NZ FUNDS

KiwiSaver
Poua he Oranga

NZ Funds KiwiSaver Scheme

Investment Statement
21 July 2015

This document is an Investment Statement for the purposes of the Securities Act 1978.

Important information

(The information in this section is required under the Securities Act 1978).

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

In addition to the information in this document, important information can be found in the current registered Prospectus for the investment. You are entitled to a copy of that Prospectus on request.

The Financial Markets Authority regulates conduct in financial markets

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets.

For more information about investing, go to www.fma.govt.nz

Financial advisers can help you make investment decisions

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check:

- the type of adviser you are dealing with;
- the services the adviser can provide you with; and
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at www.fspr.govt.nz

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

Important changes may be made to this Investment Statement from time to time. There is a registered Prospectus containing an offer of securities to which this Investment Statement relates. You can obtain a copy of the latest Investment Statement and the Prospectus at any time from either your Authorised Financial Adviser (if applicable), NZ Funds, or Aon New Zealand (the Administration Manager).

The terms "NZ Funds", "we", "us" or "our" used throughout this Investment Statement refer to New Zealand Funds Management Limited as manager of the Scheme. Other terms used in this Investment Statement are defined in the Glossary on page 42.

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SECTION 1

Overview of the NZ Funds KiwiSaver Scheme

Welcome to the NZ Funds KiwiSaver Scheme

WELCOME

KiwiSaver is a savings initiative designed to help you prepare for your retirement. While you and your employer contribute to your KiwiSaver scheme, the Government also provides a number of benefits that make it a very worthwhile investment for virtually every New Zealander. We strongly recommend that you consider KiwiSaver for both yourself and your family.

Joining KiwiSaver is easy but a key decision is which scheme to choose. There are many KiwiSaver schemes in the market, so why choose the NZ Funds KiwiSaver Scheme?

NZ FUNDS

New Zealand Funds Management Limited (NZ Funds) is a wealth management company founded in 1988. We are a New Zealand firm focused on managing New Zealanders' investments. We believe the two key determinants of the success of your investment will be what type of assets your KiwiSaver scheme invests in (for example income assets or growth assets) and how those assets are managed.

LIFECYCLE PROCESS

NZ Funds' LifeCycle Process ensures that your investment is allocated across up to three separate Strategies – Income, Inflation and Growth. The LifeCycle Process automatically reallocates your investment between the Strategies each year based on your age. Regularly reallocating your investment can have a significant bearing on the long-term success of your investment in KiwiSaver.

ACTIVE INVESTMENT MANAGEMENT

NZ Funds has more than 25 years of investment management experience. Over that time we have developed an active investment management approach. Our active investment management 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.

MYWEALTH SOFTWARE

Our myWealth software was designed by NZ Funds to help New Zealanders make better financial decisions. If you have ever wondered what your KiwiSaver savings might amount to, or what proportion of your retirement might be funded by your KiwiSaver savings, myWealth has the answer. If you do not have access to myWealth, talk to your Authorised Financial Adviser or send an email to: kiwisaver@nzfunds.co.nz.

WHERE TO LEARN MORE

Further information on topics covered in this Investment Statement is available where the following icons appear:

Further information is provided elsewhere in this Investment Statement and/or in the Scheme's Prospectus.

Further information is provided on our website or is available by contacting NZ Funds.

There is also a Glossary on page 42 which has definitions of terms used in this Investment Statement.

We look forward to helping you prepare for retirement!

THE TEAM AT NZ FUNDS

Key information

What is KiwiSaver?

KiwiSaver is a savings initiative designed to help New Zealanders save for their retirement. It is a voluntary, workplace-based scheme where each individual is encouraged to contribute a portion of their pay to a KiwiSaver scheme throughout their working life.

What are the key elements of KiwiSaver?

CONTRIBUTIONS - EMPLOYEES

If you are employed, contributions will be deducted from your pay and invested for you in your KiwiSaver scheme. You can choose to contribute at a rate of 3%, 4% or 8% of your before-tax pay.

CONTRIBUTIONS - EMPLOYERS

In addition to your contributions, your employer is generally required to contribute to your KiwiSaver scheme at a rate of 3% of your before-tax pay. Employers may also choose to make additional voluntary contributions. Employer contributions are subject to tax.

CONTRIBUTIONS – SELF-EMPLOYED OR NOT EMPLOYED

If you are self-employed or not employed, you need to decide how much you want to contribute. If you contribute approximately $20.00 per week (or a total of at least $1,042.86 per year) you may qualify for the (annual) Government member tax credit.

(ANNUAL) GOVERNMENT MEMBER TAX CREDITS

In order to qualify for the full member tax credit provided by the Government of $521.43 each year, you need to be aged 18 or over and less than the Qualifying Age, contribute approximately $20.00 per week (or a total of at least $1,042.86 per year) and meet certain other requirements.

CONTRIBUTIONS HOLIDAYS

If you are an employee, you can apply to take a break from contributing to KiwiSaver. Generally you can only take a contributions holiday after one year of membership. This contributions holiday can last between three months and five years, and the number of contributions holidays you are allowed is unlimited.

LUMP-SUM CONTRIBUTIONS

Whether you are employed, self-employed or not employed, you may make a lump-sum payment of any amount into your KiwiSaver scheme at any time.

For more on contributions, see "How much do I pay?" on page 26.

WITHDRAWALS

You can generally only withdraw from KiwiSaver when you are eligible to receive New Zealand Superannuation (currently at age 65) or you have satisfied one of the early withdrawal criteria. If you joined KiwiSaver between the ages of 60 and 65, you must wait five years before you can withdraw from KiwiSaver. You do not have to withdraw from KiwiSaver when you become able to do so, instead you can stay invested, withdraw only part of your investment or set up a regular withdrawal, it's all up to you.

FIRST HOME PURCHASE

If you qualify, you can apply to withdraw funds from your KiwiSaver scheme to buy your first home. You may also be eligible for a one-off payment from the Government to help you with your purchase.

EMIGRATION

If you permanently emigrate (other than to Australia), you can apply to make an early withdrawal after one year. If you permanently emigrate to Australia, you can transfer your investment to an Australian complying superannuation fund.

For more on emigration, see pages 37 and 38.

SIGNIFICANT FINANCIAL HARDSHIP OR SERIOUS ILLNESS

You can apply to withdraw some or all of your investment in the case of either significant financial hardship or serious illness. There are various rules and requirements regarding these withdrawals.

For more on these withdrawals, see "How do I cash in my investment?" on page 36.

DEATH

If you die while you are still a member of the Scheme, your personal representatives can apply to withdraw your investment and have it paid to your estate.

For more on withdrawals, see "How do I cash in my investment?" on page 36.

Who is involved in providing the NZ Funds KiwiSaver Scheme?

- NZ Funds, who is the manager (the Manager) of the Scheme;
- Corporate Trust Limited (trading as Foundation Corporate Trust), who is the trustee (the Trustee) of the Scheme; and
- Aon New Zealand, who is the administration manager (the Administration Manager) of the Scheme.

For more on NZ Funds, the Trustee and the Administration Manager, see pages 7 and 24.

What are the fees?

MEMBER FEES

The following fees are payable by a member of the Scheme (please note that these fees are correct as at the date of this Investment Statement but may change without prior notice):

- Administration fee of $3.00 per month;
- Transfer fee of $38.48 for transferring to another KiwiSaver scheme; and
- Australian complying superannuation fund fee of $100.00 for transferring your investment in the Scheme to an Australian complying superannuation fund.

If the Scheme regains QROPS status, then the transfer of funds to the Scheme from a United Kingdom pension scheme will incur a fee of $100.00.

For more on member fees, see "What are the charges?" on page 28.

STRATEGY FEES

NZ Funds has set a target base fee for each Strategy. The target base fee is not a separate fee, but a means of providing an indication of the level of fees and expenses that each Strategy is expected to incur (excluding transaction costs, extraordinary fees and expenses, and performance fees charged by external underlying investment managers). The fees and expenses that make up the target base fee are: trustee fee; management fee; expense reimbursement; professional fees; and underlying funds fees and expenses. Each of these is discussed in more detail on pages 29 and 30. The fees and expenses making up the target base fee are accrued and are reflected in the daily unit price of each Strategy. At least once a quarter, the target base fee is compared to the actual fees and expenses and any necessary adjustments are made. This ensures that as much as possible all members bear their fair share of the fees and expenses making up the target base fee.

As at the date of this Investment Statement, the target base fees (expressed as a percentage of the gross asset value of the relevant Strategy) are:

- Income Strategy 1.15% per annum;
- Inflation Strategy 1.35% per annum; and
- Growth Strategy 1.50% per annum.

For more on Strategy fees, see "What are the charges?" on page 28.

AUTHORISED FINANCIAL ADVISER FEES

Your Authorised Financial Adviser may charge fees for financial advisory services or other services they provide. Details of these fees are required to be outlined in their disclosure statements. Any fees related to financial advisory services or other services should be agreed between you and your Authorised Financial Adviser before an investment is made.

For more on Authorised Financial Adviser fees, see "What are the charges?" on page 28.

What are the key factors affecting returns?

Some of the key factors that can affect returns include:

- Investment performance;
- Fees and expenses;
- Strategy size;
- Allocation of your investment between the Strategies;
- The timing of contributions and/or withdrawals made by you; and
- Tax.

A key factor influencing the returns of a Strategy is the performance of the investment markets and the performance of the underlying investment assets chosen which can be influenced by many factors, including economic, political and other international events such as acts of terrorism or natural disasters. Neither NZ Funds nor any external underlying investment manager can control or guarantee the performance of investment markets or the performance of the underlying investment assets chosen.

For more on returns, see "What returns will I get?" on page 31.

What are my risks?

Some of the primary risks of investing in the Scheme include:

- Not getting back some (or all) of your money;
- Not getting the returns you expected;
- Not being able to leave the Scheme when you want to; and
- Experiencing periods where your investment is worth less than it had been previously.

WHAT ARE THE KEY FACTORS AFFECTING RISK?

Some of the key factors affecting the primary risks of investing in the Scheme include:

- Market risk;
- Illiquid securities;
- NZ Funds' active investment management approach;
- Wide investment mandates;
- Certain investment instruments and techniques;
- Investment in certain asset classes and/or collective investment vehicles;
- Key personnel of NZ Funds;
- Exposure to involved parties; and
- Insolvency or winding up.

The above factors may adversely affect the Strategies. If the impact of these factors has a negative effect on unit price, you could receive back less than the amount of your investment. There are also other factors that may affect the risk of investing in the Scheme (including factors that are unknown at the date of this Investment Statement). You should be aware that there is no promise or guarantee made by any person, including the Government, as to the performance of the Strategies.

For more on risk and the factors affecting it, see "What are my risks?" on page 33.

About NZ Funds

Overview

NZ Funds is a wealth management company founded in 1988. We are a New Zealand firm focused on managing New Zealanders' investments. Our goal is to help you make better financial decisions. We work with New Zealanders accumulating wealth for retirement, and then help manage that wealth in retirement. We take an integrated approach to wealth management. We believe the most reliable way to achieve your wealth objectives is through the integration of advice and investment management, supported by independent client-focused research, local and international specialist investment managers, and proprietary wealth technology.

NZ Funds' senior management are significant indirect shareholders of NZ Funds. This means that they are shareholders of the company that owns NZ Funds. Many of our senior management team have been with the firm for a decade or more and bring significant tenure and experience to their roles. Our senior management team are all members of the NZ Funds KiwiSaver Scheme.

Directors

Our Directors are responsible for ensuring that the NZ Funds KiwiSaver Scheme complies with the legal requirements regulating KiwiSaver products. Along with the senior management they ensure the Scheme is appropriately governed, managed and administered.

RICHARD JAMES
CHAIRMAN AND CHIEF EXECUTIVE
DIP. BUS. (FINANCE), AUTHORISED FINANCIAL ADVISER

Richard joined NZ Funds in 1993 and has worked in a number of areas within the NZ Funds business over that time. Richard became a director of NZ Funds in August 2006 and was appointed Chief Executive in 2009.

Richard is not an independent director as he is an employee of NZ Funds and has an indirect ownership interest in NZ Funds as the beneficiary of a trust. He, and a number of his family, are members of the NZ Funds KiwiSaver Scheme.

MICHAEL LANG
DIRECTOR AND CHIEF INVESTMENT OFFICER
BA (ECON), LLB (HONS)

Michael joined NZ Funds in 1993. He left NZ Funds to work overseas in 2003 and returned in 2008. Michael was appointed Chief Investment Officer in 2009 and became a director of NZ Funds in January 2010.

Michael is not an independent director as he is an employee of NZ Funds and has an indirect ownership interest in NZ Funds as the beneficiary of a trust. He, and a number of his family, are members of the NZ Funds KiwiSaver Scheme.

PHILIP DOAK
DIRECTOR AND PRINCIPAL, CHIEF OPERATING OFFICER
BCOM.(AG), DIP. APPLIED FINANCE & INVESTMENT, FFIN, AUTHORISED FINANCIAL ADVISER

Philip joined NZ Funds in 2005 and is responsible for NZ Funds' operational functions and capabilities. He became a director of NZ Funds in September 2011. Before joining NZ Funds, Philip spent 16 years with Westpac where he held executive and general management roles.

Philip is not an independent director as he is an employee of NZ Funds and has an indirect ownership interest in NZ Funds through the IGHL Trust. He, and a number of his family, are members of the NZ Funds KiwiSaver Scheme.

GLENN WRIGHT
DIRECTOR AND PRINCIPAL
BCOM., BSC., DIP. BUS. (MKTG), AUTHORISED FINANCIAL ADVISER

Glenn joined NZ Funds in 1988 when it commenced business. He currently leads NZ Funds' adviser business. He became a director of NZ Funds in September 2011.

Glenn is not an independent director as he is an employee of NZ Funds and has an indirect ownership interest in NZ Funds through the IGHL Trust. He, and a number of his family, are members of the NZ Funds KiwiSaver Scheme.

GREGORY HORTON
INDEPENDENT DIRECTOR
LLB (HONS), BCOM.

Gregory was appointed a director in May 2013. Gregory is a partner and a director of Harmos Horton Lusk Limited, a law firm based in Auckland. He has practiced law both in New Zealand and overseas. He, and a number of his family, are members of the NZ Funds KiwiSaver Scheme.

NZ Funds' Directors and their details are correct as at the date of this Investment Statement. The Directors and/or their details may change. You may contact NZ Funds on 0508 733 337 or info@nzfunds.co.nz to check NZ Funds' current Directors and their details.

For more on the team at NZ Funds, go to www.nzfunds.co.nz/ourpeople.html

How we manage investments

Our active investment management approach

We use an active investment management approach. Our active investment management 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.

In the investment management of the Strategies, we may take a wide variety of actions. These actions may include, but are not limited to: altering the proportion invested in each security or asset class; altering the manner in which a Strategy is exposed to each security or asset class; investing directly or indirectly; using derivatives and/or collective investment vehicles; applying hedging; taking short positions; or using leverage.

An active investment management approach is subject to different risks (which may be considered higher risks) than a non-active investment management approach. As a result, our active investment management approach may cause the returns and capital stability of a Strategy to significantly differ from the returns and capital stability of the underlying securities or asset classes utilised, and/or any benchmark index.

The way in which our active investment management approach is implemented will change. This will result in the Strategies being constructed with different combinations of assets, underlying investment managers and investment strategies. In order to allow these changes to occur, each Strategy has a wide investment mandate. The Trust Deed provides that the Strategies may invest in a very wide range of assets.

NZ Funds has developed internal investment guidelines as part of its investment management process which assist in the oversight of each Strategy. These guidelines are designed to ensure that each Strategy invests in accordance with its investment objective and risk profile.

Due to NZ Funds' active investment management approach, the guidelines may be exceeded from time to time. Where this occurs, the Strategy is either realigned to come within the guidelines, or the guidelines are changed to reflect a change in the implementation of NZ Funds' active investment management of the Strategy. It is therefore anticipated that the guidelines will change.

You should be both aware of, and be comfortable with, NZ Funds' active investment management approach before you invest in the Scheme. If you do not feel comfortable you should not invest.

For more on the Strategies and NZ Funds' investment management approach, see pages 14 to 22.

