

NIKKO AM NZ INVESTMENT SCHEME

Other Material Information

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Issued by Nikko Asset Management
New Zealand Limited

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1. General

This Other Material Information Document (the "**Document**") contains material information relating to the Nikko AM NZ Investment Scheme (the "**Scheme**") and the Funds that is not contained in the Product Disclosure Statement (PDS) for the offer of units in each fund. The PDS for each fund and other information about the Scheme can be found on the Disclose website at www.business.govt.nz/disclose.

In this Document, "you" or "your" refers to a person or entity that invests directly in the Funds. If you hold units through a PIP, please see Section 16 "Investing through a PIP or another custodial service".

"We", "us", "our", "Nikko AM NZ" or "the Manager" refers to Nikko Asset Management New Zealand Limited which is the manager of the Scheme.

Capitalised terms have the same meaning as in the Nikko AM NZ Investment Scheme Trust Deed ("**Trust Deed**"), unless they are otherwise defined. The Trust Deed for the Scheme is available on the scheme register on Disclose.

2. The Funds

The Scheme has eleven (15) Funds on offer as listed below ("the Funds"):

Diversified Funds	Cash and Fixed Interest Funds	Equity Funds	Alternative Strategy Funds
Nikko AM Conservative Fund	Nikko AM NZ Cash Fund	Nikko AM Core Equity Fund	Nikko AM Multi-Strategy Fund
Nikko AM Balanced Fund	Nikko AM NZ Bond Fund	Nikko AM Concentrated Equity Fund	Nikko AM Option Fund
Nikko AM Growth Fund	Nikko AM NZ Corporate Bond Fund	Nikko AM Global Shares Fund	
	Nikko AM Global Bond Fund	Nikko AM Global Equity Unhedged Fund	
	Nikko AM Income Fund	Nikko AM Global Equity Hedged Fund	

3. Our business

Nikko AM NZ is a wholly owned subsidiary of Nikko Asset Management Co., Ltd ("**Nikko AM**"), headquartered in Tokyo, Japan and founded in 1959. Nikko AM is majority owned by Sumitomo Mitsui Trust Bank, Limited ("**SMTB**"). SMTB is listed on the Tokyo Stock Exchange.

We were established in 1994. We manage around \$5 billion of funds for a diverse group of clients including group companies, trustees of superannuation schemes, charitable trusts, foundations, KiwiSaver scheme providers and other entities such as corporations, local governments other fund managers, financial planners, investment product distributors and high net worth individuals.

We offer investment management services in domestic assets (equities, fixed interest, cash and alternative investments) through our Auckland based investment team and employ carefully selected offshore managers to manage global assets (global equities, global fixed interest and alternative investments). We are an active investment manager. As such, we take a medium term approach to investment. Our focus is on using research-based information to add value over time and achieve clients' investment objectives.

Our business is to provide investment management expertise primarily for New Zealand based clients. We manage each fund in accordance with the Statement of Investment Policies and Objectives ("**SIPO**") relevant to that fund. We may change the SIPO from time to time, in consultation with the Supervisor. We are responsible for the investment management, administration and promotion of the Funds. We are registered as a financial service provider under the Financial Service Providers (Registration and Dispute Resolution) Act 2008 (FSP Act).

External Managers

We have a selection process to appoint investment specialists. We appoint managers of high institutional calibre and who are aligned with our investment philosophy.

The Nikko AM Global Bond Fund, Nikko AM Conservative Fund, Nikko AM Balanced Fund, and Nikko AM Growth Fund invest into the Nikko AM Wholesale Global Bond Fund. We have engaged Goldman Sachs Asset Management Australia Pty Limited ("**GSAM**") to manage the global fixed income assets of the Nikko AM Wholesale Global Bond Fund. We and our related parties are independent of GSAM.

The Nikko AM Multi-Strategy Fund invests in the Nikko AM Wholesale Multi-Strategy Fund, a wholesale fund managed by us. The Nikko AM Wholesale Multi-Strategy Fund obtains investment exposure by investing in the JP Morgan Multi Strategy Fund II, Ltd – NZD Class C A Shares ("**MSF II**") managed by JP Morgan Alternative Asset Management Inc. ("**JPMAAM**"). This is a Cayman Islands-based investment vehicle which invests into approximately 40 underlying funds that cover a range of non-traditional (ie. hedge fund) investments designed to produce a consistent return whatever the underlying investment environment. We have invested in MSF II to utilise JPMAAM's specialist expertise in hedge fund selection. We and our related parties are independent of JPMAAM and the JP Morgan Group.

The Nikko AM Global Equity Hedged Fund invests indirectly, and the Nikko AM Global Equity Unhedged Fund, Nikko AM Conservative Fund, Nikko AM Balanced Fund, and Nikko AM Growth Fund invest directly, in to the Nikko AM Wholesale Global Equity Unhedged Fund, a wholesale fund managed by us. The Nikko AM Wholesale Global Equity Unhedged Fund receives strategy advice and implementation services from Nikko AM's Multi-Manager team (based in Australia), which is part of Nikko AM's Portfolio Solutions Team (based in Singapore). The Nikko AM Wholesale Global Equity Unhedged Fund has a multi-manager global equities strategy and we have appointed the investment managers set out below to manage the assets of the fund:

- WCM Investment Management
- Principal Global Investors (Australia) Limited
- Epoch Investment Partners, Inc
- Davis Selected Advisors, L.P.

