a maximum Government contribution of \$10 per week. Therefore, to receive the full Government contribution a member of a KiwiSaver scheme must contribute at least \$1,042.86 to the KiwiSaver scheme each year (1 July to 30 June). The Government contribution does not apply in respect of members under age 18, or members who have reached New Zealand Superannuation qualification age (currently age 65) and are entitled to withdraw their benefit, or, subject to certain limited exceptions, in respect of members who do not have their principal place of residence in New Zealand.

No Government contributions will be payable in respect of funds transferred to the Scheme from an Australian complying superannuation scheme.

Any Government contribution will be paid on an annual basis into a member's account. The contribution allocation for the member will be used to credit the Government contribution across the member's portfolios (where the member has selected two or more Funds).

You may be required to give us a statutory declaration stating the periods for which New Zealand was your principal place of residence before you can withdraw your Government contributions.

The Government contribution may cease or change in the future.



WITHDRAWALS

The nature of a KiwiSaver scheme means your savings are locked in until the later of the dates:

- You are eligible for NZ Superannuation (currently 65); or
- You have been a member of a KiwiSaver scheme or a complying superannuation fund for at least five years if you joined KiwiSaver prior to 1 July 2019 at the age of 60 or over (and therefore have not been a member for five years when they qualify for NZ super). However, from 1 April 2020 anyone who was over age 60 and joined prior to 1 July 2019 will be able to opt-out of the 5 year membership requirement by notifying us and withdraw their funds when they turn 65. By opting out, you will cease to be eligible to receive the Government contributions and compulsory employer contributions.

You may be able to make an early withdrawal of part (or all) of your savings under the KiwiSaver rules. There are rules around when each of these withdrawals can be made and how much of your account can be withdrawn. These are summarised below.

If you wish to withdraw funds from the Scheme you must give written notice to us ('Withdrawal Request'), which cannot be withdrawn once given. A withdrawal request will generally be actioned once reviewed by us and the Supervisor and confirmed as a valid request.

Buying your first home

You may apply to us to make a one off withdrawal from the Scheme to help pay for the purchase of your first home or to help pay the initial deposit, if you meet the following requirements:

- You have been a KiwiSaver member or a member of a complying superannuation fund for a combined period of at least three years;
- the home you are purchasing is, or is intended to be, the home you and your family will mainly reside in; and
- you have not previously owned property (as defined under the KiwiSaver rules).

Any first home withdrawal must be paid into your solicitor's trust account and must be paid prior to settlement. In some circumstances you may still be able to make a withdrawal if you have owned a home before. You may also be entitled to a KiwiSaver HomeStart grant. See hnzc.co.nz for more information. You must retain a minimum balance of \$1,000 in your KiwiSaver account.

Serious illness

You may apply for a withdrawal on the grounds of serious illness if:

- You have an illness, injury or disability that results in you being totally and permanently unable to work in the job that you are suited by reason of experience, education or training; or
- you have an illness, injury or disability that poses a serious risk of you dying soon.

We will require medical evidence (including a declaration from your medical team) before being able to recommend a decision to the Supervisor on a serious illness withdrawal request.



Significant financial hardship

You may apply for a withdrawal on the grounds of significant financial hardship.

The sorts of circumstances where that may be available include:

- If you are unable to meet minimum living expenses; or
- if you are unable to meet mortgage repayments on your principal family residence resulting in the mortgagee seeking to enforce the mortgage on the residence; or
- meeting the costs of modifying your home to meet your, or your dependant family member's special needs arising from a disability; or
- meeting the cost of your, or your dependant family member's, medical treatment for an illness or injury; or
- meeting the cost of your, or your dependant family member's, palliative care; or
- meeting the cost of a funeral for a dependant family member.

We will require evidence of your financial position together with a statutory declaration of your assets and liabilities and income and expenditure before being able to recommend a financial hardship withdrawal to the Supervisor. The Supervisor may limit a withdrawal to an amount that, in the Supervisor's opinion, is required to alleviate your hardship.

Life-shortening Congenital Conditions

You may apply for a withdrawal on the grounds of life-shortening congenital conditions if:

- You have a known congenital condition which is likely to shorten your life below the age of 65 (these congenital conditions are identified through regulations); or
- There is medical evidence to verify that your congenital condition is expected to reduce life expectancy below NZ retirement age

We will require a medical certificate that verifies the condition before making a recommendation to the Supervisor on a life-shortening congenital condition withdrawal request. We will also require a statutory declaration acknowledging that your funds are to be released as if you had reached New Zealand Superannuation qualification age and that after withdrawal, you are no longer eligible to receive the Government contribution or compulsory employer contributions.

Permanent emigration from New Zealand

TO AUSTRALIA

You can transfer your Scheme balance to an Australian complying superannuation scheme following your permanent emigration to Australia.

We will require evidence that you have permanently emigrated, including a statutory declaration. You can transfer everything including your contributions, your employer's contributions, the \$1,000 kick-start (if you were eligible) and Government contributions.

TO ANYWHERE ELSE

After one year you may apply for a withdrawal on grounds of permanent emigration.

We will require evidence that you have permanently emigrated, including a statutory declaration. You can transfer your contributions, your employer's contributions and the \$1,000 kick-start (if you were eligible). Government contributions are refunded to the IRD.

Permanent emigration from Australia

If you permanently emigrate to New Zealand from Australia, you may transfer your Australian complying superannuation scheme savings to the Scheme.

You may make a withdrawal of an amount equal to the **amount transferred (excluding any gains or losses on that amount)** from your Australian superannuation scheme when you attain the age of 60 and satisfy the 'retirement' definition in the Australian legislation.



Payment on death

If you die while you are a member of the Scheme, your interest in the Scheme will be paid to your estate or, if your balance does not exceed the prescribed amount (currently \$15,000) and other conditions are met, we may pay your balance to an eligible claimant under the Administration Act 1969.

We will require a certified copy of the death certificate, or probate, or where there is no Will, a Letter of Administration.

Withdrawal to meet tax liability on foreign superannuation withdrawal

If you have transferred savings from a foreign superannuation scheme to a KiwiSaver scheme, you may be able to make a withdrawal to pay tax or make a student loan repayment owing as a result of the transfer.

We will require evidence of the tax liability, including a statutory declaration.

To the extent possible, the withdrawal will be paid to the IRD and not to you.

RELATIONSHIP PROPERTY

We will give effect to any court order relating to a member's relationship property settlement with his or her spouse, civil union partner or de facto partner in accordance with the KiwiSaver Act. You and/or your partner will not be paid an amount which would be greater in value than the benefits which you would have been otherwise entitled to receive.

We will require certified copies of any court orders.

BENEFITS NOT ASSIGNABLE

Your benefits and rights under the Scheme belong only to you. Subject to the KiwiSaver Act, you may not transfer, assign, charge or mortgage your benefits.

UNCLAIMED BENEFITS

If we are unable to trace you for a period of five years from the later of your last contribution or the date you're entitled to withdraw your retirement benefit, the Supervisor and Manager can apply section 77 of the Trustee Act and pay your benefit to the Crown.

RESTRICTIONS ON WITHDRAWALS

The Scheme cannot suspend member withdrawals, so you can request a withdrawal at any time. However, we may not be able to process your withdrawal if QuayStreet Fund redemptions have been suspended.

