NZ Funds
KiwiSaver Scheme

Other Material Information

28 October 2025

NZFunds

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1. Description

This document contains more information about the NZ Funds KiwiSaver Scheme (Scheme). It should be read together with the Product Disclosure Statement (PDS), Statement of Investment Policy & Objectives (SIPO), Quarterly Fund Updates and any other documents on the offer and scheme registers at *disclose-register.companiesoffice.govt.nz*.

In this document, 'you', 'your' or 'Member' means a person who invests in the Scheme; 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 words 'Strategy' and 'Strategies' refer to one or more of the Income Strategy, Inflation Strategy or Growth Strategy. These are actively managed portfolios designed to either be used alone or in combination.

The 'Balanced Fund' is a stand alone portfolio that uses a passive investment approach.

The information in this document may change. Please check the offer register at *disclose-register.companiesoffice.govt.nz* for updates.

2. NZ Funds KiwiSaver Scheme

The Scheme is registered as a KiwiSaver scheme under the Financial Markets Conduct Act 2013 (FMC Act). It is established and 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*.

The Scheme offers five investment options: a passively managed Balanced Fund; three actively managed Strategies (Self Select) and a Life Cycle automated asset allocation option (Life Cycle).

3. The Manager

About NZ Funds

NZ Funds is the manager of the Scheme. We are licensed by the Financial Markets Authority (FMA) to be a manager of registered managed 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.

NZ Funds is a climate reporting entity under Part 7A of the FMC Act. We are required to make annual disclosures called “climate reports” for the Scheme covering governance arrangements, strategy, risk management, and metrics and targets for mitigating and adapting to climate-related impacts. The annual climate reports for the Scheme are on the Climate-related Disclosures Register, which can be accessed at *companiesoffice.govt.nz/all-registers/climate-related-disclosures.*

Our directors

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

Bruce Baillie (BCom) is an independent director of NZ Funds, appointed from January 2022. Bruce is an experienced accountant who had a 30-year career as a Partner at PwC, involved in advising a wide range of organisations including many in the financial services industry, before embarking on a career as an independent director. He has significant experience in audit and financial reporting matters and is now an independent director and advisor to a range of organisations, including those in the financial services and fintech industries.

Gregory Bernard Horton (LLB (Hons), BCom) is an independent director of NZ Funds. Gregory was appointed a director of NZ Funds from May 2013. Gregory is a consultant to Harmos Horton Lusk Limited, a law firm based in Auckland. He has practised law both in New Zealand and New York.

Michael John Lang (BA (Econ), LLB (Hons), CFA) is a director and Chief Executive of NZ Funds. Michael has more than 30 years experience in the financial services industry in New Zealand and in hedge funds overseas. Michael became a director of NZ Funds in 2010 and was appointed Chief Executive from 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.

Russell William Tills (BCom, ACA) is a non-executive director of NZ Funds. Russell has more than 40 years' experience in the financial services industry in New Zealand and overseas. He joined NZ Funds in 1989 and was jointly 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 from 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.

Our directors may change from time to time. You can find the names of our directors at *companies-register.companiesoffice.govt.nz.*

4. Other parties

Supervisor

The New Zealand Guardian Trust Company Limited is the supervisor (Supervisor) of the Scheme. 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 *fma.govt.nz*.

The Supervisor's current directors are Robin Albert Flannagan, Bryan David Connor and Sarah Louise Graydon. 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*.

Administration manager

The administration manager is MUFG Pensions & Market Services Limited (Administration Manager). The Administration Manager performs day-to-day administration functions for the Scheme.

Auditor

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

Solicitors

The solicitors are Russell McVeagh.

5. Supervisor & Manager indemnity

Unless it fails to meet the standard of care required by the FMC Act, if the Supervisor incurs any expense or liability in carrying out its role as Supervisor, it is indemnified under the Trust Deed (and can be reimbursed) from Scheme assets. We, as Manager, are also indemnified on the same terms. More information is set out in the Trust Deed. You can get a copy of the Trust Deed by contacting NZ Funds.

6. Joining & contributions

Joining the Scheme

How you join the Scheme is explained in the PDS. You can join the Scheme if you are a New Zealand citizen or entitled to be in New Zealand indefinitely; and living (or normally living) in New Zealand (with some exceptions).

If you are not already in a KiwiSaver scheme, you may be automatically enrolled in the Scheme if your new employer has chosen the Scheme as their preferred KiwiSaver scheme. If you have been automatically enrolled, you can choose to opt out of the Scheme between weeks two and eight of your membership.

Unless the KiwiSaver Act 2006 (KiwiSaver Act) says differently, we can choose to accept or reject any application you make. We can also delay accepting your application for up to two business days.

Contributions

You can contribute to your KiwiSaver account in the following ways:

- for employees, through your employer using the PAYE system; and
- for all Members (including employees, self-employed and not employed), by regular or lump sum payments made directly to the Scheme or through Inland Revenue.

The KiwiSaver Act sets a minimum contribution rate for Members who are employees. Generally, your employer will also contribute to your KiwiSaver account and you may qualify to receive Government contributions (previously called member tax credits).

Member contributions

How to contribute if you are an employee

If you are an employee, you can choose a contribution rate of 3%, 4%, 6%, 8% or 10% of your before tax pay. If you do not choose a contribution rate, your contribution rate will be 3% (the current minimum under the KiwiSaver Act). The minimum employee contribution will increase to 3.5% on 1 April 2026 and to 4% on 1 April 2028.

Your employer will deduct your contributions from your after tax pay and forward them to the Scheme through Inland Revenue. You can change your contribution rate at any time by completing a KS2 form and giving it to your employer. You can complete this form online, or by downloading the NZ Funds Digital Wallet. You can only change your contribution rate at intervals that are less than 92 days apart if your employer agrees.

If you are new to KiwiSaver (i.e. the Scheme is your first KiwiSaver scheme), Inland Revenue holds any contributions they receive for you until you have been a member of the Scheme for three months. After three months, Inland Revenue will forward your contributions plus any interest to the Scheme.

If you are an employee and under age 65, you must contribute at the minimum employee contribution rate (currently 3%, but increasing to 3.5% on 1 April 2026 and to 4% on 1 April 2028) unless you take a savings suspension. Generally, after being a member of KiwiSaver for one year, you can take a savings suspension if you want to stop making contributions temporarily. Once you have reached age 65 [1], you can tell your employer to stop making contributions from your pay if you wish.

From 1 April 2026 you can apply for a temporary rate reduction to reduce your contributions to 3% for a three month or twelve month period. You can apply for a rate reduction as many times as you like.

As an employee, you can also make voluntary lump sum or regular contributions to your Scheme account at any time, including after you have reached age 65.

How to contribute if you are self-employed or not employed

If you are self-employed or not employed, you can make voluntary lump sum or regular contributions at any time.

Parental leave contributions

You can ask Inland Revenue to deduct employee KiwiSaver contributions from your paid parental leave payments.

If you choose to do so, Inland Revenue will also make employer contributions at the minimum statutory contribution rate.

Member voluntary contributions

Any Member can make lump sum or regular contributions to the Scheme. There are currently no minimum amounts.

To make regular contributions, you will need to complete a direct debit form (available at the back of the PDS or on our website at *www.nzfunds.co.nz*) and send it to the Administration Manager. We may accept alternative payment methods for regular contributions. You can stop voluntary regular contributions at any time by telling the Administration Manager.

Lump sum contributions can be made directly to the Scheme or through Inland Revenue. To make a payment directly to the Scheme, you will need to complete a lump sum contribution form (available on our website at *www.nzfunds.co.nz*) and send it to the Administration Manager.

Payment through Inland Revenue can be made at any Westpac branch, by internet banking, or by cheque. For more information on how to make payments through Inland Revenue, go to *kiwisaver.govt.nz*.

Employer contributions

You can receive compulsory employer contributions if you are:

- an employee and contributing to the Scheme through your pay; and
- aged 18 (16 from 1 April 2026) and over but under the age of eligibility for New Zealand Superannuation (currently 65 [1]).

1. If you joined KiwiSaver (or a complying superannuation fund) before 1 July 2019, a 5 year minimum membership requirement applies if you were aged 60 or over when you joined. During the 5 year minimum membership period, you must continue to contribute if you are working (unless you take a savings suspension). You will also be eligible for Government contributions and compulsory employer contributions during this 5 year membership period. Once you have reached age 65, you can opt out of the 5 year minimum membership requirement and withdraw some or all of your money in the Scheme. However, if you do so you will no longer be able to receive any Government or compulsory employer contributions.

