



SUPERLIFE
a Member of the NZX Group

INVESTMENT OPTIONS

JANUARY 2016

The legal stuff

This is not an investment statement for the purpose of the Securities Act 1978. An investment statement is available from SuperLife free of charge.



1. INVESTMENT OPTIONS

SuperLife has a range of investment options. There are managed investment options that target a particular risk/return outcome, **Sector Funds** that focus on specific investment sectors (i.e. cash, bonds, property or shares) that let you set your own investment strategy, and **ETF Funds** that invest in exchange traded funds listed on the NZ Stock Exchange, that let you create your own portfolio. Of the managed investment options some are Funds (**Managed Funds**) and some are strategies or mixes of the other Funds (**Mixes**). The Mixes are not separate Funds, but invest in a fixed or variable combination of the other Funds. The Managed Funds and Mixes are multi-sector funds.

There is also an ethical Fund (**Ethica**).

The investment options are available through the SuperLife superannuation scheme (**SLSS**), the SuperLife KiwiSaver scheme (**SLKS**) and the Ascot superannuation scheme (**Ascot**). SLKS and Ascot invest through SLSS.

Your decision

The investment strategy, for how your savings are invested, is your decision. You can have different strategies for each of your SuperLife Accounts.

There is no single answer that is right for everyone. If you are unsure, you should seek advice from an appropriately experienced authorised financial adviser. The **SuperLife Investment Guide** and the educational articles on our website may also help.

You can change your investment at any time. To change your investment strategy, complete a “**change investment strategy**” form from our website or, if you are a registered Internet user, complete the change investment strategy process on the SuperLife Member site.

Rebalancing

At times throughout the year (normally monthly), we will rebalance your SuperLife Accounts back to your chosen investment strategies. This happens automatically unless you tell us not to. This way the investment of your SuperLife Accounts is maintained consistent with the investment strategy decisions you make.

Implementation

SuperLife Trustee Limited, the trustee of SLSS, has the ultimate responsibility for ensuring that the investment decisions are made in accordance with the scheme’s investment policies and each member’s decisions are implemented correctly. SuperLife Trustee Limited is responsible for the governance of the investment policies and we, SuperLife Limited, as the manager of SLSS, undertake the day-to-day management and are the overall investment manager. In turn, we have appointed MCA NZ Limited (MCA) to be the investment consultant. MCA researches the products, select, appoint and monitor the external investment managers/trustees who are ultimately used to manage the assets. The investment managers and the products invested in can be changed at anytime. Where we make investment decisions, we make them on the advice of MCA. MCA reports to us and we report to SuperLife Trustee Limited.



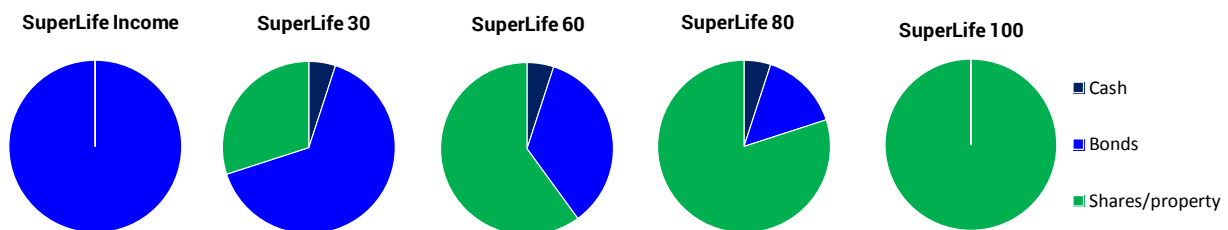


2. MULTI SECTOR FUNDS

The investment strategy for the Managed Funds and Mixes is set by us, based on our view of the markets and economic conditions. Each Fund and Mix invests in the Sector Funds and has a long-term benchmark strategy. For each Managed Fund and Mix, we have the discretion to vary the combination of the underlying Sector Funds around the benchmark with the actual strategy normally in the defined range.

Managed Funds

The Managed Funds are **SuperLife^{Income}**, **SuperLife³⁰**, **SuperLife⁶⁰**, **SuperLife⁸⁰** and **SuperLife¹⁰⁰**.



SuperLife^{Income} is a fixed-interest bond focused Fund and **SuperLife¹⁰⁰** is a property and share focused Fund. Members looking to have a combination of income and growth assets may choose to combine these options, together with the Cash Fund, to reflect their needs. We call this the “bucket” approach to investing.

SuperLife³⁰ (30% shares & property) is designed for someone recently retired, or close to retirement, or someone who is risk averse. **SuperLife⁶⁰** (60% shares & property) are “typical” strategies for someone 12+ years away from retirement and **SuperLife⁸⁰** (80% shares & property) is for someone who wants to increase their long-term average return, and is less concerned about short-term returns and short-term volatility.

