

# ACI Funds

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## Other Material Information

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## Introduction

This is an important document in relation to your investment in the ACI Funds ('Scheme') and should be read together with the Product Disclosure Statement ('PDS') for the Funds, the Statement of Investment Policy and Objectives ('SIPO') and other documents held on the register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) ('Disclose Register'). If you are a retail investor you must be given a copy of the PDS before we can accept your application for units.

This Other Material Information Document ('Document') has been prepared to meet the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 ('FMC Act') and clause 52 of Schedule 4 of the Financial Markets Conduct Regulations 2014 ('FMC Regulations'). All legislation referred to in this Document can be viewed at [www.legislation.govt.nz](http://www.legislation.govt.nz).

In this Document, "you" or "your" refers to a person or entity that invests in the ACI Conservative Fund and/or the ACI Growth Fund ('Funds'), whether directly, through the ACI Balanced Strategy, or through a wrap platform or similar administration and custodial service. If you hold units through a wrap platform or similar administration and custodial service, please note page 4 "Investing through administration and custodial services (e.g. wrap platforms)". "We", "us", "our" or "FundRock" refers to FundRock NZ Limited as the Manager of the Scheme. When we use the word "current" or "currently" in relation to any legislation, regulation, policy, information, activity or practice, we refer to these at the date of this document. Any legislation, regulation, policy, information, activity or practice may be reviewed or changed without us notifying you.

Capitalised terms have the same meaning as in the Master Trust Deed for the establishment of managed investment schemes (including the relevant Scheme and Fund Establishment Deeds for the ACI Funds) ('Governing Document'), unless they are otherwise defined in this Document.

## Other Information on the Funds

This Document relates to the offer of units in the Funds.

You can invest in a mix of the Funds using the ACI Balanced strategy, or your own mix of the two Funds.

The Funds are constituted within a managed investment scheme called the "ACI Funds", registered scheme number SCH13499. The Scheme is governed by the Trust Deed dated 1 December 2016, and amended on 11 January 2021, a Scheme Establishment Deed dated 20 September 2022, and Fund Establishment Deeds for the ACI Conservative Fund and ACI Growth Fund dated 20 September 2022 (together the "Governing Document" for the Scheme). The Funds are invested in accordance with the SIPO. You can get an electronic copy of the Governing Document and SIPO from the scheme register on the Disclose Register.

### Investing through administration and custodial services

The Funds may be offered through certain administration and custodial services. These include "wrap platforms". When you invest through an administration and custodial service you do not hold units in the Funds directly. Instead, your units are held in the name of a custodial entity for the wrap platform on your behalf. This means many of the legal rights attaching to those units are held by that custodial entity rather than by you, and so your ability to exercise those rights is subject to the terms and conditions agreed between you and the provider of the service. You are encouraged to familiarise yourself with those terms and conditions as set out in service provider's marketing and legal documentation.

## Other Information on the Parties Involved

### Manager

FundRock is a fund management company specialising in establishing and managing New Zealand-domiciled funds. With a deep understanding of New Zealand's investment management industry,

FundRock works with both local and global investment managers to enable investors to access these specialist managers' investment expertise within funds and solutions that have been tailored for New Zealand's tax and legislative environment.

FundRock was granted a licence to act as the manager of a registered scheme under the FMC Act by the Financial Markets Authority ('FMA') on 25 August 2015. The licence is subject to us maintaining the same or better standard of capability, governance and compliance as was the case when the FMA assessed our licence application. The licence is subject to the normal conditions imposed under the FMC Act and the FMC Regulations, and the standard conditions imposed by the FMA.

The names and contact details for directors and information on the shareholders of FundRock are available at [www.companiesoffice.govt.nz/companies](http://www.companiesoffice.govt.nz/companies). This information may change from time to time without notice to you.

## Investment Manager

Stewart Group Asset Management Limited ('Stewart Group' or 'Investment Manager') has been appointed as Investment Manager of the Fund. See the PDS for more information on Stewart Group.