Compulsory employer contributions are currently at the rate of 3% of your before tax pay (increasing to 3.5% on 1 April 2026 and to 4% on 1 April 2028). Your employer may choose to contribute more than this amount. After you reach age 65, you can keep making employee contributions. However, your employer is not required to make compulsory employer contributions.

Your employer does not have to make compulsory employer contributions if you are not contributing (for example, if you are taking a savings suspension or are on leave without pay). If you have applied for a temporary rate reduction, your employer can choose to contribute at the same rate.

Also, the amount of compulsory employer contributions may be reduced if your employer is required to contribute to a complying superannuation fund or other retirement scheme, for your benefit.

Your employer must deduct employer's superannuation contribution tax (ESCT) from its contributions before they are paid into the Scheme.

Government contributions

If you are eligible, the Government will contribute to your KiwiSaver account at the rate of 25c for every dollar you contribute up to a maximum of $260.72 a year (around $5.00 a week). To be eligible for the maximum Government contribution, you will need to contribute at least $1,042.86 each year between 1 July and 30 June.

You are eligible for Government contributions if you:

- are aged 16 or over and under the age of eligibility for New Zealand Superannuation (currently 65)[1]; and
- live, or normally live, in New Zealand (subject to some exceptions); and
- earn $180,000 or less during this period.

Government contributions are paid annually based on the number of days in each year (1 July to 30 June) you were eligible. The contribution will reduce for any part of the year that you were not eligible. You do not have to do anything to be paid the Government contribution if you are eligible for it; we will apply for it on your behalf.

Savings suspension

If you are employed and have been a member of KiwiSaver for at least 12 months, you can take a break from making contributions. To do so, you will need to apply to Inland Revenue for a savings suspension. Your savings suspension must be for a minimum of three months up to a maximum of one year.

You can apply within the first 12 months of being a KiwiSaver member if you are suffering, or likely to suffer, financial hardship. You will need to provide evidence of financial hardship to support your application. If your savings suspension is approved, it will usually be for a maximum of three months (unless Inland Revenue agrees to a longer period).

Your employer does not have to make compulsory employer contributions to your KiwiSaver account while you are taking a savings suspension. These compulsory employer contributions will restart when you start making contributions from your pay again.

You can apply for another savings suspension when the one you are taking expires. There is no limit to the number of times you can apply for a savings suspension. You can end a savings suspension at any time by telling your employer.

7. Withdrawals

The table on page 7 shows the main types of withdrawals and what you can withdraw under the KiwiSaver Act.

Retirement withdrawal

KiwiSaver is designed to help you save for retirement. Unless you meet one of the early withdrawal criteria below, you cannot withdraw your money from the Scheme until you reach the age of eligibility for New Zealand Superannuation (currently 65)[1]. Once you reach age 65, you can withdraw some or all of your investment at any time. You do not have to withdraw your money when you reach age 65 if you do not want to.

Early withdrawals

You can apply to withdraw some or all of your KiwiSaver savings before age 65 in the following circumstances:

- first home purchase;
- significant financial hardship;
- serious illness;
- life-shortening congenital condition;
- permanent emigration (other than to Australia); or
- permanent emigration to Australia.

If you have transferred savings from an Australian complying superannuation fund, you can withdraw some or all of that amount when you reach age 60 if you meet the 'retirement' definition under Australian law.

First home purchase

You can apply to withdraw some of your KiwiSaver savings to purchase your first home in New Zealand (including an interest in a private residence on Maori land) if you meet all of the following criteria:

- you have been a member of a KiwiSaver scheme (or a complying superannuation fund) for at least three years;
- the property you are purchasing is intended to be the main place you live in;
- you have never owned property before (limited exceptions apply); and
- you have not made a first home withdrawal from a KiwiSaver scheme before.

If you have owned property or land before, you may still be able to apply for a first home withdrawal if Kainga Ora – Homes and Communities confirms you are in a similar financial position as a first home buyer.

You must leave a minimum of $1,000 in your KiwiSaver account after the first home withdrawal. Also, you cannot withdraw any money transferred to your account from an Australian complying superannuation fund. You will remain a member of the Scheme after we have paid your first home withdrawal.

Significant financial hardship

You can apply to make a withdrawal if you suffer, or are likely to suffer, significant financial hardship. For example, if you are unable to:

- meet your minimum living expenses (such as power, water, food, and rent/board);
- meet the mortgage payments on your home where your lender enforces its mortgage;

1. If you joined KiwiSaver (or a complying superannuation fund) before 1 July 2019, a 5 year minimum membership requirement applies if you were aged 60 or over when you joined. During the 5 year minimum membership period, you must continue to contribute if you are working (unless you take a savings suspension). You will also be eligible for Government contributions and compulsory employer contributions during this 5 year membership period. Once you have reached age 65, you can opt out of the 5 year minimum membership requirement and withdraw some or all of your money in the Scheme. However, if you do so you will no longer be able to receive any Government or compulsory employer contributions.

- pay medical bills for you or a dependant;
- pay to modify your home to meet special needs for you or a dependant caused by a disability; or
- meet funeral costs if a dependant dies.

You will need to give evidence showing that you are suffering or are likely to suffer significant financial hardship as it is defined under the KiwiSaver Act, give a statutory declaration of your assets and liabilities, and show that all reasonable alternative sources of funding have been explored and exhausted.

NZ Funds will pass any application you make to the Supervisor for its approval. The Supervisor can limit the withdrawal to an amount it thinks is enough to help with your hardship. You cannot withdraw any Government contributions or any of the $1,000 'kick-start' contribution (if you received one). If your application is accepted, you will remain a member of the Scheme after your significant financial hardship withdrawal is paid.

Serious illness

You can apply to withdraw all of your KiwiSaver savings if you have an injury, illness or disability that results in either:

- you being totally and permanently unable to engage in work that you are suited for based on your experience, education, training, or any combination of those things; or
- a serious and imminent risk of death.

You will need to complete a statutory declaration and give medical evidence that shows you are suffering from a serious illness. We will pass any application you make to the Supervisor for its approval.

Life-shortening congenital condition

You can apply to withdraw all of your KiwiSaver savings if you have a life-shortening congenital condition. The list of congenital life-shortening conditions qualifying people for a withdrawal is:

- Down syndrome (Down's syndrome);
- Cerebral palsy;
- Huntington's disease (Huntington's chorea); and
- Fetal alcohol spectrum disorder.

There is also an ability for people who have non-designated congenital conditions to apply for a withdrawal.

NZ Funds will pass any application you make to the Supervisor for its approval. The Supervisor may require you to give medical evidence that shows you have a congenital life-shortening condition.

Permanent emigration (other than to Australia)

If you permanently move to any country other than Australia and have been away for more than a year, you can apply to withdraw your KiwiSaver savings. You will need to complete a withdrawal request, including a statutory declaration, and give evidence showing you have permanently moved.

You will be able to withdraw all your savings except for any Government contributions and any amount transferred from an Australian complying superannuation fund. Any Government contributions will be repaid to Inland Revenue. Any amount that was transferred from an Australian complying superannuation fund will remain in your KiwiSaver account.

Permanent emigration to Australia

If you permanently move to Australia, you cannot withdraw your KiwiSaver savings. Instead, you can transfer all of your KiwiSaver savings to an Australian complying superannuation fund that agrees to accept the transfer. Alternatively, your KiwiSaver savings can remain invested in the Scheme.

Please contact us or the manager/administrator of your Australian complying superannuation fund to find out how you can transfer your savings to Australia.

Other withdrawals

Death

If you die while a member of the Scheme, your personal representatives (that is, the executors or administrators of your estate) can apply to withdraw the balance of your KiwiSaver account. If your savings are less than the prescribed amount (currently $15,000) and other conditions are met, we can pay your KiwiSaver balance directly to a person allowed by law to receive it. This could be a surviving spouse or partner.

Tax liability & student loan obligations

You can make a withdrawal to meet any New Zealand tax liability or student loan repayment obligation that arises from the transfer of your money from an overseas superannuation scheme (other than an Australian complying superannuation fund) to the Scheme.

Withdrawal type	Member contribution	Employer contribution	Government contribution	$1,000 kick-start (if applicable)[1]	Amounts transferred from an Australian complying superannuation fund
Retirement	✓	✓	✓	✓	✓
First home purchase[2]	✓	✓	✓		
Significant financial hardship	✓	✓			✓
Serious illness	✓	✓	✓	✓	✓
Life-shortening congenital condition	✓	✓	✓	✓	✓
Permanent emigration (other than to Australia)	✓	✓		✓	
Permanent emigration to Australia (transfer only)	✓	✓	✓	✓	✓
Death	✓	✓	✓	✓	✓
Retirement withdrawal of Australian savings from age 60					✓

Note. If you joined KiwiSaver (or a complying superannuation fund) before 1 July 2019, a 5 year minimum membership requirement applies if you were aged 60 or over when you joined. You can opt out of this requirement, and if you are aged 65 or over withdraw some or all of your money in the Scheme.

