NZ FUNDS

NZ Funds

Income Generator

Other Material Information

21 OCTOBER 2020

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1. BACKGROUND

This document tells you more about the NZ Funds Income Generator (Portfolio). It should be read together with the Product Disclosure Statement (PDS), Statement of Investment Policy and Objectives (SIPO) and any other documents held on the offer and scheme registers at *disclose-register.companiesoffice.govt.nz*.

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

2. NZ FUNDS INCOME GENERATOR

The Portfolio is an actively managed fund established within the 'NZ Funds Managed Portfolio Service Part Two' scheme (Scheme) registered under the Financial Markets Conduct Act 2013 (FMC Act).

It is designed for investors seeking income from dividend payments who also wish to have the volatility of dividend paying shares managed. To achieve this, the Portfolio primarily invests in New Zealand and Australian shares, and uses options to seek to mitigate share market volatility.

The Scheme is managed under the rules set out in its trust deed, also called the governing document (Trust Deed). You can get a copy of the Trust Deed from the scheme register at *disclose-register.companiesoffice.govt.nz*.

RETURN MODELLING

The expected average annual return of the Portfolio is based on return modelling by NZ Funds. The return modelling uses actual quarterly market data for the period 1 January 1999 to 30 June 2020 to produce notional quarterly returns for the Portfolio as if it were invested during this period. Modelled returns are presented before tax (but including imputation credits) and after fees of 1.65% per annum. The modelled five year rolling annualised return indicates that the Portfolio should achieve an average annual return of between 4% and 7% after fees but before tax on a suggested minimum investment timeframe of 5 years.

More detail on the modelling undertaken is available on request from NZ Funds. Please note that modelled returns may not be an indicator of future returns.

3. THE MANAGER

ABOUT NZ FUNDS

NZ Funds is the manager of the Portfolio. 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.

OUR DIRECTORS

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

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

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

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

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

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

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

4. OTHER PARTIES

SUPERVISOR

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

The Supervisor's current directors are Robin Albert Flannagan and James Earl Douglas. The Supervisor's directors may change from time to time. You can find the names of the Supervisor's directors at any time at *companies-register.companiesoffice.govt.nz*.

CUSTODIAN

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

AUDITOR

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

SOLICITORS

The solicitors are Russell McVeagh.

5. SUPERVISOR & MANAGER INDEMNITY

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

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

6. OTHER KEY TERMS

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

VALUATION & UNIT PRICING

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

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

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

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

ISSUING UNITS

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

The process for investing in the Portfolio is explained in the PDS. Application amounts are paid into a non-interest bearing bank account and will be applied to the Portfolio once the application is accepted. Application amounts must be in New Zealand dollars.

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

WITHDRAWALS

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

We may introduce restrictions and limitations on withdrawals. Currently, the Portfolio has a 7-day withdrawal notice period. This means you must give us 7 days' notice of your intention to withdraw. We may change the notice period without notifying you.

Withdrawal payments are based on the unit price for each unit redeemed (Redemption Price). If a withdrawal notice period applies, we will calculate the Redemption Price for the day the notice period expires (or if that day is not a business day, on the next business day).

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

You can withdraw from the Portfolio and have the proceeds paid into an NZ Funds managed portfolio offered under another PDS. To do this, you will need to complete an application form for the other managed portfolio either online, or by completing the application form in the other PDS.

DEFERRING & SUSPENDING WITHDRAWALS

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

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

If we give a redemption suspension notice, this means all withdrawal requests are suspended until we tell you the suspension is cancelled.

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

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

CLOSING YOUR INVESTMENT

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

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

BORROWING

Borrowing is allowed under the Trust Deed. However, the Portfolio does not currently borrow money for the purpose of investing. This does not include ongoing operational agreements with service providers such as overdraft facilities and creditor relationships or the leverage created through the use of derivatives.

WINDING-UP/INSOLVENCY

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

INDEMNITY FOR TAX LIABILITY

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

CHANGES TO TRUST DEED

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

7. MORE ABOUT FEES & CHARGES

FUND CHARGES

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

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

BASE FEE

The Portfolio is charged an annual base fee by NZ Funds of 1.52%. This covers the management and administration of the Portfolio, including investment management, unit pricing, registry management and other third party costs including the Supervisor's fee. The fee is calculated daily and paid monthly.

We may change the base fee so long as we tell investors one month before we change it. We may also charge an investor, or group of investors (including any group of investors advised by a financial adviser), a lower base fee or we may rebate all or some of the base fee for an investor or a group of investors. Further information of fee rebates follows.

FEE REBATES

We will rebate a portion of our base fee from our own funds based on the length of time that you are invested in the Portfolio.

If you invest in the Portfolio for more than one year, but for less than two years, we will give you a base fee rebate of 0.20% from the start of the second year. If you invest in the Portfolio for more than two years, we will give you a base fee rebate of 0.40% from the start of the third year.

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

We may change the rate and basis for calculating the base fee rebates, or remove the rebates, at any time. If we decrease the rebate rate or remove the rebates, we will give one month's notice to investors affected by the change.