For more on the internal investment guidelines, contact NZ Funds on 0508 733 337 or info@nzfunds.co.nz

The investment managers we work with

The Strategies may invest directly, or indirectly via Wholesale Trusts. A Wholesale Trust is a wholesale fund managed by NZ Funds which holds investments. Those investments may include directly held securities and/or investments in funds managed by either NZ Funds or external underlying investment managers.

As at the date of this Investment Statement, the Strategies only invest in Wholesale Trusts (with the exception of Cash and cash equivalents). The Strategies may invest directly in other asset classes or assets without notice to members.

The investments in the Wholesale Trusts are managed by NZ Funds and a range of specialist investment managers selected by NZ Funds. We refer to these specialist investment managers as external underlying investment managers. Different external underlying investment managers are selected where NZ Funds considers their investment approach will help meet the objectives of the Strategies. The external underlying investment managers are monitored and reviewed, and are expected to change over time as part of our active investment management approach.

For more on the external underlying investment managers, see pages 14 to 22 and www.nzfunds.co.nz/kiwisaver_portfolio_information.html

Our use of derivatives and leverage

In addition to understanding how we manage investments and our use of external underlying investment managers, it is important that you know that each Strategy has the ability to use derivatives and leverage. Both NZ Funds, and many of the external underlying investment managers we work with, use these investment instruments and techniques.

DERIVATIVES

NZ Funds' active investment management approach makes use of derivatives (for example, futures, options, forwards and swaps). A derivative is a financial instrument, the value of which is derived from changes in the value of another asset (for example, a share market index or a commodity index, an interest rate, or an exchange rate). Some examples of how derivatives may be used in a Strategy include:

- to hedge or seek to mitigate unwanted risks;
- to modify a Strategy's exposure to an asset and/or asset class; and
- to gain exposure to an asset and/or asset class in order to seek to enhance returns.

The use of derivatives may increase the volatility of a Strategy, and may also significantly increase the risk and extent of any loss.

LEVERAGE

NZ Funds' active investment management approach makes use of leverage. Leverage occurs where a Strategy's economic exposure to assets is greater than the amount invested. Leverage occurs by borrowing to invest, or through the use of derivatives. The Strategies may use leverage to seek to enhance returns and/or to seek to mitigate risk. Leverage can assist in mitigating risk where, for example, an investment is made in order to reduce the risk of potential adverse price movements in a security by taking an offsetting position in the same security or another security, the price of which is expected to move in the opposite direction.

The use of leverage may increase the volatility of a Strategy, and may also significantly increase the risk and extent of any loss.

For more on the use of derivatives and leverage by the Strategies, see pages 14 to 22.

Time frame, volatility and risk

Make sure you invest for an appropriate period of time,

Each Strategy has a recommended investment time frame. In general, the more volatile the investments in a Strategy, the longer the time frame you should be invested. This is because over longer time frames you are more likely, but not certain, to achieve an outcome consistent with the objective of the Strategy.

NZ Funds endeavours to manage the Strategies so that the time frame of each Strategy is consistent with the Strategy's objective. It is however important to understand that the actual time frame required for you to achieve the objective may be shorter or longer than the recommended investment time frame. There is also the potential that the objective may not be achieved over any time frame.

In addition, NZ Funds' active investment management approach may have either a positive or negative impact on the achievement of the objective over the recommended investment time frame.

understand your investment will be exposed to volatility…

Volatility is the variation in value of your investment either up or down. Each Strategy has volatility. Where volatility results in a decline in value, this does not necessarily mean you will experience a permanent loss of capital. A permanent loss of capital can occur if the unit price of a Strategy you are invested in does not recover, or if you choose to withdraw your investment following a period of loss.

When considering an investment it is important to understand that the volatility of a Strategy is not constant. None of the Strategies are immune from a sudden increase in volatility. Strategies that have historically exhibited a low level of volatility may experience a sudden increase in volatility.

In addition, NZ Funds' active investment management approach may increase or decrease the volatility of the Strategies.

and be aware that you risk a permanent loss of your investment.

All investments, including the Strategies, are exposed to risk. Risk is the possibility of loss of some or all of your investment.

A Strategy that has a higher possibility of loss is defined as higher risk. Conversely, a Strategy that has a lower possibility of loss is defined as lower risk. Just because a Strategy is described as lower risk does not mean that, should a loss occur, the size of that loss will be lower compared to a Strategy that is described as higher risk. A Strategy with a high possibility of loss is defined as higher risk because losses can be expected more frequently compared to a Strategy described as lower risk.

In addition, NZ Funds' active investment management approach may increase, rather than decrease, the potential for a permanent loss of your investment.

For more on the risks associated with investing in the Strategies, see "What are my risks?" on page 33.

The Strategies

Investment options

When choosing a KiwiSaver scheme, one of the most important considerations is what types of assets the scheme invests in (for example income assets or growth assets). The mix of assets that is appropriate for you is likely to change as you get closer to your retirement. The NZ Funds KiwiSaver Scheme offers two options for allocating your investment.

Option one: LifeCycle Process

Your investment will be allocated according to the LifeCycle Process, unless you select the MemberChoice Process. The LifeCycle Process allocates your investment across up to three separate Strategies. The LifeCycle Process automatically reallocates your investment between the Strategies, each year, based on your age. The three Strategies and their investment objectives are:

The Income Strategy	The Inflation Strategy	The Growth Strategy
Aims to provide exposure to income-orientated assets using an active investment management approach.	Aims to mitigate the impact of inflation on your investment over the medium and/or long-term by investing in income-orientated assets and growth-orientated assets using an active investment management approach.	Aims to grow your investment over the long-term by investing in income-orientated assets and growth-orientated assets using an active investment management approach.

The portion of your investment allocated to each Strategy will change over time. Your investment will be progressively reallocated out of the Growth Strategy toward the Inflation Strategy and Income Strategy as you approach retirement. Your allocation across the Strategies will remain constant until you reach age 46. From then, the allocation of your investment to the Inflation Strategy will progressively increase and your allocation to the Growth Strategy will correspondingly reduce. When you turn 60, your allocation to the Income Strategy will begin to increase with a corresponding reduction in your allocation to the Growth Strategy. This is designed to ensure your investment is allocated in a manner that is consistent with your investment time frame at all times.

There is a risk that the predefined age-based asset allocation may not be suitable for you as it does not take into account your personal circumstances, such as your appetite for financial risk and/or your financial circumstances. If you have any concerns about the LifeCycle Process you should discuss them with an Authorised Financial Adviser or with NZ Funds before you invest or take action.

You should also be aware that the LifeCycle Process may change from time to time.

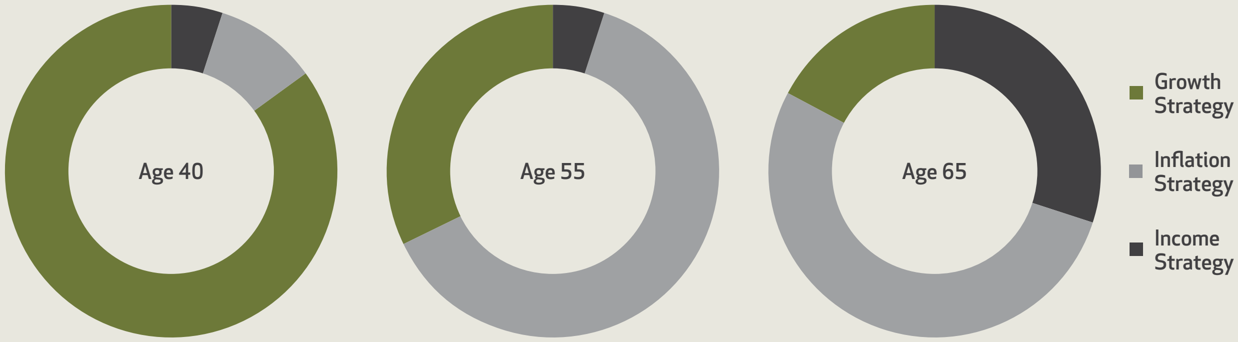
For more on the LifeCycle Process, go to www.nzfunds.co.nz/docs/Executive_Summary_KiwiSaver.pdf

Option two: MemberChoice Process

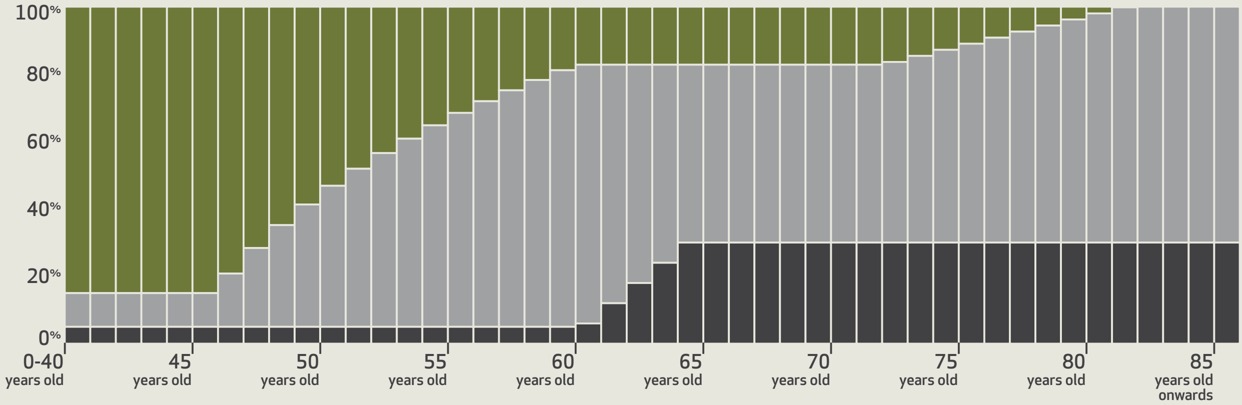
It is generally intended that members will use the LifeCycle Process which ensures their investment is allocated across up to three different Strategies. However you can opt out of the LifeCycle Process and choose your own Strategy allocation. For example, you may choose to select your own Strategy allocation if, over the short to medium term, you plan to withdraw a portion of your investment for a first home purchase. If you are thinking about opting out of the LifeCycle Process you should discuss your options with an Authorised Financial Adviser or with NZ Funds before you invest or take action.

For more on each Strategy, see pages 14 to 22.

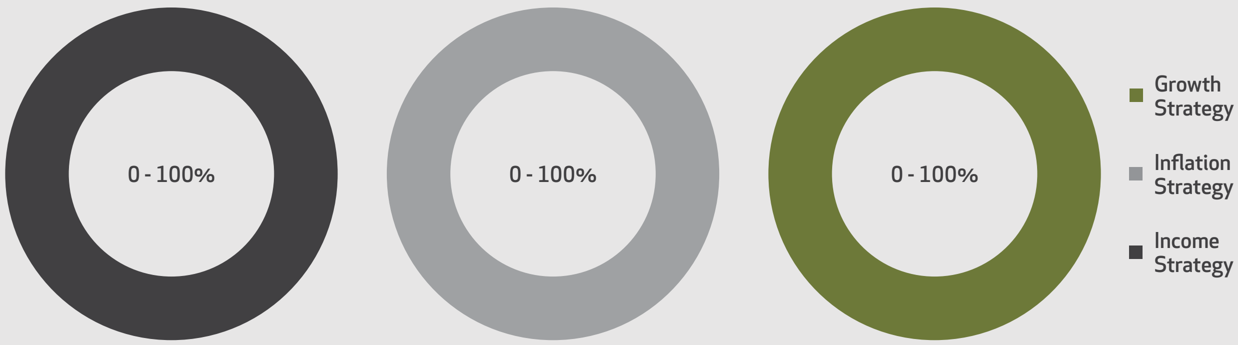
LIFECYCLE PROCESS - AUTOMATED AGE-BASED ASSET ALLOCATION



LIFECYCLE PROCESS - POINT IN TIME ASSET ALLOCATION



MEMBERCHOICE PROCESS - ONE, OR MORE, STRATEGIES (UP TO A MAXIMUM OF THREE), IN ANY COMBINATION YOU WISH TOTALLING 100%



Income Strategy

Objective	The objective of the Strategy is to provide exposure to income-orientated assets using an active investment management approach.
Risk and volatility	The Strategy is likely to exhibit medium risk and volatility characteristics.
Recommended investment time frame	2 years +
Permitted investments	The Strategy may invest in securities in the following asset classes: • Cash and cash equivalents • New Zealand fixed interest • International fixed interest • Foreign currency • Alternative securities
Anticipated investment approach	Over the course of an economic cycle, which may last between three and seven years (or longer), it is anticipated that the Strategy would hold a significant exposure to Cash and cash equivalents, and/or New Zealand fixed interest (for example government bonds and/or corporate bonds) and/or International fixed interest (for example government bonds and/or corporate bonds and/or high yield debt securities).

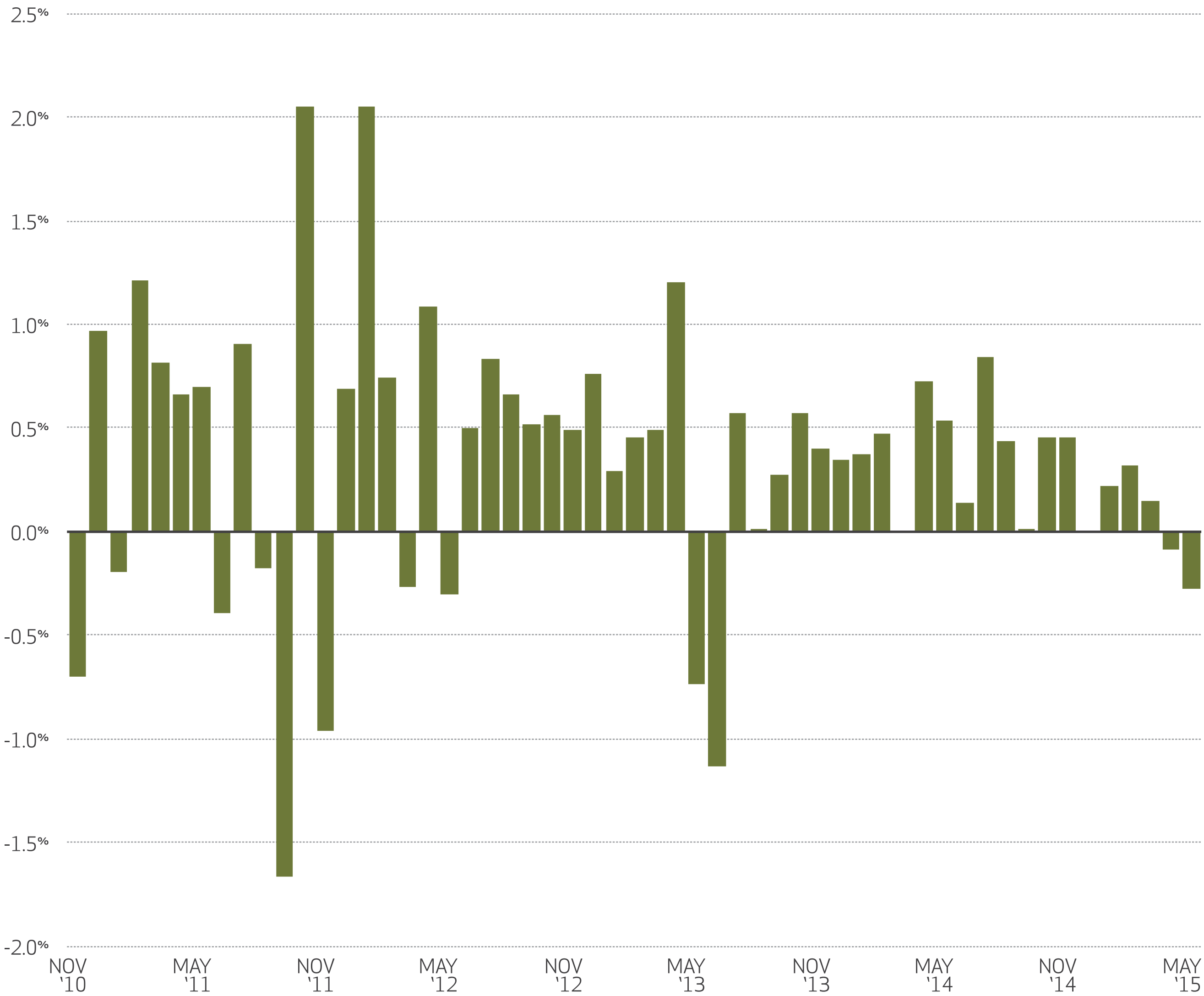
Additional important information

While the Strategy has a medium risk profile, you should be aware of the following:

- NZ Funds uses an active investment management approach. This approach, combined with the ability to invest widely, is a unique feature of NZ Funds' investment approach. Active investment management may be considered higher risk than non-active investment management.
- The Strategy can invest in permitted asset classes and securities in any proportion. This means that the Strategy may hold concentrated positions and may not always be diversified. Holding concentrated positions can be a high risk investment technique.
- The Strategy may invest in each asset class directly or indirectly through derivatives or collective investment vehicles. Derivatives, collective investment vehicles and short positions can be used to increase or decrease an allocation to an asset class, for hedging exposures or for seeking to enhance returns. It is anticipated that derivatives would be used for risk management purposes and to seek to enhance returns. The use of derivatives and short positions can be high risk investment techniques.
- The Strategy may be leveraged. The maximum amount of leverage that may be used is up to two times the Strategy's prevailing net asset value. The use of leverage may increase positive or negative returns. The use of leverage can be a high risk investment technique.

