

## Product Disclosure Statement

# For an offer of units in the NIKKO AM GLOBAL BOND FUND

Dated 23 November 2017

This is a replacement product disclosure statement which replaces the product disclosure statement dated 18 June 2016

Issued by Nikko Asset Management  
New Zealand Limited

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose). Nikko Asset Management New Zealand Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

# 1. Key information summary

## What is this?

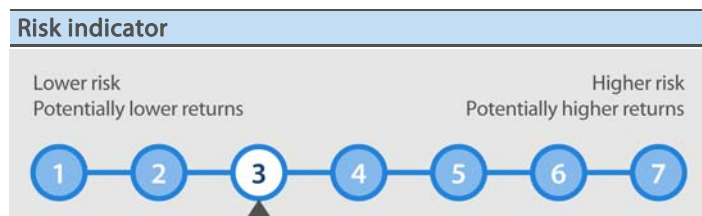
This is a managed investment scheme. Your money will be pooled with other investors' money and invested in various investments. Nikko Asset Management New Zealand Limited (**Nikko AM NZ, we, us or our**) will invest your money and charge you a fee for its services. The returns you receive are dependent on our investment decisions and the performance of the investments. The value of those investments may go up or down. The types of investments and the fees you will be charged are described in this document.

For retail investors, investment into this Fund is available via a Portfolio Investor Proxy (PIP) or custodial service – please see Section 10, "How to apply" of this PDS for further information. In these circumstances, the PIP or custodial service is the Investor, and many references in this document to "you" are therefore referring to the PIP or custodial service. The PIP or custodial services' policies may differ from ours.

## What will your money be invested in?

This PDS is an offer of units in the Nikko AM Global Bond Fund (the **Fund**). The Fund is established within the Nikko AM NZ Investment Scheme (the **Scheme**).

Fund	Brief description of the Fund and its investment objective	Fund charges (excluding GST)
Nikko AM Global Bond Fund	The Fund aims to outperform the Barclays Capital Global Aggregate Index, hedged to NZD by 1.00% p.a. over a rolling three year period before fees, expenses and taxes. The Fund provides investors with regular income by constructing an actively managed investment portfolio of permitted investments with the potential for capital gain from global fixed income assets.	<p><b>Fund charges:</b> Management fee of 0.65% per annum of the Fund's net asset value</p> <p>Estimate of expenses: 0.25% per annum of the Fund's net asset value</p>



This Fund has a low to medium level of volatility.

See Section 4 of the PDS, "What are the risks of investing?" for an explanation of the risk indicator and for information about other risks that are not included in the risk indicator. To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at [www.sorted.org.nz/tools/investor-kickstarter](http://www.sorted.org.nz/tools/investor-kickstarter).

## Who manages the Scheme and the Fund?

The manager of the Scheme and the Fund is Nikko AM NZ. See Section 7 of the PDS, "Who is involved?" for more information.

## What are the returns?

The return on your investment comes from:

- any increase or decrease in the unit price, and
- any income distributions made by the Fund.

Any distributable income includes interest receipts and distributions received from the Nikko AM Wholesale Global Bond Fund into which the Fund invests. Distributions may occur quarterly in March, June, September and December. See Section 2 of this PDS, "How does the investment work?" for more information.

## How can you get your money out?

Investments in the Fund are redeemable.

You may at any time request, via your PIP or custodial service, the redemption of some or all of your investment. In some circumstances, we may suspend or defer withdrawals. See "Withdrawing your investments" under Section 2 of the PDS for more information.

Your investment in the Fund can be sold but there is no established market for trading these financial products. This means that you may not be able to find a buyer for your investment.

## How will your investment be taxed?

The Fund offered under this PDS is a Portfolio Investment Entity (PIE).

The amount of tax you pay in respect of a PIE is based on your prescribed investor rate (PIR). To determine your PIR, go to [www.ird.govt.nz/toii/pir/workout/](http://www.ird.govt.nz/toii/pir/workout/). See Section 6 of this PDS, "What taxes will you pay?" for more information.