The Nikko AM Conservative Fund, Nikko AM Balanced Fund and Nikko AM Growth Fund invest in the JPMorgan Funds – Multi-Manager Alternatives Fund ("**JPMMA Fund**"), a fund managed by J.P. Morgan Alternative Asset Management, Inc ("**JPMAAM**").

The fund is a Luxemburg based UCITS fund (a type of pooled investment vehicle domiciled in the European Union) that invests with approximately ten underlying strategies managed by fund managers not related to JPMAAM. The strategies cover a range of non-traditional investments designed to produce a consistent return stream in a variety of investment environments.

Although each underlying strategy in its own right may have various levels of volatility, the strategies are carefully selected and monitored by JPMAAM to ensure that the overall risk profile of the JPMMA Fund has a risk level that is generally lower than that of the individual strategies, and performance is not aligned to traditional equity or fixed-income markets.

The various strategies that the JPMMA Fund invests in include strategies such as borrowing to sell stocks whose prices are expected to fall, credit trading, hedging interest rate variations from similar issues of US Treasury bonds. The above strategies are listed as examples. The JPMMA Fund may invest in a range of other investment strategies.

These strategies do not usually depend on the level of interest rates or on how equity markets are performing, and some strategies may actually benefit if traditional asset classes are underperforming.

This is a core alternative solution designed to diversify a portfolio, has reduced sensitivity to traditional market risks, and enhances diversification within liquid alternatives.

We and our related parties are independent of JPMAAM and the JP Morgan Group.

Related Party Manager

The Nikko AM Global Shares Fund, Nikko AM Conservative Fund, Nikko AM Balanced Fund, and Nikko AM Growth Fund invest into the Nikko AM Wholesale Global Shares Fund. We have engaged Nikko Asset Management Europe Limited ("**NAME**") to manage the global equity assets of the Nikko AM Wholesale Global Shares Fund. NAME is a related party of Nikko AM NZ, both parties having common ownership.

Directors

George William Carter, Auckland, New Zealand

George is the Managing Director of Nikko AM NZ with over 15 years' experience in the financial services industry. As an actuary George has worked in both the UK and New Zealand advising institutional clients on pensions and investments assets and liabilities as well as having sales and marketing experience in the funds management industry. George joined Nikko in 2015 after six years at AMP Capital Investors where he was both a Director and Head of Distribution. George was appointed a Director of Nikko AM NZ effective 9 November 2015. George has an Honours degree in Theology from the University of Durham and is a qualified secondary school teacher and a Fellow of the New Zealand Society of Actuaries and Institute of Actuaries.

Tracey Kim Jones, Auckland, New Zealand

Tracey is an independent, non-executive Director of Nikko AM NZ. Tracey has spent two decades working in the financial services industry including 12 years with Tappenden Holdings where she held the roles of COO and CFO. She is currently an Independent Director with New Plymouth PIF Guardians Ltd, Harmony Corporation Ltd and Tutanekai Investments Ltd as well as being the Founder of Jones Family Office Partners Ltd.

Junichi Sayato, Tokyo, Japan

Junichi Sayato has been with Nikko Asset Management Co., Ltd. ("**Nikko AM**") as Representative Director and Executive Deputy President since 2015, and has overseen Risk Management and Compliance. Before joining Nikko AM, Junichi Sayato most recently served as Representative Director and President of Sumitomo Mitsui Trust General Service Co., Ltd. He previously held the position of President at Sumitomo Mitsui Trust Research Institute Co., Ltd., and also oversaw investment risk at Sumitomo Mitsui Trust Holdings, Inc. as Director and Managing Executive Officer. He has over 13 years of extensive experience in working outside of Japan namely in London, New York and Washington D.C. He graduated from the School of Law at Kyoto University in March 1978 and received his master's degree from the London School of Economics (Department of Economics, International Relations Major) in August 1982. Junichi Sayato was appointed a Director of Nikko AM NZ effective 27 February 2017.

Investment Team

Our New Zealand investment management team has extensive knowledge and experience in investment management.

Domestic Equities

Stuart Williams

Stuart is Head of Equities at Nikko AM NZ having joined the company in August 2014. Stuart has wide ranging experience in all aspects of the investment management industry developed over more than 18 years working for ANZ Investments and its predecessors. Stuart has spent eight years performing detailed research and developing investment recommendations on listed companies in both New Zealand and Australia. The sectors he researched include Transportation, Healthcare, Retirement, Diversified Financials, Technology and Online. Stuart has a strong track record in portfolio management of both benchmark relative and high conviction funds. Stuart has a Bachelor of Commerce degree from the University of Auckland and is a Chartered Accountant.