Stewart Group is responsible for investing the assets of the Funds in compliance with investment guidelines agreed between the Manager and the Investment Manager from time to time. The investment guidelines are set to ensure the Funds remain invested within limits documented in the SIO.

## Supervisor

The Supervisor of the Scheme is Public Trust.

Public Trust is a statutory corporation and Crown entity established and constituted in New Zealand on 1 March 2002 under the Public Trust Act 2001.

The supervisor is responsible for supervision of FundRock and the Scheme, including:

- Acting on behalf of the Funds' investors in relation to FundRock and any contravention of FundRock's issuer obligations;
- Supervising the performance by FundRock of its functions and the financial position of FundRock and the Scheme; and
- Holding the Funds' assets or ensuring that the assets are held in accordance with applicable legislative requirements.

The Supervisor was granted a licence under section 16(1) of the Financial Markets Supervisors Act 2011 to act as supervisor in respect of managed funds.

## Custodian

Adminis NZ Limited ('Adminis') is the Custodian of the assets of the Funds.

As required by the FMC Act, the Custodian is independent of us.

## Administration Manager

FundRock has appointed Adminis as the administration manager ('Administration Manager') for the Funds. Key roles undertaken by Adminis include:

- Registry services - an electronic register for the Funds is kept at Adminis;
- Unit pricing; and
- Fund accounting.

## Other

Other key parties currently employed by FundRock are:

<b>Party</b>	<b>Role</b>
KPMG	Auditor
DLA Piper New Zealand	Legal adviser

## Manager and Supervisor's indemnity

Both we and the Supervisor are entitled to be indemnified out of the Scheme.

The indemnity covers any personal liability (including Portfolio Investment Entity ('PIE') tax) incurred by or on behalf of the Funds, or any action taken or omitted in connection with the affairs of the Funds (other than in respect of our or the Supervisor's negligence, wilful default or wilful breach of trust). It also covers the costs of any litigation or other proceedings in which such liability has been determined (including legal fees and disbursements). The indemnity ranks in priority to the claims of investors. It is subject to the limits on permitted indemnities under the FMC Act including that the indemnity is only available where we and the Supervisor have properly performed our duties under the FMC Act.

We and the Supervisor, in incurring any debts, liabilities or obligations or in taking or omitting any other action for or in connection with the affairs of the Funds, are each deemed to be acting for and on behalf of the Funds and not in our own respective capacities.

Neither the Supervisor nor we, (except as otherwise expressly provided in the Governing Document) are under any personal liability, nor may resort be had to our private property, for the satisfaction of any obligation of the Funds (other than in respect of our or the Supervisor's negligence, wilful default or wilful breach of trust).

## Material Contracts

The following material contracts are in place in relation to the Funds:

- On 1 December 2016, we and Public Trust entered into the Master Trust Deed for the Establishment of Managed Investment Schemes. That deed appointed the Supervisor as supervisor, and the Manager as manager of any schemes established under that deed.
- On 11 January 2021, we and Public Trust amended the Master Trust Deed in order to address the repeal of the Trustee Act 1956 and changes brought about under the Trusts Act 2019.
- On 20 September 2022, we and Public Trust entered into the Scheme Establishment Deed for the ACI Funds. The deed established the Scheme.
- On 20 September 2022, we and Public Trust entered into Fund Establishment Deeds for the ACI Conservative Fund and the ACI Growth Fund (the 'Funds'). The deeds established the Funds under the Scheme.
- On 1 December 2016, we entered into a Supervisor Reporting Agreement with the Supervisor that sets out the arrangements between us and the Supervisor in relation to certain operational matters. The Supervisor Reporting Agreement specifies the reporting and information to be provided by us to the Supervisor, the requirements for operating bank accounts and record-keeping. Nothing in the Supervisor Reporting Agreement limits or alters the powers of the Supervisor or our duties under the Governing Document and applicable law. On 12 January 2023 the Supervisor Reporting Agreement was updated to include the Funds.
- On 18 December 2019, we and Adminis entered into an Administration Agreement under which we delegated certain administrative functions in relation to certain funds to Adminis, including registry, fund accounting and unit pricing. On 2 February 2023 Adminis and FundRock updated the current agreements to include the Funds.
- On 17 March 2023, we entered into an Investment Management Agreement with Stewart Group. Under the agreement, Stewart Group is responsible for investment of assets of the Funds under normal market terms.
- On 17 November 2022, we and Stewart Group entered into a Fund Hosting Agreement formalising the framework within which FundRock is engaged by Stewart Group to establish and manage the Scheme. Under this agreement FundRock is responsible for issuing, administering, and managing the Scheme, with Stewart Group being appointed as the

