

**NZFUNDS**

NZ Funds

**WealthBuilder**

Other Material Information

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## 1. BACKGROUND

This document tells you more about the funds (Strategies) offered under NZ Funds WealthBuilder. It should be read together with the Product Disclosure Statement (PDS), Statement of Investment Policy and Objectives (SIPO) and any other documents on the offer and scheme registers at [disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz).

In this document, 'you', 'your', 'investor' or 'unit holder' means a person that invests in a Strategy, and 'NZ Funds', 'we', 'us', 'our' or 'the Manager' means New Zealand Funds Management Limited. When we use the word 'current' or 'currently' about a law, policy or practice, we mean at the date of this document. The information in this document may change. Please check the offer register at [disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz) for any updates.

## 2. NZ FUNDS WEALTHBUILDER

NZ Funds WealthBuilder offers four investment options: three funds (NZ Funds WealthBuilder - Income Strategy, NZ Funds WealthBuilder - Inflation Strategy, and NZ Funds WealthBuilder - Growth Strategy) and a lifecycle investment option (LifeCycle).

LifeCycle automatically allocates your investment across the three Strategies each year, based on your age. Your allocation to each Strategy will change over time. You cannot change this allocation. More information on LifeCycle and each Strategy is included in the PDS.

The Strategies are established under the Managed Portfolio Service Part Two managed investment scheme (Scheme) registered under the Financial Markets Conduct Act 2013 (FMC Act). The Scheme is managed under the rules set out in its trust deed, also called the governing document (Trust Deed). You can get a copy of the Trust Deed from the scheme register at [disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz).

## 3. THE MANAGER

### About NZ Funds

NZ Funds is the manager of the Strategies. We are licensed by the Financial Markets Authority (FMA) to be a manager of registered management investment schemes under the FMC Act.

NZ Funds is wholly owned by Investment Group Holdings Limited (IGHL). IGHL is owned by interests associated with its directors and by the NZ Funds Executive Trustee Company Limited as trustee of the IGHL Trust. The beneficiaries of the IGHL Trust are mainly senior management of NZ Funds.

### Our directors

**Gerald Noel Siddall** (LLB) is a non-executive director and Chairman of NZ Funds. Gerald has more than 35 years' experience in the financial services industry in New Zealand and overseas. He co-founded NZ Funds in 1988 and was responsible for building and leading NZ Funds until 2009. He was previously a director of NZ Funds until March 2010. He was reappointed as a director of NZ Funds on 21 March 2016. Gerald is not an employee of NZ Funds and he is not an independent director as he has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

**Gregory Bernard Horton** (LLB (Hons), BCom) is an independent director of NZ Funds. Gregory was appointed a director of NZ Funds in May 2013. Gregory is special counsel at Harnos Horton Lusk Limited, a law firm based in Auckland. He has practised law both in New Zealand and overseas. Gregory has an indirect ownership interest in NZ Funds through the IGHL Trust.

**Michael John Lang** (BA (Econ), LLB (Hons), CFA) is a director and Chief Executive of NZ Funds. Michael joined NZ Funds in 1993. He left to work overseas in 2003 and returned in 2008. Michael became a director of NZ Funds in 2010 and was appointed Chief Executive on 1 October 2018. Michael is not an independent director as he is an employee of NZ Funds and has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

**Richard Stuart Taylor James** (Dip. Bus. (Finance)) is a director and consultant to NZ Funds. Richard originally joined NZ Funds as an employee in 1993 and became a director of NZ Funds in August 2006. He was appointed as a consultant on 1 October 2018, having previously been Chief Executive of NZ Funds since 2009. Richard is not an independent director as he has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

**Russell William Tills** (BCom, ACA) is a non-executive director of NZ Funds. Russell has more than 35 years' experience in the financial services industry in New Zealand and overseas. He joined NZ Funds in 1989 and, along with Gerald Siddall, was responsible for building and leading NZ Funds until 2009. He was a director of NZ Funds until March 2010. He was reappointed as a director of NZ Funds on 21 March 2016. Russell is not an employee of NZ Funds and he is not an independent director as he has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

**John Lindsay Cobb** (PG Dip (Business Finance), NZX Diploma, Level 1 and 2, ASX Derivatives qualification) is an independent director of NZ Funds. He was appointed a director of NZ Funds on 1 February 2019. John has had a 20-year career in share broking and investment banking, and now works with a number of small businesses assisting with growth and investment.

Our directors may change from time to time. You can find the names of our directors at [companies-register.companiesoffice.govt.nz](http://companies-register.companiesoffice.govt.nz).