1. You will only have received a $1,000 kick-start contribution from the Government if you first joined KiwiSaver before 2.00pm on 21 May 2015. 2. You must leave a minimum of $1,000 and any amount transferred from an Australian complying superannuation fund in your KiwiSaver account after the withdrawal.

You will need to give us a statement setting out details of the transfer and the liability that it creates, and you must apply for this withdrawal within two years after Inland Revenue assesses your liability. You cannot withdraw any Government contributions you have received to meet this liability. In some circumstances, the withdrawal can trigger a foreign tax liability.

Other laws

NZ Funds and the Supervisor will comply with any law or Court order telling us to release some or all of your money from the Scheme. For example, a Court order under the Property (Relationships) Act 1976.

Withdrawing Government contributions

Before you can withdraw any Government contributions, you will need to complete a statutory declaration confirming the dates that your main place of residence was in New Zealand.

How to request a withdrawal

You can request a withdrawal by completing the relevant withdrawal form and sending it to the Administration Manager. Withdrawal forms are available on our website at *www.nzfunds.co.nz*.

Transfers

You can transfer between the Scheme and another KiwiSaver scheme or permitted retirement scheme at any time. You can only be a member of one KiwiSaver scheme at a time.

If your investment in the Scheme includes money transferred from a UK pension scheme, an early withdrawal or a transfer to another KiwiSaver scheme can have UK tax implications.

Closing your account

NZ Funds can close your KiwiSaver account if it has a zero balance. We will contact you before we do this. Your account will also be closed if you transfer to another KiwiSaver scheme or other superannuation scheme.

8. Member contribution cover

From 1 April 2023, NZ Funds (in conjunction with Partners Life) provides free Member contribution cover to all Scheme Members who are employees, aged from 18 to 65 years.

Partners Life is a New Zealand-operated company. It was founded as a small start-up in 2011 with a focus on protecting Kiwi families and businesses. Since then, it has grown to become a multi award-winning company and recognised industry leader in life and health insurance in New Zealand.

Following is a summary of the terms and conditions of the Member contribution cover. For full details of the available cover please contact NZ Funds.

Cover is provided to Members aged from 18 to 65 years for employee contributions, for a period of up to six months if you are unable to work due to illness and injury (subject to eligibility criteria). This cover is provided by NZ Funds through a policy with Partners Life, the premium for which is paid from NZ Funds' own funds.

Amounts paid to the Scheme on behalf of a Member under the Member contribution cover are not 'employee contributions' for the purposes of attracting employer contributions.

The cover is applicable if a Member is unable to work in their Usual Occupation as a result of an Accident, Injury or Illness for more than ten hours per week for a period of longer than 4 weeks.

The diagnosis of total disability must be made by an independent Specialist or Medical Doctor and the Member must be under their care and complying with their advice and recommended treatment.

The cover will be payable after the end of the four week period until the Member is able to return to work for more than ten hours per week, or the end of the six-month period, whichever is earlier.

The contributions payable will be based on the Member's average employee contributions over the preceding 12 months before the claim was made and will be paid into the Scheme on behalf of the Member over the term. If the Member has been a Member of the Scheme for less than 12 consecutive months, the contributions payable will be based on 3% of the Member's gross salary.

The cover does not include claims in relation to pregnancy complications, intentional self-inflicted harm, and participating in a criminal act.

To make a claim, please contact NZ Funds, your financial adviser, or visit our website at *www.nzfunds.co.nz*. You can also contact Partners Life directly on 0800 145 433.

Definitions

Usual Occupation means your last full-time occupation you had when you were injured or became ill.

Illness means any sickness or disease, which has not been caused by an Accident.

Injury means a physical impairment which has been caused by an Accident.

Accident means a violent, external and visible event that results in physical Injury.

At a future date NZ Funds may decide to remove the Member contribution cover. If this occurs Members will be provided with 90 days notice of the removal.

9. Other key terms

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

Valuation & unit pricing

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

The Trust Deed sets out the principles that apply to the valuation of the Balanced Fund's or a Strategy's assets and calculation of net asset value. We generally calculate the net asset value of the Balanced Fund or a Strategy each business day (called a Valuation Day).

NZ Funds may set valuation methods and policies for each category of asset and change them from time to time. The Supervisor approves the 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 only paid by the Members involved in those transactions. We do not currently charge transaction costs.

Withdrawal payments

Withdrawals will be processed at the unit prices on the next Valuation Day following the day on which your withdrawal request is approved. Once a withdrawal request is approved, you will normally receive your funds within 10 to 15 business days.

Suspension powers

NZ Funds can suspend net asset value calculations, withdrawals, or transfers to or from the Scheme or the Balanced Fund or any Strategy (including switches) if we think allowing them is not practicable or would be prejudicial to the interests of any Members. We have to tell the Supervisor if we do this, and the suspension period cannot be longer than 10 days unless the Supervisor agrees.

Borrowing

Borrowing is allowed under the Trust Deed. However, neither the Balanced Fund nor the Strategies 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 or leverage created through the use of derivatives.

Terminating or changing the Balanced Fund or a Strategy

NZ Funds may terminate, close or change the nature of the Balanced Fund or any Strategy. We may also combine the Balanced Fund and any two or more Strategies, on terms and conditions as we think fit. We have to tell the Supervisor before we do this.

These terms and conditions may specify that any Member who does not consent to the termination or change will be required to transfer to another KiwiSaver scheme under the rules in the KiwiSaver Act.

Winding-up/insolvency

If the Scheme is wound up or becomes insolvent, the assets of the Balanced Fund and the Strategies 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 transferred to another KiwiSaver scheme chosen by you.

If you do not choose, then Inland Revenue will transfer your share to a default KiwiSaver scheme. We can postpone the sale of any Scheme asset for as long as we reasonably think it is desirable in the interests of Members.

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 the Scheme. This only applies if you do not have enough money in the Scheme 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 KiwiSaver Act and the FMC Act.

10. More about fees & charges

Annual fund charges

Balanced Fund

NZ Funds does not charge a management fee to the Balanced Fund.

NZ Funds currently pays or rebates to the Balanced Fund its share of all fees and expenses listed in this section (excluding transaction costs). Other costs and expenses in relation to the Balanced Fund may, at NZ Funds discretion, also be paid for by NZ Funds directly or rebated in part or in full to the Balanced Fund.

However, there may be future circumstances in which, for cost recovery purposes, NZ Funds may charge one or more expenses or other costs (either in part or in full) to the Balanced Fund. We will tell you if this occurs.

Strategies

You will be charged fees for investing in the Strategies.

Estimated annual fund charges are included in section 5 of the PDS and are made up of a management fee, estimated performance fees, and external management fees, and estimates of other fees and costs incurred by the Strategies. They also include the wholesale trust administration fee charged by NZ Funds to certain wholesale trusts that we manage.

Transaction costs

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

Management fees & rebates

Balanced Fund

NZ Funds does not charge a management fee to the Balanced Fund.

At a future date NZ Funds may decide to introduce a management fee to the Balanced Fund so long as we tell the Supervisor, and the new fee is reasonable. If this occurs, Members will be provided with 90 days' notice of the introduction of the management fee and will have the opportunity to switch out of the Balanced Fund before the management fee is introduced.

Strategies

The Strategies are charged an annual management fee by NZ Funds which covers the management of the Strategies. The management fee is calculated daily and paid monthly.

NZ Funds may change the management fee, so long as we tell the Supervisor, and the new fee is reasonable. We may also charge a Member or group of Members (including any group of Members advised by a financial advice provider), a lower management fee, or we may rebate all or some of the management fee for a Member or a group of Members. Please see below for details of current fee rebates.

Current management fees

The current management fees are:

Strategy		Management fee* (p.a.)
Balanced Fund		0.00%
Income Strategy		0.95%
Inflation Strategy		1.05%
Growth Strategy		1.10%
Life Cycle**	Age 0-54	1.09%
	At age 65	1.04%
	At age 75	1.03%

* As a percentage of the net asset value of the Balanced Fund or each Strategy.

** We have selected 3 examples to illustrate Life Cycle fees.

Management fee rebates

NZ Funds will rebate a portion of the management fee from our own funds based on the total amount you have invested in the Scheme and other managed funds offered by NZ Funds (your total investment). If your total investment is $1,000,000 or more, we will rebate 0.17% of the proportion of your investment in the Inflation Strategy; and 0.40% of the proportion of your investment in the Growth Strategy.