The Manager of the QuayStreet Funds can suspend redemptions in certain circumstances, including if it believes processing a redemption would be materially prejudicial to the interests of unitholders.

We will process any withdrawal received during a suspension when the suspension is lifted.

SIDE-POCKETING

The manager of the QuayStreet Funds may 'side-pocket' certain assets and liabilities of a QuayStreet Fund, with the approval of the Supervisor of the QuayStreet Funds, where it considers that it is in the best interests of unitholders in the QuayStreet Fund to do so.

Side pocketing is the process where specific assets are held separately from other assets within a fund. Assets are side pocketed where, for example, there is a risk they will experience an unusual valuation event or there are liquidity issues. Side-pocketing isolates the impact of the valuation event or liquidity issue to unitholders when the side-pocketing account is created. Future unitholders will not be impacted by this valuation event or liquidity issue.

If assets and liabilities of a QuayStreet Fund are side-pocketed, this may affect our ability to process withdrawals you make from the Scheme.

SINGLE SCHEME SEPARATE FUNDS

The Scheme operates as a single trust fund. This means that all of the assets of the Scheme are available to meet the liabilities of the Scheme.



Each QuayStreet Fund in which the Scheme invests is a separate investment fund and the assets of one QuayStreet Fund will not be available to meet the liabilities of another QuayStreet Fund.

MANAGER CHOOSES INVESTMENTS

The Scheme only invests in the QuayStreet Funds. Members elect which QuayStreet Funds to invest in through their Investment Direction.

The Manager of the QuayStreet Funds chooses the investments of each QuayStreet Fund. The Master Trust Deed, the Establishment Deeds and the Statement of Investment Policy and Objectives of the QuayStreet Funds define the investment objectives, targets, benchmarks and authorised investments. Details are available on the disclose register and our website.

CHANGE OF MANAGER

We may retire as Manager upon giving three months' prior notice to the Supervisor, subject to the appointment of a new Manager. We may be removed as Manager only in the following circumstances:

- by a written direction of the Supervisor after the Supervisor certifies that it is in the best interests of members that we are removed;
- if we are substituted by the High Court under the FMC Act; or
- by a special resolution of members.

The power of appointing a temporary new Manager is vested in the Supervisor. The retiring Manager has the power to appoint a permanent manager with the approval of the Supervisor.

SUPERVISOR

The functions of the Supervisor are:

- acting on behalf of members in relation to us, any matter connected to the Trust Deed or the terms of the offer, any contravention or alleged contravention of our obligations as issuer and Manager of the Scheme and any contravention or alleged contravention of the FMC Act by any other person in connection with the Scheme;
- supervising the performance by us of our functions as issuer and manager of the Scheme and the financial position of us and the Scheme to ascertain that it is adequate;
- holding the property of the Scheme or ensuring that it is held in accordance with the FMC Act; and
- performing or exercising any other functions, powers and duties conferred or imposed on the Supervisor by or under the FMC Act, the Financial Markets Supervisors Act 2011 and the Trust Deed.

CHANGE OF SUPERVISOR

The Supervisor may retire upon giving 30 days' notice to us, subject to the appointment of a new Supervisor. In addition, the Supervisor may be removed from office in the circumstances set out in the FMC Act or by the High Court on application by us.

The power of appointing a new Supervisor is vested in us.

AUDITOR

The Auditor is selected by us after consultation with the Supervisor. The Auditor may at any time be removed by us on the approval of the Supervisor. A replacement Auditor will be appointed by us after consultation with the Supervisor.

EXPENSES

We and the Supervisor are entitled to be reimbursed out of the assets of the Scheme for all expenses, costs or liabilities (including tax) incurred in acting as Supervisor or Manager under the Trust Deed.

AMENDMENTS TO THE TRUST DEED

We and the Supervisor may at any time make any amendment to the Trust Deed if:

- the Supervisor is satisfied that the change does not have a material adverse effect on the members and the Supervisor certifies to that effect; or
- the change is approved by, or contingent on approval by, a special resolution of the members that are or may be adversely affected by the change.



However, no amendment may detract from the main purposes of the Trust Deed, being to provide retirement benefits.

WINDING UP

The Scheme will terminate on the earlier to occur of:

- us resolving to terminate the Scheme;
- the Scheme's registration being cancelled; or
- the Scheme being required to be wound up under the FMC Act.

Upon termination, no new members will be received and we will realise all investments and distribute them in accordance with the Trust Deed, the KiwiSaver Act and the FMC Act.

MEMBERS' LIABILITY

Members do not incur any liabilities (including contingent liabilities) from being a member in the Scheme, other than the liability to pay their personal tax obligations as described below.

Every member indemnifies the Supervisor and us in respect of any tax payable by the Supervisor or us in respect of that member's interest in the Scheme. Members also have adjustments made to their interests in the Scheme to reflect tax paid or payable on their behalf.

MANAGER AND SUPERVISOR INDEMNITY

Subject to the indemnity limitations in the FMC Act, if we or the Supervisor are held personally liable to any other person in respect of any debt, liability or obligation (including tax) incurred by or on behalf of the Scheme or any action taken or omitted for or in connection with the Scheme, then we or the Supervisor (as applicable) are entitled to indemnity and reimbursement out of the Scheme to the full extent of that liability. The indemnity includes the costs of any litigation or proceedings, including legal fees and disbursements. Under the FMC Act, our rights and the Supervisor's rights to be indemnified are only available in relation to the proper performance of our statutory duties under the FMC Act.

SCHEME VALUATION

The valuation methodology for valuing the Scheme's assets is that the assets are measured at net market value in accordance with the latest accounting standard for the valuation of investments, provided that any managed funds in which the Scheme invests will be valued at the latest available redemption price quoted or published by the issuer or registrar of the relevant managed fund.

TRANSFERS

You may transfer to another KiwiSaver scheme at any time by contracting directly with the provider of that scheme. We will transfer your benefit to that KiwiSaver scheme in accordance with the KiwiSaver Act. Following such a transfer, you will cease to be a member of the Scheme.

We can accept a transfer from any other KiwiSaver scheme or superannuation scheme that you may be a member of.

KIWISAVER HOMESTART GRANT

The Government will provide certain KiwiSaver members with a KiwiSaver HomeStart grant to help with the cost of buying a home. For members who are purchasing an existing or older home, subject to certain qualifying criteria, the KiwiSaver HomeStart grant is \$1,000 for each year that a person has been making regular contributions to a KiwiSaver scheme (maximum \$5,000). For members who are purchasing a new home, subject to certain qualifying criteria, the KiwiSaver HomeStart grant is \$2,000 for each year that a person has been making regular contributions to a KiwiSaver scheme (maximum \$10,000). The person will have to have been making regular contributions to a KiwiSaver scheme for a minimum period of three years to access this grant.

Only certain members are eligible to receive this grant and income and regional house price caps apply. As at the date of this Other Material Information document, for a member of a KiwiSaver scheme to receive the grant the member must have a gross household income of less than \$85,000 per year (for one buyer), or less than \$130,000 (for two or more buyers).

Where the member is purchasing an existing house the following house price caps apply:

- The Auckland and Queenstown Lakes District house price cap is \$600,000



- The Hamilton City, Tauranga City, Western Bay of Plenty District, Kapiti Coast District, Porirua City, Upper Hutt City, Hutt City, Wellington City, Nelson City, Tasman District, Waimakariri District, Christchurch City, Selwyn District house price cap is \$500,000
- For the rest of New Zealand the house price cap is \$400,000.