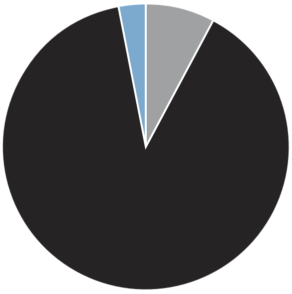
For more on derivatives and leverage and NZ Funds' investment management approach, see pages 8 and 9.

Historic monthly investment returns



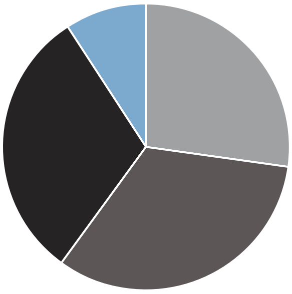
The graph above shows the performance of the Strategy (after fees and expenses but before PIE tax) over time. This may help illustrate the volatility of the Strategy. Past performance is not indicative of future performance. Further, there is no promise or guarantee made by any person, including the Government, as to the performance of the Strategy.

Historic asset allocation



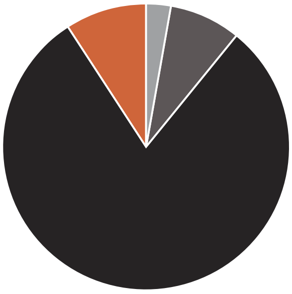
January 2013

Cash and cash equivalents	9%
International fixed interest	91%
Foreign currency	3%
Total	**103%**



January 2014

Cash and cash equivalents	30%
New Zealand fixed interest	36%
International fixed interest	34%
Foreign currency	10%
Total	**110%**

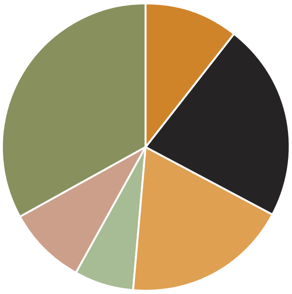


May 2015

Cash and cash equivalents	3%
New Zealand fixed interest	7%
International fixed interest	81%
Alternative securities	9%
Total	**100%**

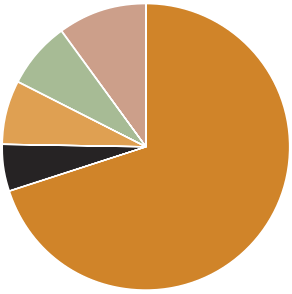
The graphs above show the Strategy's asset allocation over time. They take into account the effect of leverage. As a result, the total allocation may be greater than 100%. These are not the same graphs as shown in the KiwiSaver Disclosure Statements which use scaled economic exposure that eliminates the effect of leverage. The graphs may not show material differences in asset allocation. However, it is important to note that the Strategy's asset allocation is expected to change in the future and that changes may be material.

Historic underlying investment managers



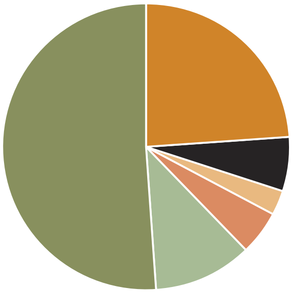
January 2013

NZ Funds	11%
BlackRock Advisors	23%
Franklin Templeton Investments	19%
Nordea/Doubleline	7%
PIMCO	9%
Wellington Management	34%
Total	**103%**



January 2014

NZ Funds	77%
BlackRock Advisors	6%
Franklin Templeton Investments	8%
Nordea/Doubleline	8%
PIMCO	11%
Total	**110%**



May 2015

NZ Funds	24%
BlackRock Advisors	6%
Civic Capital Advisors	3%
Harness Investment	5%
Nordea/DoubleLine	11%
Wellington Management	51%
Total	**100%**

The graphs above show the Strategy's underlying investment managers over time. In addition to managing part of the Strategy's assets, NZ Funds may select external underlying investment managers where we consider their investment approach will help meet the objective of the Strategy. The external underlying investment managers used are expected to change over time as part of our active investment management approach.

For more on the Strategy, go to www.nzfunds.co.nz/kiwisaver_portfolio_information.html

All graphs as at month end.

Inflation Strategy

Objective	The objective of the Strategy is to mitigate the impact of inflation on your investment over the medium and/or long-term by investing in income-orientated assets and growth-orientated assets using an active investment management approach.
Risk and volatility	The Strategy is likely to exhibit medium to high risk and volatility characteristics.
Recommended investment time frame	5 years +
Permitted investments	The Strategy may invest in securities in the following asset classes: • Cash and cash equivalents • New Zealand fixed interest • International fixed interest • Australasian equities • International equities • Listed property • Foreign currency • Commodities • Alternative securities
Anticipated investment approach	Over the course of an economic cycle, which may last between three and seven years (or longer), it is anticipated that the Strategy would hold a diversified range of assets. Income-orientated assets are expected to include Cash and cash equivalents, and/or New Zealand fixed interest (for example inflation-linked bonds and/or corporate bonds) and/or International fixed interest (for example corporate bonds and/or high yield debt securities). Growth-orientated assets are expected to include Australasian equities and/or International equities and/or Commodities.

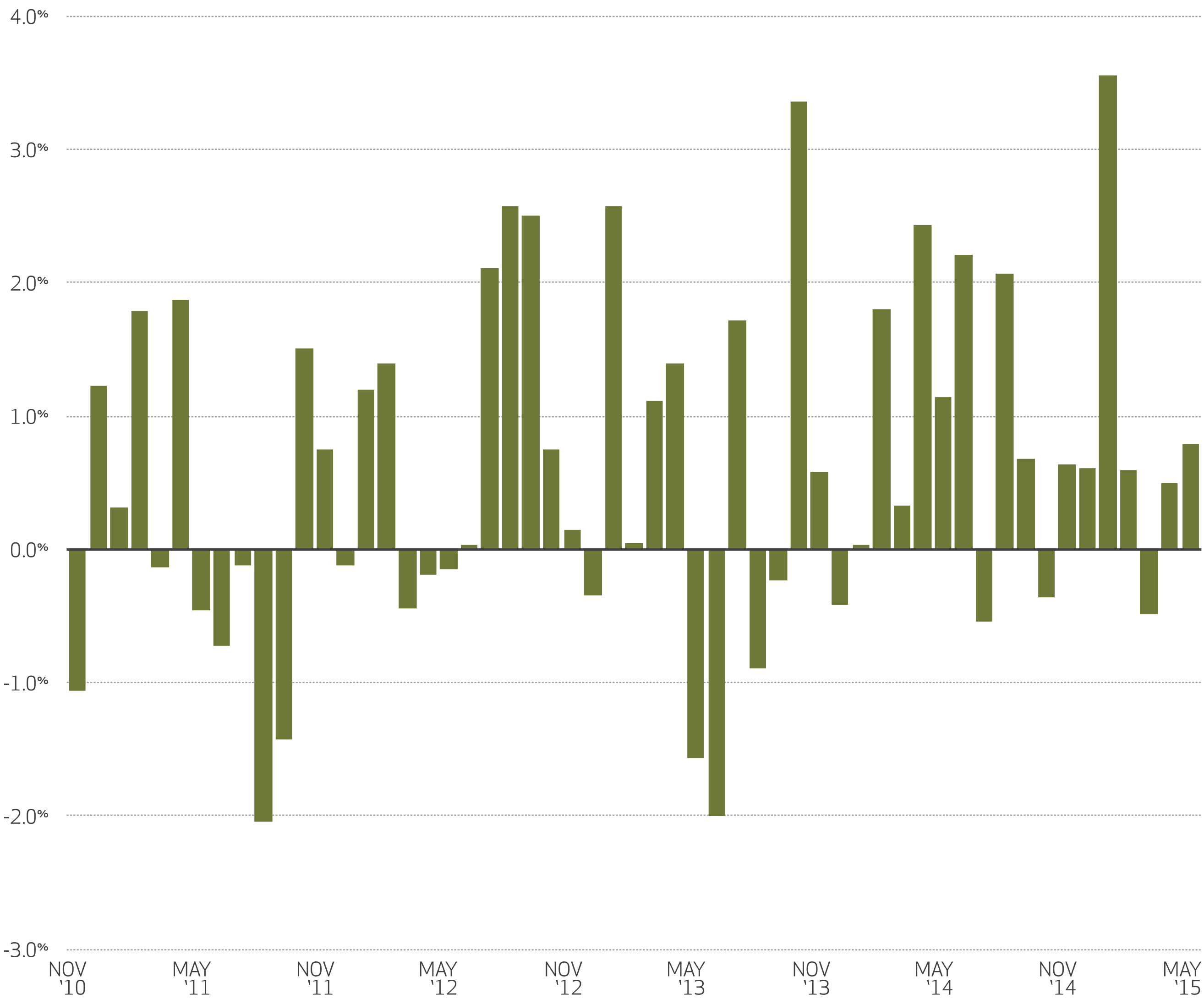
Additional important information

While the Strategy has a medium to high risk profile, you should be aware of the following:

- NZ Funds uses an active investment management approach. This approach, combined with the ability to invest widely, is a unique feature of NZ Funds' investment approach. Active investment management may be considered higher risk than non-active investment management.
- The Strategy can invest in permitted asset classes and securities in any proportion. This means that the Strategy may hold concentrated positions and may not always be diversified. Holding concentrated positions can be a high risk investment technique.
- The Strategy may invest in each asset class directly or indirectly through derivatives or collective investment vehicles. Derivatives, collective investment vehicles and short positions can be used to increase or decrease an allocation to an asset class, for hedging exposures or for seeking to enhance returns. It is anticipated that derivatives would be used for risk management purposes and to seek to enhance returns. The use of derivatives and short positions can be high risk investment techniques.
- The Strategy may be leveraged. The maximum amount of leverage that may be used is up to two times the Strategy's prevailing net asset value. The use of leverage may increase positive or negative returns. The use of leverage can be a high risk investment technique.

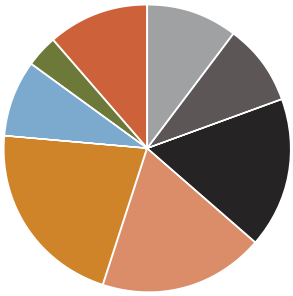
For more on derivatives and leverage and NZ Funds' investment management approach, see pages 8 and 9.

Historic monthly investment returns



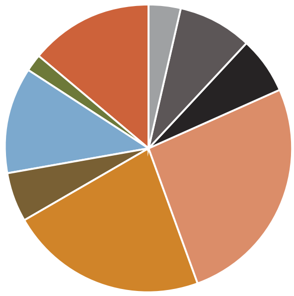
The graph above shows the performance of the Strategy (after fees and expenses but before PIE tax) over time. This may help illustrate the volatility of the Strategy. Past performance is not indicative of future performance. Further, there is no promise or guarantee made by any person, including the Government, as to the performance of the Strategy.

Historic asset allocation



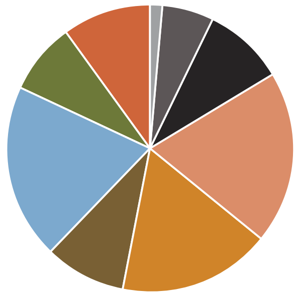
January 2013

Cash and cash equivalents	11%
New Zealand fixed interest	10%
International fixed interest	18%
Australasian equities	20%
International equities	23%
Foreign currency	9%
Commodities	4%
Alternative securities	12%
Total	**107%**



January 2014

Cash and cash equivalents	4%
New Zealand fixed interest	9%
International fixed interest	7%
Australasian equities	28%
International equities	24%
Listed property	6%
Foreign currency	13%
Commodities	2%
Alternative securities	15%
Total	**108%**

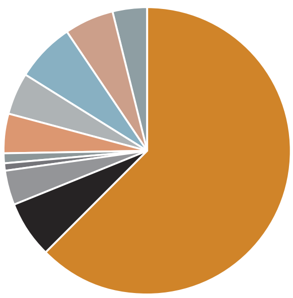


May 2015

Cash and cash equivalents	2%
New Zealand fixed interest	7%
International fixed interest	11%
Australasian equities	24%
International equities	21%
Listed property	11%
Foreign currency	24%
Commodities	10%
Alternative securities	12%
Total	**122%**

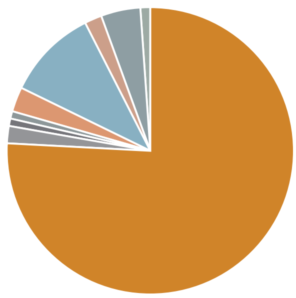
The graphs above show the Strategy's asset allocation over time. They take into account the effect of leverage. As a result, the total allocation may be greater than 100%. These are not the same graphs as shown in the KiwiSaver Disclosure Statements which use scaled economic exposure that eliminates the effect of leverage. The graphs may not show material differences in asset allocation. However, it is important to note that the Strategy's asset allocation is expected to change in the future and that changes may be material.

Historic underlying investment managers



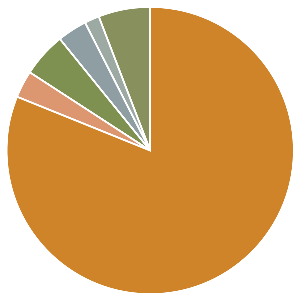
January 2013

NZ Funds	67%
BlackRock Advisors	7%
Commodity Strategies Ltd	4%
FSF Management	1%
H.R.L. Morrison & Co	1%
ISAM	5%
Nuveen/Wellington Management	5%
Ospraie Management	7%
PIMCO	6%
Semper Capital Management	4%
Total	**107%**



January 2014

NZ Funds	82%
Commodity Strategies Ltd	2%
FSF Management	1%
H.R.L. Morrison & Co	1%
ISAM	3%
Ospraie Management	11%
PIMCO	2%
Semper Capital Management	5%
Universa Investments	1%
Total	**108%**



May 2015

NZ Funds	99%
ISAM	4%
Paulson & Co	6%
Semper Capital Management	4%
Universa Investments	2%
Wellington Management	7%
Total	**122%**

The graphs above show the Strategy's underlying investment managers over time. In addition to managing part of the Strategy's assets, NZ Funds may select external underlying investment managers where we consider their investment approach will help meet the objective of the Strategy. The external underlying investment managers used are expected to change over time as part of our active investment management approach.

For more on the Strategy, go to www.nzfunds.co.nz/kiwisaver_portfolio_information.html

All graphs as at month end.