Your entitlement to receive a fee rebate is based on your total investment at each calculation date. This means that contributions, withdrawals and market movements may influence whether or not you are entitled to a rebate. We may also extend the rebate calculation to include your related NZ Funds investments.

The management fee rebate is calculated daily based on your investment balance and paid monthly by giving you extra units in the relevant Strategies. The rebate will generally be paid on the 25th of each month. If you fully withdraw from the Scheme before we pay any fee rebate, you will no longer be entitled to that rebate.

NZ Funds may change the rate and basis for calculating the management fee rebate, or remove the rebate, at any time. If we decrease the rebate rate or remove the rebate, we will give 30 days' notice to Members affected by the change.

Members under age 18

NZ Funds currently rebates all fund fees, charges and expenses incurred by members under the age of 18 annually. These fees, charges and expenses are accrued daily and rebated at the end of March each year. If you transfer to another KiwiSaver scheme before the rebate calculation is undertaken, you will not receive the rebate for that year.

Parental leave

NZ Funds currently rebates all fund fees, charges and expenses incurred by Members on parental leave (as that term is defined in the Parental Leave and Employment Protection Act 1987). To receive this rebate, you need to tell us that you are on parental leave. The rebate is available from the date that they notify us that they are on parental leave to the expiry of that leave.

Fund fees, charges and expenses are accrued daily and rebated at the end of March each year. If you transfer to another KiwiSaver scheme before the rebate calculation is undertaken, you will not receive the rebate for that year.

NZ Funds may change the rate and basis for calculating the parental leave rebate, or remove the rebate, at any time. If we decrease the rebate rate or remove the rebate, we will give 30 days' notice to Members affected by the change.

Additional fee rebates

In addition to the fee rebates described above, we may at our discretion and from our own funds, pay or rebate some or all fees and expenses described in this section, and we may, at our discretion, offer an investor or a group of investors a different fee rebate from that set out in this section.

For example, we may choose to offer an investor or a group of investors a management fee rebate that is different from that set out above, or we may choose to rebate to some investors a portion of the fees and other fund charges charged to the Strategies that are indirectly incurred by them.

NZ Funds may change the rate and basis of any additional fee rebate, or remove any additional rebate, at any time, provided that in no case will the removal of an additional rebate result in a member paying fees (excluding performance fees) in excess of those set out in section 5 of the PDS.

Performance fee

None of the Strategies are charged a performance fee directly by us. However, where specific performance targets are met, NZ Funds may charge a performance fee in the Private Dividend Yield Trust, a wholesale trust that the Growth Strategy currently invests in.

NZ Funds may also charge a performance fee in other wholesale trusts that the Strategies invest in, however, we currently rebate any performance fee indirectly paid by the Strategies in these other wholesale trusts.

The performance fee for the Private Dividend Yield Trust is calculated daily and reflected in its unit price. Performance fees are paid on or after 31 March each year, subject to a high-water mark as described in the PDS. The high-water mark cannot be reset lower.

The Private Dividend Yield Trust uses a combination of recognised market indices as its performance hurdle rate of return. Out-performance of these market indices, whether the market indices return is positive or negative, will result in a performance fee being accrued even though the unit price may be below the last high-water mark.

The performance returns of the Private Dividend Yield Trust are calculated on a before tax basis and do not include imputation credits. When we calculate the performance of the hurdle rate, we include a notional management fee of 0.50% per annum. This has the effect of increasing the required level of return the Private Dividend Yield Trust must achieve before it is eligible for a performance fee.

The table on page 12 contains 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 an actual calculation made or a forecast investment return.

The annual fund charges in the PDS include the following estimated performance fees:

Strategy		Estimated performance fee*
Balanced Fund		no fee
Income Strategy		no fee
Inflation Strategy		no fee
Growth Strategy		0.02%
Life Cycle**	Age 0-54	0.01%
	At age 65	0.01%
	At age 75	0.01%

* As a percentage of the net asset value of the Balanced Fund or each Strategy calculated per annum.

** We have selected 3 examples to illustrate Life Cycle fees.

These estimates are based on the following assumptions:

- that the Private Dividend Yield Trust will on average achieve returns above the market indices (hurdle rate) over the long term; and
- that the percentage of the Growth Strategy invested in the Private Dividend Yield Trust is 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 performance fees are available in the Quarterly Fund Update which you can get from our website at *www.nzfunds.co.nz*.

The performance fees received by NZ Funds for the previous five years for each Strategy are shown (as a percentage of the net asset value of each Strategy) in the table below. These are paid indirectly by the Private Dividend Yield Trust. Performance fees are not payable by the Balanced Fund or the Income Strategy, and are no longer payable by the Inflation Strategy.

Year ended March	Balanced Fund	Income Strategy	Inflation Strategy	Growth Strategy
2021	n/a	n/a	0.51%	0.44%
2022	n/a	n/a	nil	nil
2023	n/a	n/a	n/a	nil
2024	n/a	n/a	n/a	nil
2025	n/a	n/a	n/a	nil

All performance fees paid to NZ Funds by the Private Dividend Yield Trust are on arm's length terms and meet the requirements for related party transactions in the FMC Act.

Other fund charges

Other fund charges include estimates of what third parties charge for services provided to the Scheme and related wholesale trusts that the Strategies and the Balanced Fund invest in, and also the wholesale trust administration fee.

Balanced Fund

NZ Funds currently pays or rebates all other fund charges incurred in relation to the Balanced Fund.

While the Balanced Fund may invest in underlying funds managed by external specialist investment managers it does not currently do so.

At a future date NZ Funds may decide to charge other fund charges to the Balanced Fund so long as we tell the Supervisor, and the new fee is reasonable. If this occurs, Members will be provided with 90 days' notice and will have the opportunity to switch out of the Balanced Fund before the change is introduced.

Strategies

Other fund charges are paid by the Strategies. They include the Supervisor's fee and professional fees and expenses, and fees charged by external specialist investment managers (external managers). It also includes the wholesale trust administration fee charged to the wholesale trusts by NZ Funds.

The Supervisor charges a fee for providing supervisory and custody services to each Strategy. Supervisor fees are calculated daily and paid by each Strategy monthly. The Supervisor may, if we agree, change the Supervisor fee at any time so long as the new fee is reasonable.

The Strategies and wholesale trusts that the Strategies invest in may also incur professional fees (such as fees for legal, accounting and audit services) and other charges (such as charges for administration, valuation and custody services to the wholesale trusts).

The Trust Deed allows these professional fees and other charges incurred by the Strategies to be paid out of the assets of the relevant Strategy as expenses. Professional fees and other charges incurred by the wholesale trusts will be paid out of the assets of the relevant wholesale trust.

The Trust Deed also allows NZ Funds, the Supervisor and any party that may be appointed by NZ Funds or the Supervisor to be reimbursed for all expenses properly incurred while carrying out their duties in relation to the Strategies.

NZ Funds currently charges an administration fee in some of the wholesale trusts managed by us that the Balanced Fund and the Strategies invest in. These fees are on arm's length terms and meet the requirements for related party transactions in the FMC Act. They are estimated to be 0.09% of the net asset value of each Strategy. The returns of the Strategies will be indirectly affected by these fees.

External managers charge fees (including entry fees, exit fees, management and administration fees, and performance fees) and incur expenses.

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%).

An external manager may also charge a performance fee where they are appointed to manage a wholesale trust that outperforms its investment benchmark and the external manager fee is based on the wholesale trust's outperformance.

As the Strategies indirectly invest in external managers their returns will be affected by the fees and expenses charged by external managers.

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

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

Estimates of the other fund charges are included within 'annual fund charges' in the PDS.

Basis for estimated fund charges

The annual fund charges in the PDS include estimates of Supervisor fees, professional fees, other charges, expenses, wholesale trust administration fees, external manager fees, and performance fees.

Estimates of external manager fees and performance fees are discussed above. All other estimates are based on the assumption that the ongoing level of these charges will be similar to those charged in the most recent financial year.

Actual annual fund charges for the Balanced Fund and each Strategy for the most recent year are available in the latest Quarterly Fund Updates, which you can get from our website at *www.nzfunds.co.nz*.

Other charges

There is an administration fee of $29.76 a year payable if you are 18 or over. This fee is deducted from your account monthly. If you are invested in the Balanced Fund this fee is paid by NZ Funds.

Securities lending revenue

The net proceeds from securities lending and other specific revenue generating activities will be shared equally between NZ Funds and the Balanced Fund or the relevant Strategy.

Individual action fees

NZ Funds does not charge any establishment, application, contribution, termination, withdrawal, switch or transfer fees.

Financial advice fee

Other fees can be charged on an individual basis for investor-specific decisions or actions. This currently only applies to financial advice fees.