Where the member is purchasing a newly built house the following house price caps apply:

- The Auckland and Queenstown Lakes District house price cap is \$650,000
- The Hamilton City, Tauranga City, Western Bay of Plenty District, Kapiti Coast District, Porirua City, Upper Hutt City, Hutt City, Wellington City, Nelson City, Tasman District, Waimakariri District, Christchurch City, Selwyn District, house price cap is \$550,000
- For the rest of New Zealand the house price cap is \$500,000.

Applicants will also need to have a deposit that is 5 percent or more of the purchase price. The 5 percent deposit includes the money applicants can withdraw through the KiwiSaver first-home withdrawal feature, the KiwiSaver HomeStart grant amount applicants may be eligible for and any other funds, such as savings.

Other qualifying criteria apply also. The qualifying criteria may change from time to time. A member may still be eligible to receive a KiwiSaver HomeStart grant as a 'second chance' home buyer if Kainga Ora (Housing New Zealand) notifies us that the member's financial position is what would be expected of a person who has never owned a home. For up to date information relating to the KiwiSaver HomeStart grant, house price caps and other qualifying criteria, visit the Government's website ird.govt.nz/kiwisaver, or visit www.hnzc.co.nz. Kainga Ora (Housing New Zealand) administers the KiwiSaver HomeStart grant regime.

COVID 19

QuayStreet will remain open for business as Financial Services are classified as an essential service by the Government. As active managers, we are monitoring the situation closely and will continue to actively manage our Funds in response to changing market conditions. For updates please visit quaystreet.com

3. WHO IS INVOLVED?

THE MANAGER

The Manager of the QuayStreet KiwiSaver Scheme is QuayStreet Asset Management Limited ("QuayStreet"). QuayStreet replaced Craigs Investment Partners Superannuation Management Limited as manager of the Scheme on 12 September 2016. QuayStreet is a wholly owned subsidiary of Craigs Investment Partners Limited. The ultimate holding company of QuayStreet Asset Management Limited and Craigs Investment Partners Limited (CIP) is CIP Holdings Limited.

Our registered office is at:

158 Cameron Road,
Tauranga 3110

We have the following functions as Manager of the Scheme:

- offering interests in the Scheme;
- issuing interests in the Scheme;
- managing Scheme property and investments; and
- administering the Scheme.

We may delegate any of our functions but will remain responsible for the acts and omissions of our delegate whether or not the delegate is acting within the terms of its delegated authority. All registry and administrative functions have been delegated to Craigs Investment Partners Limited, including certain investment management and administrative functions.

Craigs Investment Partners Limited's contact address is as follows:

- Craigs Investment Partners Limited, PO Box 13 155, Tauranga 3141.

RELATED PARTIES

QuayStreet is a wholly owned subsidiary of CIP.

CIP provides administration services to the Scheme. CIP is paid a fee for these services.

The Scheme invests in the QuayStreet Funds. Details of related party activities of the QuayStreet Funds are noted below:

CIP provides broking services from time to time to QuayStreet and receives fees for executing trades and processing foreign exchange transactions on behalf of the Funds. These fees are charged on normal commercial terms with the maximum brokerage set at 0.5% of the value of the relevant transaction. There is no limit to the total amount of brokerage that might be paid by QuayStreet to CIP because that will depend on the investment activities undertaken by the QuayStreet Funds.

Wilsons Holding Company Pty Ltd and its subsidiaries (Wilsons) are related parties to QuayStreet through the common ownership by CIP. Wilsons provide broking services to QuayStreet and receives fees for executing trades on behalf of the QuayStreet Funds. These fees are on normal commercial terms with the maximum brokerage set at 0.5% of the value of the relevant transaction. There is no limit to the total amount of brokerage that might be paid by QuayStreet to Wilsons because that will depend on the investment activities undertaken by the QuayStreet Funds.

Deutsche Bank AG, Sydney Branch owns 49.9% of CIP. CIP announced in December 2019 that an agreement has been reached for CIP staff to acquire Deutsche Bank AG's 49.9% equity interest in CIP and a sale and purchase agreement was entered into in February 2020. This transaction is expected to complete in June 2020. Once this transaction has completed, the Deutsche Bank group of companies and QuayStreet will cease to be related parties.

The Deutsche Bank group of companies (Deutsche Bank Group), provides transaction execution services to, and enters into derivative transactions with, QuayStreet and receives fees for these services. These fees are on normal commercial terms. There is no limit to the total amount of fees that might be paid by QuayStreet to Deutsche Bank Group because that will depend on the investment activities undertaken by the QuayStreet Funds.



In order to ensure that the brokerage rates and fees charged by CIP, Wilsons and Deutsche Bank Group to the QuayStreet Funds for the services referred to above are competitive, QuayStreet uses a panel of brokers and has arrangements with other providers for transaction execution and keeps under review the rates or fees offered by CIP, Wilsons and Deutsche Bank Group and the other firms on the panel or the other providers QuayStreet has arrangements with. QuayStreet is not obliged to trade through CIP, Wilsons or Deutsche Bank Group.

CIP, Deutsche Craigs Limited (DCL) a wholly owned subsidiary of CIP, Wilsons and Deutsche Bank Group provide investment banking services to corporate, institutional and governmental clients. Deutsche Craigs Limited is not a registered bank within the meaning of the Reserve Bank of New Zealand Act 1989.

QuayStreet's relationship with CIP, DCL, Wilsons and Deutsche Bank Group could influence QuayStreet to favour offers of financial products in respect of which those entities are involved (for example, as lead manager), because QuayStreet may receive benefits for the distribution of those products. However, QuayStreet is not obliged or restricted to securities (primary or secondary) that originate from a CIP, DCL, Wilsons or Deutsche Bank Group transaction. There are information barriers in place to prevent the sharing of information between CIP, DCL, Deutsche Bank and QuayStreet as appropriate. The approval of the QuayStreet Board (which has an independent Chairman) is required whenever QuayStreet participates in a CIP, DCL, Wilsons or Deutsche Bank Group transaction so as to ensure that the decision to invest in the transaction is made solely taking into account the interests of investors in the relevant QuayStreet Fund.

Comvita Limited (as an issuer of securities which the QuayStreet Funds may invest in) is considered to be a related party of the QuayStreet KiwiSaver Scheme as a result of Neil Craig being a director of Comvita Limited and a director and chairman of CIP. Neil is not involved in the investment decisions for the QuayStreet Funds in relation to Comvita Limited.

NZX Limited (as an issuer of securities which the QuayStreet Funds may invest in) is considered to be a related party as a result of Frank Aldridge being a director of NZX Limited, CIP and QuayStreet. Frank is not involved in the investment decisions for the QuayStreet Funds in relation to NZX Limited.

Investore Properties Limited, Abano Healthcare Group Ltd, Coats Group Plc and China Construction Bank (New Zealand) Limited (as the issuers of securities which the QuayStreet Funds may invest in) are considered to be related parties of the QuayStreet KiwiSaver Scheme as a result of Michael Allen being a director of those companies and QuayStreet. Michael is not involved in the investment decisions for the QuayStreet Funds in relation to those companies.

We report the value of related party activities in the Annual Financial Statements.

We confirm related party activities with the Supervisor.