James Lindsay

James is Senior Portfolio Manager at Nikko AM NZ having joined the company in 1998. James has over two decades of investing in the Australasian sharemarkets and a number of years' experience in share-broking prior to being appointed an Australasian Equity Analyst at Royal & Sun Alliance Asset Management in Wellington. James joined the Auckland-based team in 1999 as an Equity Analyst before being promoted to the role of Domestic Equities Manager in May 2001 and then to Senior Portfolio Manager in April 2012. James achieved Honours in his Masters of Commerce degree, completed the Diploma NZSE course and a Bachelor of Commerce. James is a member of the Institute of Finance Professionals (INFINZ) and sits on the Australasian Corporate Reporting Users' Forum (CRUF).

Michael Sherrock

Michael is Portfolio Manager at Nikko AM NZ and is responsible for the Property Fund, a wholesale fund not offered directly to the public. In addition to the Property sector, Michael also covers Energy, Materials and Retirement sectors and provides backup for quantitative analysis and the Telecommunications, IT and Media sectors. Since joining the workforce in 1997, Michael has held various roles within the finance industry including Schroders in the UK and ASB Group Investments in New Zealand before joining Nikko AM NZ in 2006 as an Analyst in the domestic equity team. Michael is a CFA charter-holder and has a Bachelor of Commerce degree from the University of Auckland.

Michael De Cesare

Michael is employed as a Research Analyst in the domestic equities team with primary responsibility for the Consumer Discretionary and Consumer Staples sectors. He covers Industrials and Property sectors as the secondary analyst and provides quantitative analysis. Michael's past employers include ANZ Institutional Bank and Fortis Investments, London before joining

Nikko AM NZ in 2012. Michael is a Chartered Alternative Investment Analyst (CAIA) and holds a First Class Honours degree in Industrial Economics from the University of Nottingham Business School, United Kingdom.

Domestic Fixed Interest

Fergus McDonald

Fergus is the Head of the Bonds and Currency team at Nikko AM NZ. He is responsible for the investment strategy, performance and compliance of Bond, Cash and Currency mandates. Fergus has been actively involved in the New Zealand financial markets since 1981. Fergus has been with the company or its predecessors since 1990 and joined as a Fixed Interest Manager. Fergus has considerable experience in managing bond portfolios that combine Government stock and derivatives with corporate debt securities. Fergus was instrumental in developing and managing New Zealand's first corporate bond unit trust. Fergus holds a Bachelor of Arts (Economics), from Victoria University of Wellington and a Certificate of Treasury Professionals.

Ian Bellew

Ian is the Fixed Income Manager. Ian joined Nikko AM NZ in 1998 as the Cash Portfolio Manager and was promoted to Fixed Income Manager in January 2012. Ian is responsible for the implementation of investment strategy and day to day management of the fixed income and option portfolios. Ian also contributes to team decision making by analysing economic information and identifying global and domestic trends. Ian holds a Bachelor of Commerce - Finance and Post-Graduate Diploma in Commerce - Finance from the University of Otago.

Tim O'Loan

Tim is the Fixed Income Analyst and joined Nikko AM NZ in 2012. Tim assists with the management of the fixed income portfolios with emphasis on the implementation of the investment strategy for the cash and short term portfolios as well as currency hedging of offshore assets. Prior to joining Nikko AM NZ, Tim was with NZ Super Fund and OnePath (previously ING NZ). Tim holds a Bachelor of Commerce and Graduate Diploma of Commerce from the University of Auckland and a Masters of Applied Finance from Victoria University of Wellington.

Investment Committee Members

(Responsible for Global Fixed Interest, Global Equity and Alternative funds)

George William Carter

(bio above)

Stuart Williams

(bio above)

Fergus McDonald

(bio above)

James Wesley

James is Head of Distribution and is responsible for leading Nikko AM's sales, marketing and client servicing functions. James has over 10 years investment management experience gained with multi-national organisations. He joined the company in 2013 after eight years at Threadneedle Investments. While at Threadneedle he was initially based in London as Head of Southern Sales and latterly was Head of Australia – Wholesale. James holds a Bachelor of Business and Graduate Diploma of Business from AUT University and holds the FSA (UK) recognised Certificate in Investment Management.

James Rogers

James is Head of Product and Operations and is responsible for the oversight of all aspects relating to day to day operational functions, product management and client reporting. He joined the company in 2017, following many years of experience in the financial service industry starting in 1998 with JPMorgan in London and having held senior positions there and also at Morgan Stanley and State Street in the U.K., U.S. and New Zealand. James holds a BA with honours in Economics from the Durham University.

Contact

Nikko AM NZ can be contacted at:

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PO Box 3892, Shortland Street, Auckland 1140
Telephone: 09 307 6363
Facsimile: 09 307 6399
Email: NZenquiries@nikkoam.com

4. Supervisor and custodians

Public Trust is the Scheme's Supervisor. Public Trust is a statutory corporation and Crown entity established in New Zealand by the Public Trust Act 2001.

Public Trust supervises the Scheme Manager's activities. The Supervisor's prime responsibility is that of prudential supervisor, exercising reasonable diligence to ensure compliance of the Scheme with the Trust Deed and the Financial Markets Conduct Act 2013.