Your Financial Advice Provider (including NZ Funds where we are your Financial Advice Provider) can charge you certain financial advice fees (of up to 0.50% of your investment in the Scheme) if they have an agreement in place with us that allows them to provide financial advice to Members of the Scheme. They must also have a financial advice agreement with you that allows them to charge you financial advice fees.

If you have authorised us to do so, financial advice fees (if any) can be deducted from your account balance and paid to your Financial Advice Provider monthly in arrears. The Financial Advice Fee will not be deducted if you tell us to stop paying it to your Financial Advice Provider.

Example of Private Dividend Yield Trust performance fee

Financial year	Investment value at start of year	Investment value at end of year (before performance fee)	Investment return	Hurdle rate	Relative Performance %	Relative Performance $	Value of under-performance brought forward	Net out performance	Performance fee charged	High-water mark	High-water mark met	Performance fee paid	Performance fee accrued to pay in future years	Under performance carried forward
Y1	$10,000.00	$11,000.00	10.0%	8.0%	2.0%	$200.00	nil	$200.00	$30.00	$10,000.00	✓	$30.00	nil	nil
Y2	$10,970.00	$11,847.60	8.0%	10.0%	-2.0%	nil	nil	-$219.40	nil	$10,970.00	✓	nil	nil	-$219.40
Y3	$11,847.60	$10,662.84	-10.0%	-15.0%	5.0%	$592.38	-$219.40	$372.98	$55.95	$10,970.00	✗	nil	$55.95	nil
Y4	$10,606.89	$12,197.93	15.0%	15.0%	0.0%	nil	nil	nil	nil	$10,970.00	✓	$55.95	nil	nil

In this example, the performance fee of the Private Dividend Yield Trust is 15% of the amount by which its performance (after wholesale trust fees and before tax but not including imputation credits) exceeds the hurdle rate of return.

In year one, the Private Dividend Yield Trust outperforms the hurdle rate by 2% accruing a performance fee which is then paid at the end of the performance period and a new high-water mark set.

In year two, the Private Dividend Yield Trust underperforms the hurdle rate and consequently no performance fee is accrued. Any underperformance is carried forward and must be recovered before any future performance fee is accrued. This is illustrated in year three, when the Private Dividend Yield Trust returns more than the hurdle rate 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 Private Dividend Yield 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 Private Dividend Yield Trust exceeds the high-water mark. A new high-water mark is then set at the end of year four.

Onboarding & service payments

NZ Funds may pay financial advice providers an onboarding and ongoing service payment in recognition of the effort and costs associated with providing services to you regarding your investment in the Scheme. These payments are made out of the revenue earned by NZ Funds for managing the Scheme and are not deducted directly from the Strategies or the Balanced Fund.

Goods & Services Tax (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 stated fee.

11. More about investment management

Balanced Fund

Passive management generally

NZ Funds take a passive investment approach in managing the Balanced Fund. Our passive approach allocates clients' funds based on an index or by taking a predominantly buy and hold approach to security ownership. We may allocate clients' funds by investing directly, or indirectly via a wholesale trust.

NZ Funds may also, in its sole discretion, choose to deviate from an index based allocation in the Balanced Fund from time to time to, for example, ensure the Balanced Fund meets the requirements of our responsible investment policy or for any other reason.

Actual investment mix

NZ Funds targets a 50% allocation to bonds and a 50% allocation to shares. The actual investment mix may deviate from the target allocation from time to time, due to factors such as fund flows or movements in securities prices or portfolio management.

As part of our passive approach, we regularly review and if necessary rebalance the Balanced Fund to its target benchmark. We may also adjust the target benchmark from time to time.

The performance of the Balanced Fund may not replicate a chosen index due to portfolio construction, the practicalities of investment management, including the timing of purchases and sales, funds flows, liquidity, in order to meet NZ Funds' responsible investment policy, or for any other reason.

The graph on page 14 shows the actual investment mix for the Balanced Fund since inception which is taken from the Quarterly Fund Update for the Balanced Fund.

Use of derivatives

NZ Funds may use derivatives in managing the Balanced Fund to gain exposure to the chosen indices. Derivatives are not used to gain leverage in the Balanced Fund.

NZ Funds also uses derivatives to manage the Balanced Fund's foreign currency exposure. Where the Balanced Fund holds assets denominated in a foreign currency, we hedge the foreign currency exposure of international fixed interest and Australian shares back to the New Zealand dollar. International shares and/or international share market futures are held in international currencies.

Strategies

NZ Funds uses an active investment management approach when managing the Strategies. This approach seeks to maintain a balance between preserving your capital and growing your wealth in a manner that is consistent with each Strategy's objective.

Our active investment management approach allows the Strategies to be invested in authorised asset classes in any proportion. It also includes the ability for the Strategies to use derivatives which can create leverage. We also actively manage foreign currency in the Strategies.

Active management generally
NZ Funds' active investment management approach means that we (and the external specialist investment managers we work with) make buy and sell decisions every day, increase your investments in assets we believe have stronger upside, and reduce investments in assets that we believe have run their course.

NZ Funds also has the ability to invest using sophisticated investment instruments and techniques (used by other managers who manage money in similar ways to us). These instruments and techniques may not be generally accessible to individual investors.

We also use an active-quant approach in managing the Inflation Strategy. Active-quant means we select companies from the sectors that are the focus of the Inflation Strategy and then use a quantitative screen to determine their portfolio weight and liquidity.

Actual investment mix
As a result of our active investment management approach, the actual investment mix of a Strategy may vary significantly from the target investment mix shown in the table in Section 3 of the PDS.

This can be illustrated by the graphs on page 15, which show the actual investment mix of the Income, Inflation and Growth Strategies for the preceding five years. The actual investment mix in the graphs is taken from the Quarterly Fund Update for each Strategy, which are scaled to 100% to take into account the impact of derivatives.

Use of derivatives
Derivatives can be considered to be 'leveraged' investments, which means that a relatively small investment in derivatives can produce the same gain (or loss) as a much larger investment in the underlying asset itself.

The use of derivatives and the leverage their use creates may increase or decrease investment risk. NZ Funds uses derivatives in a selective manner and makes decisions on the amount of leverage that the individual Strategies may use.

The use of leverage is managed through NZ Funds' active management approach and through the processes and policies surrounding our investment guidelines. The guidelines are not limits on the amount of leverage that the use of derivatives may create in each authorised asset class.

NZ Funds is expected to regularly use leverage (via derivatives) to change the exposure to an authorised asset class. The actual range of leverage used by the Strategies for the preceding five years is set out below.

Year ended 31 March	Balanced Fund	Income Strategy	Inflation Strategy	Growth Strategy
2021	-	101%-129%	101%-199%	113%-216%
2022	100%-100%	100%-110%	103%-197%	105%-202%
2023	100%-100%	104%-119%	100%-132%	104%-172%
2024	100%-100%	100%-100%	100%-100%	104%-155%
2025	100%-100%	100%-100%	100%-100%	121%-175%

The use of derivatives can substantially alter the returns and risks of a Strategy and may result in higher or lower returns than a fund that does not use derivatives.

Investors should be aware that the leverage of each Strategy changes frequently and those changes can be material.

In most cases, we use notional market exposure when calculating leverage. This means that, in the table on page 13, when we own a derivative we show how much exposure to an authorised asset class the derivative contract gives the Strategy. However, some forms of economic exposure such as derivatives on bonds or currencies are included on a profit and loss basis.

Also, we do not normally net exposures when calculating the amount of leverage in the Strategy. This means that we do not distinguish between an active exposure that is designed to enhance the return of the Strategy and an exposure that is designed to hedge (or reduce the risk of) the Strategy. Instead, we normally show the total value of all exposures added together.

Foreign currency
NZ Funds actively manages foreign currency in the Strategies. Where a Strategy holds assets denominated in a foreign currency, we have the choice of whether to hedge back to the New Zealand dollar or retain a foreign currency exposure. Irrespective of whether a Strategy holds investments in that currency, a Strategy can also take active foreign currency positions by investing in non-New Zealand dollar cash or foreign currency derivatives. The foreign currency exposure for each Strategy is set out in its Quarterly Fund Update.

Authorised asset class limits

NZ Funds has developed authorised asset class limits which are used in the oversight of the Balanced Fund and the Strategies. The authorised asset class limits are the maximum exposure that the Balanced Fund or a Strategy may have to an authorised asset class. They are designed to help ensure the Balanced Fund and the Strategies invest in accordance with their investment objective and timeframe.