OUR DIRECTORS

As at the date of this document, the directors of QuayStreet are:

- Frank Maurice Aldridge of Tauranga;
- Michael Nicholas Allen of Auckland;
- Michael John Caird of Lower Hutt, and
- Kenneth Christopher Phillip of Tauranga

The Directors are entitled to invest into the Scheme and the QuayStreet Funds. Frank Aldridge, Michael Caird and Kenneth Phillip as employees of CIP are entitled to invest in the Craigs Investment Partners group of companies.

Biographies for the directors are as follows:

FRANK MAURICE ALDRIDGE BBS, AFA

Frank is the Managing Director of Craigs Investment Partners and is a director of a number of subsidiary and associate companies of Craigs Investment Partners including QuayStreet Asset Management, Deutsche Craigs Limited and Wilsons Holding Company Pty Limited. Frank was appointed as a director of NZX Limited in May 2017.

Frank joined CIP as a research analyst in August 1997, and then held a number of positions within the firm, including client adviser, corporate adviser and Head of Client Services before his appointment as CEO in October 2005.

Frank is an Authorised Financial Adviser, an NZX Adviser, and a Chartered Member of the Institute of Directors.

Qualifications: Bachelor of Business Studies with a double major in Economics and International Business.

MICHAEL NICHOLAS ALLEN BCOMM, LLB

Michael was appointed Chair in April 2019.

Michael has over 25 years' experience in Board representation, investment banking, direct investment and general management.

Michael has director roles in NZ, Australia and the UK. He is currently Chairman of Investore Properties Limited and a Director of Abano Healthcare Group, Tainui Group Holdings, China Construction Bank (New Zealand) Limited, Taumata Plantations Ltd, and GoBus Ltd and related companies.

Michael was formerly Head of Westpac Institutional Bank and led Mergers and Acquisitions at Southpac Corporation.

Qualifications: Bachelor of Commerce, Bachelor of Law, and a Chartered Fellow of the Institute of Directors.

MICHAEL JOHN CAIRD BCOMM, LLB, AFA

Mike has been a director of Craigs Investment Partners since 2001, and is currently chairman of the Audit & Risk, Underwriting, Remuneration and DIMS Oversight committees. He also chairs the Due Diligence Committee in respect of the Funds. Mike joined Craigs Investment Partners as an employee in March 2009.

Prior to that he was with ABN AMRO for 12 years, Brierley Investments Limited for 10 years and Ernst Young for four years. Mike has been involved in New Zealand capital markets for over 20 years and has led teams responsible for some of the largest and most innovative bank and capital markets financings in the New Zealand market.

In addition to QuayStreet Asset Management Limited, Mike is also a director of the New Zealand Social Infrastructure Fund Limited, Pohutukawa Private Equity II Limited, Pohutukawa Private Equity V Limited, Kowhai PE Management Limited, Karaka Management Limited, Pilot Bay Funds Management Limited, and Wilsons Holding Company Pty Limited where he represents Craigs Investment Partners. Mike is also a director of a number of private companies in the glass services, indoor plant hire and social media monitoring industries.

Qualifications: Bachelor of Commerce, Bachelor of Law, Authorised Financial Adviser and a Member of the Institute of Directors and INFNZ.

KENNETH CHRISTOPHER PHILLIP NDA, CA

Ken is the CFO of Craigs Investment Partners. Ken joined Craig & Co. in May 1996 as the Financial Accountant and now has responsibilities for the operations of Craigs Investment Partners comprising Accounting and Finance,



Settlements, Custodial Operations, Retail Equity and Fixed Income Dealing, Human Resources, and all administrative functions, including the company secretarial role.

Ken is a director of Pohutukawa Management Limited, Pohutukawa II Management Limited, Pohutukawa Private Equity V Limited, Kowhai PE Management Limited, Karaka Management Limited, Pilot Bay Funds Management Limited, and a number of subsidiary and associate companies of Craigs Investment Partners including QuayStreet Asset Management Limited, Custodial Services Limited, Craigs Investment Partners Superannuation Management Limited and Deutsche Craigs Limited. Prior to joining Craig & Co. Ken held a number of roles in the dairy and related industries based in the Waikato.

Qualifications: National Diploma in Accountancy, Chartered Accountant.

THE DIRECTORS CAN BE CONTACTED

The Directors
QuayStreet Asset Management Limited,
PO Box 13155,
Tauranga 3141

or at its registered office noted on page 10.

The directors of QuayStreet may change from time to time. A current list of directors is available online: business.govt.nz/companies

QUAYSTREET FUNDS INVESTMENT TEAM

The Scheme only invests in the QuayStreet Funds. The QuayStreet investment team is responsible for the asset allocations, security selections and for monitoring the performance of the QuayStreet Funds. Biographies of the investment team are below:

JAMES RING - INVESTMENT MANAGER, INTERNATIONAL EQUITIES

James has extensive experience in the funds management industry spanning over 30 years. He brings a wealth of experience and expertise, managing New Zealand and international equity mandates.

Most recently, James was Investment Manager at Rank Group, managing the US based Reynolds Group Pension Funds. He was responsible for managing the global equities portfolio.

James' outstanding performance across a variety of roles include:

- Portfolio Manager, Ellerston Capital (owned by Packer family) – from 2006 to 2010 James was Portfolio Manager for their Asia Pacific investments
- Launched Challenger Smaller Companies Fund (based in Sydney, Australia) - Winner of The Morningstar 'Best Fund' in its category in 2003, and a similar award by Standard and Poor's in 2004
- Joint Founder of Coronet Asset Management – a fund manager specialising in Australasian equities, before selling this business to Challenger in 1999
- Director of Equities, Southpac Investment Management – Managed the National Bank Equity Growth Trust, which was awarded 'best domestic equity fund' by IPAC for 1992, 1993 and 1994.

Qualifications: BCom (Agriculture & Economics); IFINZ Member.

ANDREW SOUTH – INVESTMENT MANAGER, AUSTRALASIAN EQUITIES

Andrew has vast investment experience with a career spanning more than two decades. Prior to QuayStreet, Andrew was the Chief Investment Officer at Brook Asset Management with overall responsibility for portfolio construction, stock selection and asset allocation for all of Brook's funds.

At Brook Asset Management, Andrew was also responsible for Australasian sector research for the resources, financial and healthcare sectors.

Further funds management industry experience includes:

- Director/ Shareholder, Brook Asset Management – from January 2012 to May 2014
- Director/ Shareholder, Brook Asset Management – from April 2004 to February 2008

- Director/ Chief Investment Officer, BT Funds Management – responsible for management of all BT's equity portfolios and the performance of all asset classes, asset allocation and the management of BT's investment staff - from 1998 to 2004
- Portfolio Manager/ Senior Analyst, Tower Portfolio Management - from 1995 to 1998
- Portfolio Manager/ Analyst, AMP Asset Management – from 1993 to 1995.

Qualifications: BAgSc; PGDipCom; IFINZ Member; CFA Charterholder.

ROY CROSS – SENIOR ANALYST

Roy has considerable investment experience with more than a decade in the New Zealand market. Prior to QuayStreet, Roy was a Senior Analyst at Brook Asset Management where he commenced his career in 2005.

Roy's current responsibilities include:

- Portfolio manager of the Fixed Interest and Income Funds
- Equity research responsibility focusing on media and technology, consumer discretionary and aged care sectors
- Quantitative screening of assets, as part of the formal investment process.