Investment Manager and distributor of the Funds. The agreement covers broadly the investment management, administration, distribution and marketing, branding, advertising and the preparation of offer documents as relevant to the Scheme and the Funds.

## Disclosure of Interests

Circumstances where potential or actual conflicts of interest may arise in relation to the Funds and our policy on managing such conflicts are discussed below.

### Investments in the Fund by related parties

Parties related to the Funds, including the staff of Stewart Group and their families, and the staff of FundRock and their families may from time to time invest in the Funds.

### Underlying Dimensional PIE Funds

FundRock act as manager for some of the underlying funds that the Funds invest into. These underlying funds are the Dimensional Global Sustainability PIE Fund, and the Dimensional Global Sustainability PIE Fund (NZD Hedged) ('Underlying Dimensional PIE Funds'). FundRock's association with the Underlying Dimensional PIE Funds could influence it to invest the assets of the Funds into the Underlying Dimensional PIE Funds instead of into direct assets or investment funds managed by third parties. If the investment into the Underlying Dimensional PIE Funds is not on arms' length terms or if investment into direct assets or third party funds were a more efficient way of achieving the Funds' investment strategy, investors in the Funds could be adversely affected. Both Funds are potentially affected. Any decision to invest the assets of the Funds into Underlying Dimensional PIE Funds will be a related party transaction for which the procedure set out below under the 'Management of conflicts of interest' section would apply.

### Management of conflicts of interest

The FMC Act imposes statutory controls on related party transactions and conflicts of interest:

- A related party transaction in respect of the Funds may only be done if the details are notified to the Supervisor and we: 1) certify the transaction (or series of transactions) is "permitted" on the basis that the transaction is on arm's length terms, or 2) we obtain the Supervisor's consent on the basis that it is in the best interests of investors, or contingent on Special Resolution approval by investors.
- As Manager of the Funds, we are subject to various statutory duties in the performance of our duties as Manager, including the requirement to act honestly and in the best interests of investors.
- Where we contract out our functions to other parties, such as the investment management of the Funds to Stewart Group, we must ensure the persons to whom we contract those functions perform them to the same standard and subject to the same duties and restrictions as if we were performing them ourselves. These include the statutory duties referred to above. We must also monitor the performance of that function.
- Stewart Group, as Investment Manager of the Funds, must comply with a professional standard of care in exercising any powers or performing any duties as Investment Manager. Stewart Group must exercise the care, diligence, and skill that a prudent person engaged in the profession of investment management would exercise in the same circumstances.

We have built these statutory controls into our internal compliance processes and procedures. We have a Conflicts of Interest and Related Party Transactions Policy and Procedure ('Policy') which extends the statutory duties imposed on us to our staff members.

The Policy defines what a conflict of interest is and provides for reporting and disclosure of conflicts of interest to the Board, Manager and Directors.

## Explanation of Key Terms

The information below is a summary of the key provisions of the Governing Document. For a detailed description of the governing terms of the Funds, please refer to the Governing Document held on the scheme register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz). If there is any conflict between information in this Other Material Information document and the terms of the Governing Document then the terms of the Governing Document prevail.

### Making an application

The application process is described in the PDS.

### Issue price

If we accept your application, you will be issued Units in the applicable Fund at the Issue Price. The Issue Price is the Net Asset Value per Unit in that Fund, plus an amount, if any, per unit calculated to reflect the cost of acquiring investments following the issue of Units ('buy spread') and other administrative costs relating to the sale or issue of units. For the current buy spread for the Funds see [www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting](http://www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting).