In addition to our fee rebate, we may from our own funds, pay or rebate some or all of the fees and expenses incurred in the Portfolio or any wholesale trust managed by us that the Portfolio invests in (Wholesale Trust).

EXTERNAL MANAGER FEE

The Portfolio does not currently invest in underlying funds managed by external specialist investment managers (external managers), and as a result the estimated external manager fee is 0%.

However, the Portfolio may invest in external managers in the future. These managers may charge fees (including entry fees, exit fees, management and administration fees, and performance fees), and incur expenses. The returns of the Portfolio will be indirectly affected by these fees and expenses.

PERFORMANCE FEE

Where performance targets are met, NZ Funds may charge a performance fee in the Private Income Generator Trust, a Wholesale Trust that the Portfolio currently invests in.

The performance fee for the Private Income Generator Trust is calculated weekly 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 Income Generator Trust uses a peer group index as its performance hurdle rate of return. Out-performance of the peer group index, whether the peer group index return is positive or negative, will result in a performance fee even though the unit price may be below the last high-water mark.

The Private Income Generator Trust's performance return is calculated on a before tax basis and includes imputation credits (where applicable). When we calculate the performance of the hurdle rate, we include a notional management fee of 0.20% per annum. This has the effect of increasing the required level of return the Private Income Generator Trust must achieve before it is eligible for a performance fee.

The table on page 7 contains an example of the Private Income Generator Trust's performance fee. It is a simplified example of how the performance fee is calculated in different scenarios. It is for illustration only and is not an indication of actual or forecast investment returns.

Example of Private Income Generator 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	$10,600.00	6.0%	4.0%	2.0%	$200.00	NIL	$200.00	$20.00	$10,000.00	✓	$20.00	NIL	NIL
Y2	$10,580.00	$10,791.60	2.0%	4.0%	-2.0%	-$211.60	NIL	-$211.60	NIL	$10,580.00	×	NIL	NIL	-$211.60
Y3	$10,791.60	$10,575.77	-2.0%	-7.0%	5.0%	$539.58	-$211.60	$327.98	$32.79	$10,580.00	×	NIL	$32.79	NIL
Y4	$10,542.97	$10,964.69	4.0%	4.0%	0.0%	$0.00	NIL	NIL	NIL	$10,580.00	✓	$32.79	NIL	NIL

In this example, *the performance fee of the Private Income Generator Trust (Wholesale Trust) is 10% of the amount by which its performance (before tax but including imputation credits) exceeds the hurdle rate of return. In year one, the Wholesale 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 Wholesale 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 Wholesale Trust returns more than the hurdle return 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 Wholesale 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 Wholesale Trust exceeds the high-water mark. A new high-water mark is set at the end of year four.*

The annual fund charges in the PDS include an estimated performance fee of 0.13%. This estimate is based on the following assumptions:

- An assumption that the Private Income Generator Trust will on average achieve returns above the peer group index (hurdle rate) over the long term.
- Assumptions on the percentage of the Portfolio invested in the Private Income Generator Trust are based on current target allocations.

The performance fee estimate is not intended to indicate any expected returns or fees. Actual performance fees will vary from the estimate. Actual fees for the most recent year (once available) will be shown in the quarterly fund update which you can get from our website at *www.nzfunds.co.nz*.

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

EXPENSE REIMBURSEMENT

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

ACTION FEES

We do not charge any establishment, contribution, termination, withdrawal or transfer fees.

SERVICE PAYMENTS

If you have a financial adviser, we may pay them an onboarding and ongoing service payment in recognition of the effort and costs associated with providing services to you regarding your investment in the Portfolio. Where this occurs, NZ Funds makes these payments out of its own funds and does not deduct them from the Portfolio.

GST

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.

8. RISKS

Every investment has risks. The primary risks of investing in the Portfolio 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 Portfolio 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 Portfolio. However, there are other risks associated with the Portfolio that could impact your investment which are discussed below. If any of these risks eventuate, the Portfolio may be adversely affected and you could receive back less than you invested.

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

GENERAL INVESTMENT RISKS

Interest rate risk

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

Credit risk

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

Political risk

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

OTHER RISKS

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

Cybersecurity risk

Cybersecurity risk is 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 Portfolio (for example, the Supervisor, the Manager, the trustees and custodian of the Wholesale Trusts, external managers, settlement and trade counterparties, investment brokers and banks) fail to perform their obligations. If this occurs, your investment may be adversely affected.

Wholesale Trust investment risk

The Portfolio 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 Portfolio's 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 risk

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

Tax risk

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

The Portfolio is currently a Portfolio Investment Entity (PIE). If the Portfolio 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 Portfolio and its investments change in a way that adversely affects the Portfolio.

Insolvency risk

This is the risk of the Portfolio becoming insolvent or being otherwise unable to meet its financial obligations. If this occurs, your investment may be adversely affected.

Pandemic risks

This is the risk that the Portfolio's returns may fluctuate, or that the Portfolio 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 operations of the Portfolio. If this occurs, your investment may be adversely affected.