Qualifications: BMS (Hons); MBS; CFA Charterholder.

STEFAN STEVANOVIC – SENIOR ANALYST

Stefan has considerable investment experience with more than a decade in the New Zealand market. Prior to QuayStreet, Stefan was a Senior Analyst at Brook Asset Management where he commenced his career in 2007.

Stefan's current responsibilities include:

- Portfolio manager of the Socially Responsibly Investment Fund and responsibility for ESG research
- Equity research responsibility focusing on property, utilities, energy and infrastructure sectors
- Quantitative screening of assets, as part of the formal investment process.

Qualifications: BCA; BSc; CFA Charterholder.

SCHALK KEYTER – INVESTMENT ANALYST

Schalk joined QuayStreet in October 2016. Previously, Schalk was a Private Wealth Associate at Craigs Investment Partners, where his main role was portfolio analysis.

Schalk's current responsibilities include:

- Portfolio analysis including performance attribution and risk monitoring
- Quantitative screening of assets as part of the formal investment process
- Equity research assistance.

Qualifications: BCom (Economics & Finance), CFA Charterholder.

XAVIER WATERSTONE – INVESTMENT ANALYST

Xavier joined QuayStreet in September 2018. Previously, Xavier was a Senior Analyst at Diogenes Research, and an Industrials Analyst at JCP Investment Partners, where he commenced his career in 2007.

Xavier's primary responsibility is research and analysis of Australasian equities.

Qualifications: BCom (Finance & Accounting), MBA (Hons), Oxon.

Details of the investment team members, as at the date of this document, are available on our website: quaystreet.com/our-team

The composition of the investment team may change at any time without notice to members.



THE SUPERVISOR

The New Zealand Guardian Trust Company Limited is the Supervisor and custodian of QuayStreet KiwiSaver Scheme.

The Supervisor has been granted a licence by the Financial Markets Authority under section 16(1) of the Financial Markets Supervisors Act 2011 to act as a Supervisor. Conditions on the licence include a requirement on the Supervisor to certify to the Financial Markets Authority every six months that it has adequate insurance, financial resources and independence to support and develop its supervisor business.

A copy of the Supervisor's licence, including the conditions on the licence, can be obtained at the Financial Markets Authority's website at fma.govt.nz. If the Supervisor does not hold an appropriate licence, then we would be obliged to seek and appoint another Supervisor.

As at the date of this document, the directors of the Supervisor are:

- Robin Albert Flannagan of Auckland;
- James Earl Douglas of Auckland.

Each of the directors named can be contacted at:

c/- The New Zealand Guardian Trust Company Limited,
Level 6,
191 Queen Street,
PO Box 274, Shortland Street,
AUCKLAND 1140.

The directors of the Supervisor may change from time to time. A current list of directors is available online: disclose-register.companiesoffice.govt.nz/

4. MATERIAL CONTRACTS

CIP MANAGEMENT AGREEMENT

An agreement entered into on 6 September 2016 between QuayStreet and Craigs Investment Partners Limited relating to the delegation of various registry and administrative functions from QuayStreet to Craigs Investment Partners Limited. Craigs Investment Partners Limited provides resources (including people, operational and financial resource) as required to perform the functions of QuayStreet to the standards required by agreement or law.

INLAND REVENUE SCHEME PROVIDER AGREEMENT

Craigs Investment Partners Superannuation Management Limited and Inland Revenue entered into a KiwiSaver Scheme Provider Agreement for the Scheme on 26 July 2007, as amended from time to time. By a deed of novation and variation to KiwiSaver Scheme Provider Agreement dated 31 August 2016 between Craigs Investment Partners Superannuation Management Limited, QuayStreet and Inland Revenue, Craigs Investment Partners Superannuation Management Limited's obligations under the KiwiSaver Scheme Provider Agreement were novated to QuayStreet with effect from 12 September 2016.

RETIREMENT AND APPOINTMENT OF MANAGER

A deed was executed on 29 August 2016 between The New Zealand Guardian Trust Company Limited, QuayStreet Asset Management Limited and Craigs Investment Partners Superannuation Management Limited in which Craigs Investment Partners Superannuation Management Limited retired as manager of the QuayStreet KiwiSaver Scheme and QuayStreet Asset Management Limited was appointed as manager with effect from 12 September 2016.



5. SUMMARY OF POLICIES & PROCEDURES

QuayStreet Asset Management Limited operates under both Craigs Investment Partners and QuayStreet specific policies, codes and procedures. A summary of those policies is as follows:

SUMMARY OF POLICIES, CODES AND PROCEDURES

STATEMENT OF INVESTMENT POLICY AND OBJECTIVES (SIPO)

The SIPO covers:

- Responsible investing
- Liquidity and cash flow management
- Pricing and valuation
- Trade allocation and execution
- Trade reconciliation and risk management

The purpose of the SIPO is to document for members and the Supervisor the investment policies of the Scheme. It states each Fund's investment policy and objectives, its performance benchmarks and target asset allocations.

DELEGATED AUTHORITIES POLICY

The policy enables the efficient management of the day to day business operations by establishing authorities for expenditure commitments, liabilities and expenditures. The policy establishes specific authorities and limits for directors and officers and facilitates management accountability and control.

DERIVATIVES POLICY

This policy governs the use of derivative instruments in the QuayStreet Funds. Derivatives can include forward contracts, futures, swaps and options.

CORPORATE GOVERNANCE CODE

The code sets out expected good corporate governance principles. It sets out the composition of the Board, role of the Board and Director responsibilities.

RISK MANAGEMENT POLICY, FRAMEWORK & PROCEDURES

The purpose of this policy is to state our approach and expectations relating to risk management for QuayStreet. The goals are: to foster a robust risk culture; to avoid risk or minimise risk that could affect the QuayStreet Funds, which in turn could result in poor investment performance, or cause investors to lose invested capital; and to protect the QuayStreet and CIP brands.

AUDIT & DUE DILIGENCE GUIDELINES

Contains the procedural guidelines for audit and due diligence processes.

ANTI-MONEY LAUNDERING POLICY

QuayStreet is part of the CIP Designated Business Group for 'Anti-Money Laundering Policy' purposes. CIP policy is to comply with the Anti-Money Laundering and Countering of Financing of Terrorism Act 2009. CIP actively takes measures to guard against being used as a medium for money laundering activities. CIP will take reasonable measures to establish the identity of its clients and beneficial owners and will only accept clients once this process has been completed.

CODE OF ETHICS AND BUSINESS CONDUCT

The Code of Ethics and Business Conduct is a statement of our commitment to integrity and high ethical standards in all that is done at QuayStreet and CIP. The Code sets the minimum standards of conduct that we expect from our directors, officers and employees during all interactions with clients, competitors, business partners, government authorities, shareholders, and each other.



COMPLAINTS HANDLING & DISPUTE RESOLUTION

The purpose of this policy is to set out how QuayStreet and CIP will deal with complaints and resolve disputes from clients.

CONFIDENTIALITY POLICY

The purpose of this policy is to provide CIP employees/QuayStreet directors and officers with guidelines on collecting, maintaining and accessing client information, security and disclosure of information, and the implications for failing to observe sound practices. This policy is largely driven by the Privacy Act 1993 and the NZX Participant Rules.