The Issue Price of a Unit is generally determined on each Business Day ('Valuation Time'). The Funds may invest into underlying funds located outside New Zealand (typically in Australia). In some circumstances (e.g., where there is a public holiday in the jurisdiction of the underlying fund/s) it may not be possible to determine the Issue Price of a unit for the Funds because there is no valuation data available for the underlying fund/s. In these cases, the Issue Price may be determined on the next Business Day on which valuation data is available for the underlying fund/s. Alternatively, with the approval of the Supervisor, the Issue Price may be determined by applying an index movement to the previous day's price.

The value of the assets held and the Net Asset Value of the Funds will be determined in accordance with the Scheme's Governing Documents and on a consistently applied basis.

If an application is received and accepted before the cut-off time for any of the Funds on a Valuation Time, Units will be issued at the Issue Price determined as at the end of the next Valuation Time). If an application is received and accepted at or after the cut-off time on a Valuation Time, Units will be issued at the Issue Price determined as at the end of the following Valuation Time

The cut-off time for the receipt of applications and cleared funds for the Funds is currently 10:15am New Zealand time.

If a payment is dishonoured or reversed, no Units will be issued in respect of that payment or any Units issued based on that payment will be cancelled.

## Charges

### Buy/sell spreads

The Issue Price includes a buy spread that provides for the cost of acquiring investments in the Funds. The Redemption Price includes a sell spread that provides for the cost of realising investments in the Funds.

For the most up to date buy/sell spreads see [www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting](http://www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting).

We review the buy/sell spreads from time to time. Buy/sell spreads are indicative only and may apply to each investment/redemption and be a cost to you.



## Annual fund charges

The Funds' estimated annual fund charges ('Annual Fund Charges'), which include management fees, are outlined in the PDS for the Scheme. The Annual Fund Charges include fees and costs charged by us, the Supervisor, Custodian, Administration Manager, Investment Manager, registrar and auditor. It may also include professional fees (for example for legal and tax advice) and index licence costs. These charges may be directly charged to a Fund, or recovered by us from a Fund.

The GST treatment of each of these components varies. For example, GST is charged at 15% on the audit fee while custody fees are an exempt supply for the purposes of GST. These percentages vary, and may change in the future, which is why GST has been estimated in the PDS.

The Annual Fund Charges are calculated daily and paid monthly in arrears. We may waive or decrease the Annual Fund Charges without notice. Subject to any maximum amount in the PDS we may increase the management fee; or provided that any proposed new or additional fee is permitted, we may charge a new or additional fee not currently being charged by giving you at least three months' notice.

The Annual Fund Charges include any investment management fees deducted within an underlying fund or paid to an underlying investment manager.

## Manager's termination fees

If a Fund terminates, we may charge recovery costs and disbursements from the Fund being terminated for matters relating to termination. You may ask us how much that fee was following termination. Further information on termination fees recoverable by the Manager or Supervisor are contained in the Governing Document.

## Other charges

The Funds will incur other trading costs or exceptional expenses. These other expenses do not form part of the Annual Fund Charges. Some of these expenses may be paid to us or the Administration Manager. There is no limit on these expenses, which will be shown in the financial statements for the Funds.

## Supervisor's other fees

The Supervisor may charge additional fees to the Funds for special services (e.g. on wind up of the Funds).

## Initial service fee

While we have no current intention to do so, we may charge an initial service fee determined by us on the issue of any Unit. Any initial service fee, if it were to be charged, would be in addition to any buy spread.

## Variation to fees

We may, in our absolute discretion, rebate the buy and sell spread and/or charges for the Funds (which includes management fees) by agreement, with an Investor, or a group of Investors.

## Distributions

The Funds do not currently distribute income or capital gains but may elect to do so in the future. If the Funds do elect to distribute income or capital gains, then a component of your return will also come from these distributions. Any income or capital gains will currently be included in the unit price calculated for the Funds.