## Where can you find more key information?

Nikko AM NZ is required to publish quarterly updates for the Fund. The updates show the returns and the total fees actually charged to investors, during the previous year. The latest fund updates are available at [www.nikkoam.co.nz/funds/individual](http://www.nikkoam.co.nz/funds/individual). The Manager will also give you copies of those documents on request.

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**Image:** Melting ice from iceberg, Mount Cook, South Island, NZ.

## 2. How does this investment work?

This PDS is an offer of units in the Nikko AM Global Bond Fund (the **Fund**). The Fund is a trust which is established within the Scheme and governed by a Trust Deed effective 1 July 2016 (the **Nikko AM NZ Trust Deed**).

The money you invest buys units in the Fund. When you invest in the Fund, your money is held on trust and pooled with the money of other investors in the Fund. We use this money to buy assets for the Fund on behalf of all investors in the Fund. Assets are selected and managed by a professional investment management team in the manner described in Section 3 of this PDS, "Description of your investment option".

The purchase of units gives you the right to the returns from the assets of the Fund, but does not give you legal ownership of the Fund's assets.

The assets of the Fund are not available to be applied to meet the liabilities of any other fund in the Scheme.

The Fund's unit price is usually calculated on each Business Day by dividing the total net value of the Fund's assets by the number of units on issue in the Fund, rounded to four decimal places.

The Fund's assets are valued independently of us by BNP Paribas Fund Services Australasia Pty Limited (the **Administration Manager**). The value of your investment will be impacted by any change in the value of the assets of the Fund which is reflected in the unit price of the Fund. You can calculate the value of your investment by multiplying the number of units you hold in the Fund by the exit price of a unit. The most recent unit prices are available at [www.nikkoam.co.nz/funds/individual](http://www.nikkoam.co.nz/funds/individual).

Benefits of investing in the Fund include the following:

- your money is managed by our investment professionals; and
- we have access to investment opportunities and markets that may not be accessible to all investors.

### Distributions

Distributions to investors generally occur quarterly, in March, June, September and December. The Fund's unit price will generally fall immediately following the end of a distribution period reflecting the amount of distribution paid from the Fund.

Distribution amounts you receive will depend on the number of units you hold at the end of a distribution period and the amount per unit to be distributed by the Fund.

Distribution amounts will vary between distribution periods and are not guaranteed. There may be times when a distribution is not made and times when a special distribution is made outside the usual distribution periods.

On application, your PIP or custodial service notifies us of your choice of either to have distributions reinvested in additional units in the Fund, or paid out. If your PIP or custodial service does not notify us of your choice we will automatically reinvest the distributions in additional units. Note that your PIP or custodial service may not offer you a choice to reinvest.

You may alter your instruction to receive or reinvest distributions by contacting your PIP (please see Section 10, "How to apply" of this PDS for further information). Requests to change your instructions must be received by us at least five business days prior to the end of a distribution date to be effective for that distribution date.

We may change the distribution frequency or timing but will give notice of any change. The Nikko AM NZ Trust Deed requires us to pay distributions as soon as practicable after calculation but no later than two months after the calculation date.

### Making investments

For retail investors, investment in the Fund is available only through a PIP or other custodial or wrap service we deal with. To invest in the Fund, you will need to complete an application form and deliver this either to the PIP or the custodial service, or to your financial adviser.

Please see Section 10 of the PDS "How to apply" for more information or contact us at [NZenquiries@nikkoam.com](mailto:NZenquiries@nikkoam.com).

The PIP or custodial service makes an application for units in the Fund to us on your behalf.

The minimum initial investment in the Fund is \$5,000. The minimum investment amount is subject to change and may differ from the minimum investment amount set by your PIP or custodial service. Further investments must be at least \$1,000.

We may accept or refuse any application either in whole or part and we are not required to give any reason or ground for such refusal.

A PIP or custodial service may increase its investment in the Fund on your behalf by making either lump sum contributions at a minimum of \$1,000, or regular contributions. These amounts are subject to change. The PIP or custodial service may allow retail investors to make smaller contributions.

## Withdrawing your investments

To redeem your units in the Fund, you will need to make your redemption request to your PIP or custodial service. Your PIP or custodial service is responsible for forwarding your redemption request to us on your behalf.