Growth Strategy

Objective	The objective of the Strategy is to grow your investment over the long-term by investing in income-orientated assets and growth-orientated assets using an active investment management approach.
Risk and volatility	The Strategy is likely to exhibit high risk and volatility characteristics.
Recommended investment time frame	10 years +
Permitted investments	The Strategy may invest in securities in the following asset classes: • Cash and cash equivalents • New Zealand fixed interest • International fixed interest • Australasian equities • International equities • Listed property • Foreign currency • Commodities • Alternative securities
Anticipated investment approach	Over the course of an economic cycle, which may last between three and seven years (or longer), it is anticipated that the Strategy would hold a significant exposure to Australasian equities and/or International equities and/or Alternative securities. Income-orientated assets are expected to include Cash and cash equivalents and/or New Zealand fixed interest (for example long-term government bonds) and/or International fixed interest (for example long-term government bonds and/or high yield debt securities). Growth-orientated assets are expected to include Australasian equities and/or International equities and/or Foreign currency and/or Commodities and/or Alternative securities (for example hedge funds).

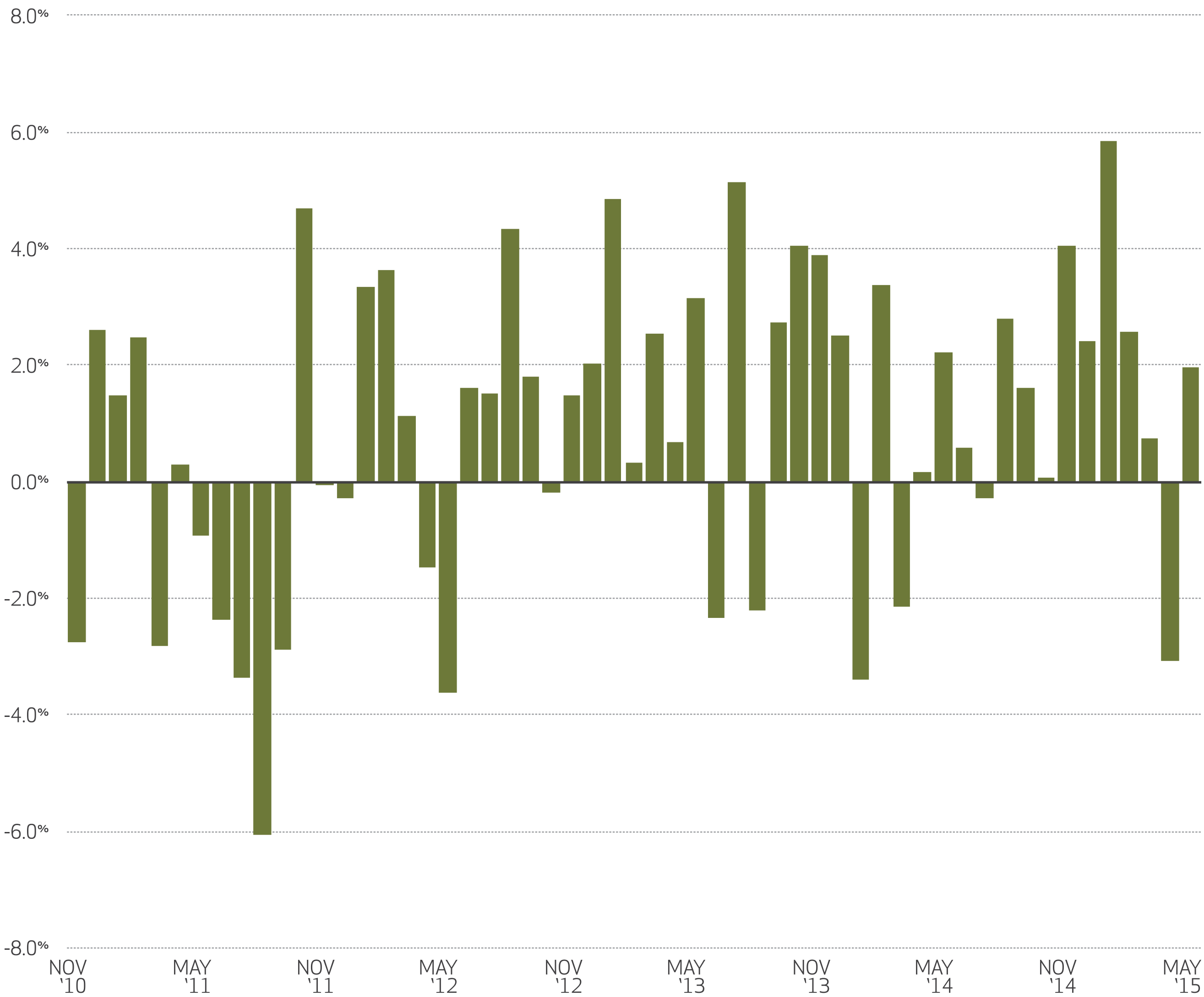
Additional important information

The Strategy has a high risk profile and you should be aware of the following:

- NZ Funds uses an active investment management approach. This approach, combined with the ability to invest widely, is a unique feature of NZ Funds' investment approach. Active investment management may be considered higher risk than non-active investment management.
- The Strategy can invest in permitted asset classes and securities in any proportion. This means that the Strategy may hold concentrated positions and may not always be diversified. Holding concentrated positions can be a high risk investment technique.
- The Strategy may invest in each asset class directly or indirectly through derivatives or collective investment vehicles. Derivatives, collective investment vehicles and short positions can be used to increase or decrease an allocation to an asset class, for hedging exposures or for seeking to enhance returns. It is anticipated that derivatives would be used for risk management purposes and to seek to enhance returns. The use of derivatives and short positions can be high risk investment techniques.
- It is anticipated that the Strategy will be leveraged. There is no maximum amount of leverage that may be used. The use of leverage can increase positive or negative returns. The use of leverage can be a high risk investment technique.

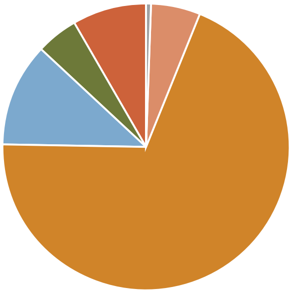
For more on derivatives and leverage and NZ Funds' investment management approach, see pages 8 and 9.

Historic monthly investment returns



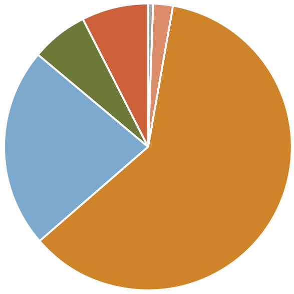
The graph above shows the performance of the Strategy (after fees and expenses but before PIE tax) over time. This may help illustrate the volatility of the Strategy. Past performance is not indicative of future performance. Further, there is no promise or guarantee made by any person, including the Government, as to the performance of the Strategy.

Historic asset allocation



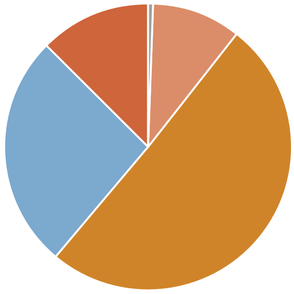
January 2013

Cash and cash equivalents	1%
Australasian equities	8%
International equities	101%
Foreign currency	17%
Commodities	7%
Alternative securities	12%
Total	**146%**



January 2014

Cash and cash equivalents	1%
Australasian equities	3%
International equities	84%
Foreign currency	31%
Commodities	9%
Alternative securities	10%
Total	**138%**

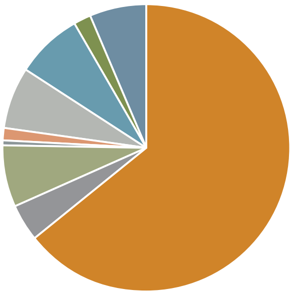


May 2015

Cash and cash equivalents	1%
Australasian equities	18%
International equities	89%
Foreign currency	46%
Alternative securities	22%
Total	**176%**

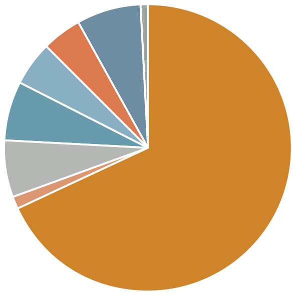
The graphs above show the Strategy's asset allocation over time. They take into account the effect of leverage. As a result, the total allocation may be greater than 100%. These are not the same graphs as shown in the KiwiSaver Disclosure Statements which use scaled economic exposure that eliminates the effect of leverage. The graphs may not show material differences in asset allocation. However, it is important to note that the Strategy's asset allocation is expected to change in the future and that changes may be material.

Historic underlying investment managers



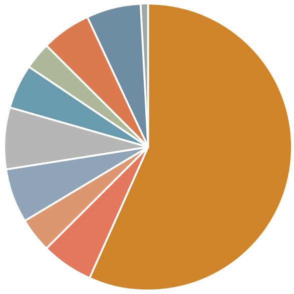
January 2013

NZ Funds	94%
Commodity Strategies Ltd	6%
Eclectica Asset Management	10%
H.R.L. Morrison & Co	1%
ISAM	2%
Magellan Asset Management	10%
Odey Asset Management	11%
Paulson & Co	3%
Tweedy Browne	9%
Total	**146%**



January 2014

NZ Funds	94%
ISAM	2%
Magellan Asset Management	9%
Odey Asset Management	9%
Ospraie Management	7%
TT International	6%
Tweedy Browne	10%
Universa Investments	1%
Total	**138%**



May 2015

NZ Funds	100%
Devon Funds	10%
ISAM	7%
LSV Asset Management	11%
Magellan Asset Management	12%
Odey Asset Management	9%
Suvretta Capital Management	5%
TT International	10%
Tweedy Browne	11%
Universa	1%
Total	**176%**

The graphs above show the Strategy's underlying investment managers over time. In addition to managing part of the Strategy's assets, NZ Funds may select external underlying investment managers where we consider their investment approach will help meet the objective of the Strategy. The external underlying investment managers used are expected to change over time as part of our active investment management approach.

For more on the Strategy, go to www.nzfunds.co.nz/kiwisaver_portfolio_information.html

All graphs as at month end.

SECTION 2

Details on the NZ Funds KiwiSaver Scheme

What sort of investment is this?

Scheme

This Investment Statement offers membership in the NZ Funds KiwiSaver Scheme. The Scheme is currently made up of three Strategies:

- the Income Strategy;
- the Inflation Strategy; and
- the Growth Strategy.

Who can join the Scheme?

You can join the Scheme if you:

- Are a New Zealand citizen or you are entitled to be in New Zealand indefinitely;
- Live (or normally live) in New Zealand (with some exceptions); and
- Have not reached the age for eligibility for New Zealand Superannuation (currently age 65) unless you are transferring from another KiwiSaver scheme.

Choice of investment options

You can invest in one of two ways:

- **LifeCycle Process:** The LifeCycle Process automatically allocates your investment across the Strategies depending on your age. When you are younger, your investment will be largely in the Growth Strategy. As you get closer to retirement more of your investment will automatically be allocated to the Inflation Strategy and the Income Strategy.
- **MemberChoice Process:** Alternatively, if you would like to choose your own investment allocation, you can specify which Strategy or Strategies your contributions will be invested into (and the proportion to be invested in each Strategy).

Collective investments

The NZ Funds KiwiSaver Scheme Strategies are collective investments. The money you invest into a Strategy is combined with other investors' money to purchase assets. A collective investment means your Strategy holding represents a proportionate holding in the underlying assets of the Strategy. This is not the same as direct ownership of the underlying assets.

You will be allocated units in the Strategies. The units represent your proportionate holding in the Strategies. The number of units you are allocated is based on the price per unit, called the unit price.

The performance of your investment will be measured by the rise or fall of the unit price. As the combined value of the assets purchased by the Strategies increases or decreases, so too will the unit price.

The scope of the permitted investments under the terms of the Trust Deed and Prospectus is wide as it is necessary to enable NZ Funds to invest appropriately across the Strategies which cover materially different mandates and objectives. NZ Funds invests in accordance with the objective and risk profile for each Strategy. NZ Funds has internal processes in place designed to ensure that each of the Strategies is invested in accordance with its objective and risk profile.

Each Strategy may invest in the asset classes set out on pages 14 to 22 by investing directly, or indirectly via Wholesale Trusts. As at the date of this Investment Statement, the Strategies only invest in Wholesale Trusts (with the exception of Cash and cash equivalents). The Strategies may invest directly in other asset classes or assets without notice to members.

When can I withdraw?

KiwiSaver schemes are designed for long-term savings so there are restrictions on when you can withdraw.

For information on withdrawals see "How do I cash in my investment?" on page 36.

Who is involved in providing it for me?

Nature of the Scheme

The name of the Scheme is the NZ Funds KiwiSaver Scheme. The Scheme is a KiwiSaver scheme and aims to assist natural persons who are able to join as members to save for retirement and to provide retirement benefits to members. The Scheme was established by a trust deed dated 21 September 2010 and was registered under the KiwiSaver Act on 11 October 2010. As at the date of this Investment Statement, it is governed by a trust deed dated 26 June 2014 (Trust Deed). The Scheme began accepting members on 15 October 2010.

Manager

NZ Funds is the manager (Manager) and issuer of the Scheme. As Manager, NZ Funds is principally responsible for the day-to-day management of the Scheme and each Strategy, including the implementation of investment strategies, and the promotion of the Scheme and each Strategy. NZ Funds has been an investment manager since 1988.

NZ Funds' senior management are significant indirect shareholders of NZ Funds. This means that they are shareholders of the company that owns NZ Funds. Many of our senior management team have been with the firm for a decade or more and bring significant tenure and experience to their roles.

As at the date of this Investment Statement, the Directors of NZ Funds are Philip Doak, Richard James, Michael Lang, Glenn Wright and Gregory Horton, all of Auckland. The Directors can be contacted at NZ Funds' address:

New Zealand Funds Management Limited
Level 16, Zurich House
21 Queen Street
Auckland 1010

The Directors of NZ Funds and/or their details may change from time to time. You may contact NZ Funds on 0508 733 337 or info@nzfunds.co.nz to check NZ Funds' current Directors and their details.

For more on the Directors of NZ Funds, see page 7 of this Investment Statement or the Prospectus or go to www.nzfunds.co.nz/aboutus.html

Administration Manager

Aon New Zealand is the administration manager (Administration Manager) of the Scheme and is responsible for the day-to-day administration of the Scheme and each Strategy, including maintaining the register of members. The Administration Manager's address is:

Aon New Zealand
Level 2, AMP Centre
29 Customs Street West
Auckland 1010

Trustee

Corporate Trust Limited, trading as Foundation Corporate Trust, is the trustee (Trustee) of the Scheme. The Trustee is responsible for holding the assets of the Scheme and for supervising NZ Funds. The Trustee's address is:

Corporate Trust Limited
Level 5, HSBC House
1 Queen Street
Auckland 1010

The Trustee is licensed by the Financial Markets Authority and holds a full licence, with certain conditions, issued under section 54 of the Securities Trustees and Statutory Supervisors Act 2011. The licence is due to expire on 27 March 2017.

To view the licence granted to Corporate Trust Limited, go to www.fma.govt.nz

Auditors

Ernst & Young are the auditors of the Scheme. The auditors are registered under the Auditor Regulation Act 2011. The auditors' address is:

Ernst & Young
EY Building
2 Takutai Square
Britomart
Auckland 1010

Solicitors

Kensington Swan are the solicitors to the Scheme. Their address is:

Kensington Swan
Level 9
89 The Terrace
Wellington 6011

Changes to this information

The Trustee, the Manager, the Administration Manager, auditors and solicitors and/or their details may change. Current information is available by contacting NZ Funds on 0508 733 337 or info@nzfunds.co.nz

Underlying investment managers

The Strategies may invest directly, or indirectly via Wholesale Trusts. As at the date of this Investment Statement, the Strategies only invest in Wholesale Trusts (with the exception of Cash and cash equivalents). The investments in the Wholesale Trusts are managed by NZ Funds and external underlying investment managers selected by NZ Funds. Different external underlying investment managers are selected where NZ Funds considers their investment approach will help meet the objectives of the Strategies. The external underlying investment managers are monitored and reviewed and are expected to change over time as part of our active investment management approach.

For more on the external underlying investment managers, see pages 14 to 22 and www.nzfunds.co.nz/kiwisaver_portfolio_information.html

Responsible investment

Responsible investment, including environmental, social, and governance considerations, is not taken into account in the investment policies and procedures of the Scheme as at the date of this Investment Statement.

How much do I pay?