## Amendments to the Governing Document

We can agree with the Supervisor to change the Governing Document in certain circumstances, without consulting you. This ability is, however, subject to certain protections (for your benefit) as set out in the Governing Document and relevant law.

## Altering your investment

We may alter minimum application amounts, holding amounts, and redemption amounts, or introduce minimum transfer amounts, for any Fund at any time. We may allow applications, holdings, transfers and redemptions for less than those minimums at our discretion.

We may decrease or waive the management fee for any Fund at any time without notice.

We can change the SIPO. Before making changes to the SIPO, we will consider if the changes are in your best interests and consult with the Supervisor. We will give notice of changes to Investors in the relevant Funds prior to effecting any material changes.

Payment of redemption requests may be suspended or deferred. Details of when this may occur are included in the "Redemption of units" section.

We may resolve to wind up any Fund. In that case, all assets of the Fund being wound up will be realised and the Fund wound up (as explained under the "Insolvency or winding up" section).

If your holding in any Fund falls below the minimum holding amount fixed by us from time to time or if we determine that an adjustment for PIE tax would reduce your holding to below that minimum holding amount, we may redeem your entire holding and pay the net proceeds into your nominated bank account. We will give you at least one month's notice of our intention to do this.

The current minimum holding amount in the Funds fixed by us is \$50 worth of units.

We may take all steps necessary to ensure the Funds remain eligible to be a PIE's. This includes our ability to compulsorily redeem some or all of your Units and pay the net proceeds to your nominated bank account.

## Redemption of Units

### Minimum redemption amounts

If a Redemption Request would cause your holding in any Fund to fall below the minimum holding amount (as determined by us from time to time) we may treat the Redemption Request as a request to redeem all your Units in that Fund.

If your holding falls below the minimum holding amount or to a level where an adjustment for PIE tax would leave your holding below the minimum holding amount, we may redeem all of your units and pay the proceeds to your nominated bank account.

### Redemption price

When you redeem all or part of your investment from a Fund, we will redeem your investment at the unit price for that Fund, adjusted for the applicable sell spread for that Fund.

If a redemption is received and accepted before the cut-off time of the Fund on a business day, the Redemption Price applicable to your redemption will be the Redemption Price determined as at the end of the next Valuation Time (unless we determine otherwise at our discretion). If your redemption request is received and accepted at or after the applicable cut-off time on a business day, the applicable Redemption Price will be the Redemption Price determined as at the end of the following Valuation Time (unless we determine otherwise at our discretion).

The cut-off time for the receipt of Redemption Requests for a Fund is currently 10:15am New Zealand time.

The Funds may invest into underlying funds located outside New Zealand (e.g., Australia). In some circumstances (e.g., where there is a public holiday in the jurisdiction of an underlying fund) it may not be possible to determine the Redemption Price of a unit for the Funds because there is no valuation data available for the underlying fund. In these cases, the Redemption Price may be determined on the next Business Day on which valuation data is available for the underlying fund. Alternatively, with the permission of the Supervisor, the Redemption Price may be determined by applying an index movement to the previous day's price.

If an investor's Redemption Request is in a format approved by the Manager, payment will normally be made within five business days of our receiving a Redemption Request from you.

## Deferral of redemptions

Fund redemptions may be deferred if:

- we receive one or more Redemption Requests, within 60 Business Days, that total more than 10% of a Fund's Units on issue, and
- we consider deferral to be in the general interests of all Fund investors.

We must notify the Supervisor of our intention to defer redemptions as soon as reasonably practicable.

If redemptions are deferred, in accordance with the Governing Document, then those units that have been subject to the redemption deferral may be repurchased or redeemed by instalments at the Valuation Times for a period determined by us or in total at the end of a period determined by us. In either case, the Redemption Price is to be calculated at the Valuation Time or Valuation Times on which units are repurchased or redeemed.

## Suspension of redemptions

We may suspend redemptions where we in good faith form the opinion that it is not practicable, or would be materially prejudicial to the interests of the Funds' investors for the Supervisor to realise assets or borrow to permit Unit redemptions.