A principal role of the Supervisor prescribed by law is to have the investments and other property of the Scheme vested in the name of the Supervisor or its nominee. Public Trust has delegated certain custodial duties to BNP Paribas Fund Services Australasia Pty Limited ("BNP Paribas") including safeguarding asset title and the control and operation of all Scheme bank accounts.

Supervisor's licence

The Supervisor has been granted a licence under section 16(1) of the Financial Markets Supervisors Act 2011 to act as a Supervisor in respect of debt securities and the following registered schemes:

Further information on the Supervisor's licence is available at the Financial Markets Authority's website www.fma.govt.nz.

The Supervisor can be contacted at:

Public Trust

Level 9, 34 Shortland Street, Auckland 1010
PO Box 1598, Shortland Street, Auckland 1140
Telephone: 03 977 7956
Email: CTS.enquiry@publictrust.co.nz

The Supervisor is also registered as a financial service provider under the FSP Act. If you have any queries about this licence, please contact the Supervisor in the first instance.

5. Auditors and other advisers

Auditor

KPMG is the Auditor of the Scheme. KPMG is registered as a Licensed Auditor in accordance with the Auditor Regulation Act 2011.

Auditor contact details:

KPMG
18 Viaduct Harbour Ave,
Auckland 1140
www.kpmg.com/nz/en

KPMG is also the auditor of the Manager.

Other Advisers

We engage a number of specialist firms including our legal advisers Chapman Tripp, Bell Gully, DLA Piper and MinterEllisonRuddWatts.

6. Supervisor and manager indemnity

If either we or the Supervisor is held personally liable to any other person in respect of any liability incurred by or on behalf of a Fund, or any action taken or omitted by us or the Supervisor in connection with any Fund (other than in respect of our or the Supervisor's negligence) then we or the Supervisor are entitled to be indemnified or reimbursed out of the assets of the Fund to the full extent of such liability and the costs of any litigation or other proceedings in which such liability has been determined including without limitation legal fees and disbursements in priority to any claims by Investors.

You also indemnify the Supervisor and us for tax paid on income attributed to you by a Fund. This indemnity only applies if the value of the Units you hold in a Fund is insufficient to meet your tax liability.

Please see the Trust Deed for further information in relation to the Supervisor's and our responsibilities and indemnities.

7. Market indices

Where to find more information

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

- S&P/NZX Indices: <http://us.spindices.com/regional-exposure/asia-pacific/new-zealand>
- S&P/ASX Indices: <http://www.asx.com.au/products/indices.htm>
- Bloomberg Barclays Indices: <https://www.bloomberg.com/markets/rates-bonds/bloomberg-barclays-indices>
- MSCI Indices: <https://www.msci.com/indexes>
- Bloomberg Indices: <http://www.bloombergindices.com>
- Eureka Indices: <http://www.eurekahedge.com/indices>
- ICE Libor: <https://www.theice.com/iba/libor>

The use of market related indices may be subject to certain terms and conditions related to licence agreements entered into with an index provider. The relevant index disclaimers are provided in Appendix A of this Document.

8. Valuations

The Net Asset Value of each fund is calculated by deducting from the market value of the investments of the relevant fund, the liabilities of the fund and other provisions we think are necessary or desirable for accrued or contingent outgoings, liabilities or losses of the fund.

Each fund is valued at least daily. We may value a fund less frequently only in situations where for reasons beyond our control, valuation is impossible or impracticable for the day in question.

We may, with the approval of the Supervisor, make special determinations of the Net Asset Value of a fund if we consider that special circumstances have arisen to warrant such a determination.

The Manager will determine the market value of each investment and the Net Asset Value of each fund in accordance with the Trust Deed and on a consistently applied basis.

We have agreed with the Supervisor a compensation policy that will apply in the event that a material unit pricing error or material non-compliance with a pricing methodology requires correction. Under the current policy a material error (unless the Manager and the Supervisor agree otherwise) is an error that equals or exceeds 0.30% in relation to any fund. Where agreed with the Supervisor,

we may agree not to pay compensation to you for an amount less than \$20 (or such other amount as the Manager and the Supervisor may agree from time to time).

9. Explanation of expenses cap

Our Trust Deed sets no limit on the amount which can be deducted from a fund to recover expenses. However, we apply a self-imposed "expenses cap" on general expense payments from the Funds.

Expenses (exclusive of management fees, capital markets transactional costs and any performance fees) will be recognised on an accrual basis as being due up to the end of each accounting period. In keeping the expense ratio of the funds at a competitive level, we will limit general expenses for each fund (except the Nikko AM NZ Cash Fund) to a maximum of 0.25% per annum (excluding GST) of the Net Asset Value of each respective Fund measured daily.

The Nikko AM NZ Cash Fund has an expenses cap of 0.15% per annum (excluding GST).

The expenses caps do not include any extraordinary expenses.

For the purposes of calculating the expenses cap, "general expenses" include Trustee fees, Custodian fees, audit fees, legal fees, bank charges, expenses incurred by the Trustee, regulatory charges (including any levies) and other expenses allowed by our Trust Deed.