Application Form

You can apply to join the NZ Funds KiwiSaver Scheme by completing the Application Form attached at the back of this Investment Statement. You will be invested in the LifeCycle Process unless you indicate on the Application Form that you wish to choose the MemberChoice Process. You will need to send the Application Form to the Administration Manager at the address set out on the Application Form.

You can be a member of only one KiwiSaver scheme at any time.

For more on how to complete the Application Form, see "How do I apply?" on page 41.

Member contributions

Members are required to make contributions to the Scheme as set out in the KiwiSaver Act and as permitted from time to time in the Trust Deed governing the Scheme.

As at the date of this Investment Statement, you can contribute to the Scheme in the following ways:

- For employees only, by payments via your employer through the PAYE system.
- For all persons (including employees), by regular or lump-sum payments made directly to the Scheme or to the IRD.

HOW IT WORKS FOR YOU IF YOU ARE AN EMPLOYEE

If you are an employee, as at the date of this Investment Statement, you can elect a contribution rate of 3%, 4%, or 8% of your gross (i.e. before-tax) salary or wages, by ticking the appropriate box on the Application Form. You can change your contribution rate at any time to any of these options provided you tell your employer. You can change your contribution rate only once every three months unless your employer agrees to a shorter time period. Any change in contribution rate will take effect from the next payment of salary or wages after you have advised your employer.

For more on changing your contribution rate, see "Can the investment be altered?" on page 35.

Your employer will automatically deduct your contributions from your net (i.e. after-tax) salary or wages and will pay them to the IRD. The IRD will then forward your contributions to the Scheme. If you are new to KiwiSaver (i.e. the Scheme is your first KiwiSaver scheme) the IRD will hold the first three months of contributions. Shortly after the expiration of that three-month period, your accumulated contributions together with your accumulated employer contributions (plus any interest on those accumulated contributions) will be forwarded to the Scheme.

If you are an employee, and are under the Qualifying Age, you must contribute at the minimum employee contribution rate unless you take a contributions holiday. Generally, after one year of membership, you can take a contributions holiday if you want to stop making contributions temporarily.

Once you have reached the Qualifying Age, you can continue to make contributions from your salary or wages but if you want to stop these you can give your employer a Non Deduction Notice requiring them to stop deducting these contributions.

As an employee, you can also make additional voluntary lump-sum or regular contributions to the Scheme at any time, subject to the requirements set out below.

For more on contributions holidays, see "Can the investment be altered?" on page 35.

For more on Non Deduction Notices, see page 35.

HOW IT WORKS FOR YOU IF YOU ARE SELF-EMPLOYED OR NOT EMPLOYED

If you are self-employed or not employed, you can still contribute to the Scheme by making one or more lump-sum payments or by regular contributions, subject to the requirements set out below.

LUMP-SUM OR REGULAR CONTRIBUTIONS BY YOU

Any member can make contributions to the Scheme by making lump-sum payments or regular contributions. You are free to choose when and how much to invest. There is currently no minimum amount for voluntary lump-sum or regular contributions. We will notify you if we introduce a minimum contribution amount.

If you choose to make regular contributions, you will need to complete the Authority to Accept Direct Debits Form at the back of this Investment Statement. NZ Funds may, in its sole discretion, accept alternative payment methods for regular contributions.

You can stop additional regular contributions at any time by writing to the Administration Manager stating your member number and that you wish to cancel your regular contribution.

If you choose to make lump-sum contributions, payments can be made directly to the Scheme or to the IRD. If you intend to make a payment directly to the Scheme, you will need to complete the Lump-Sum Contribution Form and send it, along with a cheque, to the Administration Manager. You can obtain this form from our website at www.nzfunds.co.nz/kiwisaver_forms.html. Information about who the cheque should be made out to and the address the form and cheque should be sent to is set out in the form. If you intend to make a payment to the IRD, this can be made by internet banking, or at Westpac or by cheque.

For more on how to make payments to the IRD, go to www.kiwisaver.govt.nz

LUMP-SUM OR REGULAR CONTRIBUTIONS BY SOMEONE ELSE ON YOUR BEHALF

There is also the ability for someone else to make a lump-sum or regular contribution direct to the Scheme or to the IRD on your behalf. The method of doing this is the same as above. Please ensure that any payment is accompanied by:

- The name and address of the member of the Scheme; and
- Their IRD number.

Employer contributions

You may be eligible to receive compulsory employer contributions if you:

- Are an employee and contributing to the Scheme through your salary or wages;
- Are aged 18 years or older; and
- Have not reached the Qualifying Age.

Compulsory employer contributions are made at the rate set out in the KiwiSaver Act from time to time. As at the date of this Investment Statement, the compulsory employer contribution rate is 3% of your gross salary or wages.

Your employer does not have to make compulsory employer contributions to the Scheme if you are not contributing (for example, if you are taking a contributions holiday or are on leave without pay). In addition, the amount of compulsory employer contributions may be reduced by any amount that your employer is required to contribute to another complying superannuation fund or registered superannuation scheme, for your benefit. Your employer will tell you if these reductions apply to you.

Your employer may choose to make voluntary employer contributions to the Scheme at any time over and above the compulsory employer contribution rate.

All employer contributions will be subject to employer's superannuation contribution tax (ESCT) which is deducted from the employer contributions before these are forwarded to the Scheme.

For more on ESCT, see "Taxation of employer contributions" on page 32.

Cooling off period

If you have been automatically enrolled in the Scheme as a result of your employer choosing the Scheme as its preferred provider scheme, you have the option to opt out of the Scheme between weeks two and eight of your membership.

Government contributions

MEMBER TAX CREDITS

If you are eligible, the Government will supplement your contributions to the Scheme at the rate of 50c for every dollar you contribute up to a maximum of $521.43 per year (equivalent to approximately $10.00 per week). In order to qualify for the full $521.43 member tax credit each year, you need to contribute at least $1,042.86 to the Scheme each year.

These member tax credits are based on your period of membership in the Scheme commencing 1 July and ending 30 June in the following year. Member tax credits will be paid annually, and will be pro-rated for any period of membership that is less than 12 months within the relevant membership year.

You are eligible for member tax credits if you are:

- Aged 18 years or older;
- Have not reached the Qualifying Age; and
- Live (or normally live) in New Zealand.

If you contribute to a complying superannuation scheme as well as to the Scheme, the member tax credits will go to the scheme that applies for the member tax credits first.

Allocation of contributions

If you are invested in the Scheme as part of the LifeCycle Process, any contributions made to the Scheme by you, or for your benefit, will be automatically allocated to the Strategies based on your age in accordance with the LifeCycle Process.

If you have chosen the MemberChoice Process, any contributions made to the Scheme by you, or for your benefit, will be allocated to the Strategy or Strategies you have chosen in the same proportion as set out in your initial Application Form, unless you have changed these by telling the Administration Manager in writing.

If you have not made any selections on the Application Form, your investment will automatically be allocated according to the LifeCycle Process.

Issue of units

The number of units issued will depend on the issue price of the units. The issue price for a Strategy represents the market value of the assets held by the Strategy less any liabilities of the Strategy.

For more on the calculation of the issue price, see the Prospectus.

You cannot be asked to contribute any more money to the Scheme in excess of the price you pay for the purchase of your units, except where the amount of PIE tax on income attributable to you exceeds the value of your interest in the Scheme. In this case you may have to satisfy the tax liability directly to the IRD, and where the Trustee or NZ Funds pays the tax liability, you will have to indemnify NZ Funds or the Trustee for that amount.

MAXIMUM HOLDING RESTRICTION

The combined holdings of members and/or their associated persons must not exceed the maximum number of units set by the Manager from time to time.

The maximum number of units is set for the purpose of ensuring the Scheme meets the PIE rules. If NZ Funds forms the view that the combined holding does (or could) put the PIE tax status of the Scheme at risk, we may notify the Commissioner of Inland Revenue that your holdings are to be transferred to a default KiwiSaver scheme.

For more on the maximum holding restriction, including NZ Funds' ability to request information and to remove members from the Scheme, see the Prospectus.

ACCEPTANCE OF APPLICATION

NZ Funds can accept or reject any application for membership at its own discretion. No reasons are required to be given if any application is rejected.

NZ Funds can also defer accepting any application for membership by up to two business days.

REFUNDS

If any contributions are paid to a member's account in error, NZ Funds may cancel the units held by that member to refund the amount that has been incorrectly paid.

Transferring from Australian complying superannuation funds

You can transfer funds from an Australian complying superannuation fund to the Scheme if you have moved permanently to New Zealand.

Australia and New Zealand have different rules for calculating taxable income and different tax rates. Before making a decision to transfer your investment from an Australian complying superannuation fund we recommend that you consult a professional tax adviser.

Different conditions apply to the withdrawal of funds transferred to the Scheme from Australia.

If you would like to make an investment in the Scheme by way of a transfer from an Australian complying superannuation fund, please contact your Authorised Financial Adviser, NZ Funds or the Administration Manager.

For more on withdrawals, see "How do I cash in my investment?" on page 36.

Transferring from United Kingdom pension schemes

The Scheme has previously been registered as a Qualifying Recognised Overseas Pension Scheme (QROPS) by Her Majesty's Revenue and Customs (HMRC) under United Kingdom legislation. This means that the Scheme could accept funds transferred from a United Kingdom pension scheme without the transfer being subject to United Kingdom tax charges imposed by HMRC on the transfer value.

Following a United Kingdom legislative change which took effect on 6 April 2015, KiwiSaver schemes no longer meet the conditions set down by HMRC to qualify as a QROPS. This means the Scheme has lost its QROPS status and as at the date of this Investment Statement, the Scheme is not accepting any United Kingdom pension transfers.

As at the date of this Investment Statement, officials from New Zealand and the United Kingdom are liaising in order to clarify the QROPS status of KiwiSaver schemes going forward and the implications of their loss of QROPS status. The outcome of these discussions may enable the Scheme to regain QROPS status in the future. Please contact NZ Funds for more information.

There may be United Kingdom tax implications if your investment in the Scheme includes amounts transferred from a United Kingdom pension scheme and you transfer to another KiwiSaver scheme or make an early withdrawal. The tax laws relating to United Kingdom pension transfers are complex and we recommend you consult a professional tax adviser on how these tax laws apply to your individual circumstances. Neither the Trustee, NZ Funds, nor any of their related parties will be responsible for any tax consequences arising as a result of any transfer from a United Kingdom pension scheme.

What are the charges?

This section sets out the types of fees and expenses that are, or may be, payable. There are broadly two types of fees and expenses that apply to members:

- Member fees that are paid by you and are deducted directly from your investment in the Scheme; and
- Strategy fees and expenses that are paid directly or indirectly out of the assets of the Strategy.

Member fees

The member fees payable by a member of the Scheme as at the date of this Investment Statement are:

ADMINISTRATION FEE

The Administration Manager charges a fee of $3.00 per month to you for the administrative services it performs for the Scheme. The fee is deducted from your investment. The Administration Manager must agree any alteration to this fee with NZ Funds in writing before any change can occur.

NZ Funds may, in its absolute discretion and from its own funds, pay some or all of the Administration Manager's fee.

TRANSFER FEE

The Administration Manager charges a fee of $38.48 to any member who transfers to another KiwiSaver scheme. The fee is deducted from the amount transferred to the other KiwiSaver scheme. The fee may be adjusted annually in line with the New Zealand consumer price index. Otherwise, the Administration Manager must agree any alteration to this fee with NZ Funds in writing before any change can occur.

AUSTRALIAN COMPLYING SUPERANNUATION FUND FEE

The Administration Manager charges a fee of $100.00 for transferring your investment in the Scheme to an Australian complying superannuation fund. The fee is deducted from the amount transferred. The Administration Manager must agree any alteration to this fee with NZ Funds in writing before any change can occur.

QROPS FEE

As at the date of this Investment Statement, the Scheme is not registered as a QROPS under United Kingdom legislation and is therefore not accepting transfers from United Kingdom pension schemes. Should the Scheme regain QROPS status in the future and decide to accept United Kingdom pension transfers, the Administration Manager will charge a fee of $100.00 for each transfer of funds to the Scheme from a United Kingdom pension scheme. The fee will be deducted from the amount held on behalf of the member. The Administration Manager must agree any alteration to this fee with NZ Funds in writing before any change can occur.

Strategy fees

This section sets out the various fees and expenses that apply to each Strategy. These fees and expenses are paid directly or indirectly out of the assets of the Strategy. This means that as an investor in a Strategy, your return is affected by these fees and expenses.

NZ Funds has set a target base fee for each Strategy. The target base fee is not a separate fee, but a means of providing an indication of the level of fees and expenses that each Strategy is expected to incur (excluding transaction costs, extraordinary fees and expenses, and performance fees charged by external underlying investment managers which are discussed below).

Under the KiwiSaver (Periodic Disclosure) Regulations 2013, we are required to prepare and make publicly available quarterly and annual disclosure statements for each Strategy. In those disclosure statements, we are required to calculate and disclose fees and costs in a particular way. The annual disclosure statement will reflect the actual total fees and expenses incurred by a Strategy for the disclosure period, including any performance fees charged by external underlying investment managers, and may therefore be higher than the target base fee disclosed below.

To view the quarterly and annual disclosure statements go to www.nzfunds.co.nz/Kiwisaver/PeriodicDisclosure or to request copies, contact NZ Funds on 0508 733 337 or info@nzfunds.co.nz

WHAT IS THE TARGET BASE FEE?

The target base fee for a Strategy is an estimate of certain fees and expenses paid directly or indirectly out of the assets of that Strategy as a proportion of the gross asset value of the Strategy. Because it is an estimate, the target base fee is not guaranteed for the current financial year or any future period.

It is important to note that the target base fee for a Strategy does not include:

- transaction costs associated with buying and selling the assets of a Strategy (for example, brokerage commissions and buy/sell spreads);
- extraordinary fees and expenses (for example, fees and expenses associated with any member meetings or significant regulatory change). There is no limit on these fees and expenses; and
- any performance fees charged by external underlying investment managers.

For more on performance fees charged by external underlying investment managers, see page 30.

WHAT FEES AND EXPENSES ARE INCLUDED IN THE TARGET BASE FEE?

The fees and expenses that make up the target base fee are set out below. These fee and expense components are accrued and are reflected in the daily unit price of each Strategy. At least once a quarter, the target base fee is compared to the actual fees and expenses and any necessary adjustments are made. This ensures that as much as possible all members bear their fair share of the fees and expenses making up the target base fee.

TRUSTEE FEE

Each Strategy pays a trustee fee to the Trustee based on a percentage of the gross asset value of each Strategy. The NZ Funds KiwiSaver Scheme trustee fee is 0.04% per annum, and is subject to a minimum fee of $25,000 per annum across all Strategies. NZ Funds may contribute to the payment of this fee.

The Trustee, with the prior consent of NZ Funds, may alter the rate and basis of the calculation of the trustee fee at any time, subject only to the requirement that the altered fee must be reasonable.

MANAGEMENT FEE

Each Strategy pays a management fee to NZ Funds based on a percentage of the gross asset value of each Strategy. The management fee for each Strategy is:

- Income Strategy 0.95% per annum;
- Inflation Strategy 1.15% per annum; and
- Growth Strategy 1.30% per annum.

NZ Funds, with prior notice to the Trustee, may alter the rate and basis of the calculation of the management fee at any time, subject only to the requirement that the altered fee must be reasonable.

EXPENSE REIMBURSEMENT

The Trust Deed allows the Trustee, NZ Funds and any other parties that may be appointed by the Trustee or NZ Funds to be reimbursed for all expenses properly incurred by them while carrying out their duties in relation to the Scheme. This expense reimbursement is paid out of the assets of the relevant Strategy. Details of the actual expense reimbursement incurred by a Strategy can be found in the Scheme's annual financial statements.

The amount of these expenses cannot be ascertained until they are incurred and will vary from time to time. It is expected the expense reimbursement for each Strategy will be 0.05% per annum. To the extent that actual expenses exceed the target, NZ Funds may choose not to recover these expenses.

Where expenses are attributable to more than one Strategy, NZ Funds will in its discretion apportion these expenses across all the Strategies in an equitable manner.

PROFESSIONAL FEES

The Strategies may incur professional fees (for example, fees for legal, accounting and audit services). The Trust Deed allows these professional fees to be paid out of the assets of the relevant Strategy.