Nikko AM NZ sets no minimum redemption amount in the Fund, though a minimum may be applied by your PIP or custodial service. The number of units redeemed will be calculated by dividing the dollar amount you request to redeem, less any withdrawal fee (not currently charged), by the applicable exit price of a unit. Any redemption request which would cause an investor's holding in the Fund to fall below \$5,000 may be deemed by us to be a redemption request in respect of their entire holding in the Fund.

We will deduct from your redemption proceeds an amount equal to any applicable PIE tax on income allocated to redeemed units.

We will pay net proceeds to the PIP or custodial service as soon as possible after processing the request and in any event no later than 30 days after receipt. We may however suspend or defer withdrawals or delay payment from the Fund under certain conditions summarised in the Nikko AM NZ Other Material Information document (on the offer register) or as set out in full in the Nikko AM NZ Trust Deed (on the scheme register). In those circumstances, you may have to wait a longer period of time before you can withdraw your investment.

## How to switch between funds

You can request, via your PIP or custodial service, to switch part or all of your investment from this Fund to another fund within the Scheme at any time. We may decline or delay the switch without providing a reason. If we accept the application to switch, you must switch a minimum of \$1,000. Unless you are switching all of your investment, at least \$5,000 must remain in the Fund. Different minimums may apply if you invest through a PIP or custodial service. A buy spread may be applicable.

A switch is regarded as a withdrawal from an investment and an acquisition of a new investment. If you make an application to withdraw or switch, we will deduct any PIE tax required from the amount that is withdrawn or switched between the Funds and pay any such PIE tax to Inland Revenue.

This PDS is for the Nikko AM Global Bond Fund. Information on investing in other funds in the Nikko AM NZ Investment Scheme can be found at [www.nikkoam.co.nz/funds/individual](http://www.nikkoam.co.nz/funds/individual).

### 3. Description of your investment option

Fund	Summary of investment objective and strategy	Target asset mix	Risk Indicator	Minimum suggested investment timeframe
Nikko AM Global Bond Fund	<p><b>Fund Objective:</b> To outperform the Barclays Capital Global Aggregate Index, hedged to NZD by 1.00% p.a. over a rolling three year period before fees, expenses and taxes.</p> <p><b>Strategy:</b> The Fund invests in the Nikko AM Wholesale Global Bond Fund.</p> <p>Goldman Sachs Asset Management is the investment manager of the Nikko AM Wholesale Global Bond Fund.</p> <p>The Nikko AM Wholesale Global Bond Fund invests into global fixed income market securities and aims to provide investors with regular income by constructing an actively managed investment portfolio of investments with the potential for capital gain from global fixed interest markets.</p> <p>Full details of the strategy, permitted investments and restrictions for the fund are outlined in the SIPO.</p>	<p>95%-100% invested in the Nikko AM Wholesale Global Bond Fund; 0%-5% cash on call for investor transactions.</p> <p>The Nikko AM Wholesale Global Bond Fund's target asset allocation is 100% international fixed interest and cash and cash equivalents.</p>	<p>3<sup>1</sup></p> <p>This Fund has a low to medium level of volatility.</p>	Three years

<sup>1</sup> As the Fund has been in existence for less than 5 years:

- the Fund's actual returns have been used to calculate and fill in the risk indicator for the period from inception (December 2013) to October 2017 and
- market index returns, rather than the Fund's actual returns, have been used to calculate and fill in the risk indicator for the period prior to inception, from November 2012 to November 2013.

As a result of market index returns being used, the risk indicator may provide a less reliable indicator of the potential future volatility of the Fund.

We may make changes to the Statement of Investment Policy and Objectives (SIPO) of the Scheme in respect of the Fund from time to time, after having given reasonable prior written notice to, and in consultation with, the Supervisor. We consider whether the changes are in your best interests and will notify your PIP or custodial service of any material changes before we make them. Material changes to the SIPO will also be described in the Scheme's annual report.

The current SIPO for the Fund can be found on the Disclose register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) or on our website [www.nikkoam.co.nz/funds/individual](http://www.nikkoam.co.nz/funds/individual).

Further information about the assets in the Fund can be found in the fund updates at [www.nikkoam.co.nz/funds/individual](http://www.nikkoam.co.nz/funds/individual).