The expenses cap does not apply to any expenses incurred directly by MSF II in respect of the Nikko AM Multi-Strategy Fund, or expenses incurred by any other underlying fund into which the Funds invest indirectly or via a wholesale fund.

10. Estimate of underlying fund fees

Nikko AM NZ Multi-Strategy Fund

Nikko AM NZ will endeavour to disclose actual fees for the underlying funds in the Nikko AM NZ Multi-Strategy Fund where possible. However, in some circumstances it may be necessary to estimate underlying fund fees. This is because underlying fund managers change from time to time and underlying fund managers charge a variable performance fee at different times.

To estimate the future fees, Nikko AM NZ uses a rolling 5-year average of the actual fees charged by all underlying managers reported by the underlying managers to Nikko AM NZ on an annual basis.

Nikko AM Conservative Fund, Nikko AM Balanced Fund and Nikko AM Growth Fund

The Nikko AM Conservative, Nikko AM Balanced and Nikko AM Growth Funds invest in underlying funds that charge fees and expenses that are variable and therefore estimated in the relevant PDSs.

JPMorgan Funds – Multi-Manager Alternatives Fund ("JPMMA Fund")

The Nikko AM Conservative, Nikko AM Balanced and Nikko AM Growth Funds invest, via other Nikko AM funds, in the JPMMA Fund, an unrelated party. Fund fees and expenses and underlying fund manager fees in the JPMMA Fund are capped at 2.2% p.a. We have therefore estimated these fees at 2.2% p.a.

Nikko AM Wholesale Option Fund Performance Fee

The Nikko AM Conservative, Nikko AM Balanced and Nikko AM Growth Funds invest, via other Nikko AM funds, in the Nikko AM Wholesale Option Fund (a fund managed by Nikko AM), which charges a performance fee, as disclosed in the relevant PDS.

To estimate the future performance fees, Nikko AM NZ uses a rolling 5-year average of the actual performance fees charged by the Nikko AM Wholesale Option Fund.

Nikko AM Wholesale Concentrated Fund Performance Fee

The Nikko AM Balanced and Nikko AM Growth Funds invest, via other Nikko AM funds, in the Nikko AM Wholesale Concentrated Equity Fund (a fund managed by Nikko AM), which charges a performance fee, as disclosed in the relevant PDS. In estimating the future performance fees, we assume the return of the Nikko AM Wholesale Concentrated Equity Fund is in line with the estimated return of the NZ equities market, that assumption being provided to us by an independent consultant. To estimate the future

performance fees we compare this assumption to the Nikko AM Wholesale Concentrated Equity Fund's performance objective to ascertain the estimated performance fee.

GST

GST is not included in any of the fees. GST will be added to the fees where relevant.

11. How we can change your investment

We can change any fees or introduce new fees in respect of a fund at any time. If we increase any fee or introduce a new fee, we will give the investor one month's notice in advance. We may also alter the minimum investment and withdrawal amounts, any notice periods and introduce buy/sell prices. We can also close or wind up a fund.

We may amend the provisions of the Trust Deed with the agreement of the Supervisor. Any such changes can be made only under certain circumstances outlined in the Trust Deed.

We may also amend the SIPO for the Scheme, including benchmark asset allocations and ranges, in consultation with the Supervisor.

The investor will be notified of any material changes to the Trust Deed or the SIPO where required by the Trust Deed or law, as set out in the relevant Fund's PDS.

12. Material contracts

The following is summary of the contracts that we consider to be material in relation to the funds.

Trust Deed

The Trust Deed is an agreement between Nikko AM NZ and the Supervisor which came into effect on 1 July 2016. The Trust Deed governs the establishment and management of the funds and the relationships between us and the Investors, and between us and the Supervisor.

The Trust Deed is available on the scheme register on the Disclose website at www.business.govt.nz/disclose.

Supervisor Agreement

The Supervisor Agreement is supplementary to the Trust Deed.

It specifies our agreement with the Supervisor regarding reporting and information to be provided by us to the Supervisor.

Nothing in the Supervisor Agreement – Retail limits or alters the powers of the Supervisor or our duties under the Trust Deed and applicable law.

Investment Management Agreement

Goldman Sachs Asset Management Australia Pty Limited ("GSAM")

We have entered into an Investment Management Agreement with GSAM dated 3 May 2012. This Agreement employs GSAM as an underlying fund manager to manage the investments of our Nikko AM Wholesale Global Bond Fund given their expertise and presence in the relevant jurisdictions. We receive monthly updates on the holdings, valuations and status of the fund. We can terminate the Investment Management Agreement at any time at 60 days' notice.

Nikko Asset Management Europe Limited ("NAME")

We have entered into an Investment Management Agreement with NAME dated 26 June 2017. The Agreement employs NAME as an underlying fund manager to manage the investments of our Nikko AM Wholesale Global Shares Fund given their expertise and presence in the relevant jurisdictions. We receive monthly commentary on performance and updates on the holdings of the fund. We can terminate the Investment Management Agreement at any time at 10 business days' notice.