Particular reasons for suspension mentioned in the Governing Document are:

- a decision to wind up a Fund,
- financial, political or economic conditions applying in respect of any financial market or other markets in which Authorised Investments may be sold,
- the threat to a Fund's eligibility for PIE status,
- the nature of any asset or investment,
- the suspension of redemptions in an underlying fund into which a Fund invests, and
- the occurrence or existence of any other circumstance or event.

If redemptions are suspended, we must give notice to all Investors who have made a Redemption Request. If the suspension is for a period of more than two weeks, we must give notice to all investors in the relevant Fund.

The suspension will continue until:

- we give notice that the suspension is concluded; or
- the expiry of any period stated in the Establishment Deed; or
- six months after the date of the notice; or
- such other date as may be approved by a Special Resolution of Investors.

A Redemption Request may not be suspended for a period exceeding six months after its receipt (or such other date as is approved by Special Resolution of investors).

When Redemption Requests are suspended, in accordance with the Governing Document, the Redemption Price payable to investors will be calculated on the last Business Day of the period of the suspension.

## Tax on redemptions

Where Units are redeemed, the tax liability on income allocated to you up to the redemption date will generally be satisfied by cancellation of units on redemption.

## Right to sell units

You may sell and transfer all or any of your Units, (either to an existing Investor or another person) by completing a Transfer Request Form, to be signed by the transferor and transferee. The transfer becomes effective when it is entered in the Register.

We may decline to register any transfer in our absolute discretion and without giving any reasons. Without limiting this discretion, we may decline a transfer due to:

- non-compliance with any law or the provisions of the relevant Establishment Deed; or
- the transfer resulting in the transferee or the transferor holding less than the minimum holding or more than the maximum holding; or
- the transfer resulting in the relevant Fund becoming ineligible as a PIE or threatening such eligibility.

No transfer of any Units can be registered unless any sums owed in respect of those Units (including any applicable PIE tax, or other duties or any commissions, fees and charges in respect of the transfer of the Units) have been paid.

## Termination of the Fund

A Fund will terminate on the first of the following:

- the date of termination (if any) notified in writing by us and the Supervisor to each Investor of the relevant Fund which will be at least three months after the date of the notice;
- 80 years less two days from the date of the Trust Deed; or
- the date on which Investors determine to terminate the relevant Fund by Special Resolution.

## Change in Manager

If we retire or are removed as manager of the Scheme, Stewart Group has the right to appoint the new manager of the Scheme, subject to the Supervisor's approval (which the Supervisor cannot unreasonably withhold). If we give notice of our retirement and Stewart Group does not appoint a new manager within the 3 month notice period, the Supervisor may appoint the new manager.

Where a new manager is appointed (whether by Stewart Group or the Supervisor), the new manager must enter into investment management and fund hosting agreements with Stewart Group that are in substantially the same form, and on substantially the same terms (or terms more favourable to Stewart Group), as our investment management and fund hosting agreements with Stewart Group.

This means Stewart Group will continue as the Scheme's distributor and investment manager even if we are removed from the role of Scheme manager.

## Taxation

This section briefly summarises the taxation regime as it currently applies to the Funds. It is intended as a general guide only. There may be changes to the taxation legislation and tax rates in the future which may impact each Investor differently. Investors should always seek independent professional taxation advice for their individual circumstances.

### Portfolio Investment Entity

The Funds are Portfolio Investment Entities (PIEs).

Under the PIE regime, a Fund will allocate its taxable income to Investors and, where applicable, pay tax on allocated income on behalf of Investors for an Investor with a prescribed investor rate ('PIR') of greater than zero. The Funds will undertake any necessary adjustments to an Investor's interests in the Funds to reflect that the Funds pay tax at varying rates on behalf of Investors.

Gains derived from cash and fixed interest investments will generally be taxed on an accruals basis.

NZ shares will generally be taxed on dividend income received.