## 4. OTHER PARTIES

### Supervisor

The New Zealand Guardian Trust Company Limited is the supervisor (Supervisor) of the Strategies. The Supervisor is licensed by the FMA to act as a supervisor of registered managed investment schemes under the Financial Markets Supervisors Act 2011. More information on their licence is available on the FMA's website at [www.fma.govt.nz](http://www.fma.govt.nz).

The Supervisor's current directors are Robin Albert Flannagan and James Earl Douglas. The Supervisor's directors may change from time to time. You can find the names of the Supervisor's directors at [companies-register.companiesoffice.govt.nz](http://companies-register.companiesoffice.govt.nz).

### Custodian

The Supervisor is responsible for holding the property of the Strategies. The Supervisor has entered into custodial services agreements with Citibank N.A. to provide custodial services to the Strategies, however, all property of the Strategies is currently held by the Supervisor.

### Auditor

The auditor is Ernst & Young. Ernst & Young is registered under the Auditor Regulation Act 2011.

### Solicitors

The solicitors are Russell McVeagh.

## 5. SUPERVISOR AND MANAGER INDEMNITY

Subject to the limits on permitted indemnities under the FMC Act, both we and the Supervisor are indemnified out of the Strategy for all losses, costs and expenses we or the Supervisor incur in carrying out our roles as manager and supervisor.

The indemnity does not cover losses, costs, and expenses arising from our wilful default, wilful breach of trust, fraud or gross negligence. More information is set out in the Trust Deed.

## 6. INVESTING IN NZ FUNDS WEALTHBUILDER

NZ Funds WealthBuilder is designed for individuals saving for retirement or for a specific goal. You can invest using either the LifeCycle or SelfSelect option.

Under SelfSelect, you can choose which Strategies you want to invest in, and how much you would like to invest in each Strategy.

Under LifeCycle, your investment is automatically allocated across the Strategies each year in accordance with a predetermined glidepath based on your age (Glidepath). The table below sets out the Strategy allocations under LifeCycle.

By choosing LifeCycle, you agree that your investment in the Strategies will be adjusted on 31 August each year (or if 31 August is not a business day, on the next business day) in accordance with the Glidepath (reallocation date). Your allocation to each Strategy is set according to the Glidepath and as a result, you have no discretion to change the amount invested in each Strategy. If you wish to change your investment mix, you need to fully withdraw from LifeCycle and reinvest in the Strategies using SelfSelect.

We may change the Glidepath and Strategy allocations in the future. If we do, we will tell you at least 30 days' before we make any change. We will assume that you agree to the changes unless you tell us within the 30 day period, in which case your Strategy allocations will not change, and you will be moved from LifeCycle to SelfSelect.

How you join NZ Funds WealthBuilder is explained in the PDS. You can make investments by lump sum or regular payments. Amounts are paid by you into a non-interest bearing bank account and will be applied to the relevant Strategies once your application is accepted.

For all lump sum and regular payments, we will use your Strategy allocations current at the time of investment (as chosen by you if are invested using SelfSelect, or as automatically allocated if you are invested in LifeCycle).

By making additional investments, you agree to be bound by the NZ Funds WealthBuilder terms and conditions current at the time of making the investment, as set out in the PDS, Trust Deed, and online register entry at [disclose-register.companiesoffice.govt.nz](http://disclose-register.companiesoffice.govt.nz).

### LifeCycle – Glidepath and Strategy allocations

AGE	INCOME STRATEGY	INFLATION STRATEGY	GROWTH STRATEGY	AGE	INCOME STRATEGY	INFLATION STRATEGY	GROWTH STRATEGY
0 - 54	5%	10%	85%	78	37%	34%	29%
55	5%	13%	82%	79	37%	34%	29%
56	5%	19%	76%	80	38%	34%	28%
57	5%	30%	65%	81	38%	34%	28%
58	7%	34%	59%	82	39%	34%	27%
59	10%	34%	56%	83	40%	34%	26%
60	14%	34%	52%	84	40%	34%	26%
61	17%	34%	49%	85	41%	34%	25%
62	20%	34%	46%	86	42%	34%	24%
63	23%	34%	43%	87	44%	34%	22%
64	26%	34%	40%	88	45%	34%	21%
65	27%	34%	39%	89	46%	34%	20%
66	29%	34%	37%	90	48%	34%	18%
67	30%	34%	36%	91	49%	34%	17%
68	31%	34%	35%	92	51%	34%	15%
69	31%	34%	35%	93	52%	34%	14%
70	32%	34%	34%	94	53%	34%	13%
71	32%	34%	34%	95	55%	34%	11%
72	33%	34%	33%	96	56%	34%	10%
73	34%	34%	32%	97	58%	34%	8%
74	34%	34%	32%	98	59%	34%	7%
75	35%	34%	31%	99	60%	34%	6%
76	35%	34%	31%	100	62%	34%	4%
77	36%	34%	30%				

## 7. WITHDRAWALS

Subject to our right to defer or suspend withdrawals, we will redeem your units in a Strategy under the procedures set out in the Trust Deed where you give us a valid withdrawal request. You cannot cancel a withdrawal request unless we agree.