Initial authorised asset class limits are proposed by the NZ Funds Investment team and approved by the NZ Funds Investment Committee (a committee of the NZ Funds Board) and by the NZ Funds Board. The NZ Funds Investment Committee may recommend changes to the authorised asset class limits. Any changes to the authorised asset class limits require consultation with the Supervisor and the approval of the NZ Funds Board.

The investment guidelines policy requires that the Balanced Fund and all Strategies are managed within the authorised asset class limits and describes the process for dealing with a breach of an authorised asset class limit (which is a SIPO limit break).

Adherence to the authorised asset class limits is monitored by the NZ Funds Compliance team. If the Compliance team identifies that an authorised asset class limit has been exceeded, they notify the Board Chair, Chair of the Investment Governance Committee and Chief Executive of the event and of the proposed solution.

NZ Funds' proprietary investment monitoring system enables Compliance to have daily oversight of the authorised asset class limits. The Balanced Fund and each Strategy are also reviewed against the authorised asset class limits on a monthly basis by the Investment Guidelines Meeting in order to confirm SIPO compliance. The minutes of the Investment Guidelines Meeting are tabled at the Investment Governance Committee meeting.

Investment guidelines

NZ Funds maintains internal investment guidelines which are used in the oversight of the Balanced Fund and the Strategies. These guidelines are designed to ensure the Balanced Fund and the Strategies invest in accordance with their investment objective and timeframe.

The guidelines set out ranges within which the Balanced Fund and each Strategy will usually (but not always) invest in authorised asset classes (being the types of assets that a Strategy is permitted to invest in), and also addresses other investment matters such as the ability of a Strategy to use leverage and the level of liquidity that a Strategy will target.

Guidelines may be exceeded from time to time over the course of an economic cycle. Where this occurs, the Manager will respond promptly to correct that. It will either alter the investment, or in some cases seek a guideline change from the NZ Funds Investment Governance Committee and NZ Funds Board.

Compliance with the guidelines is monitored by NZ Funds' Compliance team. Where the Compliance team identify that a guideline has been exceeded, they must notify the Chief Investment Officer, the Chief Executive Officer and Chief Operating Officer of the event and of the proposed course of action.

The Balanced Fund and each Strategy are also reviewed against the guidelines on a monthly basis at the Investment Guidelines Meeting and exceptions are noted. SIPO compliance for the preceding month is also confirmed at this meeting. The minutes of the Investment Guidelines Meeting are tabled at the Investment Governance Committee meeting.

Any member of the NZ Funds Investment, Legal, Compliance or Funds Management teams may propose a change to the guidelines, or the introduction of a new guideline. Amending a guideline (or introducing a new guideline) requires the approval of the NZ Funds Investment Governance Committee and ratification or approval by the NZ Funds Board. The Board may ratify or approve the amended guideline (with or without additional amendments) or reject it.

If the Board rejects or amends a guideline change, the Investment team must take any action required to ensure that the affected Strategy continues to comply with the guidelines. The detailed process for administering the guidelines is set out in our investment guidelines policy.

It is important to note that the exceeding of a guideline, or a deviation from the target investment mix for a Strategy, does not amount to a limit break under the SIPO. The purchase of an unauthorised asset class does however constitute a SIPO limit break. See the SIPO for more information.

12. Risks

Every investment has risks. The primary risks of investing in the Scheme 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 the Scheme 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 Scheme. However, there are other risks associated with the Scheme that could impact your investment which are discussed on pages 16 and 17. If any of these risks eventuate, the Scheme or the Balanced Fund or any Strategy may be adversely affected and you could receive back less than you invested.

You may lose some or all of your investment. No rate of return or repayment of your investment is guaranteed by NZ Funds, the Supervisor, or any other person.

General investment risks

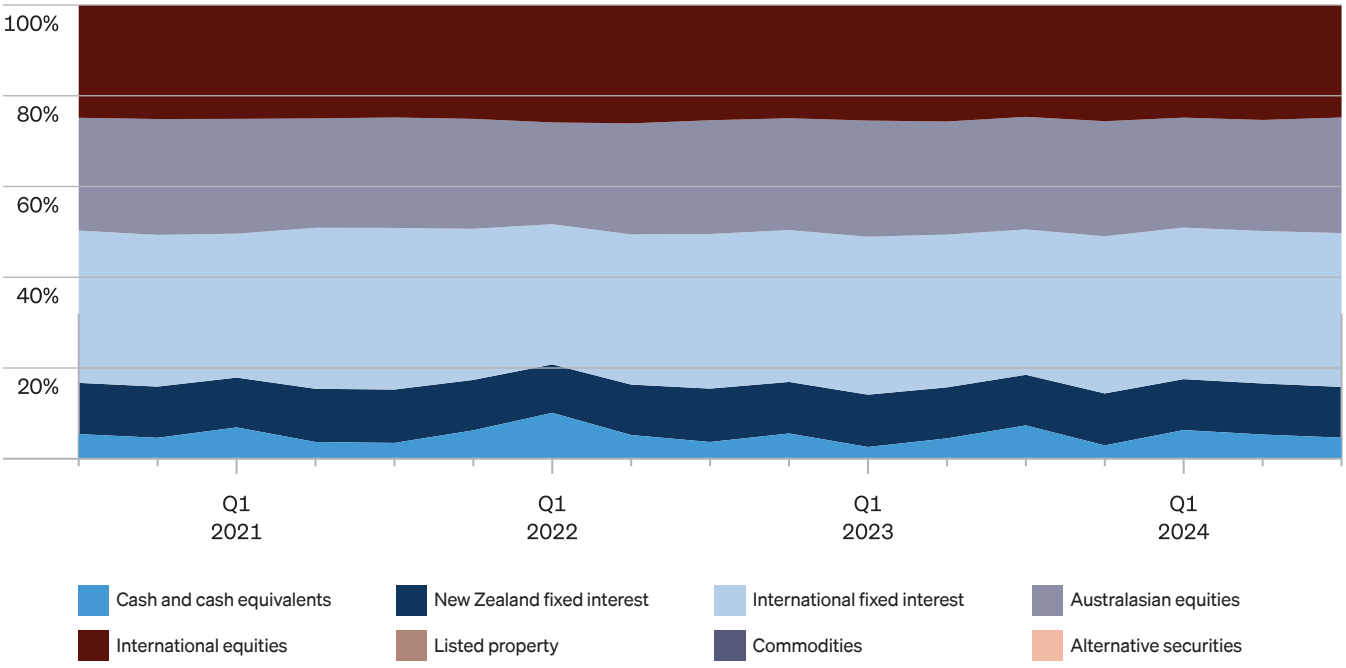
Interest rate risk

This is the risk that the Balanced Fund's or a Strategy's returns may decline as a result of changes in interest rates.