Delegation agreement – Global Equity Funds

We have entered into an Agreement with Nikko Asset Management Limited (“**NAM Limited**”) (our sister company based in Sydney) dated 8 November 2013. This Agreement delegates strategy and implementation to NAM Limited for the Nikko AM Wholesale Global Equity Unhedged Fund. The decision on appointment of the underlying fund managers to manage the investments of the Nikko AM Wholesale Global Equity Unhedged Fund remains with us, but is implemented by NAM Limited. NAM Limited provide us with monthly updates on the holdings, valuations and status of the fund. We can terminate the delegation agreement at any time at 30 days’ notice and termination/appointment of the underlying fund managers remains at our discretion.

Administration Agreement

The Administration Agreement is a contract between us and BNP Paribas (“**Administration Manager**”) dated 27 June 2011. This Agreement appoints the Administration Manager as an administrator to perform middle office services including:

- Transaction and Derivatives Management including non market transactions
- Corporate Actions
- Reconciliations
- Pricing and Fund Valuations
- Accounting and Financial Reporting
- Tax
- Unit Pricing
- Performance Analytics
- Mandate Compliance

When required, the Administration Manager also assists us with the preparation of annual financial statements for the funds.

Unit Registry Agreement

The Unit Registry Agreement is a contract between us and MMC Limited, dated 17 November 2017. This agreement appoints MMC Limited as the Unit Registrar for all Nikko AM NZ funds.

International Swaps and Derivatives Association (ISDA) Master Agreements and Appendices

The Nikko AM Option Fund invests in the Nikko AM Wholesale Option Fund managed by us. The Nikko AM Wholesale Option Fund utilises multiple ISDA Master Agreements entered into on the fund’s behalf by either Nikko AM NZ or the trustee of the fund. The ISDA Master Agreements set out the standard terms that apply to the transactions entered into by Nikko AM NZ on behalf of the Nikko AM Wholesale Option Fund. These ISDA Master Agreements establish lines of credit for the Nikko AM Wholesale Option Fund, and can be terminated at any time by either Nikko AM NZ or the relevant counterparty.

13. Financial statements and auditor’s report

In line with the ‘three lines of defence’ model, the Nikko AM Audit Committee conducts the annual internal audit which includes reviews on compliance management processes, procedures, systems and management controls. All audit reports are issued to our Board and Compliance, Risk and Disclosure Committee.

The Administration Manager provides us with quarterly compliance assurance reports as well as semi-annually ISAE3402 independent audit assurance on their operational controls and effectiveness.

KPMG is the auditor of both the Scheme and the Manager.

Financial statements for the Funds are available on the scheme register on the Disclose website www.business.govt.nz/disclose.

14. Deferral and suspension of withdrawals

Deferral

We may defer withdrawals if we receive withdrawal requests over a period of 3 months totalling more than 5% of the total Units on issue in a fund and we consider it is in investors' interests to defer immediate withdrawal. In this event we will allow withdrawal by instalments over a period which we consider appropriate. The timeframe will be determined by circumstances existing on capital markets.

In addition, we may take any action we think appropriate to ensure a fund remains eligible to be a PIE. These steps include to compulsorily withdraw your Units and pay the proceeds to your nominated bank account.

Suspension

We may suspend your right to withdraw Units in any fund if we receive withdrawal requests totalling more than 20% of the Units on issue in that fund over a three month period.

If we take this action, we must notify the Supervisor of our intention to suspend redemptions and send all Investors a suspension notice. If we wish to suspend redemptions for more than six months from the date of the notice, we are obliged to immediately call an Investor meeting to consider winding up the relevant fund or take action which Investors consider appropriate.

In addition, we may also defer or suspend the withdrawal of any Units in a fund where:

- There is a material adverse change in the position (financial or otherwise) of either ourselves or the fund;
- There is a material adverse change in domestic or international financial markets;
- There is any other material adverse reason relating to the fund, ourselves or the Supervisor.

In this event, the Supervisor must be notified. Again, if we wish to suspend for more than six months we must also call a meeting of Investors to consider winding up the relevant fund or take such action as Investors see fit.

15. Risks

All investments carry some level of risk. Past performance is not necessarily an indication of future returns.

The main types of risks that Investors face are that they may not receive the returns they expect, that the capital value of their investments may end up less than they originally invested, or that they may be unable to get back their money when they need it.

There is a link between the risk of an investment and the likely return the investment will provide. Generally, the higher the risk, the greater the potential return will be for Investors. The converse also applies: the lower the risk, the lower the expected return. However, returns offered on investments are also affected by fees and expenses charged in connection with the investment, which should be taken into account when comparing returns.

Each type of investment has its own characteristic mix of risk and return. However, the particular risks and returns for any type of investment at any time depend on fluctuating market conditions, as well as the soundness and risk management practices of the investment manager.

There is a risk, particularly in the short to medium term, that if any of the risks eventuate, you may receive less than the amount you paid for your Units.

Risks are outlined in the relevant fund's PDS.

16. Taxation

This section briefly summarises the New Zealand taxation regime. It is intended as a general guide only. All Investors have different taxation positions and should seek their own tax advice prior to investing.