CONFLICTS OF INTEREST POLICY

The CIP Conflicts of Interest policy is designed to promote the integrity and independence of QuayStreet/CIP and to manage potential conflicts of interest between QuayStreet and its clients and between one client and another. The guiding principle is to at all times place client interests above our own interests.

INSIDER TRADING POLICY

Insider trading is trading in securities of a public issuer on the basis of inside information. Possession of insider information makes a person an information insider. The purpose of this policy is to provide guidance to CIP employees/QuayStreet directors and officers on the most appropriate course of action should they become aware of information in the normal course of their role that is deemed to be inside information.

HEALTH & SAFETY POLICY

QuayStreet is committed to providing a safe work environment, safe working conditions and to the good health of all employees. QuayStreet and CIP want to ensure the correct systems, supervision and training is in place to provide a safe workplace and to comply with the legislative requirements.

OUTSOURCING POLICY

This policy governs the appointment and management of third party service providers.

RESPONSIBLE INVESTING POLICY

This policy covers how we invest by incorporating environmental, social and governance factors within our investment decision-making framework. The QuayStreet Socially Responsible Investment Fund has its own specific policy.

6. BENCHMARKS AND MARKET INDICES FOR THE QUAYSTREET FUNDS

The QuayStreet Funds' returns are measured against various benchmarks (market indices) as set out in the SIPO. More information about these benchmarks (market indices) can be found on the web pages listed beneath the following table.

BENCHMARKS AND MARKET INDICES	NZ OCR + 2%.	NZ OCR + 6%	S&P/NZX 50 GROSS INDEX	S&P/ASX ACCUMULATION 200 INDEX	MSCI WORLD INDEX NET TOTAL RETURN (NZD)	S&P/NZX INVESTMENT GRADE CORPORATE BOND INDEX TOTAL RETURN	NZ 90 DAY BANK BILL
QuayStreet Fixed Interest Fund						100%	
QuayStreet Income Fund	100%						⊗
QuayStreet Conservative Fund			5%	5%	10%	60%	20%
QuayStreet Balanced Fund			10%	10%	40%	30%	10%
QuayStreet Socially Responsible Investment Fund			10%	10%	40%	30%	10%
QuayStreet Growth Fund			12.5%	12.5%	55%	15%	5%
QuayStreet New Zealand Equity Fund			100%				
QuayStreet Australian Equity Fund				100%			
QuayStreet International Equity Fund					100%		
QuayStreet Altum Fund		100%					⊗

⊗ NZ 90 day Bank Bill rate is used for QuayStreet Income Fund and QuayStreet Altum Fund to benchmark performance for the Quarterly Fund Updates and Annual Reports. This is due to the OCR not being recognised as a market index.

MARKET INDICES WEB PAGES

- S&P/NZX Indices: us.spindices.com/regional-exposure/asia-pacific/new-zealand
- S&P/ASX Indices: asx.com.au/products/indices.htm
- MSCI Indices: msci.com/indexes
- RBNZ - OCR: rbnz.govt.nz/monetary-policy/official-cash-rate-decisions
- S&P/NZX Investment Grade Corporate Bond Index Total Return: us.spindices.com/regional-exposure/asia-pacific/new-zealand
- NZ 90 Day Bank Bill: rbnz.govt.nz/statistics/key-graphs/key-graph-90-day-rate



7. ADDITIONAL INFORMATION ON FEES

The Scheme does not charge members a management fee, as an equivalent management fee is charged within the QuayStreet Funds in which the Scheme invests. This ensures there is no double charging of management fees for members of the Scheme. The management fee charged impacts the value of the Scheme and the Funds a member invests in.

EXPLANATION OF THE ESTIMATES

TOTAL ANNUAL FUND CHARGES

Included in the PDS are 'total annual fund charges', which include estimates of expenses for each QuayStreet Fund and performance fees for the underlying QuayStreet Altum Fund. We have assumed expenses will not materially change from year to year. In preparing the expense estimates we based them on the total costs incurred by each QuayStreet Fund in the previous financial year. Included are audit and legal fees. We therefore expect the actual expenses for each QuayStreet Fund will be similar to the financial year ended 31 March 2020.

Included in the total annual fund charge for the QuayStreet Altum Fund is a performance fee estimate of 0.36%, which is included in the 1.65%. This estimate is based on the average performance fee charged over the last four financial years ending 31 March 2019. There was no performance fee charged for the year ending 31 March 2019. The actual fee and expenses may vary and so result in a higher or lower total annual fund charge.

SCHEME EXPENSES

The Scheme expenses referred to in the PDS are estimated at approximately \$15.00 per annum per member. The Scheme expenses are deducted from your member account. This estimate has been based on the total amount of costs and expenses, including bank fees, audit and legal fees, recovered during the Scheme's previous financial year on a per member basis.

ADDITIONAL INFORMATION

MANAGER FEES

The Trust Deed provides that we are, subject to the fees not being unreasonable, entitled to be paid and retain the following annual or other fees in respect of the Scheme:

- administration fees;
- management fees;
- entry fees;
- exit fees;
- switching fees;
- membership fees;
- transfer fees; and
- such other fees as the Manager determines from time to time.

The amount of any such fees, and the method of their payment, will be determined by us from time to time and notified to the Supervisor in writing, provided that the total amount of any such fees does not exceed 3% per annum of the net asset value of the assets of the Scheme plus GST.

SPECIAL FEES

In addition, we are entitled to charge and retain special fees on a time cost (to be calculated on the basis of the normal hourly rates applicable to our relevant personnel) and disbursements basis.

SUPERVISOR FEES

The Supervisor is entitled to be paid and retain fees in respect of the Scheme approved by us from time to time. The Supervisor's fees are paid by us out of the portion of the management fee charged within the QuayStreet Funds which relates to the Scheme's investment in the QuayStreet Funds. The fee is up to 0.06% of the gross asset value of each Fund within the Scheme, subject to minimum annual fees of \$20,000 per annum for the Scheme.



FEES MUST NOT BE UNREASONABLE

The KiwiSaver Act 2006 requires certain fees charged by KiwiSaver schemes to be not unreasonable. Members or the Financial Markets Authority can apply to the Court for an order that any unreasonable fee be annulled or reduced. Any such application must be made within 1 year of the day that the fee is imposed or debited.

FEES PAID BY THE MANAGER OF THE QUAYSTREET FUNDS

The Manager of the QuayStreet Funds has agreed to meet the fees payable to the Registrar, Administration Managers and Supervisor (other than special fees) of the QuayStreet Funds from the management fee charged within the QuayStreet Funds. The Manager has also agreed to pay the custody fees charged by the Custodian for holding and maintaining securities held by the Funds. The QuayStreet Funds pay any transactional fees charged by the Custodian. This may change, in which case the fees payable to the Custodian, Registrar, Administration Managers and Supervisor of the QuayStreet Funds would be paid directly out of each QuayStreet Fund.

A fee is payable on each security held by the QuayStreet Funds, subject to a minimum annual fee of \$24,000 USD for all QuayStreet Funds, to Citibank N.A. in its capacity as Custodian of the QuayStreet Funds. The fees per security vary depending on the market and the security type (e.g. equity versus fixed interest, listed versus unlisted).

A fee of \$12,000 per annum per QuayStreet Fund is payable to MMC Limited in its capacity as Registrar of the QuayStreet Funds.