If you have chosen SelfSelect, you can withdraw amounts from one or more Strategies at your discretion. If you have chosen LifeCycle, withdrawals will be deducted from each Strategy in line with the proportions under the Glidepath based on your age at the last reallocation date. You cannot change the proportion withdrawn from each Strategy.

Withdrawal payments are based on the unit price for each unit redeemed (Redemption Price). The Redemption Price will be calculated for the day we receive your withdrawal request if that day is a Business Day and your withdrawal request is received before 2pm. If your withdrawal request is received after 2pm or on a day that is not a Business Day, the Redemption Price will be calculated for the next Business Day.

Under the Trust Deed, we must pay withdrawals within 20 business days of the date the withdrawal request is accepted (subject to our right to defer or suspend withdrawals). However, we normally pay withdrawals within four business days of the date the withdrawal request is accepted.

We may defer withdrawals for up to two business days. We may also introduce restrictions on withdrawals, including withdrawal notice periods.

## 8. SWITCHES

If you have chosen LifeCycle, you cannot switch between Strategies as your investment is allocated automatically using the Glidepath. If you have chosen SelfSelect, you can generally switch your investment at any time (subject to our right to defer or suspend switches).

If you are switching between LifeCycle and SelfSelect, you must make a full withdrawal from all Strategies you are invested in, followed by a reinvestment.

We normally process switch requests within two business days of receipt. We may defer processing some or all switch requests for up to 21 days if we consider it necessary or appropriate. Where a switch request is deferred, we will calculate withdrawal proceeds on the date the switch request is processed, not on the date we receive the switch request.

## 9. OTHER KEY TERMS

This section summarises some of the key terms used in the Strategies. For more detailed information, please see the Trust Deed.

### Valuation and unit pricing

Calculating a unit price allows us to value your investment in a Strategy. Each Strategy's unit price is calculated by dividing the net asset value of that Strategy by the number of units issued to investors. The net asset value is the value of a Strategy's assets less its liabilities.

The Trust Deed sets out the principles that apply to the valuation of a Strategy's assets and calculation of net asset value. We generally calculate the net asset value of a Strategy each business day. We may use the calculated unit price at the end of any month for up to two Business Days after the month ends.

We may set valuation methods and policies for each category of asset and change them from time to time. The Supervisor approves these methods and policies and we will tell the Supervisor if we make any changes. Sometimes we use estimates to value assets, for example, where assets are priced monthly, or where assets become illiquid (difficult to convert to cash) or are not regularly traded.

Specific transactions (for example, large transactions) may require us to adjust the unit price for that day so that the costs of those transactions are paid by the investors involved in those transactions. We do not currently charge transaction costs.

## Issuing units

We may decline to accept any application for units in a Strategy and do not have to give a reason for declining an application. We may also defer accepting any application by up to two business days.

There are currently no minimum investment amounts. We will tell you if we introduce a minimum amount.

## Deferring and suspending withdrawals and switches

Where we get withdrawal or switch requests for more than 10% of a Strategy's units on a particular date, we may 'scale back' requests so that only some of the units are redeemed. Any units not redeemed may be redeemed by us at any time. There is no specific time in which we must redeem these units.

In certain circumstances, we may also suspend withdrawals and switches by giving a redemption suspension notice. For example, if we think it is not practicable, or would be materially prejudicial to the interests of any unit holders, to sell assets for redemptions. This could be due to market conditions, the nature of any asset or other circumstances.

If we give a redemption suspension notice, this means all withdrawal and switch requests are suspended until we tell you the suspension is cancelled. There is no limit on the suspension period for any Strategy.

Even if we give a redemption suspension notice, we may allow you to withdraw:

- If, in our reasonable opinion, suspending your withdrawal or switch request would cause you financial hardship;
- If you have a regular withdrawal arrangement with us; or
- In any other circumstances, we consider reasonable.

## Closing your investment

In some circumstances, we may need to redeem all your units or close your investment in a Strategy. For example, if we consider it is necessary to comply with any laws or to avoid adverse regulatory consequences for us, the Supervisor, the Strategy or investors in the Strategy generally.

We may also redeem all your units if your withdrawal request would leave you with less than the minimum holding, or where it is necessary to maintain a Strategy's PIE status.