The target professional fees for each Strategy is 0.03% per annum. To the extent that the actual professional fees of a Strategy exceed the target, NZ Funds may contribute to the payment of these expenses. Details of the actual professional fees incurred by a Strategy can be found in the Scheme's annual financial statements.

Where professional fees are attributable to more than one Strategy, NZ Funds will in its discretion apportion these professional fees across all the Strategies in an equitable manner.

UNDERLYING FUNDS FEES AND EXPENSES

The Strategies currently invest in Wholesale Trusts that incur fees and expenses. Some or all of these fees and expenses may be paid to NZ Funds and/or to entities that are associated with NZ Funds.

The Strategies and Wholesale Trusts may also invest in other funds managed by entities not associated with NZ Funds (external underlying funds) which may charge fees including entry fees, exit fees, performance fees and management fees, and incur expenses.

The returns of a Strategy in which you are invested will be indirectly affected by the fees and expenses charged or incurred by the Wholesale Trusts and external underlying funds.

The target underlying funds fees and expenses for each Strategy is 0.08% per annum. This does not include any performance fees which may be charged by external underlying investment managers.

The amount of fees and expenses incurred by external underlying funds is obtained from external managers, administrators and market data providers. For certain external underlying funds, estimates of these amounts may have been used in determining the target underlying funds fees and expenses.

Certain fees and expenses borne by the Wholesale Trusts or external underlying funds in which a Strategy directly or indirectly invests may be rebated by NZ Funds or its associated entities to ensure that the target underlying funds fees and expenses is not exceeded.

SUMMARY OF FEES AND EXPENSES THAT MAKE UP THE TARGET BASE FEE

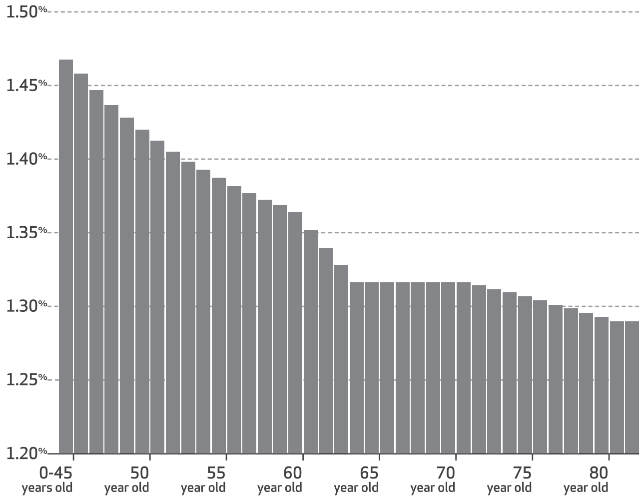
	Income Strategy	Inflation Strategy	Growth Strategy
Trustee fee	0.04%	0.04%	0.04%
Management fee	0.95%	1.15%	1.30%
Expense reimbursement	0.05%	0.05%	0.05%
Professional fees	0.03%	0.03%	0.03%
Underlying funds fees and expenses	0.08%	0.08%	0.08%
Target base fee	**1.15%**	**1.35%**	**1.50%**

The above numbers are expressed on a per annum basis as a percentage of the gross asset value of the Strategy.

LIFECYCLE PROCESS

A member who is invested in the Scheme under the LifeCycle Process will encounter different levels of fees and expenses across their total investment in the Scheme depending on their age. The following graph provides an illustration of the average target base fee a member invested in the LifeCycle Process (as at the date of this Investment Statement) would incur depending on their age.

SUMMARY OF LIFECYCLE PROCESS TARGET BASE FEE



PERFORMANCE FEES

External underlying investment managers may charge performance fees from time to time depending on their investment performance. The table below shows the amount of external underlying investment manager performance fees incurred by each Strategy and the investment performance of each Strategy for the last three financial years. The amount of any performance fees and the investment performance of each Strategy for the current period and future periods may materially differ from that disclosed below.

SUMMARY OF EXTERNAL MANAGER PERFORMANCE FEES AND STRATEGY INVESTMENT PERFORMANCE

	2013	2014	2015
Income Strategy			
Performance fees	0.00%	0.00%	0.01%
Performance	6.53%	2.36%	4.36%
Inflation Strategy			
Performance fees	0.08%	0.07%	1.26%
Performance	11.67%	4.05%	13.19%
Growth Strategy			
Performance fees	0.63%	0.62%	2.95%
Performance	15.91%	15.93%	25.14%

All calculations are for the year ended 31 March.

The fee numbers shown above are expressed as a percentage of the net asset value of the Strategy. Please note that this calculation measure differs from that used in the table headed "Summary of fees and expenses that make up the target base fee".

Performance is stated after all Strategy fees but before PIE tax and is therefore not the same as the returns in the Scheme's quarterly and annual disclosure statements which are stated after applying a PIE tax rate of 28%. Past performance is not indicative of future performance.

Changes to fees

Under the KiwiSaver Act, all fees charged to you must be "reasonable". The Trustee, NZ Funds and/or the Administration Manager may alter the fees described in this section, from time to time, subject to this and any other restrictions under the KiwiSaver Act.

Where any of the member fees, the trustee fee or the management fee increases (other than increases reflecting the New Zealand consumer price index increases) NZ Funds will use reasonable endeavours to tell members of the increase before it takes effect.

NZ Funds may also introduce a performance fee to a Strategy. NZ Funds will use reasonable endeavours to tell members of the introduction of a performance fee before it takes effect.

Once it takes effect, the increased fee(s) or performance fee is payable by all members of the relevant Strategy. If you do not agree with the increased fee(s), or to the introduction of a performance fee you may transfer to another KiwiSaver scheme.

GST

All fees are stated exclusive of GST or other similar tax. This means that if any GST or other similar tax is payable on any fee, that tax will be payable in addition to the amount of the fee.

Indemnification

The Trustee and NZ Funds are indemnified out of the relevant Strategy's assets for any loss or liability suffered where they have acted properly, in accordance with the Trust Deed. This indemnification covers the timely payment of fees and properly incurred expenses, allowed under the Trust Deed.

Authorised Financial Advisers

AUTHORISED FINANCIAL ADVISER FEES

Your Authorised Financial Adviser may charge fees for financial advisory services or other services they provide, and/or implementation fees for implementing your investment portfolio and/or exit fees for any transfers or withdrawals from the Strategies.

Any fees relating to financial advisory services or other services provided should be agreed between you and your Authorised Financial Adviser before an investment is made.

Details of these fees are required to be outlined in their disclosure statements, and are paid by you to your Authorised Financial Adviser. NZ Funds or an entity associated with NZ Funds may charge financial advisory fees for financial advisory services provided by one of their Authorised Financial Advisers.

COMMISSIONS

NZ Funds may pay your Authorised Financial Adviser a commission of up to 0.20% per annum of the account balances of the clients introduced into the Strategies by them. NZ Funds is not entitled to be reimbursed by the Strategies for any commission and therefore any commission will not be an additional cost to the Scheme or to you as a member in the Scheme.

ADMINISTRATION PAYMENT

NZ Funds may also pay your Authorised Financial Adviser an administration payment to assist the Authorised Financial Adviser with the costs associated with providing financial advice to Scheme members. NZ Funds is not entitled to be reimbursed by the Strategies for any administration payment and therefore any administration payment will not be an additional cost to the Scheme or to you as a member in the Scheme.

What returns will I get?

No rate of return, or repayment of your investment, is promised or guaranteed by the Trustee, NZ Funds or any other person on any amount invested in the Scheme. Furthermore, there is no Government guarantee in respect of any KiwiSaver scheme or any investment product of a KiwiSaver scheme. Please also note that past performance is not indicative of future performance.

Returns are reflected in the change in the unit price of a Strategy over given periods of time. The unit price reflects the value of the assets in the Strategy, the income those assets earn and the expenses incurred by the Strategy.

As manager of the Scheme, NZ Funds is legally responsible for paying your returns from the Scheme.

No income is distributed from the Scheme. The only date or dates upon which your savings and any returns are paid to you will be the date or dates that you make a withdrawal. These dates will depend on your personal circumstances and are therefore not known by NZ Funds.

For information about withdrawing from the Scheme, see "How do I cash in my investment?" on page 36.

Key factors affecting returns

Some of the key factors which can affect returns include:

- Investment performance;
- Fees and expenses;
- Strategy size;
- Allocation of your investment between the Strategies;
- The timing of contributions and/or withdrawals made by you; and
- Tax.

The performance of the investment markets and underlying assets can be influenced by many factors, including economic, political and other international events, including for example, acts of terrorism or natural disasters. Neither NZ Funds nor any external underlying investment manager can control or guarantee the performance of investment markets and underlying assets.

Returns are also affected by implementation of NZ Funds' active investment management approach, and the actions and choices of external underlying investment managers that NZ Funds has selected.

The amount of any fees and expenses paid by a Strategy will also affect returns. This is because fees and expenses are paid out of the assets of the Strategy.

Your returns may also be impacted by the size of a Strategy. If a Strategy becomes too large NZ Funds' ability to implement its active investment management approach may be affected. If a Strategy becomes too small its ability to access certain investments may be limited and fixed fees and charges may have a greater impact on returns.

Your returns may also be affected by your allocation between the Strategies. If you are invested using the LifeCycle Process, your allocation will be automatically determined based on your age.

In addition to the above, the timing of your actions, including when and how you contribute to, and when and how you withdraw from, the Scheme may also affect your returns.

For information on the risks associated with investing in the Strategies, see "What are my risks?" on page 33.

TAX

The tax treatment of investing in the Scheme will vary from person to person. You are encouraged to consult with an Authorised Financial Adviser before making an investment. Neither the Trustee, NZ Funds nor any associated parties can take any responsibility for your particular tax position as a result of an investment in the Scheme.

PORTFOLIO INVESTMENT ENTITIES

The Scheme has elected to be a PIE under the PIE rules. The PIE rules allow you to effectively pay tax on your investment in the Scheme at a maximum tax rate of 28%. The Scheme's tax liability is based on the PIE tax rates provided to it by its members.

WHAT IS MY PIE TAX RATE?

The PIE tax rates are either 10.5%, 17.5% or 28%. Where no election is made, the default rate of 28% will apply.

For help in selecting the appropriate PIE tax rate for you, see "Selecting the right PIE tax rate" on page 41, or contact your Authorised Financial Adviser (if applicable).

ALTERING YOUR PIE TAX RATE

You can change your PIE tax rate at any time.

For more on how to change your PIE tax rate, see "Change of PIE tax rate" on page 41.

In certain circumstances, including where you have insufficient holdings to meet your PIE tax liability, your PIE tax rate for the relevant quarter will be changed to 0% (we call this a zero-rated member). In this case, you may be required to file a tax return. Any remaining units held will be cancelled and the proceeds paid to the IRD, which can be used as a tax credit against any tax payable.

For more on zero-rated members, see the Prospectus.

The Administration Manager will provide zero-rated members with a statement containing the relevant PIE tax information shortly after the end of the relevant quarter.

TAXATION OF EMPLOYER CONTRIBUTIONS

Employer contributions to the Scheme on behalf of a member are subject to employer superannuation contribution tax (ESCT). The whole amount of your employer's contribution to the Scheme will have ESCT deducted from it, at a rate up to 33% depending on the amount of your salary or wages as follows:

Salary or wages	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%
exceeds $84,001	33.0%

Please note that these rates may change in the future. For the current rates, please visit the IRD's website at www.ird.govt.nz

ADDITIONAL INFORMATION

The Administration Manager will provide you with an annual tax statement containing the relevant PIE tax information before 30 June each year.

For more on the tax considerations detailed above, see the Prospectus.

Suspension of withdrawals

Your returns may also be affected by NZ Funds' ability to suspend withdrawals. NZ Funds can suspend withdrawals from a Strategy for any of the following reasons if it believes that permitting withdrawals is not practicable or would prejudice the interests of any members invested in the relevant Strategy:

- The suspension of trading on any stock exchange (whether generally or in respect of any specific investment);
- Financial, political or economic conditions applying in respect of any financial market;
- The nature of any investment;
- The number of persons seeking admission to the Scheme or a Strategy, or the aggregate size of contributions being made to the Scheme or a Strategy at any time, or the aggregate size of any benefits to be paid to members from the Scheme or Strategy at any time, or the number of members wishing to withdraw from, or transfer to or from, the Scheme or a Strategy; and
- The occurrence or existence of any other circumstance or event.

NZ Funds will endeavour to promptly notify affected members in the event withdrawals from the Scheme or a Strategy have been suspended.

For more on the suspension of withdrawals, see the Prospectus.

What are my risks?

Every investment has risk. Risk is the possibility of loss of some or all of your investment. No rate of return, or repayment of your investment, is promised or guaranteed by the Trustee, NZ Funds or any other person. There is also no Government guarantee of any KiwiSaver scheme. Please also note that past performance is not indicative of future performance.

The amount of risk which you are comfortable with may vary depending on your attitude to risk and personal circumstances. You will need to consider the risks of investing in the Scheme discussed below before investing. You are also encouraged to discuss your attitude to risk and personal circumstances with an Authorised Financial Adviser before investing.

If you are uncomfortable with any of the risks outlined in this section, or anything in this Investment Statement or the Prospectus, please do not invest.

Primary risks

Some of the primary risks of investing in the Scheme include:

- Not getting back some (or all) of your money;
- Not getting the returns you expected;
- Not being able to leave the Scheme when you want to; and
- Experiencing periods where your investment is worth less than it had been previously.

Key factors affecting risks

Some of the key factors affecting the primary risks of investing in the Scheme include:

MARKET RISK

Market risk is the risk of volatility or loss caused by a change in the value of the investments held by the Scheme. Market risk arises from uncertainty about the future value of investments held by the Scheme. These changes may be caused by factors specific to an investment, or as a result of factors affecting financial markets generally.

ILLIQUID SECURITIES

The Strategies may hold illiquid securities. Illiquid securities are assets that cannot quickly be converted or exchanged for cash (or not without a significant loss in value). Illiquid securities generally carry a greater risk than liquid securities, particularly during times of market turmoil. Investment illiquidity may make it difficult to acquire or dispose of assets.

NZ FUNDS' ACTIVE INVESTMENT MANAGEMENT APPROACH

NZ Funds uses an active investment management approach. An active investment management approach is subject to different risks (which may be considered higher risks) than a non-active investment approach. As a result, NZ Funds' active investment management approach may cause the returns and capital stability of the Strategies to significantly differ from the returns and capital stability of the underlying asset classes utilised, and/or any benchmark index.

For more on NZ Funds' active investment management approach, see page 8.

WIDE INVESTMENT MANDATES

The Scheme's Trust Deed enables NZ Funds to invest in a wide range of assets and to change assets quickly and without notice to members. NZ Funds has developed internal investment guidelines which assist in the oversight of each Strategy. These guidelines are designed to ensure that each Strategy invests in accordance with its investment objective and risk profile.

Due to NZ Funds' active investment management approach, the guidelines may be exceeded from time to time. Where this occurs, the Strategy is either realigned to come within the guidelines, or the guidelines are changed to reflect a change in the implementation of NZ Funds' active investment management of the Strategy. It is therefore anticipated that the guidelines will change.

For more on NZ Funds' internal investment guidelines, contact NZ Funds on 0508 733 337 or info@nzfunds.co.nz

CERTAIN INVESTMENT INSTRUMENTS AND TECHNIQUES

NZ Funds is able to use certain investment instruments and techniques which can be high risk. These instruments and techniques include but are not limited to:

- Using derivatives: The use of derivatives may increase the volatility of a Strategy, and may also significantly increase the risk and extent of any loss.
- Taking short positions: When taking a short position we seek to profit from a fall in the price of a security. The use of short positions may increase the volatility of a Strategy, and may also significantly increase the risk and extent of any loss.
- Applying leverage: Leverage occurs where a Strategy's economic exposure to assets is greater than the amount invested. Leverage occurs by borrowing to invest, or through the use of derivatives. The Strategies may use leverage to seek to enhance returns and/or to seek to mitigate risk. Leverage can assist in mitigating risk where, for example, an investment is made in order to reduce the risk of potential adverse price movements in a security by taking an offsetting position in the same security or another security, the price of which is expected to move in the opposite direction. The use of leverage may increase the volatility of a Strategy, and may also significantly increase the risk and extent of any loss.