## 4. What are the risks of investing?

### Understanding the risk indicator

Managed funds in New Zealand must have a standard risk indicator. The risk indicator is designed to help investors understand the uncertainties both for loss and growth that may affect their investment. You can compare funds using the risk indicator.

#### Example Risk Indicator



This is an example Risk Indicator. For the Fund Risk Indicator, see the “Key Information Summary” section of the PDS.

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at [www.sorted.org.nz/tools/investor-kickstarter](http://www.sorted.org.nz/tools/investor-kickstarter).

Note that even the lowest category does not mean a risk-free investment, and there are other risks (described under the heading “Other specific risks”) that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the last five years. While risk indicators are usually relatively stable, they do shift from time to time. You can see the most recent risk indicator in the latest fund update for this Fund.

### General investment risks

Some of the things that may cause the Fund's value to move up and down, which affect the risk indicator, are:

**Interest rate risk:** Changes in interest rates. An increase in interest rates results in the capital value of fixed interest investments falling. A decrease in interest rates results in the capital value of fixed interest investments rising.

**Market risk:** Economic, technological, political and legal factors and market sentiment can change. These changes may affect the value of financial products in investment markets, the Fund's investments and the value of the units in the Fund.

**Liquidity risk:** The risk that an investment may not be able to be sold quickly enough to prevent or minimise a loss. A lack of liquidity may also affect the amount of time it takes to satisfy redemption requests.

**Credit risk:** Interest earning securities represent loans to borrowers that include central and local government, registered banks and companies. Credit risk is the risk that a borrower may default on interest or capital repayments.

**Derivative risk:** The underlying funds may enter into foreign currency exchange contracts to manage currency exposures. They may also enter into other derivative contracts to manage interest rate and credit exposures. Certain risks arise out of the use of derivatives, including significant gains or losses.

**Currency risk:** Currency risk is relevant whenever a fund invests in offshore markets. It occurs where there is a possibility that the New Zealand currency may appreciate or depreciate relative to the currency of the country in which the fund invests. The return on or value of your investment may be reduced where the New Zealand dollar rises relative to other currencies. We attempt to mitigate this risk by entering into foreign currency exchange contracts.

### Other specific risks

There are no other specific risks.

## 5. What are the fees?

### Statement about fees

You will be charged fees for investing in the Fund. Fees are deducted from your investment and will reduce your returns. If we invest in other funds, those funds may also charge fees.

The fees you pay will be charged in two ways-

- Regular charges (for example, annual fund charges). Small differences in these fees can have a big impact on your investment over the long term.
- One-off fees (for example, any individual action fees).

### Annual fund charges

	Management Fee	Estimate of Expenses	Estimated Total Annual Fund Charges
Nikko AM Global Bond Fund	0.65% p.a.	0.25% p.a.	0.90% p.a.

**Management fee:** We charge an annual management fee to the Fund of 0.65% per annum of the net asset value of the Fund (excluding GST). Under the agreement between the Inland Revenue Department and the Financial Services Council of New Zealand Incorporated, GST is charged at 15% on 10% of the annual management fee. The Inland Revenue Department may choose to amend this agreement at any time.

**Expenses estimate:** We estimate the Fund's expenses to be 0.25% per annum of the net asset value of the Fund (excluding GST). We have decided to cap the general operating expenses at 0.25% per annum of the Fund's net asset value. Extraordinary expenses are not included in this cap, but are included in our estimate when known. "Expenses" may include, among other things, supervisor, custodian, audit and legal fees. Actual expenses over the previous 12 months are available in the latest fund update.

The Fund invests in the Nikko AM Wholesale Global Bond Fund. There is no charge to the Fund for this investment.

The annual fund charges are calculated and accrued daily and reflected in the unit price, and paid monthly to the Manager.

There are no performance fees in relation to the Fund.

### Individual action fees

There are currently no contribution, establishment, termination, withdrawal or switching fees being charged to the Fund offered under this PDS. We can introduce these fees in the future as set out in the Nikko AM NZ Trust Deed.

### Example of how fees apply to investors

Hayley invests \$10,000 in the Nikko AM Global Bond Fund.