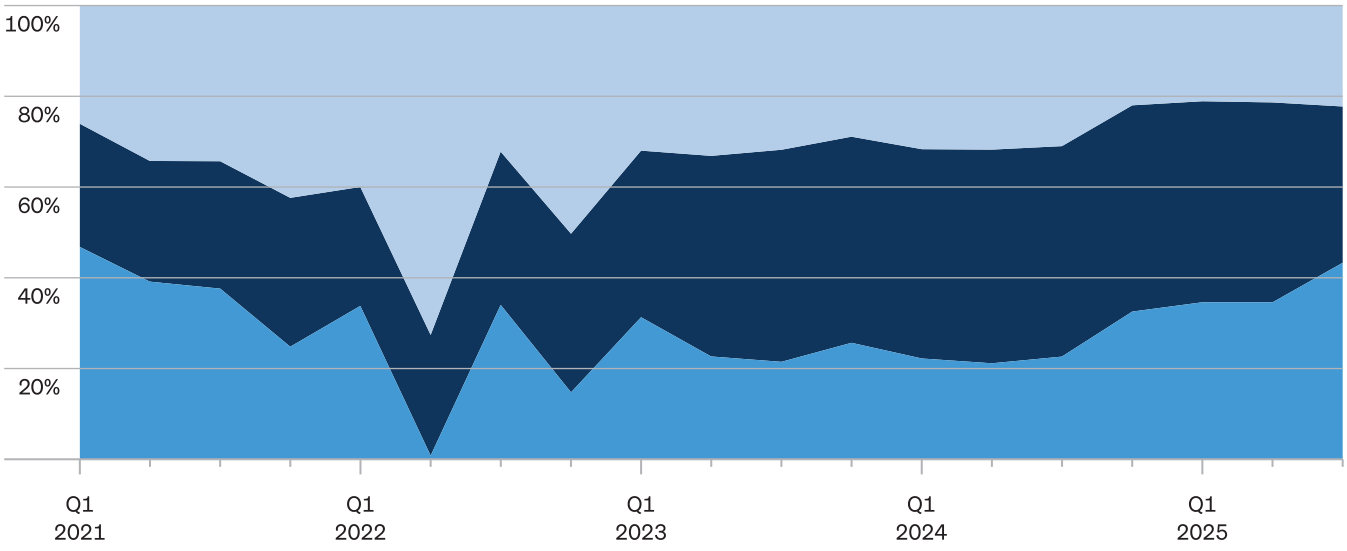
Credit risk

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

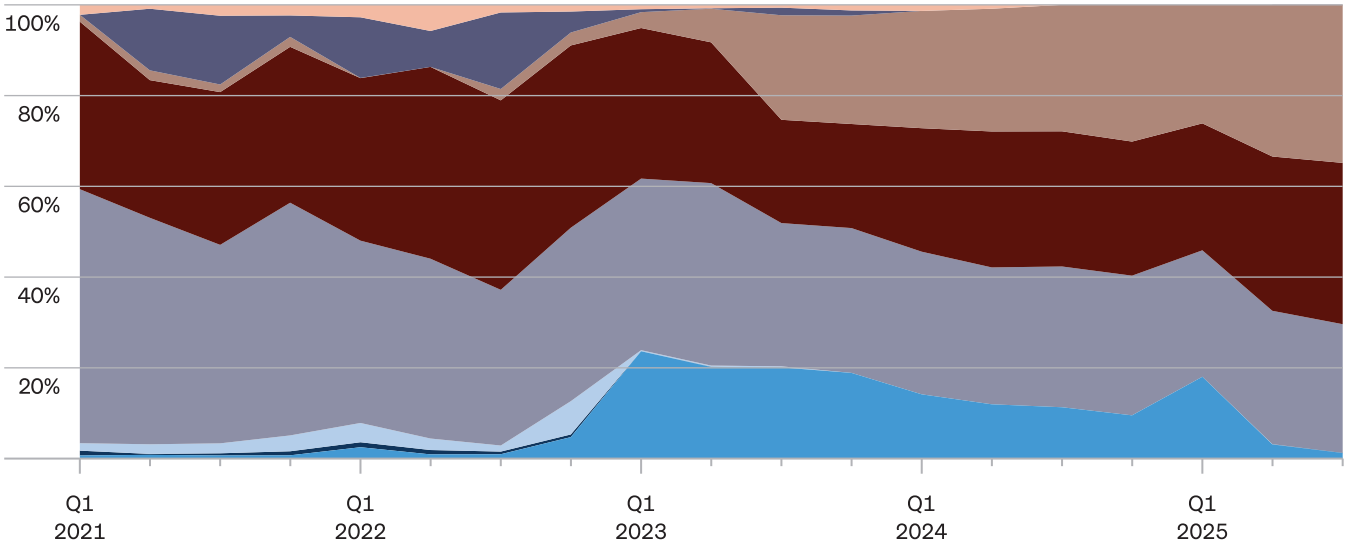
KiwiSaver Balanced Fund



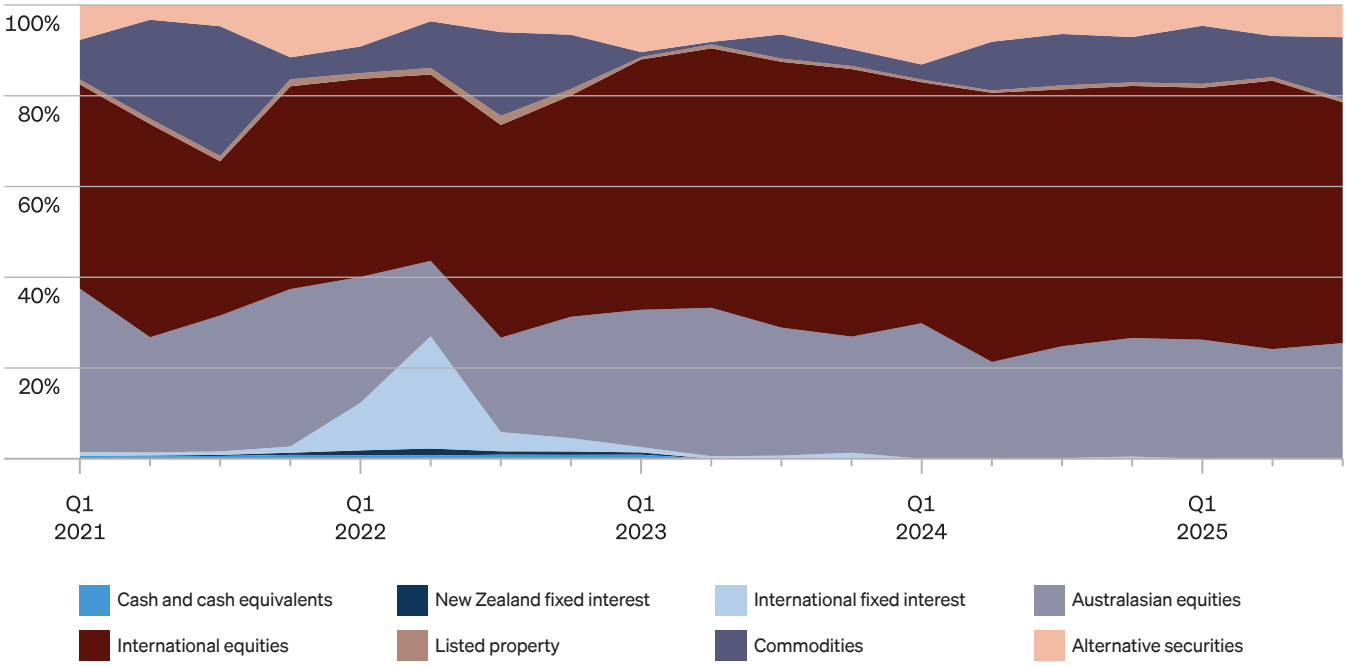
KiwiSaver Income Strategy



KiwiSaver Inflation Strategy



KiwiSaver Growth Strategy



Equity risk
This is the risk that the Balanced Fund's or a Strategy's returns may decline 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 expectation, and the economic performance of a sector or country.

Derivative risk
This is the risk that a Strategy's returns may decline as a result of the use of derivatives. Derivatives can be considered to be 'leveraged' investments, which means that a relatively small investment in derivatives can produce the same gain (or loss) as a much larger investment in the underlying asset itself. The use of derivatives and the leverage their use creates may adversely affect your investment. The Balanced Fund may also use derivatives to gain exposure to asset classes. However the Balanced Fund does not use derivatives to create leverage.

Digital asset risk
This is the risk that a Strategy's returns may decline as a result of changes in the value of investments in digital assets. There are many digital asset specific risks that arise due to the new and virtual nature of digital assets (examples include risks relating to technology, security, new regulation and user/market acceptance), and if they materialise, these can result in the irrecoverable loss of some or all of the value of an investment in that digital asset.

Other risks

Counterparty risk
This is the risk that a party to a financial transaction, contract or a securities lending transaction involving the Balanced Fund or a Strategy fails to meet its obligations. If this occurs, your investment may be adversely affected.

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 Scheme's operations. If this occurs, your investment may be adversely affected.

Fraud & cybersecurity risk
This is the risk of unexpected loss due to fraudulent activities and/or the risk of attack, damage or unauthorised access to the networks, computers, programs or data that we use. If this occurs, your investment and personal information may be adversely affected.

Service provider risk
This is the risk that a key service provider to the Scheme (for example the Supervisor, the Manager, the Administration Manager, the trustee and custodian of the wholesale trusts, external managers, investment brokers or banks) fail to perform their obligations. If this occurs, your investment may be adversely affected.

Wholesale trust investment risk
The Balanced Fund and the Strategies can invest in wholesale trusts. Wholesale trust investment risk is the risk that an adverse event happens at the wholesale trust level or the wholesale trusts are wound up. If this occurs, your investment may be adversely affected.

Valuation risk
The Balanced Fund's and 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. If this occurs, your investment may be adversely affected.

Suspension of withdrawals risk
In certain circumstances, we can suspend or partially suspend withdrawals from the Scheme or the Balanced Fund or any Strategy. If this happens, you may not be able to withdraw or switch your investment when you want to.

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

The Scheme is currently a Portfolio Investment Entity (PIE). If the Scheme loses its PIE tax status, your after tax returns may be reduced.

Regulatory risk
This is the risk that the laws and regulations applying to the Scheme, the Balanced Fund or the Strategies, and its investments (including the KiwiSaver regime) change in a way that adversely affects the Scheme, the Balanced Fund, the Strategies, or your investment. For example, a change to the KiwiSaver Act may affect minimum contribution rates or permitted withdrawals.