The expected duration and magnitude of the current COVID-19 pandemic and/or other potential widespread health risks, and the severity and impact on your investment are currently uncertain. An investor should bear this in mind when deciding whether to invest.

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 Portfolio. There may also be other risks which are currently unknown that may affect your investment in the Portfolio.

9. CONFLICTS OF INTEREST

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

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

A conflicts of interest that currently exists is the use of a Wholesale Trust that contains a performance fee by the Portfolio. The performance fee affects the value of the Wholesale Trust, and indirectly the return of the Portfolio.

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

10. HOW YOUR INVESTMENT IS TAXED

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

PORTFOLIO INVESTMENT ENTITY (PIE)

The Portfolio has chosen to be a Portfolio Investment Entity (PIE). Under the PIE rules, we will calculate the tax due on your investment in the Portfolio each quarter based on your Prescribed Investor Rate (PIR), and unless you have chosen a PIR of 0% (or if we have treated you as having a PIR of 0%), we will 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 Portfolio for you, as long as you are still invested in the Portfolio when we receive the refund from Inland Revenue. If you are no longer invested in the Portfolio, we will pay the refund to you. If you have a PIR of 0%, we will tell you your share of the income of the Portfolio, but you will be responsible for your own tax.

CHOOSING YOUR PIR

You need to choose your PIR and tell us what it is. You also need to tell us your IRD number. For an individual, your PIR is based on your taxable income and PIE income for each of the previous two tax years. Your PIR 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 – $14,000	AND	$0 – $48,000	10.5%
$0 – $14,000	AND	$48,001 – $70,000	17.5%
$14,001 – $48,000	AND	$0 – $70,000	17.5%
Over $48,001	AND	Any amount	28.0%
Any amount	AND	Over $70,000	28.0%

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

Different rules for choosing a PIR apply for trusts and companies. Testamentary trusts (one set up under a will) can choose a PIR of 0%, 10.5%, 17.5% or 28%. All other trusts can choose a PIR of 0%, 17.5% or 28%. Companies and all other types of entities must choose a PIR of 0%.

If you do not tell us what your PIR is, we will set it at 28% (unless you are a company, when we will set it to 0%). You can change your PIR at any time by contacting us or your financial adviser. 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.

Sometimes we can treat you as having a 0% PIR. We will do this where your tax liability is greater than the value of your interest in the Portfolio. Where this happens, we will cancel all of your units and pay the proceeds to Inland Revenue. You will have to pay any tax liability not covered by this amount. We may also treat you as having a 0% PIR if you reduce your holding in, or fully withdraw from, the Portfolio during the quarter, or in the first 5 days of the following quarter.

11. PERSONAL INFORMATION

PRIVACY

The Privacy Act 1993 (and from 1 December 2020 the Privacy Act 2020) deals with how we collect, store and use personal information you give us for your investment in the Portfolio.

This information may be used by us (including our related entities) and the Supervisor and shared with and used by your financial adviser and by other service providers to the Portfolio 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 it 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.

If you are completing your application online, we can with your consent, verify your identity and address electronically. If the electronic method fails, we will require physical identification documents certified by a 'trusted referee' or verified by your financial adviser or an NZ Funds employee.

More information on this process is set out in the AML form on our website. We cannot process your application unless the AML/CFT requirements have been satisfied.

FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

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

COMMON REPORTING STANDARD (CRS)

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

CHANGE OF PERSONAL DETAILS

If you wish to change your personal details, please complete a Changes in Client Details form. You can get this form from your financial adviser or our website at *www.nzfunds.co.nz*.

12. MATERIAL CONTRACTS

TRUST DEED

The Trust Deed is an agreement between us and the Supervisor that sets out the rules for the management and administration of the Scheme and the Portfolio. A copy of the Trust Deed is available on the scheme register at *disclose-register.companiesoffice.govt.nz*.

MANAGEMENT AGREEMENT

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

13. MARKET INDEX

More information about the peer group index noted in the SIPO can be found on the webpage listed below.

Credit Suisse AllHedge Long/Short Equity Index	
https://www.lab.credit-suisse.com/#/en/index/SECT/SECT_LOSHO/overview	

Due to the investment approach of the Portfolio, there is no appropriate market index that can be used to measure the performance of the Portfolio against. However, in the Manager's opinion, the Credit Suisse AllHedge Long/Short Equity Index, a peer group index, does appropriately represent the performance of the assets making up the Portfolio, and is therefore likely to be useful to investors when assessing the performance of the Portfolio as a whole.

The Credit Suisse AllHedge Long/Short Equity Index is a subset of the Credit Suisse AllHedge Index that measures the aggregate performance of long/short equity funds. Long/short equity funds typically invest in both long and short sides of equity markets, generally focusing on diversifying or hedging across particular sectors, regions or market capitalizations. Managers typically have the flexibility to shift from value to growth; small to medium to large capitalization stocks; and net long to net short. Managers can also trade equity futures and options as well as equity related securities and debt or build portfolios that are more concentrated than traditional long-only equity funds.

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