## Borrowing

Borrowing is allowed under the Trust Deed. However, the Strategies do not currently borrow money for the purpose of investing. This does not include ongoing operational agreements with service providers such as overdraft facilities and creditor relationships.

## Winding-up/insolvency

If a Strategy is wound up or becomes insolvent, the assets of the Strategy will be sold and the money will be used first to meet the claims of any creditors. After all creditors have been paid, your share of what remains will be paid to you.

## Indemnity for tax liability

You are required to repay us and the Supervisor for any tax paid on your behalf on income from your investment in a Strategy. This only applies if your investment is not sufficient to meet your tax liability.

## Changes to the Trust Deed

The Trust Deed can be changed by us and the Supervisor. Any changes must comply with the FMC Act.

## 10. MORE ABOUT FEES AND CHARGES

### Annual fund charges

Estimated annual fund charges are included in section 5 of the PDS and are made up of a base fee, service charges, external manager charges, and NZ Funds' performance charge.

In addition to annual fund charges, transaction costs of buying and selling assets (e.g. brokerage) are paid directly by the Strategies or underlying funds and reflected in the unit price.

### Base fee

Each Strategy is charged an annual base fee by us for managing the Strategy. The base fee is calculated daily and paid monthly. The current base fees are:

STRATEGY		BASE FEE* (P.A.)
Income Strategy		1.04%
Inflation Strategy		1.14%
Growth Strategy		1.19%
LifeCycle	Age 0-54	1.18%
	Age 65	1.13%
	Age 75	1.12%

\* As a percentage of the gross asset value of each Strategy.

We may change the base fee at any time so long as we tell investors one month before we increase the base fee. We may also charge an investor or group of investors (including any group of investors advised by a financial adviser), lower base fees than those above, or we may rebate all or some of our base fees for that investor or group of investors.

### Service charges

#### Supervisor fee

The Supervisor charges a fee for its services. The Supervisor's fee for each Strategy is currently up to 0.035% per annum of the gross asset value of the Strategy. The Supervisor's fees are calculated daily and paid monthly. Estimates of the Supervisor's fees are included within 'annual fund charges' in the PDS. The Supervisor may, if we agree, change the Supervisor fee at any time so long as we or the Supervisor give one month's notice to investors.

#### Other third party service charges

The Strategies and related underlying funds (Wholesale Trusts) that they invest in may incur other third party charges for services such as legal, audit and custody. These third party service charges are paid out of the assets of the Strategy or Wholesale Trust. Estimates of these charges are included within 'annual fund charges' in the PDS.



## External manager charges

The Strategies may invest in underlying funds managed by external specialist investment managers (external managers) which may charge fees (including entry fees, exit fees, management and administration fees, and performance fees), and incur expenses. The returns of a Strategy you are invested in will be indirectly affected by these fees and expenses. The annual fund charges in the PDS include the following estimated external manager charges:

STRATEGY		ESTIMATED EXTERNAL MANAGER CHARGES*
Income Strategy		0.01%
Inflation Strategy		0.19%
Growth Strategy		0.37%
LifeCycle	Age 0-54	0.33%
	Age 65	0.21%
	Age 75	0.18%

\*As a percentage of the net asset value of each Strategy. In calculating these charges, an estimate of the maximum level of contribution we will make to the external manager charges for each Strategy is included.

An external manager will typically only charge a performance fee when its investment return outperforms a benchmark or a performance hurdle (which may be 0%). The above estimates include performance fees which are based on an assumption of the likely outperformance of the current external managers.

Estimates of other fees and expenses are based on fee information provided by the current external managers. Assumptions on the percentage of each Strategy invested in external managers are based on the Strategies' current target allocations.

The external managers and the Strategies' allocations to those managers will change from time to time. Actual fees will depend on the external managers selected, their performance, and the Strategies' allocations to those managers, and will vary from the estimates.

## NZ Funds' performance charge

None of the Strategies are charged a performance fee directly by us. However, where specific performance targets are met, we may charge a performance fee in certain Wholesale Trusts that the Strategies invest in.

The Wholesale Trusts where a performance fee may be charged and the Strategies that currently invest in those Wholesale Trusts are set out in the table below:

STRATEGY	PRIVATE CORE INCOME TRUST	PRIVATE GLOBAL INCOME TRUST	PRIVATE PREFERRED INCOME TRUST	PRIVATE DIVIDEND YIELD TRUST
Income Strategy	✓	✓		
Inflation Strategy			✓	✓
Growth Strategy				✓

The performance fee for each Wholesale Trust is calculated daily and reflected in the unit price of the Wholesale Trust. Performance fees are paid within 30 days of 31 March each year. A high-water mark applies to the performance fee of each Wholesale Trust as described in the PDS. The high-water mark cannot be reset.