Portfolio Investment Entities

Each fund has elected to be a Portfolio Investment Entity (PIE).

Under the PIE tax regime, each fund will attribute income to its Investors and, where applicable, pay tax on attributed income on behalf of Investors with a Notified Investor Rate (NIR) of greater than zero.

Each fund will pay the PIE tax deducted from an Investor to Inland Revenue (IRD). The amount of tax payable by a fund will be the total of the PIE tax liability of all Investors in that fund collectively.

The PIE tax liability paid by a fund on your behalf will be a final tax as long as you have provided your correct Prescribed Investor Rate (PIR) to us. A PIR once notified becomes an NIR. If you do not notify your PIR at all then the NIR applied will be the default maximum rate (see 'Individuals' and 'Non-Individuals' below).

Individuals

If you are an individual, the PIR will be 10.5%, 17.5% or 28% (see also the final paragraph under 'Additional PIR Information' below).

To qualify for a 10.5% or 17.5% PIR, you must be a New Zealand tax resident, provide us with a valid IRD number and meet the following criteria in either of the two immediately prior tax years (a tax year is the 12 month period from 1 April to 31 March).

If the taxable income is:	And taxable income plus PIE income of:	Then the PIR rate that applies is:
\$0 – \$14,000	\$0 – \$48,000	10.5%
\$0 – \$14,000	\$48,001 – \$70,000	17.5%
\$14,001 – \$48,000	\$14,001 – \$70,000	17.5%
\$48,001 and over	Any	28%
Any	\$70,001 and over	28%

(Note that, if for the previous two tax years you qualify for two rates, your PIR is the lowest rate.)

If you do not qualify for the 10.5% or 17.5% PIR, then your PIR will be 28%. If you have provided your correct PIR, the maximum tax rate for an individual in a Fund is 28%, notwithstanding that their marginal tax rate is 30% or 33%.

You must advise us of your PIR and valid IRD number when you apply to invest in a Fund. You must also notify us if your PIR changes at any time. If you do not provide your PIR to us you will automatically be taxed at the default maximum rate of 28% on your attributed income from a Fund.

If you have provided your correct PIR you will not be required to file an income tax return in relation to the taxable income from a Fund. As such, the income will have no effect on any student loan payments or child support payments you may receive.

Income attributed by the fund or certain other trusts to you will be included as family scheme income for the determination of Working for Families tax credits.

If you have provided us with the wrong PIR or failed to advise a change of PIR, then we may either overpay or underpay tax on your behalf. Where you are eligible for a lower PIR than that notified to us and an overpayment of PIE tax occurs, the IRD will not refund any overpayment. Where you notify a PIR lower than the correct rate to us and an underpayment of PIE tax occurs, you will be personally liable for additional income tax (up to your marginal tax rate, which may exceed 28%) as well as any relevant penalties and interest which may apply.

Non individuals

Non individual Investors (e.g. a company, a charity or a portfolio investor proxy) who provide us with a valid IRD number will have a PIR of 0%. If you are investing on behalf of one of these entities and you do not provide us with a valid IRD number, the default PIR of 28% will apply. If the entity has a PIR of 0% you must account for tax on its attributed taxable income from the fund in its own income tax return unless it is tax exempt.

If a non individual Investor is a trust their PIR will be 0% unless the trustees of the trust elect to apply a 28% PIR, a 17.5% PIR or a 10.5% PIR (which is only available to certain testamentary trusts). However, if you do not provide a valid IRD number for the trust,

the PIR will be the default PIR of 28%. If the 0%, 10.5% or 17.5% PIR applies, the trust must account for any attributed taxable income from a fund within its own income tax return (at the appropriate tax rate) or distribute it as beneficiary income. PIE tax paid is available as a credit against tax payable by either the trust or the beneficiaries. If a trust chooses a 28% PIR, we will pay tax at the 28% rate and that will be a final tax.

Custodial Investors

Special provisions apply for custodians who hold legal title to Units on behalf of underlying Investors who have provided funds for the Units held by the custodian. Such custodian may give notice to the fund that the custodian is a Proxy. If you invest through a custodian who has elected to be a Proxy, then neither ourselves nor the Trustee will undertake the following responsibilities, which will instead be undertaken by the custodian:

- Calculating and organising payment of tax liability on income attributed to the Proxy by applying the PIRs of the underlying Investors;
- Making adjustments to the Units held on behalf of underlying investors (by requesting the redemption of Units) or the distributions (if any) made to underlying investors or requiring payments to be made by the underlying investors which reflect the tax liability on income attributed to the underlying investors;
- Organising the provision of returns and other information to the IRD;
- Providing us any information concerning the underlying investors that may be relevant to whether the fund continues to meet PIE eligibility requirements.

We may require Proxies to enter into contractual arrangements with us regarding compliance by Proxies with tax requirements.

Foreign residents

If you are not a New Zealand resident your attributed income from a fund will be taxed at 28%. We will account to the IRD directly for tax on your attributed income from a fund, so any income distributed to you will be net income.