- Asset concentration: The Strategies can hold permitted securities or asset classes in any proportion or concentration, meaning that the Strategies may not be diversified. For example, a Strategy may be predominantly invested in a specific security, underlying investment manager, asset class, country or sector and may be particularly exposed to any adverse circumstances affecting them. The use of concentrated positions may increase the volatility of a Strategy, and may also significantly increase the risk and extent of any loss.

For more on investment instruments and techniques, see pages 14 to 22, and the Prospectus.

INVESTMENT IN CERTAIN ASSET CLASSES AND/OR COLLECTIVE INVESTMENT VEHICLES

Some securities or asset classes in which the Strategies invest can be high risk. Examples include but are not limited to: commodities; foreign currencies; emerging market securities; and complex securities such as mortgage backed securities, alternative securities and securities which have the potential to be or are distressed. Also, some collective investment vehicles in which the Strategies invest can be high risk. Examples include but are not limited to, hedge funds and alternative securities funds. Investment in high risk securities, asset classes or collective investment vehicles may increase the volatility of a Strategy, and may also significantly increase the risk and extent of any loss.

For more on the Strategies' current asset allocations, go to www.nzfunds.co.nz/kiwisaver_portfolio_information.html

KEY PERSONNEL OF NZ FUNDS

The Scheme may be dependent on the services of key personnel of NZ Funds. The Scheme may be adversely affected by the departure of key personnel.

For more on the team at NZ Funds, go to www.nzfunds.co.nz/ourpeople.html

EXPOSURE TO INVOLVED PARTIES

A variety of parties are involved in the Scheme. Examples include but are not limited to: the Trustee; the Administration Manager; the custodian of the Wholesale Trusts; banks; external underlying investment managers; settlement and trade counterparties; and investment brokers. These are in addition to the wide range of roles NZ Funds performs. The actions or inactions of any of the parties involved may adversely affect the Scheme.

INSOLVENCY OR WINDING UP

There is a risk that the Scheme may be wound up. As at the date of this Investment Statement, NZ Funds does not have any intention to wind up the Scheme. If NZ Funds resolves that the Scheme is to be wound up, the Trustee exercises its limited power to wind up the Scheme, or if the Financial Markets Authority or a Court orders a wind-up of the Scheme then the Scheme will be wound up in the manner set out in the KiwiSaver Act and the Trust Deed.

If the Scheme is wound up, the assets of the Strategies will be sold and the proceeds applied first to meet the claims of any creditors, including any claims by the Trustee or NZ Funds or any other party associated with the Scheme, for fees or expenses. After payment of all creditors, your share of what remains will be transferred to another KiwiSaver Scheme as provided under the KiwiSaver Act. There is a risk that you may not recover the full amount paid to the Scheme by you or on your behalf. Members rank equally (among themselves) in the event of the Scheme being wound up.

If the Scheme is wound up and you do not choose to transfer to another KiwiSaver scheme, the IRD will transfer you to a default KiwiSaver scheme.

In the event of insolvency of the Scheme or a Strategy you will not be liable to pay money other than any unpaid PIE tax attributable to you.

Anticipated relative impact of key factors affecting risk

Strategies	Illiquid securities	Active investment management approach	Wide investment mandate	Investment instruments and techniques: Derivatives	Asset concentration	Leverage	Short positions
Income	Higher	Medium	Medium	Medium to High	Higher	Lower	Lower
Inflation	Medium	Higher	Higher	Medium	Medium	Medium	Medium
Growth	Medium	Higher	Higher	Higher	Medium to High	Higher	Higher

This table shows our assessment (as at the date of this Investment Statement) of the relative impact of some of the key factors affecting risk within and between each Strategy. This table should be read after considering the risk and volatility characteristics of each Strategy (see pages 14 to 22).

OTHER FACTORS

There are also other factors that may affect the risk of investing in the Scheme, including, but not limited to:

- Related party investments;
- Investment in Wholesale Trusts;
- Suspension of withdrawals (see page 32);
- Counterparty and settlement exposures;
- Foreign currencies;
- Loss of PIE status;
- Foreign taxes;
- Changes to laws; and
- Natural, political and regulatory conditions.

For more on these other factors which may affect the risk of investing in the Scheme, see the Prospectus.

The key factors and other factors above may adversely affect the Strategies. If the impact of these factors has a negative effect on unit price, you could receive back less than the amount of your investment.

There are also other factors that are unknown at the date of this Investment Statement that may affect the risk of investing in the Scheme.

Can the investment be altered?

Changing your regular contribution rate

IF YOU ARE AN EMPLOYEE

If you are employed, you can choose to contribute 3%, 4% or 8% of your gross (i.e. pre-tax) salary or wages to the Scheme (as at the date of this Investment Statement). You can change your contribution rate at any time provided that you change your rate only once in any three-month period, unless your employer agrees to a shorter time frame.

As at the date of this Investment Statement, the default contribution rate for employees is 3%. You cannot choose to contribute less than this amount (unless you are taking a contributions holiday or have reached the Qualifying Age and elected to stop contributing).

If you wish to change your contribution rate, you will need to complete a KiwiSaver Deduction Form (KS2) and provide it to your employer. You can obtain this form from your employer or the Administration Manager or from the IRD website at www.kiwisaver.govt.nz

IF YOU ARE SELF-EMPLOYED OR NOT EMPLOYED

If you are self-employed or not employed, you can contribute any amount to the Scheme at any time you choose, subject to certain requirements.

For information on the requirements, see "How much do I pay?" on page 26.

Lump-sum contributions

In addition to any contribution you are required to make if you are an employee, you can choose to make one or more additional lump-sum contributions to the Scheme subject to certain requirements.

For information on the requirements, see "How much do I pay?" on page 26.

Contributions holiday

If contributions are being deducted from your salary or wages, you can apply to the IRD to take a contributions holiday, which means that your employer will cease to deduct contributions from your pay. A contributions holiday may be granted by the IRD:

- If 12 months have passed since your first contribution was received by the IRD or a KiwiSaver scheme, or since you became a member of a complying superannuation fund, in which case you may take a contributions holiday at any time. The length of the holiday is a minimum of three months and a maximum of five years; or
- Earlier, if you have made at least one contribution and you are suffering or are likely to suffer financial hardship, in which case an early contributions holiday of three months (or a longer period, if IRD agrees) may be granted.

There is no limit to the number of times you can apply for a contributions holiday. The IRD will notify you once it has approved your contributions holiday request. Your employer will also suspend any compulsory employer contributions it is making to the Scheme on your behalf for the period of your contributions holiday.

To apply for a contributions holiday, you will need to complete the Contributions Holiday Request Form (KS6) and post it to the IRD. You can obtain this form from the IRD website at www.kiwisaver.govt.nz

Non Deduction Notice

If you have reached the Qualifying Age and wish to stop making contributions from your salary or wages, you can give your employer a Non Deduction Notice (KS51) requiring them to stop deducting those contributions. You can obtain this form from the IRD website at www.kiwisaver.govt.nz

A Non Deduction Notice will be valid for the first payment of salary or wages after the notice is given to your employer and will apply until you revoke it. You cannot revoke a Non Deduction Notice within three months of giving it, unless your employer agrees.

Switching between Strategies

There is currently no charge or fee for switching between Strategies. Members are free to switch as frequently as they wish.

If you invest as part of the LifeCycle Process, your holdings will be progressively reallocated between the Strategies as you approach retirement. You do not need to complete a Switch Investment Form for this to occur as your holdings will be switched automatically.

If you invest using the MemberChoice Process you will need to determine how your investment is allocated between the three Strategies. If you wish to change the allocation of your investment between the Strategies you will need to complete a Switch Investment Form and send it to the Administration Manager. You can obtain this form from our website at www.nzfunds.co.nz/kiwisaver_forms.html.

Please note, NZ Funds has the discretion to defer a switch request for up to two business days before it is processed. NZ Funds may also reject a switch request if it considers that the maximum holding restriction, for the purposes of complying with the PIE rules, may be breached as a result of switching.

For more on the maximum holding restriction, see page 27.

Other ways by which your investment may be altered

INVESTMENT POLICIES AND OBJECTIVES

NZ Funds can alter the investment policies and objectives of the Strategies at any time.

For more on the investment policies and objectives of the Strategies and how these can be changed, see the Prospectus.

TRUST DEED

Subject to the KiwiSaver Act, the Trust Deed for the Scheme may be amended at any time by agreement in writing between the Trustee and NZ Funds.

WINDING UP

The Scheme can be wound up.

For more on winding up, see "What are my risks?" on page 33 and the Prospectus.

CHANGES IN LAW

The KiwiSaver and PIE regimes are governed by legislation. Certain aspects of the legislation may change from time to time including, for example, PIE tax rates, required contribution rates, or the circumstances in which your investment in the Scheme may be withdrawn. If the legislation changes, this may affect your investment in the Scheme.

CHANGES IN PARTICIPATION AGREEMENT

If you are an employee, your membership of the Scheme may be governed by a participation agreement between your employer and NZ Funds. The participation agreement sets out conditions of membership, including the treatment of voluntary employer contributions (if any), the Strategy or Strategies in which you can invest and any other matters that NZ Funds and your employer think are appropriate.

The terms of the participation agreement cannot be contrary to the KiwiSaver Act or the Trust Deed.

To obtain a copy of any applicable participation agreement that relates to your membership, contact NZ Funds or the Administration Manager.

IF YOUR BALANCE REACHES ZERO

You will cease to be a member of the Scheme if the balance of your account(s) reaches zero and we give you notice that your membership is terminated.

OTHER ALTERATIONS

The Trustee and/or NZ Funds may make alterations to your investment by:

- Terminating, amalgamating or closing Strategies;
- Altering the minimum levels of investment for accounts;
- Changing external underlying investment managers and administrators;
- Increasing or decreasing fees, or introducing new fees, for example entry, exit or switching fees, and you will either have to pay the increased or new fees or transfer to another KiwiSaver scheme; or
- Changing the trustee or manager of the Scheme.

How do I cash in my investment?

Transfer to another KiwiSaver Scheme

You may apply at any time to transfer your investment in the Scheme to another KiwiSaver scheme or to any other scheme or fund permitted by law. If the trustee or manager of that scheme accepts your application for membership, NZ Funds will transfer your investment to that scheme and you will cease to be a member of the NZ Funds KiwiSaver Scheme.

You may be required to be transferred to another KiwiSaver scheme as a result of circumstances set out in the KiwiSaver Act; for example, if the Scheme is wound up. Alternatively, NZ Funds may require that you transfer to another KiwiSaver scheme if you are no longer eligible to be a member of the Scheme; for example, if your investment in the Scheme would result in a breach of the PIE rules.

In these circumstances you will be given the opportunity to choose another KiwiSaver scheme. If you do not choose another KiwiSaver scheme within a reasonable time, you will be transferred to a default KiwiSaver scheme.

A transfer to another KiwiSaver scheme incurs fees.

For more on the fees, see "Member fees" on page 28.

Qualifying Age

KiwiSaver has been designed to help New Zealanders save for retirement. Under the KiwiSaver Act, unless you satisfy one of the early withdrawal criteria, you cannot withdraw (other than to transfer to another KiwiSaver scheme) until you reach the Qualifying Age. Once you have reached the Qualifying Age, you can withdraw some or all of your investment at any time. There is no obligation for you to withdraw when you reach the Qualifying Age.

The Qualifying Age is the later of:

- The age at which you become eligible for New Zealand Superannuation (currently 65 years old as at the date of this Investment Statement); or
- The date on which you have been a member of a KiwiSaver scheme (or complying superannuation fund) for five years.

If you have reached the Qualifying Age and wish to withdraw some or all of your investment you will need to complete a Scheme Withdrawal Form and send it to the Administration Manager. You can obtain this form from your Authorised Financial Adviser, the Administration Manager or from our website at www.nzfunds.co.nz/kiwisaver_forms.html

If you have transferred funds from an Australian complying superannuation fund to a KiwiSaver scheme you can withdraw that amount when you reach age 60 and satisfy the "retirement" definition in Australian legislation. The amount you can withdraw excludes any positive or negative returns on the amount transferred.

Early withdrawal

You may apply to withdraw some or all of your investment (depending on the nature of the withdrawal reason) before you reach the Qualifying Age in one or more of the following circumstances:

- First home purchase;
- Permanent emigration;
- Significant financial hardship;
- Serious illness; or
- Death.

First home purchase

You can apply to withdraw some of your investment to purchase a first home in New Zealand if you meet all of the following:

- You have belonged or contributed to a KiwiSaver scheme or complying superannuation fund for at least three years;
- The property you are going to purchase is, or is intended to be, your principal place of residence;
- You have never held an "estate in land" (further information is available in the Prospectus); and
- You have not made a withdrawal from a KiwiSaver scheme for the purchase of a first home before.

If you have owned an 'estate in land' before, you may still be able to apply for a first home withdrawal if the Housing New Zealand Corporation confirms you are in the same financial position as a first time home buyer.

Investments transferred to a KiwiSaver Scheme from an Australian complying superannuation fund cannot be withdrawn for a first home purchase (although any positive returns on the amount transferred can be withdrawn).

You must leave a minimum of $1,000 in your KiwiSaver account after the withdrawal.

If your application is accepted, you will continue to be a member of the Scheme and will still be able to make contributions to the Scheme.

A first home grant may also be available to eligible members who meet the relevant criteria determined by Housing New Zealand Corporation.

For more on the KiwiSaver HomeStart Grant, go to the Housing New Zealand Corporation website at www.hnzc.co.nz

Summary of contributions that can be withdrawn

The table below sets out the contributions you are permitted to withdraw. There may be fees associated with withdrawals. Please refer to the section headed "Member fees" on page 28 for more details.

Withdrawal reason	Member contributions	Employer contributions[1] (if applicable)	Member tax credits[2]
Qualifying age	✓	✓	✓
First home purchase[3]	✓	✓	✓
Permanent emigration to Australia (scheme transfer only)	✓	✓	✓
Permanent emigration other than to Australia	✓	✓	✗
Significant financial hardship	✓	✓	✗
Serious illness	✓	✓	✓
Death	✓	✓	✓

1 Including any voluntary employer contributions that have vested.

2 Before you are entitled to withdraw your member tax credits, you will be required to provide a statutory declaration stating the periods during which your principal place of residence was New Zealand.

3 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.

Permanent emigration to Australia

If you permanently move to Australia, you may apply to transfer your investment in the Scheme (including member tax credits) to an Australian complying superannuation fund.

NZ Funds will require proof from you that you have permanently moved to Australia, including confirmed travel arrangements, passport evidence, evidence of any necessary visas and proof that you have resided at an Australian address following your departure from New Zealand. These documents may need to be formally verified by oath, declaration or otherwise.

If you transfer your investment to Australia you may have Australian tax to pay. We recommend that you consult a professional tax adviser.

Please contact the Manager or the manager/administrator of your Australian complying superannuation fund to find out how to transfer your funds to Australia.

A fee is charged by the Administration Manager for transfers to Australian complying superannuation funds.

For more on the fees, see "Member fees" on page 28.

Permanent emigration other than to Australia

If you move overseas and do not intend to return to New Zealand to live, you may apply to withdraw your investment (less the member tax credits and any amounts transferred from an Australian complying superannuation fund) one year after you have permanently left New Zealand.

NZ Funds will require proof from you that you have permanently emigrated from New Zealand, including confirmed travel arrangements, passport evidence, evidence of any necessary visas and proof that you have resided at an overseas address at some time during the year following your departure from New Zealand. These documents may need to be formally verified by oath, declaration or otherwise.

Alternatively, you may apply immediately to have your investment (less the member tax credits and any amounts transferred from an Australian complying superannuation fund) transferred to any foreign superannuation or pension scheme authorised by the KiwiSaver regulations. As at the date of this Investment Statement, there are no foreign superannuation or pension schemes that have been authorised by the KiwiSaver regulations.

Significant financial hardship

If you are suffering or are likely to suffer significant financial hardship, you may apply to the Trustee to withdraw some of your investment. There are some rules set out in the KiwiSaver Act about what constitutes "significant financial hardship". These are also detailed in the Prospectus.