The Wholesale Trusts use recognised market indices as their performance hurdle rates of return. Out-performance of these market indices, whether the market indices return is positive or negative, will result in a performance fee even though the unit price may be below the last high-water mark.

The performance returns of each Wholesale Trust are calculated on a before tax basis and include imputation credits (where applicable). The following notional base fees are deducted from returns:

- For the Private Dividend Yield Trust, 0.40% of net asset value per annum; and
- For the other Wholesale Trusts, 0.20% of net asset value per annum.

Below is an example of the Private Dividend Yield Trust performance fee. It is a simplified example of how the performance fee is calculated in different scenarios. It is for illustration only and is not an indication of actual or forecast investment returns.

#### Example of Private Dividend Yield Trust performance fee

	INVESTMENT PERFORMANCE	MARKET PERFORMANCE	RELATIVE PERFORMANCE	PERFORMANCE FEE	INVESTMENT AT BEGINNING OF PERIOD (AFTER PERFORMANCE FEE)	INVESTMENT AT END OF PERIOD (BEFORE PERFORMANCE FEE)	OUT PERFORMANCE	UNDER PERFORMANCE BROUGHT FORWARD	PERFORMANCE FEE ACCRUED	PERFORMANCE FEE PAID	UNDER PERFORMANCE CARRIED FORWARD
Y1	10.0%	8.0%	2.0%	0.3%	\$10,000.00	\$11,000.00	\$200.00	NIL	\$30.00	\$30.00	NIL
Y2	8.0%	10.0%	-2.0%	NIL	\$10,970.00	\$11,847.60	NIL	NIL	NIL	NIL	-\$219.40
Y3	-10.0%	-15.0%	5.0%	0.8%	\$11,847.60	\$10,662.84	\$592.38	-\$219.40	\$55.95	NIL	NIL
Y4	15.0%	15.0%	0.0%	NIL	\$10,606.89	\$12,197.93	NIL	NIL	NIL	\$55.95	NIL

*In this example, the performance fee of the Private Dividend Yield Trust (Trust) is 15% of the amount by which its performance (with imputation credits but before tax and after deduction of a notional base fee) exceeds the hurdle rate of return. In year one, the Trust outperforms the benchmark accruing a performance fee which is paid at the end of the performance period and a new high-water mark set. In year two, the Trust underperforms the benchmark and consequently no performance fee is accrued. Any relative underperformance is carried forward and must be recovered before any future performance fee is accrued. This is illustrated in year three, when the Trust performs above the benchmark and the year two underperformance is recovered. As the outperformance in year three exceeds the underperformance from year two, a performance fee is accrued in year three. However, no performance fee is paid at the end of year three as the Trust is below the last high-water mark (set in year one). The performance fee accrued in year three is not paid until the end of year four, when the Trust exceeds the high-water mark. A new high-water mark is set at the end of year four.*

The annual fund charges in the PDS include the following estimated NZ Funds' performance charge:

STRATEGY	ESTIMATED NZ FUNDS' PERFORMANCE CHARGE*	
Income Strategy	0.02%	
Inflation Strategy	0.04%	
Growth Strategy	0.02%	
	Age 0-54	0.02%
LifeCycle	Age 65	0.03%
	Age 75	0.03%

\* As a percentage of the net asset value of each Strategy.

These estimates are based on the following assumptions:

- For the Private Preferred Income Trust, an assumption that the trust will achieve an average return of 1% p.a. above the trust's performance benchmark;
- For the Private Core Income Trust, the Private Global Income Trust, and the Private Dividend Yield Trust, the last five years' returns (ended 31 March 2018) of each trust compared to each trust's performance benchmark; and
- Assumptions on the percentage of each Strategy invested in the Wholesale Trusts that charge performance fees are based on current target allocations.

The estimates are not intended to indicate any expected returns or fees. Actual performance fees will vary from the estimates. Actual fees for the most recent year will be available in the latest fund update.

All performance fees paid to us by the Wholesale Trusts are on arm's length terms and meet the requirements for related party transactions in the FMC Act.

## Expense reimbursement

The Trust Deed allows us, the Supervisor, and any parties that may be appointed by us or the Supervisor, to be reimbursed for all expenses properly incurred while carrying out our duties.

Apart from third party service charges, we pay all ordinary expenses from the fees we receive and do not charge these expenses to the Strategies. We may charge extraordinary or unusual expenses to the Strategies.

## Basis for estimates of fund charges in PDS

The annual fund charges in the PDS include estimates of Supervisor fees, other third party service charges, external manager charges, and NZ Funds' performance charge.

Estimates of external manager charges and NZ Funds' performance charge are discussed above. All other estimates are based on our experience with other funds that we manage and the level of charges that we expect to be incurred by the Strategies over the next year.