A fee of up to 0.125% per annum of the Gross Asset Value of each QuayStreet Fund, subject to a minimum annual fee of \$20,000 for each Fund, is payable to MMC Limited in its capacity as an administration manager of the QuayStreet Funds.

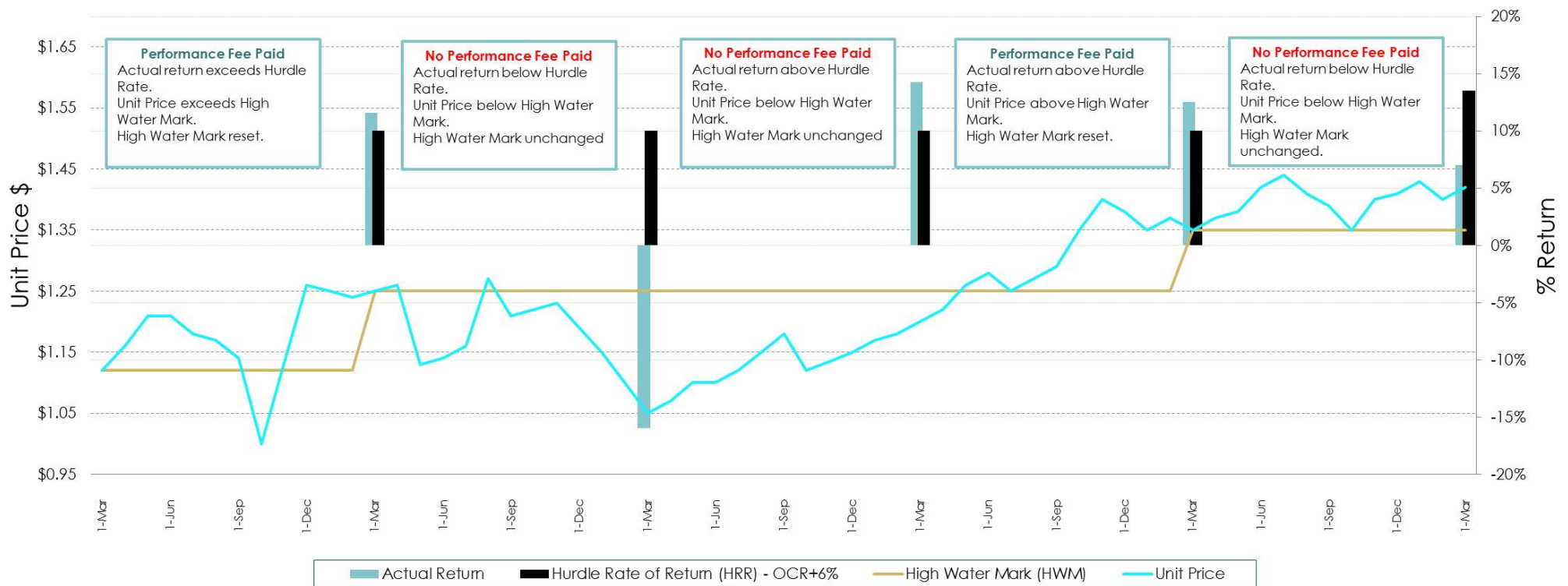
A fee of 0.25% per annum of the Gross Asset Value of the QuayStreet Funds calculated as at the last day of each calendar month, subject to a minimum monthly fee of \$80,000, is payable to Craigs Investment Partners Limited in its capacity as an administration manager of the QuayStreet Funds.

In addition, the Supervisor of the QuayStreet Funds is entitled to charge special fees for services of an unusual or onerous nature outside the Supervisor's regular services. There is no limit on such special fees. These special fees are not paid out of our management fee.

GST will be added to any fees, if applicable, at the prevailing rate.

QUAYSTREET ALTUM FUND PERFORMANCE FEE CALCULATIONS (ILLUSTRATIVE REPRESENTATION)

We are entitled to receive a performance fee in respect of the investment performance of the QuayStreet Altum Fund, which is one of the QuayStreet Funds in which the Scheme invests. Investments in the Scheme's QuayStreet Altum Fund are invested by the Scheme in the underlying QuayStreet Fund of the same name. In calculating that performance fee, the QuayStreet Altum Fund must return more than the hurdle rate and the unit price must be above the high water mark. Where the Fund's returns do not exceed the hurdle rate, no performance fee is paid. Where the current unit price is below the high water mark no performance fee will be paid, irrespective of the Fund's returns. The chart below shows a variety of scenarios relating to the performance of the fund against the hurdle rate and the unit price in relation to the high water mark. The unit price performance is calculated for **illustrative purposes only and is not indicative or representative** of actual or expected returns.



8. ADDITIONAL INFORMATION ON TAX

The following statements in relation to taxation are of a general nature only and are based on current tax legislation. That legislation may change. Tax treatment may vary depending on your individual circumstances. We recommend that you seek professional tax advice. We and the Supervisor do not take any responsibility for your taxation liabilities. Returns to you are likely to be affected by taxation. The taxation rules applying to the Scheme are set out below.

As a portfolio investment entity (PIE), the Scheme will attribute all taxable income (or losses) across all members based on the value of holdings in the Scheme. Tax is calculated on income attributed to you at your nominated Prescribed Investor Rate (PIR). The PIR for individuals is capped at 28%.

YOUR RESPONSIBILITIES

You must advise us of your IRD number within six weeks of joining the Scheme. You must also advise us of your applicable PIR when you join the Scheme, and when your details change.

If you do not notify both your IRD number and PIR you will be taxed on income attributed to you at the highest PIR of 28%.

We will seek reconfirmation of your PIR details annually. Note that the Commissioner of Inland Revenue may require the Scheme to disregard your chosen PIR and use an alternative rate if it is considered that the rate selected by you is incorrect.

We are required to provide you with an annual tax certificate, which will include the PIE income attributed to you and the amount of tax paid at your PIR.

HOW TO WORK OUT YOUR PRESCRIBED INVESTOR RATE (PIR)

Follow the below flow chart to figure out your PIR.

How to work out your Prescribed Investor Rate (PIR)

Follow the chart below to figure out your PIR.



INDIVIDUAL INVESTOR

Income details are for the two income years prior to the tax year the PIR is to be applied.

TRANSITIONAL RESIDENTS

Transitional residents may need to include their overseas income when determining their PIR, and should obtain professional advice when selecting a PIR. An individual is a "transitional resident" provided that she or he has not been a tax resident in New Zealand during the last 10 years, has never been a transitional resident before, is now resident in New Zealand and does not elect out of the transitional residents' regime.

APPLYING TAX RULES TO THE FUNDS

The Scheme's tax liability on PIE income is attributed to its members and will be deducted from each member's interests in the Scheme at the following times in respect of each tax year:

- At the end of the tax year (following 31 March);
- Upon any full or partial withdrawal or switch; or
- If at any time the balance of the remaining holdings is, or could potentially become, insufficient to cover the Scheme's accrued tax liability on income attributed to the member. We will consider potential market movements when determining whether the remaining holdings are of sufficient value to cover the tax liability.

The QuayStreet Funds invest in foreign markets and the returns on these investments are subject to foreign withholding tax. This tax is deducted at source and the QuayStreet Funds receive net tax paid income. The withholding tax rates and income determination rules may change from time to time.