She is charged management and administration fees, which work out to about \$90 (0.90% of \$10,000). These fees might be more or less if her account balance has increased or decreased over the year.

**Estimated total fees for the first year**  
Fund charges: \$90

See the latest fund update for an example of the actual returns and fees investors were charged over the past year.

Note that you may incur additional fees from your PIP or custodial service. See Section 10 "How to apply" for more information.

This example applies only to the Fund. If you are considering investing in other funds or investment options in the Scheme, this example may not be representative of the actual fees you may be charged.



## The fees can be changed

We have the right to impose new fees or change the annual fund charges and other fees outlined in this section. We will give your PIP or the custodial service at least one month's notice if we increase any fee or commence charging any new fee. Any change to the fees will be made in accordance with the Nikko AM NZ Trust Deed.

Nikko AM NZ must publish a fund update for the Fund showing the fees actually charged during the most recent year. Fund updates, including past updates, are available at [www.nikkoam.co.nz/funds/individual](http://www.nikkoam.co.nz/funds/individual).

## 6. What taxes will you pay?

The Fund is a portfolio investment entity. The amount of tax you pay is based on your prescribed investor rate (PIR). To determine your PIR, go to [www.ird.govt.nz/toii/pir/workout/](http://www.ird.govt.nz/toii/pir/workout/). If you are unsure of your PIR, we recommend you seek professional advice or contact the Inland Revenue Department. It is your responsibility to tell us your PIR when you invest or if your PIR changes. If you do not tell us, a default rate may be applied. If the advised PIR is lower than the correct PIR, you will need to complete a personal tax return and pay any tax shortfall, interest, and penalties. If the default rate or the advised PIR is higher than your correct PIR, you will not get a refund of any overpaid tax.

If you invest in the Fund through a PIP, the PIP will be the investor in the Fund on your behalf. It is your responsibility to tell your PIP your PIR when you invest in the Fund or if your PIR changes. If you do not tell your PIP, the default rate of the PIP may be applied.

For more information in relation to taxation refer to the "Nikko AM NZ Investment Scheme – Other Material Information" document on the Disclose register.

## 7. Who is involved?

Nikko Asset Management New Zealand Limited is the Manager of the Fund.

### About Nikko Asset Management New Zealand Limited

Nikko AM NZ is a wholly owned subsidiary of Nikko Asset Management Co., Ltd (**Nikko AM**), headquartered in Tokyo, Japan. Nikko AM is a dedicated global asset manager with over 200 investment professionals across the world's major financial centres. In New Zealand we provide investment management services for domestic assets (equities, bonds, cash and alternatives) through our Auckland-based investment team and contract offshore managers to manage global assets (global equities, global bonds and alternatives).

### Contact details

Level 9, Vero Centre, 48 Shortland Street, Auckland 1010  
(09) 307 6363

[NZenquiries@nikkoam.com](mailto:NZenquiries@nikkoam.com)

[www.nikkoam.co.nz](http://www.nikkoam.co.nz)

### Who else is involved?

	Name	Role
Supervisor	Public Trust	Supervisor of the Scheme under the Financial Markets Conduct Act 2013 and responsible for monitoring Nikko AM NZ's compliance with its obligations as Manager of the Fund.
Custodian	BNP Paribas Fund Services Australasia Pty Limited	Appointed by the Supervisor to hold all of the assets of the Fund on behalf of the investors.
Administration Manager	BNP Paribas Fund Services Australasia Pty Limited	Appointed by us to perform services including fund valuation, unit pricing, fund accounting and PIE fund administration.
Unit Registrar	MMC Limited	Provides unit register services to the Fund.
Auditor	KPMG	Auditor of the Scheme and the Fund.
Underlying wholesale fund investment manager	Goldman Sachs Asset Management	Appointed by us to manage the assets of the Nikko AM Wholesale Global Bond Fund.

## 8. How to complain

Any complaints about the Fund or the Scheme may be referred to the Manager via the contact details provided under Section 7 of the PDS, "Who is involved?".