Actual annual fund charges for each Strategy for the most recent year are available in the latest fund update which you can get from our website at [www.nzfunds.co.nz](http://www.nzfunds.co.nz).

## Other charges

### Administration fee

If you are aged 18 or over, we charge an administration fee of \$3.00 per month. This fee is deducted directly from your investment.

### Individual action fees

We do not charge any establishment, contribution, termination, withdrawal or switch fees. This is a key feature of NZ Funds WealthBuilder.

NZ Funds Private Wealth advisers will not charge any advice fees for your investment in NZ Funds WealthBuilder, nor will we facilitate the deduction of advice fees for other financial advisers.

## NZ Funds onboarding and administration payment

We may pay financial advisers an onboarding and ongoing administration payment in recognition of the effort and costs associated with providing services to you regarding your investment in NZ Funds WealthBuilder. We make these payments out of our own funds and do not deduct these from the Strategies or your investment.

## GST

All fee estimates do not include GST or other similar tax. This means that if any GST or other similar tax is payable, it will be in addition to the amount of the stated fee.

## Contribution to fees

In addition to our contribution to external manager charges, we may from our own funds, reduce, pay, contribute to or rebate some or all of the fees and expenses in this section.

## 11. ECONOMIC EXPOSURE

Economic exposure is a measure developed and used by us to illustrate a Strategy's total exposure. The use of derivatives can result in a Strategy's economic exposure being greater than its net asset value, which means the Strategy is leveraged.

We currently limit the economic exposure for the Income Strategy and Inflation Strategy to 300% (or three times the Strategy's net asset value). There is no limit on economic exposure for the Growth Strategy.

Each Strategy's economic exposure is published in our 'Portfolio Insights' document which is available from our website at [www.nzfunds.co.nz](http://www.nzfunds.co.nz).

## 12. RISKS

Every investment has risks. The primary risks of investing in a Strategy include:

- Not getting back some or all of your money;
- Not getting the returns you expected;
- Experiencing periods where your investment is worth less than it was previously; and
- Not being able to withdraw from a Strategy when you want to.

The following information is in addition to section 4 of the PDS – “What are the risks of investing?”. In the PDS, we discuss what we believe are the more significant risks of investing in the Strategies. However, there are other risks associated with the Strategies that could impact your investment which are discussed below. If any of these risks eventuate, a Strategy may be adversely affected and you could receive back less than you invested.

**No rate of return or repayment of your investment is guaranteed by NZ Funds, the Supervisor, or any other person.**

### General investment risks

#### Interest rate risk

This is the risk that a Strategy's returns may fluctuate as a result of changes in interest rates.

#### Credit risk

This is the risk that a Strategy's returns may fluctuate as a result of an issuer of a security failing to pay interest or principal when due.

#### Equity risk

This is the risk that a Strategy's returns may fluctuate as a result of changes in the value of equity investments. An equity investment may be affected by many factors, including the performance of the relevant company, market opinion, and the economic performance of a country or sector.

#### Political risk

Political risk is the risk that a Strategy's returns may fluctuate as a result of political changes or instability in a country. This could arise from a change in government, legislative bodies, other foreign policy makers, or military actions. Political risk may also arise as a result of geo-political events such as wars, terrorist acts and tensions between states.

### Other risks

#### Counterparty risk

This is the risk that a party to a financial transaction or contract involving a Strategy fails to meet its obligations.

#### Operational risk

This is the risk of failure of internal or external processes, people, policies, technology or systems (for example, a material error in the pricing process), or external events affecting our or the Strategies' operations.

### **Cybersecurity risk**

This is the risk of attack, damage or unauthorised access to the networks, computers, programs or data that we use.

### **Service provider risk**

This is the risk that a key service provider to the Strategies (for example, the Supervisor, the Manager, the trustee and custodian of the Wholesale Trusts, external managers, settlement and trade counterparties, investment brokers and banks) fail to perform their obligations.

### **Wholesale Trust investment risk**

The Strategies can invest in Wholesale Trusts. Wholesale Trust investment risk is the risk that an adverse event occurs at the Wholesale Trust level or the Wholesale Trusts are wound up.

### **Valuation risk**

The Strategies' unit prices are based on market price information provided by various sources. Valuation risk is the risk that these sources fail to provide an accurate price, or any price whatsoever.

### **Suspension of withdrawals risk**

In certain circumstances, we can suspend or partially suspend withdrawals from a Strategy. If this happens, you may not be able to withdraw or switch your investment when you want to.

### **Risk of losing PIE tax status**

Each Strategy is currently a Portfolio Investment Entity (PIE). If a Strategy loses its PIE tax status, your after-tax benefit from investing in the Strategy may be reduced.