The tax paid by the Scheme on your share of the income is generally a final tax (that is, the income need not be included in your income tax return). However, the tax paid by the Scheme will not be a final tax if you select a PIR that is too low, or if you have recently become a New Zealand tax resident and have elected to disregard foreign sourced income derived prior to becoming a New Zealand tax resident when calculating your PIR.

EMPLOYER'S SUPERANNUATION CONTRIBUTION TAX (ESCT)

Employer contributions to the Scheme are liable to ESCT.

The rate of ESCT is determined based on the member's total amount of salary and wages and gross employer superannuation contributions in the previous tax year (or estimates of those amounts for the current tax year if the member was not employed for all of the previous tax year). The ESCT rates are currently:

Total salary and wages and employer contributions	Rate
\$0 - \$16,800	10.5%
\$16,801 - \$57,600	17.5%
\$57,601 - \$84,000	30%
\$84,001 upwards	33%

A member may, with agreement from their employer, elect to treat employer contributions to the Scheme as salary and wages, in which case PAYE will be deducted from the contribution at the appropriate rate instead of ESCT.

Taxation of foreign superannuation

The foreign superannuation rules tax transfers from foreign superannuation schemes (other than Australian superannuation schemes) to the Scheme under one of two methods. The methods are the "schedule method", which deems a specified percentage of the transfer amount to be taxable income, and the "formula method", which allows a member to pay tax on the actual gains derived on the investment, if such information is available. Members have the option to apply for a withdrawal from the Scheme up to the value of the tax liability arising in respect of the transfer.

Members who are transitional residents for tax purposes may be entitled to relief from taxation when transferring foreign superannuation entitlements to the Scheme during their 4 year exemption period. Members who migrate to New Zealand but who are unable to be transitional residents for tax purposes (e.g. returning residents) may also be relieved from taxation on the transfer, provided it occurs within 4 years of them becoming a New Zealand tax resident.

Members seeking to transfer foreign superannuation entitlements to the Scheme should seek professional taxation advice as to the impact of these rules.



9. ADDITIONAL INFORMATION ON RISK

All investments involve risk. There is a chance with any investment of an uncertain outcome, where the actual return is different to what was expected.

Risk can cause the value of an investment to go up or down (i.e. be volatile). The extent of any volatility will depend on the specific investment and general market conditions. In extreme circumstances, risk can result in losses which can erode an investment's entire value.

The below identified risks are additional to what is referred to in our Product Disclosure Statement.

GENERAL INVESTMENT RISKS

DERIVATIVE RISK

The QuayStreet Funds into which the Scheme invests may invest in derivatives, such as forward contracts, futures, swaps and options. Derivatives may be leveraged (where the QuayStreet Fund exposure exceeds the assets invested in the QuayStreet Fund) and small changes in the value of the underlying assets may significantly increase losses to the QuayStreet Fund.

COUNTERPARTY RISK

A third party may default on their obligations resulting in a loss of value in an investment.

CONCENTRATION RISK

QuayStreet Funds which have a small number of investments or which invest in a single asset class can be affected by a single event, having a significant impact on one investment or asset class.

LIQUIDITY RISK

If an investment is not widely traded (i.e. is illiquid) then the Scheme may not be able to sell the investment or may only be able to sell at a discounted price.

OTHER SPECIFIC RISKS

Other specific risks that are not reflected in the risk indicator include:

GENERAL BUSINESS RISK

Disruption to the operations of the Scheme through such events as the loss of key personnel, failure of processes and procedures, the extended loss of power, technology failure, or the destruction of premises.

REGULATORY RISK

Future changes to legislation or applicable regulations (including New Zealand and international taxation legislation), which could affect the operation the Scheme or members' interests in the Scheme. The Trust Deed could be amended in a manner that is required or permitted by law that has the effect of reducing the value of members' interests or restricting access to members' entitlements.

INSOLVENCY RISK

The Scheme becoming insolvent or being otherwise unable to meet its financial obligations. If this occurs, members may not recover the full amount of their interest in the Scheme.

PIR RISK

We may either over or underpay tax within the Scheme on a member's behalf, for example, as a result of a member providing us with the wrong PIR or not advising us to change that rate when it needed to be changed. If tax is underpaid, the member will be obliged to pay additional tax (and potentially penalties or interest) to the IRD.



PIE REGISTRATION RISK

If the Scheme fails to satisfy any eligibility criteria for PIE status and that failure is not remedied within the permitted period under the Income Tax Act 2007, the Scheme could lose its PIE status. If the Scheme was to lose PIE status, the Scheme would be taxed at the rate of 28% rather than at each member's PIR. The tax exemption for gains on sale of certain New Zealand and Australian shares (including units in unit trusts) would also cease to apply to the Scheme if PIE status was lost.

ASSET ALLOCATION RISK

Asset allocation risk is the risk generated by the mix of asset classes within the Scheme or a Fund, or the sector and country investment decisions within markets. Research has shown that asset allocation is an important contributor to a Fund's overall investment return. The Funds that have more defensive assets (fixed interest and cash) are likely over time to provide a lower return with smaller fluctuations in that return. The Funds that have more growth assets (shares and property) are likely over time to provide a higher return but with larger variability in the returns from year to year. Sometimes returns can be negative. The asset allocation risk can impact both a Fund's absolute return and its relative return compared to similar funds that have a different asset allocation.

ASSET CLASS RISK

Asset class risk involves the risks associated with two primary asset classes: defensive assets and growth assets. Defensive assets are also called "income assets" as from a tactical asset allocation standpoint they provide income rather than capital growth.

Defensive assets

Defensive assets, such as fixed interest securities, term deposits and cash, have different risk characteristics to growth assets, such as shares.

The performance of defensive assets is usually more closely aligned to changes in interest rates than growth assets. A rise in interest rates will generally result in a decrease in the value of a defensive asset and the longer the period to maturity the greater the decline in the value of a defensive asset will likely be. Credit quality will also affect value and if a company has a credit rating downgrade then the value of a defensive asset issued by it may fall. In extreme circumstances, if an issuer defaults on its obligations, a defensive asset issued by it may be worthless.

Some of these risks may be mitigated by holding securities across different issuers, with different credit quality and maturities.

Growth assets

The value of a growth asset, such as shares and property, is reflected in the market price of the asset. Prices are generally driven by a company's performance. If the company performs poorly, or if it needs to reduce or stop paying dividends, its share price will usually decline. There are also many broader market forces that can negatively affect the value of shares, such as a weak economy, increased regulation, political uncertainty or negative investor sentiment. Issues like these, as well as many others, can result in lower share prices.

10. OTHER INFORMATION / DISCLAIMERS

This information is issued by QuayStreet Asset Management Limited, a wholly owned subsidiary of Craigs Investment Partners Limited. QuayStreet is the Manager of the QuayStreet KiwiSaver Scheme. Anyone wishing to make an application for membership in the Scheme should obtain a copy of the current Product Disclosure Statement and consider it before making any decision to invest.

This information is provided for persons living in New Zealand and is not provided for public dissemination or persons living outside New Zealand.

This information is not a substitute for professional advice. In preparing this information QuayStreet did not take into account the investment objectives, financial situation or particular needs of any particular person. Accordingly, before making any investment decision QuayStreet recommends professional advice from a financial adviser is sought.

Adviser Disclosure Statements are available on request and free of charge. **Please visit quaystreet.com for more information.**

Disclaimers on the use of market indices in the "Market indices for the Funds" section are as follows:



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