You can also complain to the Supervisor at:

### Public Trust

Level 9, 34 Shortland Street, Auckland 1010  
PO Box 1598, Shortland Street, Auckland 1140  
0800 371 471

[CTS.enquiry@publictrust.co.nz](mailto:CTS.enquiry@publictrust.co.nz)

[www.publictrust.co.nz/corporate-trustee-services](http://www.publictrust.co.nz/corporate-trustee-services)

The Manager and the Supervisor are both members of the Financial Services Complaints Limited independent dispute resolution scheme which is a scheme approved by the Ministry of Consumer Affairs.

If you have made a complaint to us and it has not been resolved within 40 days or if you are dissatisfied with the proposed resolution, you can refer it to:

### Financial Services Complaints Limited

Level 4, 101 Lambton Quay, Wellington 6011  
PO Box 5967, Wellington 6145

Freephone 0800 347 257 or 04 472-FSCL

[www.fscl.org.nz](http://www.fscl.org.nz)

Financial Services Complaints Limited will not charge a fee to any complainant to investigate or resolve a complaint. Further information about referring a complaint to Financial Services Complaints Limited can be found at [www.fscl.org.nz](http://www.fscl.org.nz).

## 9. Where you can find more information

Further information relating to the Scheme, the units and the Fund (for example, financial statements) is available on the offer register and the scheme register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) and a copy of information on the offer register or scheme register is available on request to the Registrar of Financial Service Providers.

### Other information we will provide

Information	How to obtain
Latest unit price	The latest unit price is available on our website <a href="http://www.nikkoam.co.nz">www.nikkoam.co.nz</a> .
Fund information relevant to you	You can inspect documents we hold that are relevant to you and other documents that are legally required to be provided to you, at our office during normal business hours or request an extract of those documents, by writing to us.
Personal information	We do not collect, access or store personal information of retail investors who invest through a PIP or custodial service. You may contact your PIP to access any personal information about you that it holds.
Fund updates	Once available, the fund updates for the Fund will be publicly available from our website: <a href="http://www.nikkoam.co.nz/funds/individual">www.nikkoam.co.nz/funds/individual</a> – and can be requested from us.

You will not be charged any fee to access this information.

You can find more information about us and the Fund on our website [www.nikkoam.co.nz](http://www.nikkoam.co.nz).

## 10. How to apply

For retail investors, investment in the Fund is available only through a PIP or other custodial service we deal with.

To invest in the Fund, you will need to complete our application and deliver this to the PIP nominated by your financial adviser, the custodial service or to your financial adviser, together with any other documents requested and your initial investment amount paid to the PIP's trust account. The PIP or the custodial service then makes an application for units in the Fund to us on your behalf.

We may accept or refuse any application either in whole or part and we are not required to give any reason or ground for such refusal.

### Investing through a PIP or a custodial service

When you invest through a PIP or a custodial service, you will not become a direct Investor in the Fund and will not have a direct relationship with us or the Supervisor. Rather, the PIP or the custodial service has the direct relationship with us and will be able to exercise any rights attached to Units held.

All reports, notices and other documentation will be sent directly to the PIP or the custodial service and not to you.

The PIP and any custodial service may have entered into an arrangement with us in respect of the Fund which may vary the terms and conditions of investment in the Fund. You should contact your PIP or the custodial service for details of:

- the minimum investments or minimum withdrawals required by your PIP or the custodial service, and the consequences of failing to meet those minimums;
- the timing of cut-off times for applications and withdrawals; and
- whether any fees and charges are payable to the PIP or the custodial service (in addition to fees and charges set out in this PDS).

When you invest through a PIP then neither the Manager nor the Supervisor will undertake the following responsibilities, which will instead be undertaken by the PIP:

- Calculating and organising payment of tax liability on income attributed to the PIP by applying the PIRs of the underlying investor;
- Making adjustments to the units held on your behalf (by requesting the redemption of units) or the distributions (if any) or requiring payments to be made which reflect the tax liability on income attributed to you;
- Organising the provision of returns and other information to the Inland Revenue Department; and
- Providing us any information concerning the underlying investor that may be relevant to whether the Fund continues to meet PIE eligibility requirements.

If you would like further information on how to invest in the Fund, please contact us at [NZenquiries@nikkoam.com](mailto:NZenquiries@nikkoam.com).