As at the date of this OMI, the Funds gain exposure to global shares via underlying PIE funds, which holds these shares directly. For New Zealand tax purposes, these investments will generally be taxed under the Fair Dividend Rate ("FDR") method whereby 5% of the opening market value of the investment is taxable income to the Funds each year.

Investors will not pay tax on distributions (if any) paid to Investors from the Funds.

The Funds' investment mix, underlying funds and consequently tax treatment are all subject to change.

You can find out more about PIE funds and how they are taxed on the Inland Revenue website ([www.ird.govt.nz](http://www.ird.govt.nz)). Search for 'PIE for Investors'.

## Foreign residents

If an Investor is not a New Zealand resident, the Investor's allocated income from the Funds will be taxed at 28%. FundRock will account to the IRD directly for tax on a non-resident Investor's allocated income from the Funds.

## Withholding tax relating to investments in global funds

If the Funds invest into offshore based funds there may be foreign withholding tax deducted from the income that they receive. However, withholding tax on income received by the offshore funds is not recognised under New Zealand tax law and therefore cannot be utilised against any PIE tax liability related to investments in the Funds. Details of any tax leakage of this nature are available by contacting Stewart Group or the Manager.

## Tax deductibility of management fees and expenses within offshore share funds

If the Funds invest in offshore domiciled global share funds, the underlying management fee and expenses may not be tax deductible, which is a function of the Fair Dividend Rate tax methodology.

## General

Investors must advise FundRock of their PIR and IRD number when applying to invest in the Funds and if their PIR changes at any time. If an Investor does not provide their PIR to FundRock they will automatically be taxed at the maximum default rate of 28%.

If you are a New Zealand tax resident individual and the rate applied to your PIE income is lower than your correct PIR, you will be required to pay any tax shortfall, as part of the income tax year-end process. If the rate applied to your PIE income is higher than your PIR, any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

Investors that are New Zealand tax resident trusts may elect a rate of 0%, 17.5%, 28% and in limited circumstances, 10.5%. Unless a 28% rate is applied, PIE income and credits must be included in a trust's income tax return, with a credit claimed for any PIE tax paid.

Other non-individual New Zealand resident investors with a PIR of 0% must include PIE income and credits in their own income tax returns.

The Commissioner of Inland Revenue can require FundRock to disregard a PIR notified by an investor if the Commissioner considers the rate to be incorrect. The rate specified by the Commissioner would then apply to that investor's attributed income.

Taxable income is attributed annually to 31 March, or at any time an investor withdraws all or part of their investment from the Funds.

If there is a tax loss or there are excess imputation credits allocated to an investor for a period, these will generally be available to investors with a PIR other than 0% in the form of a rebate. The Funds will either re-invest this rebate by purchasing units in the relevant Fund on an investor's behalf in respect of annual attributions as at 31 March or include it in the net proceeds payable to that investor.

or applied on their behalf as a result of a full redemption. For trusts that have chosen a PIR other than 28%, and New Zealand resident investors with a 0% PIR, the tax loss should be available to include in that investor's tax return along with any attributed tax credits (although a tax credit may not be claimed for attributed foreign tax credits).

## Other Risks

The PDS for the Scheme describes the key risks associated with investments in the Scheme. Further information is provided below. Different investments have different types of risks. We recommend that you seek professional advice before investing in any of the Funds to understand what risks are associated with these investments, especially in relation to your circumstances.

**Fund risk:** These are risks specific to a Fund. These risks include that a Fund could terminate; the fees and expenses of a Fund could change; FundRock may be replaced as manager; any underlying investment manager's team may change; or that investing in any underlying fund may lead to a different result than investing in the market directly. FundRock aims to keep fund risk to a minimum by monitoring the Funds and the investments of the Funds at all times and acting in investors' best interests.

**Key person risk:** This is the risk that key individuals are no longer able to fulfil their obligations in respect of the investment or administration of a Fund. FundRock aims to ensure that all staff are highly qualified and capable of mitigating individual key personnel risk. FundRock will ensure that it has sufficient resources to enable the Funds to continue unaffected should any member of the team be unable to fulfil their obligations.