Political risk
This is the risk that the Balanced Fund's or a Strategy's returns may decline 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 geopolitical events such as wars, terrorist acts and tensions between states.

Insolvency risk
This is the risk that the Scheme, the Balanced Fund, a Strategy or a wholesale trust that a Strategy invests in becomes insolvent or is otherwise unable to meet its financial obligations. If this occurs, your investment may be adversely affected.

Pandemic risks
There is the risk that the Balanced Fund's or the Strategies' returns may fluctuate, or that the Scheme, the Balanced Fund or 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 and the operation of the Scheme. If this occurs, your investment may be adversely affected.

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 Scheme. There may also be other risks both known or currently unknown that may affect your investment in the Scheme.

13. Conflicts of interest

NZ Funds' conflicts of interest policy provides a framework for identifying, declaring and managing actual, potential or perceived conflicts of interest. The policy also covers gifts and hospitality and forms part of our broader conflicts of interest compliance and ethics frameworks.

The conflicts of interest policy is complemented by our:

- personal holdings policy, which contains restrictions on employees holding or trading in securities; and
- related party transactions policy, which provides a framework for identifying and managing related party transactions and ensuring compliance with the FMC Act.

Conflicts of interest that currently exist include:

- That the Strategies invest in the wholesale trusts which creates a conflict of interest as we charge an administration fee to the wholesale trusts, and charge a performance fee in the Private Dividend Yield Trust, a wholesale trust in which the Growth Strategy invests. These fees affect the value of the wholesale trusts, and indirectly the returns of the Strategies, and could materially influence the investment decisions in respect of the Scheme if non-arm's length fees were paid.
- Our directors and employees and their associated persons and entities may invest in the Strategies.

14. How your investment is taxed

If you have any questions about your tax position as a result of investing in the Scheme, we encourage you to talk to your tax adviser. NZ Funds and the Supervisor do not take any responsibility for your tax position as a result of investing in the Scheme.

Portfolio Investment Entities (PIE)

The Scheme is a PIE. Under the PIE rules, we will calculate the tax due on your investment in the Scheme 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 Scheme for you, as long as you are still invested in the Scheme when we receive the refund from Inland Revenue. If you are no longer invested in the Scheme, we will pay the refund to you.

Choosing your PIR

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 below to help you work out your PIR:

Taxable income		Taxable income + PIE income	PIR
$0 – $15,600	and	$0 – $53,500	10.5%
$0 – $15,600	and	$53,501 – $78,100	17.5%
$15,601 – $53,500	and	$0 – $78,100	17.5%
Over $53,501	and	Any amount	28.0%
Any amount	and	Over $78,100	28.0%

It is important that you choose the correct PIR.

If you select a PIR that is too high, then as part of the annual tax return process:

- you will be able to get any overpaid tax refunded (either directly or by a reduced tax bill); or
- you may have to pay further tax if you have received refunds during the year based on your incorrect PIR.

If you select a PIR that is too low, then as part of the annual tax return process:

- you will have to pay more tax on your income from a Portfolio at your correct PIR; or
- you may be entitled to a further tax refund based on your correct PIR.

If you do not tell us your PIR we will set it at 28%. You can change your PIR at any time by contacting us or your financial advice provider. Inland Revenue may also tell us to change your PIR if they think it is wrong. If they do, we must use the PIR that they tell us, unless you tell us to use a different rate.

Where you partially or fully withdraw from the Scheme or transfer your investment to another scheme, we can deduct from the amount withdrawn or transferred an amount equal to your PIE tax liability as at the date of the withdrawal or transfer. 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 the Scheme.

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.

Taxation of employer contributions

Employer contributions are subject to Employer Superannuation Contribution Tax (ESCT). Your employer's contribution will have ESCT deducted at a rate up to 39% based on how much you earn:

Taxable income	ESCT rate
Not more than $16,800	10.5%
Between $16,801 and $57,600	17.5%
Between $57,601 and $84,000	30.0%
Between $84,001 and $216,000	33.0%
More than $216,001	39.0%

Locked in UK transfer funds

From 1 April 2025, if you transferred to the Scheme from a UK pension scheme before 17 June 2015 you can choose to transfer the amount initially transferred, along with any investment gains on that amount (your UK transfer amount) to a Qualifying Registered Overseas Pension Scheme (QROPS). If you do this, the remaining balance of your KiwiSaver account can be managed without UK tax implications.

To transfer your UK transfer amount, you will need to:

- Notify us that you would like to transfer your UK transfer amount to a QROPS; and
- Provide us with written confirmation from the QROPS that they will accept the transfer.

15. Personal information

Privacy

The Privacy Act 2020 deals with how we collect, store and use the personal information you give us for your investment in the Scheme.

This information may be used by us (including our related entities) and the Supervisor and shared with and used by your financial advice provider and other service providers to the Scheme 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 in order to comply with New Zealand law or the law of another country, including using it to verify (whether by electronic means or otherwise) your identity.

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

AML/CFT requirements

Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, we need to verify your identity and address and, in some cases, the source of your funds and wealth.

With your consent, we can verify your identity and address electronically. You can provide your consent through the online application process or on the Application Form. If the electronic method fails or if you do not provide your consent, we will require physical identification documents certified or verified in the way discussed below.

If you complete the Application Form with a financial adviser, they may be able to verify your identity and address using certain identification documents and the process set out in the relevant AML forms which are available on our website.

If you are completing the Application Form without a financial adviser, your identification documents may be certified by a trusted referee or verified by an NZ Funds employee. More information on certification by trusted referees is set out in the AML forms on our website.

Change of personal details

If you wish to change your personal details, please complete a Changes in Personal Details form. You can get this form from our website.

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, the Balanced Fund and the Strategies. A copy of the Trust Deed is available on the scheme register at *disclose-register.companiesoffice.govt.nz*.

Management agreement

NZ Funds has a management agreement with the Supervisor that sets out the operational arrangements for the Scheme, including what information we have to report to the Supervisor, how the Scheme's bank accounts are operated, and what records we have to keep.

Deed of novation of administration agreement

We have a deed of novation of administration agreement between us, Aon New Zealand (Aon) and Link Market Services Limited (now MUFG Pensions & Market Services Limited), which replaced Aon as the administration manager of the Scheme from 1 November 2016.

Insurance policy

NZ Funds has entered into an insurance contract with Partners Life Limited under which, from 1 April 2023, Partners Life provides cover in respect of employee Members of the Scheme aged from 18 to 65 for up to six months if they are unable to make employee contributions to the Scheme due to illness or injury. See section 8 for more information.

17. Indices used

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

Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD	*www.bloomberg.com/quote/LGCPTRUH:IND*
Bloomberg Global Aggregate Index	*www.bloomberg.com/quote/LEGATRUH:IND*
FTSE EPRA NAREIT Developed Net Total Return Index Hedged in NZD	*www.ftserussell.com/products/indices/epra-nareit*
MSCI All Countries World Daily TR Net Local Currency	*www.msci.com/our-solutions/indexes/acwi*
STOXX Global Broad Infrastructure Net Return Index USD	*www.stoxx.com/index/stxgbip/*
S&P World Utilities Weighted & Screened Index	*www.spglobal.com/spdji/en/indices/sustainability/sp-world-utilities-weighted-screened-index/#overview*
S&P/NZX NZ Government Bond Total Return Index	*www.spglobal.com/spdji/en/indices/fixed-income/sp-nzx-nz-government-bond-index/#overview*
S&P/NZX 10 Index Gross	*www.spglobal.com/spdji/en/indices/equity/sp-nzx-10-index/#overview*
S&P/ASX 200 Total Return Index	*www.spglobal.com/spdji/en/indices/equity/sp-asx-200/#overview*
S&P/NZX 50 Portfolio Index Gross	*www.spglobal.com/spdji/en/indices/equity/sp-nzx-50-portfolio-index/#overview*
S&P/NZX All Industrials Sector Gross	*www.spglobal.com/spdji/en/indices/equity/sp-nzx-all-industrials/#overview*
S&P/NZX All Utilities Sector Gross	*www.spglobal.com/spdji/en/indices/equity/sp-nzx-all-utilities/#overview*
S&P/NZX Bank Bills 90 Day Index Total Return	*www.spglobal.com/spdji/en/indices/fixed-income/sp-nzx-bank-bills-90-day-index/#overview*
S&P/NZX Investment Grade Corporate Bond Total Return Index	*www.spglobal.com/spdji/en/indices/fixed-income/sp-nzx-composite-investment-grade-corporate-bond-index/#overview*
S&P/NZX Real Estate Select Index Gross	*www.spglobal.com/spdji/en/indices/equity/sp-nzx-real-estate-select/#overview*

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