### **Tax risk**

Income, dividends and interest, and gains on securities and investments that the Strategies invest in may be subject to taxes (including withholding taxes) imposed by tax authorities in New Zealand and other jurisdictions. The Strategies may not be able to claim a credit for these taxes.

### **Regulatory risk**

This is the risk that the laws and regulations applying to the Strategies and their investments change in a way that adversely affects a Strategy.

### **Insolvency risk**

This is the risk of a Strategy becoming insolvent or being otherwise unable to meet its financial obligations.

### **COVID-19, virus, disease or other widespread health risks**

There is the risk that the Strategies' returns may fluctuate, or that the Strategies may be adversely affected, as a result of virus, disease or other widespread health risks such as the COVID-19 pandemic. The emergence of COVID-19 (or other widespread health risks) can have a significant impact on financial markets.

The effects of widespread health risks, such as COVID-19, may also adversely impact the operations of NZ Funds and/or key service providers to the Strategies. For example, they may adversely impact our ability to calculate a Strategy's net asset value. The expected duration and magnitude of the COVID-19 pandemic and/or other potential widespread health risks, and the severity and range of their potential impact on your investment, are uncertain.

**The risks described in the PDS and this document are considered to be important risks, but do not cover all known risks of investing in the Strategies. There may also be other risks which are currently unknown that may affect your investment in the Strategies.**

## 13. CONFLICTS OF INTEREST

Our Conflicts of Interest Policy provides a framework for identifying and managing actual or potential conflicts of interest. The policy also covers gifts and hospitality and forms part of our broader conflicts of interest compliance and ethics framework.

The Conflicts of Interest Policy is complemented by our Personal Holdings Policy and our Related Party Transactions Policy. Our Personal Holdings Policy contains restrictions on employees holding or trading in securities. Our Related Party Transactions Policy provides a framework for identifying and managing related party transactions and ensures that all related party transactions comply with the FMC Act.

In addition to these policies and procedures, the FMC Act imposes controls on conflicts of interest, including that we must:

- Act with the care, diligence and skill that a prudent person engaged in the profession of acting as manager of a registered scheme would exercise in those circumstances;
- Act honestly, in the best interests of investors; and treat investors fairly; and
- Not use information that we get as manager to gain an improper advantage for ourselves (or any other person) or to cause harm to investors.

A conflict of interest that currently exists and affects every Strategy is the Strategies' investment in Wholesale Trusts where we charge a performance fee. These performance fees will affect the value of the Wholesale Trusts, and indirectly the returns of the Strategies.

This conflict of interest could materially influence the investment decisions we make for the Strategies if non-arm's length fees were paid. We manage this conflict by making sure that all related party performance fee transactions comply with the FMC Act and our Related Party Transactions Policy.

## 14. HOW YOUR INVESTMENT IS TAXED

If you have any questions about your tax position as a result of investing in the Strategies, we encourage you to talk to your tax adviser before investing. We and the Supervisor do not take any responsibility for your tax position as a result of an investment in a Strategy.

### Portfolio Investment Entities (PIEs)

Each Strategy has chosen to be a Portfolio Investment Entity (PIE). Under the PIE rules, we will calculate the tax due on your investment in a Strategy each quarter based on your Prescribed Investor Rate (PIR) and pay this tax to Inland Revenue on your behalf.

If you are due a tax refund, we will use it to buy more units in the Strategy for you as long as you are still invested in the Strategy when we receive the refund from Inland Revenue. If you are no longer invested in the Strategy, we will pay the refund to you.

### Choosing your PIR

As NZ Funds WealthBuilder is designed for individuals, the following information on PIRs is for individuals only.

You need to choose your PIR and tell us what it is. If you do not tell us what your PIR is, we will set it at 28%. You also need to tell us your IRD number.

Your PIR is based on your taxable income and PIE income for each of the two previous tax years, and is based on the year which has the lower combined income amount. You can use the table on the next page to help you work out your PIR:

TAXABLE INCOME			TAXABLE INCOME + PIE INCOME	PIR
\$0 – \$14,000	AND		\$0 – \$48,000	10.5%
\$0 – \$14,000	AND		\$48,001 – \$70,000	17.5%
\$14,001 – \$48,000	AND		\$0 – \$70,000	17.5%
Over \$48,001	AND		Any amount	28.0%
Any amount	AND		Over \$70,000	28.0%

It is important that you choose the correct PIR. If you select a PIR that is too high, you will be able to get any overpaid tax refunded (either directly or by a reduced tax bill) as part of the annual tax return process. If you select a PIR that is too low, you will have to pay more tax on your income from a Strategy at your correct PIR. You can change your PIR at any time by contacting us or your financial adviser.