**Regulatory risk:** This is the risk that domestic or international laws or regulations are changed adversely or that regulatory supervision of transactions and reporting is performed by managers and their custodians at less than an appropriate standard. Regulatory risk is managed by FundRock by regularly and closely reviewing changes in the law and seeking expert legal advice where necessary.

**Derivative risk:** Risks associated with investing in derivatives may include the value of the derivative failing to move in line with an underlying investment; potential illiquidity of the derivative; a Fund not being able to meet payment obligations as they arise; and counterparty risk (that is, where the counterparty to the derivative contract cannot meet its obligations under the contract). We mitigate this by appointing underlying fund managers who have appropriate derivative policies in place to properly manage this risk.

**Administration risk:** This is the risk that instructions in relation to your investments in a Fund have not been accurately relayed or processed or that fraudulent instructions are acted upon. FundRock, the Investment Manager, and the Administration Manager will follow reasonable electronic instructions in good faith. Whilst we cannot always detect fraudulent instructions, we will apply best endeavours to mitigate this risk.

**Investment risk:** The underlying investments of a Fund may fall in value. The Funds invest across a range of different investment sectors with the aim of reducing the risks by limiting the exposure to any one asset class or market.

**Country market risk:** Within each of the Funds economic, technological, political or legal conditions and market sentiment can lead to volatility in the value of investments and the overall level of liquidity in the market.

### How risks can affect an investment

The actual or perceived existence of risk may manifest itself in uncertainty, which in turn increases volatility of investment returns. When the collective sentiment of the market is positive, prices rise; when it is negative, prices fall. If specific risks eventuate a total loss of capital may occur. Each investment will be affected by a different combination of risks.

Because of these risks, it is foreseeable that an Investor may receive back less than the capital invested by the Investor into the Funds. However, the Investor will not be required to pay more money

than the amount the Investor invested in the Funds (with the exception of any PIE tax liability that may be incurred).

## Insolvency or winding up

You will not be liable to pay money to any person as a result of the insolvency or winding up of the Funds (except as described below).

You will be liable to meet any tax liability attributable to you which exceeds the value of your investment in the Funds (in which case you indemnify the Supervisor for the difference between the value of the units and the tax liability). A custodian that holds legal title to Units on behalf of underlying investors and elects to be a proxy for PIE investors will, under the terms of the application form attached to the PDS, be asked to indemnify us and the Supervisor for any losses, liabilities, costs or expenses arising from any breach (in relation to underlying investors that such custodian is responsible for) of the investor interest size requirements under section HM 15 or the investor membership requirements under section HM 14 of the Income Tax Act 2007, including the losses, liabilities, costs or expenses arising from the Funds losing PIE status.

On insolvency or winding up of the Funds, the assets of the Funds are first applied to meet the claims of any creditors of the Funds (whether preferred, secured or unsecured), which includes the Supervisor's and Manager's claims for fees and expenses. Following this, the remainder of the assets of the Funds will be distributed to investors in proportion to the number of units held.

At the date of this document there are no other claims on the assets of the Scheme that rank ahead of or equally with the claims of investors. In certain circumstances, you may receive assets other than cash (e.g. securities in another investment held by the Funds) as part of a wind up.

## More Information about Market Indices

The Funds' returns are measured against the market indices described in the SIPO. More information about the market indices can be found at the following web pages:

- Bloomberg Indices: <https://www.bloomberg.com/markets/rates-bonds/bloomberg-fixed-income-indices>
- S&P/NZX Indices: <http://us.spindices.com/regional-exposure/asia-pacific/new-zealand>
- MSCI Indices: <http://www.msci.com/indexes>

## No Guarantee

Neither the Supervisor, Manager, Investment Manager nor any other person guarantees or provides undertakings in relation to the return of capital invested in the Funds by an investor, the payment of any return on capital, or provision of any distribution or payment of any money in relation to of the Funds, or the performance of the Funds. An investor's investment is not secured against any assets.