Briefly the rules are that the Trustee:

- Must be satisfied you are suffering (or are likely to suffer) significant financial hardship;
- Must be reasonably satisfied reasonable alternative sources of funding have been exhausted; and
- May direct that the amount to be withdrawn is limited to an amount that it considers is sufficient to alleviate the particular hardship.

Examples of significant financial hardship are:

- Your inability to meet minimum living expenses;
- Your inability to meet mortgage repayments on your main family home;
- Costs of medical treatment for injury or illness to you or a dependant family member; or
- Costs of a funeral for a dependant.

If your application is accepted, you will remain a member of the Scheme and will still be able to make contributions to the Scheme in the future.

The Trustee will require evidence from you that you have explored other reasonable alternative sources of funding and that these efforts have been unsuccessful. Further, you must supply the Trustee with a statement setting out your assets and liabilities. These documents may need to be formally verified by oath, declaration or otherwise.

Serious illness

If you are suffering from a serious illness, you may apply to the Trustee to withdraw your entire investment.

Serious illness means an injury, illness or disability that:

- Results in you being totally and permanently unable to engage in work for which you are suited by reason of experience, education, or training, or any combination of those things; or
- That poses a serious and imminent risk of death.

The Trustee will require medical evidence from you to support your application to withdraw for reasons of serious illness. These documents may need to be formally verified by oath, declaration or otherwise.

Death

If you die while a member of the Scheme, your personal representatives (persons that are charged with administrating your estate) can apply to withdraw your investment. NZ Funds will pay the value of your investment (calculated as at the date on which the withdrawal application is accepted) to your estate.

Other withdrawals

If you make a transfer from a United Kingdom pension scheme and New Zealand tax is payable by you in connection with the transfer, you may be able to make a withdrawal from the Scheme to pay that tax. As at the date of this Investment Statement, the Scheme is not accepting transfers from United Kingdom pension schemes.

For more information, see page 28.

Court order

The Trustee and NZ Funds will comply with the provisions of any legislation or Court order that requires it to release some or all of your investment from the Scheme, for example in relation to the Property (Relationships) Act 1976, whether or not you have reached the Qualifying Age.

Interests are personal

The rights and interests of a member under the Scheme are personal and may not be sold or transferred to another person, charged or otherwise dealt with or used as security unless permitted or required by law.

Amounts transferred from United Kingdom pension schemes

If your investment in the Scheme includes amounts transferred from a United Kingdom pension scheme, an early withdrawal or a transfer to another KiwiSaver scheme may have United Kingdom tax implications. If this applies to you, we recommend that you consult a professional tax adviser before making a decision to withdraw or transfer your investment.

For more on transferring from a United Kingdom pension or savings scheme, see page 28.

Payment of withdrawal proceeds

Withdrawal proceeds are normally paid to your nominated bank account within 35 days of the withdrawal request being received and processed by the Administration Manager.

Suspension of withdrawals

Your ability to withdraw from the Scheme may be affected by NZ Funds' ability to suspend withdrawals. For example, NZ Funds may suspend withdrawals in order to manage liquidity risk. If withdrawals are suspended, you may not be able to cash in your investment when you wish.

For more on the suspension of withdrawals, see page 32.

Who do I contact with inquiries about my investment?

NZ Funds or the Administration Manager can assist with any inquiries about the Scheme or your investment.

NZ Funds

Attention: Client Services Representative – NZ Funds KiwiSaver Scheme
New Zealand Funds Management Limited
Level 16, Zurich House
21 Queen Street
Private Bag 92163
Auckland 1142

tel: (09) 377 2277 or 0508 733 337
fax: (09) 377 2815
email: kiwisaver@nzfunds.co.nz

Administration Manager

Attention: Client Services Representative – NZ Funds KiwiSaver Scheme
Aon New Zealand
Level 2, AMP Centre
29 Customs Street West
PO Box 3167
Auckland 1140

tel: 0800 NZF KIWI (0800 693 5494)
email: nzfkiwi@aon.co.nz

Advice on whether to invest or not should be sought from an Authorised Financial Adviser.

Is there anyone to whom I can complain if there are problems with the investment?

In the first instance, please contact NZ Funds. Our contact details are set out on page 39.

You may also contact your Authorised Financial Adviser or the Administration Manager. Contact details for the Administration Manager are set out on page 39.

Complaints about an investment can also be made direct to the Trustee or to Financial Services Complaints Limited (FSCL), NZ Funds' and the Trustee's approved dispute resolution scheme.

Trustee

The Trustee's contact details are:

Attention: Regional Manager – Corporate Trust
Corporate Trust Limited
Level 5, HSBC House
1 Queen Street
PO Box 106-448
Auckland 1143

tel: (09) 969 5761

FSCL

Financial Services Complaints Limited
PO Box 5967
Wellington 6145

tel: (04) 472 3725 or 0800 347 257
fax: (04) 472 3728

Financial Markets Authority

You can also make a complaint to the Financial Markets Authority.

Financial Markets Authority
Level 2
1 Grey Street
PO Box 1179
Wellington 6140

tel: (04) 472 9830
fax: (04) 472 8076

What other information can I obtain about this investment?

Annual information

Each year you will receive:

- The Scheme's annual report;
- A personalised annual tax statement; and
- A personalised annual statement containing details of your investment (including the amount of each type of contribution received by NZ Funds on your behalf and the value of your investment at the end of the year).

Information available on request

You are also entitled to request the following information from the Administration Manager at any time:

- A certificate of holdings;
- A copy of the current Investment Statement;
- A copy of the Trust Deed (and any amendments);
- A copy of the current registered Prospectus and any associated documents; and
- A copy of the most recent financial statements for the Scheme.

The information will be supplied free of charge within five business days of the request being made. You can request this information by contacting the Administration Manager. The Administration Manager's contact details are set out on page 39.

Quarterly and annual KiwiSaver Disclosure Statements for each Strategy prepared under the KiwiSaver (Periodic Disclosure) Regulations 2013 are also available, free of charge.

To view the quarterly and annual disclosure statements go to www.nzfunds.co.nz/Kiwisaver/PeriodicDisclosure or to request copies, contact NZ Funds on 0508 733 337 or info@nzfunds.co.nz

Additional information available

Further information about the Scheme is contained in the Prospectus and in the Scheme's financial statements. These documents are available free of charge from the Administration Manager.

In addition, the Trust Deed, all material contracts, the Prospectus and the Scheme's financial statements, and other documents relating to the Scheme are filed on a public register at the Companies Office of the Ministry of Business, Innovation & Employment and are available for public viewing, via the Companies Office website at www.business.govt.nz/companies by searching "Other Registers" and "NZ Funds KiwiSaver Scheme".

How do I apply?

How to invest

You can apply to join the NZ Funds KiwiSaver Scheme by completing the Application Form attached at the back of this Investment Statement. Two areas which often cause confusion are discussed in more detail below. They are selecting the right PIE tax rate and verifying your identity.

Selecting the right PIE tax rate

It is important that the PIE tax rate information in the Application Form is completed. If a PIE tax rate is not supplied, your investments will be taxed at the default rate of 28%. You will also need to supply your IRD number when you make your initial investment. If an IRD number is not provided, the Application Form cannot be processed and no investment will be made.

To select your correct PIE tax rate you need to calculate your taxable income and PIE income for each of the previous two income years (an income year is the period from 1 April in one year to 31 March the next year). The PIE tax rate applying to you is then determined based on the year which has the lower combined income amount. The PIE tax rates currently applicable and the income levels they apply to are set out in the following table.

PIE TAX RATES

Taxable income		Taxable income + PIE income	PIE tax rate
$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 select the correct PIE tax rate. The Trustee and NZ Funds are entitled to rely on the PIE tax rate you have selected as being true and correct.

If you select a PIE tax rate that is too high, there is no ability under current law to obtain a refund for the excess tax paid.

If you select a PIE tax rate that is too low, you may have to file a tax return and pay tax at your marginal tax rate which could be as high as 33%. You may also be liable for penalties for selecting an incorrect PIE tax rate.

CHANGE OF PIE TAX RATE

You can change your PIE tax rate at any time by completing and signing a Notice to Change PIE Tax Details Form. You can obtain this form from your Authorised Financial Adviser, the Administration Manager, or from NZ Funds.

You are encouraged to complete the form as soon as you wish to alter your PIE tax rate.

For more on PIEs and PIE tax generally, see "What returns will I get?" on page 31 or discuss it with your Authorised Financial Adviser.

Verifying your identity

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

If you complete the Application Form with an Authorised Financial Adviser, he or she will be able to verify both your identity and residential address.

If you are completing the Application Form without the assistance of an Authorised Financial Adviser, the identification documents can be certified by a 'trusted referee'. Further details regarding this certification process are contained in the Application Form.

Please note that we cannot process your application unless the requisite forms are completed correctly and accompanied by the appropriate identity documents.

Change of personal details

If you wish to change your name or postal address, please complete a Change in Member Details Form. You can obtain this form from your Authorised Financial Adviser, the Administration Manager or from NZ Funds.

Privacy Act

The personal information provided in connection with your investment in the Scheme may be used by NZ Funds, the Administration Manager, and the Trustee (including their related entities), your Authorised Financial Adviser and by other service providers to the Scheme, for the purposes of enabling NZ Funds and those service providers to arrange and manage your investment and to contact you in relation to your investment. Personal information may also be shared with relevant authorities, including the IRD. NZ Funds may also use that information to provide you with information about other products and services.

NZ Funds will provide you (on request) with the name and address of any entity to which information has been disclosed. You have the right to access all personal information held about you in connection with your investment in the Scheme. If any of the information is incorrect, you have the right to have it corrected under the Privacy Act 1993.

If you are applying on another's behalf, you acknowledge that you are authorised to provide personal information on behalf of the applicant and evidence of this authority will be provided upon request (in the case of a parent/guardian/ other providing information about the applicant).

You agree that your name and address may be used by NZ Funds to provide you with newsletters and other information about the Scheme and other products and services.

Glossary

Investment terms

Term	Definition
Alternative securities	Asset classes not usually accessed by retail investors, for example private equity, venture capital and hedge funds. These tend to be asset classes where valuation and liquidity may be uncertain and returns may be volatile. Alternative securities include derivatives on Alternative securities.
Australasian equities	Shares listed on New Zealand or Australian stock exchanges and derivatives on Australasian equities.
Cash and cash equivalents	Cash, or other assets that can be readily converted into cash, including bank term deposits and short term debt securities.
Collective investment vehicle	An entity that allows investors to pool their capital together to invest, rather than each individual investor buying investments directly. These vehicles are usually managed by a fund manager.
Commodities	A product which is, for example, agricultural, mineral or energy related, and is interchangeable with another product of the same type, and which may be bought or sold directly or indirectly through derivatives.
Debt securities	Debt securities are securities issued by an entity to enable it to borrow money. They are usually accompanied by an offering document which sets out the terms of the loan, for example the period of time before repayment and the interest rate payable if applicable. Debt securities cover a wide range of issuing entities and security types. Examples include government bonds, corporate bonds, structured credit securities, perpetual securities, distressed debt securities and derivatives on debt securities. Debt securities held by a Strategy may be secured or unsecured over the assets of the borrower and may be subordinated, meaning that the Strategy may be repaid or receive interest only after other creditors of the borrower have been paid. Debt securities also include, but are not limited to, loans, floating rate securities and zero-coupon bonds. Debt securities and fixed interest are referred to interchangeably throughout this Investment Statement.
Derivative	A financial instrument, the value of which is derived from changes in the value of another asset (for example, a share market index or a commodity index, an interest rate, or an exchange rate). Examples of derivatives include futures, options, forwards and swaps.
Foreign currency	Assets denominated in a currency other than the New Zealand dollar. Exposure to Foreign currency can be direct or indirect through derivatives.
Growth-orientated assets	Assets whose return is expected to be made up predominantly of capital gains and losses over the investment period and/or securities whose expected yield or return of capital is relatively high. Shares are usually referred to as growth-orientated assets.
Hedging	An investment made in order to reduce the risk of potential adverse price movements in a security by taking an offsetting position in the same security or a position in a related security or different security the price of which is expected to move in the opposite direction. Hedging can be achieved through the use of derivatives.

Income-orientated assets	Assets whose return is expected to be made up predominantly of interest income. Cash and cash equivalents and fixed interest are usually referred to as income-orientated assets.
International equities	Shares listed on stock exchanges (other than New Zealand or Australian stock exchanges) and derivatives on International equities.
International fixed interest or New Zealand fixed interest	See definition of "Debt securities".
Leverage	Leverage occurs where a Strategy's economic exposure to assets is greater than the amount invested. Leverage occurs by borrowing to invest, or through the use of derivatives.
Listed property	Shares listed on stock exchanges which own or invest in property, buildings or land, and derivatives on Listed property.
Short positions	An investment made to profit from a fall in the price of a security. If the price of the security rises, a loss may be incurred.

Other terms

Term	Definition
AML	To help prevent laundering of the proceeds of crime, the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 requires NZ Funds to obtain proof of your identity and in some cases, proof of the source of your funds, before we are able to accept your application.
Associated person	This term is defined in the laws and regulations on income tax in New Zealand. An associated person is a person linked with the member for New Zealand tax purposes.
Compulsory employer contributions	Fully vested employer contributions made to the Scheme for the benefit of a member who is an eligible employee, at the rate set out in the KiwiSaver Act.
Contribution rate	Where the member is an employee, a deduction, at the election of the member, of 3%, 4%, or 8% of their gross salary or wages by the employer and forwarded to the Scheme.
Contributions holiday	Where the member is an employee, a period during which the deduction of KiwiSaver contributions is not required to be made from their salary or wages.
Default KiwiSaver scheme	A KiwiSaver scheme appointed as a default KiwiSaver scheme by the Government.
External underlying investment manager	A specialist investment manager selected by NZ Funds who may manage a portfolio of securities directly held by a Wholesale Trust or an underlying fund in which a Wholesale Trust invests.

Gross asset value	The value of the assets of a Strategy before subtracting any liabilities.
KiwiSaver Act	The KiwiSaver Act 2006.
KiwiSaver scheme	A scheme that is registered under the KiwiSaver Act.
Member tax credits	The Government will supplement contributions made to the Scheme by an eligible member by paying (as at the date of this Investment Statement) 50c per dollar contributed by the member up to a maximum of $521.43 per year (approximately $10.00 per week) (tax free) to the Scheme on that member's behalf. The contribution is based on the eligible member's period of membership of the Scheme from 1 July to 30 June in each year. Any period of membership that is less than 12 months will be pro-rated accordingly.
Net asset value	The value of the assets of a Strategy, less any liabilities.
Participation agreement	Any written agreement between an employer and NZ Funds that determines some of the conditions under which an employer's employees may be members of the Scheme.
PIE rules	The laws and regulations on PIEs.
PIE tax rate	The tax rate that a member tells a PIE to use to calculate the amount of income tax payable by the PIE on their behalf (also known as "prescribed investor rate").
Portfolio Investment Entity (PIE)	A collective investment entity registered with the Inland Revenue Department to allow members to be taxed on their investment income at their PIE tax rate.
Qualifying Age	The later of: (a) the age at which you become eligible for New Zealand Superannuation (currently 65 years old as at the date of this Investment Statement); or (b) the date on which you have been a member of a KiwiSaver scheme (or complying superannuation fund) for five years.
Salary or wages	This has the same meaning as defined in the KiwiSaver Act. It includes most employment-related income that is subject to PAYE including bonuses, overtime and commissions but excludes redundancy payments, or allowances for accommodation or costs of living overseas. For the purposes of calculating compulsory employer contributions, the term excludes statutory parental leave payments, and ACC compensation.
Trust Deed	The amended and consolidated Trust Deed relating to the NZ Funds KiwiSaver Scheme dated 26 June 2014.
Voluntary employer contributions	Contributions made by an employer to the Scheme for the benefit of an employee which are not compulsory employer contributions.
Wholesale Trust	A wholesale fund managed by NZ Funds which holds investments. Those investments may include directly held securities and/or investments in funds managed by either NZ Funds or external underlying investment managers.
Zero-rated member	A member with a PIE tax rate of 0%.