Where you partially or fully withdraw from a Strategy, we can deduct from the amount withdrawn an amount equal to your PIE tax liability as at the date of the withdrawal. If we do not do this, we can treat you as having a 0% PIR which means you may be required to file a tax return and pay tax on your income from a Strategy.

If the amount of tax on your income is more than the value of your investment, you may have to pay the tax directly to Inland Revenue. If we or the Supervisor pay this tax liability, you must reimburse us or the Supervisor for that amount.

## 15. PRIVACY AND USE OF YOUR PERSONAL INFORMATION

### Privacy

The Privacy Act 1993 deals with how we store and use personal information you give us in connection with your investment in the Strategies.

This information may be used by us (including our related entities) and the Supervisor and shared with and used by your financial adviser and by other service providers to the Strategies for the purposes of arranging, managing and administering your investment, contacting you about your investment, and providing you with newsletters and information about other products and services.

We may also use and share your personal information for the purposes of complying with any laws in New Zealand or another country, including using it to verify (whether by electronic means or otherwise) your identity.

We may also be required to provide it to government agencies including the FMA and Inland Revenue. You have the right to access and correct any of your personal information held by us.

### AML/CFT requirements

Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, we are required to verify your identity and address and, in some cases, the source of your funds and wealth. If you are completing your application online, we can with your consent, verify your identity and address electronically.

If the electronic method fails, we will require physical identification documents certified by a 'trusted referee' or verified by your financial adviser or an NZ Funds employee. More information on this process is set out in the AML form on our website. We cannot process your application unless the AML/CFT requirements have been satisfied.

### Foreign Account Tax Compliance Act (FATCA)

If you are a "US Person" (that is, someone who is a United States citizen or tax resident, or a United States Green Card holder, or an entity owned or controlled by US persons) we may be required to provide information about your investment to Inland Revenue to comply with our obligations under the Foreign Account Tax Compliance Act (FATCA). Inland Revenue in turn may be required to pass this information to the United States Internal Revenue Service.

## Common Reporting Standard (CRS)

If you are tax resident in a country other than New Zealand, or an entity owned or controlled by non-New Zealand tax residents we may be required to provide information about your investment to Inland Revenue to comply with our obligations under the Common Reporting Standard (CRS) regime. Inland Revenue in turn may be required to pass this information to the revenue authority of the country in which you are tax resident.

## Change of personal details

If you wish to change your personal details, please complete a Changes in Client Details form which is available from your financial adviser or our website at [www.nzfunds.co.nz](http://www.nzfunds.co.nz).

## 16. MATERIAL CONTRACTS

### Trust Deed

The Trust Deed is an agreement between us and the Supervisor that sets out the rules for the management and administration of the Scheme and the Strategies. A copy of the Trust Deed is available on the scheme register at [disclose-register.companiesoffice.govt.nz](http://disclose-register.companiesoffice.govt.nz).

### Management Agreement

We have a management agreement with the Supervisor that sets out the operational arrangements for the Scheme and the Strategies, including what information we have to report to the Supervisor, how the Strategies' bank accounts will be operated, and what records we have to keep.

## 17. MORE ABOUT MARKET INDICES

More information about the market indices noted in the SIPO can be found on the web pages listed below:

S&P/NZX Investment Grade Corporate Bond Index Total Return	<a href="http://www.eu.spindices.com/indices/fixed-income/sp-nzx-investment-grade-corporate-bond-index">www.eu.spindices.com/indices/fixed-income/sp-nzx-investment-grade-corporate-bond-index</a>
Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged USD	<a href="http://www.bloomberg.com/quote/LGCPTRUH:IND">www.bloomberg.com/quote/LGCPTRUH:IND</a>
S&P/NZX Bank Bills 90 Day Index Total Return	<a href="http://www.eu.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index">www.eu.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index</a>
S&P/NZX 50 Portfolio Index Gross with Imputation	<a href="http://www.eu.spindices.com/indices/equity/sp-nzx-50-portfolio-index">www.eu.spindices.com/indices/equity/sp-nzx-50-portfolio-index</a>
S&P/ASX Accumulation 200 Index	<a href="http://www.eu.spindices.com/indices/equity/sp-asx-200">www.eu.spindices.com/indices/equity/sp-asx-200</a>
MSCI All Countries World Daily TR Net Local Currency	<a href="http://www.msci.com/acwi">www.msci.com/acwi</a>



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To view our Affiliated Advisers, please see [www.nzfunds.co.nz/AdviceSolutions/AffiliatedAdvisers/](http://www.nzfunds.co.nz/AdviceSolutions/AffiliatedAdvisers/)