Funds known as “foreign investment zero rate PIEs” and “foreign investment variable rate PIEs” are intended to reduce taxation of foreign investors’ investment in PIEs. We do not currently offer these types of funds as most of our investors are New Zealand residents.

We recommend non New Zealand residents seek their own independent professional taxation advice.

Additional PIR information

For joint Investors the PIR applied to the attributed income allocated to your PIE holding will be the highest PIR applicable to any of you.

Please note that the IRD may notify us to disregard an Investor’s notified PIR and instead apply a different PIR.

Investments not subject to Foreign Investment Fund (FIF) Regime

As long as any of the funds remains a PIE, that fund will not be subject (where applicable) to tax on any capital gains made on the disposition of shares held in New Zealand resident companies or certain Australian resident companies listed on an approved Australian Stock Exchange index.

Investments subject to FIF Regime (FDR applies)

Certain foreign equities (where applicable) will in most instances be taxed under the fair dividend rate (FDR) method. For the Nikko AM Multi-Strategy Fund, MSF II will be taxable under FDR. Under this method, a fund will calculate taxable income based on 5% of the market values of offshore equities, calculated on a daily basis. Any dividends (or profits from sale of shares) will not be taxed separately. However, a fund will still be entitled to a credit for foreign withholding tax paid on dividends received on equities, subject to certain limits.

Under FDR, any losses in respect of holdings in overseas shares are not deductible to a fund for tax purposes.

Other Non-Equity Investments

Other income of a fund will be subject to the relevant normal tax rules. Tax may be imposed in overseas jurisdictions in relation to overseas investments (although this may give rise to a tax credit in New Zealand).

Tax Credits

If there is a tax loss or there are excess tax credits attributed to Investors who have notified a PIR of greater than zero for a period, these will generally be available to you in the form of a tax credit. Upon receipt of the monies from Inland Revenue, a fund will either re-invest this tax credit by purchasing units in that fund on your behalf in respect of annual attributions (as at 31 March) or include it in the net proceeds payable to you or applied on your behalf as a result of a full withdrawal. For non-individuals with a 0% PIR, the tax loss may be available for offset in that Investor's tax return against other income, with any excess available to carry forward.

Switches

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, the Manager will deduct any PIE tax required from the amount that is withdrawn or switched between the funds and pay such PIE tax to Inland Revenue.

Distributions and Withdrawals

Distributions are not subject to any tax. The amount paid on the withdrawal of Units is not subject to any tax. However, if you have a PIR greater than 0%, we may cancel Units to meet the relevant PIE tax liability for the period up to the time of withdrawal.

Sale of Units

The tax treatment of sales of Units in the funds depends on your tax status. Generally the profit on sales will be taxable if you:

- Acquired Units with the purposes of disposing of them;
- Are a dealer in investments of the same kind as the Units and acquire the Units for the purpose of that business;
- Are engaged in a business, an ordinary occurrence of which is the sale of investments of the same kind as the Units.

Returns and Payment of Tax to IRD

The funds will return Investors' PIE tax to the IRD annually.

The funds will pay tax on behalf of Investors at different rates and may receive tax credits which are only attributable to certain Investors. Accordingly, to maintain equity between Investors, we will either:

- adjust the units held by Investors (by redeeming units equal in value to the tax paid by a fund in respect of them, or by issuing additional units equal in value to their share of any credits); or
- adjust the withdrawal entitlement of tax paid by Investors (by deducting the amount of PIE tax paid in respect of them).

If your account balance is insufficient to meet the PIE tax liability, then the Trustee and ourselves are indemnified by the Investor for the shortfall.

There may always be future changes to the taxation legislation and tax rates which may impact each Investor differently. You should always seek independent professional tax advice suitable to your individual circumstances.

17. Investing through a Portfolio Investor Proxy (PIP) or another custodial service

Investment in the funds is available via financial advisors, who use a custodial or proxy service, as well as sites such as InvestNow. If you invest through such services, you will not become a direct Investor in the funds 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. You will have a direct investment relationship with your PIP or the Custodial Service.

A PIP or the Custodial Service will have an agreement with you governing the terms of the custodial arrangement. Although you do not become a registered Investor in a fund, you are entitled to rely on the PDS, this Document and any other information on the Disclose register in respect of the offer of Units in the fund.

Reports, notices and other documentation will be sent directly to the PIP or the Custodial Service and all correspondence will be conducted by us with the PIP or the Custodial Service.

The PIP or the Custodial Service will have entered into an arrangement with us in respect of the funds. The PDS, this Document and any other information on the Disclose register outline the terms and conditions of investment in the funds made by a PIP or the Custodial Service, which may have been varied by such an arrangement. You should contact your PIP or the Custodial Service to ascertain whether any variations have been agreed between us and them.

You should ascertain from your PIP or the Custodial Service:

- whether any minimum investments or minimum withdrawals (other than those specified in the PDS) have been agreed between us and the PIP;
- the minimum amount that the PIP or Custodial Service requires to be invested and the consequences of failing to maintain that minimum amount;
- whether there are any timing cut-off times for transacting (e.g. 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 the PDS).

Appendix A

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