	SuperLife ^{Income}		SuperLife ³⁰		SuperLife ⁶⁰		SuperLife ⁸⁰		SuperLife ¹⁰⁰	
	Benchmark (%)	Range (%)	Benchmark (%)	Range (%)	Benchmark (%)	Range (%)	Benchmark (%)	Range (%)	Benchmark (%)	Range (%)
Cash	0.0	0-70	5.0	0-70	5.0	0-50	5.0	0-50	0.0	0-50
NZ bonds	50.0	0-100	32.5	0-50	17.5	0-50	7.5	0-30		
Overseas bonds	20.0	0-100	10.0	0-30	7.5	0-30	0.0	0-30		
Overseas non-govt bonds	<u>30.0</u>	0-100	<u>22.5</u>	<u>0-50</u>	<u>10.0</u>	<u>0-30</u>	<u>7.5</u>	<u>0-30</u>	—	
	100.0		70.0	50-100	40.0	20-70	20.0	0-40	0.0	
Property			5.0	0-10	10.0	0-35	15.0	0-35	15.0	0-35
Australasian shares			12.5	0-30	12.5	0-35	20.0	0-50	30.0	0-60
Overseas shares*			7.5	0-20	27.5	0-50	30.0	0-60	35.0	0-60
Emerging markets			<u>5.0</u>	<u>0-10</u>	<u>10.0</u>	<u>0-20</u>	<u>15.0</u>	<u>0-35</u>	<u>20.0</u>	<u>0-40</u>
			30.0	0-50	60.0	30-80	80.0	60-100	100.0	100.0
Total	100.0		100.0		100.0		100.0		100.0	100.0

*On average, over the long-term, half of the risks associated with currency movement for overseas shares are expected to be hedged. The actual level of hedging will vary between 0% and 100% based on our view of the outlook for the NZ dollar.



Mixes

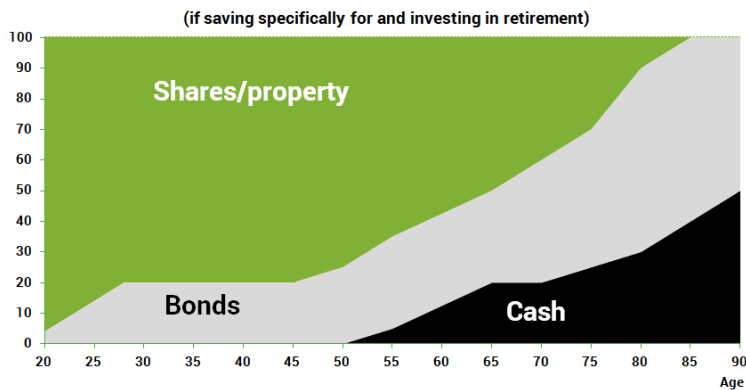
The mixes are AIM^{Age Steps}, AIM^{First Home}, AIM^{myFutureFund}.

AIM^{Age Steps} is a mix of the Cash, SuperLife^{Income} and SuperLife¹⁰⁰ Funds, and has an underlying asset mix that is related to your age. It therefore splits your SuperLife Account balance between the other Funds for cash, bonds, property and shares, based on your age. At the younger ages, the focus is on property and shares. It currently moves to be half property and shares, and half cash and bonds, at age 65. AIM^{Age Steps} is designed for someone saving for retirement where their money invested represents most of their retirement savings and where they plan to maintain their investment into retirement and spend their savings throughout their retirement. They are also willing to have a “normal” level of ups and downs in returns.

For many members, it will not represent the ideal investment strategy as they may have other investments, or they intend to use their SuperLife Account savings for other reasons (e.g. to buy a house), or they wish to have a more conservative or a more aggressive strategy. If the savings are planned to be spent in full on retirement, it may not be suitable to remain in this strategy approaching retirement.

Funds	AIM ^{Age Steps} (sample ages)											
	20	30	40	50	55	60	65	70	75	80	85	
	%	%	%	%	%	%	%	%	%	%	%	
Cash	0	0	0	0	5	12.5	20	20	25	30	40	
SuperLife ^{Income}	4	20	20	25	30	30.0	30	40	45	60	60	
SuperLife ¹⁰⁰	<u>96</u>	<u>80</u>	<u>80</u>	<u>75</u>	<u>65</u>	<u>57.5</u>	<u>50</u>	<u>40</u>	<u>30</u>	<u>10</u>	<u>0</u>	
Total	100	100	100	100	100	100	100	100	100	100	100	

Sample investment strategies



AIM^{First Home} and AIM^{myFutureFund} both have the same investment strategy. They are investment options that target a “cash plus” average return, over the medium term (3 to 5 years). The investment decisions are based on our view of the interest rate, investment and economic outlook, on a 1 to 3 year horizon.

	AIM ^{First Home} & AIM ^{myFutureFund}	
	Benchmark (%)	Range (%)
Cash/bonds	100	65-100
Shares/property	0	0-35



3. ETHICA

Ethica has a responsible investment focus.

Ethica’s objective is to provide a medium risk, “balanced” portfolio of the main asset classes, while looking to maintain social, community and environmental ethical investment standards.

Investment strategy

If you choose to invest in Ethica, each \$100 of your savings is invested in investments within the different investment sectors around a benchmark that targets 60% shares/property and 40% cash/bonds, but will vary around this, normally within the ranges as follows:

	Benchmark (%)	Range (%)
Cash	5	0-50
Bonds	<u>35</u> 40	0-60
Property	10	0-35
Shares	<u>50</u> 60	0-70

The investment decisions are based on our view, on the advice of MCA, of each sector’s outlook on a 3 to 5 year time horizon and returns are measured over a 5 to 7 year period.

In selecting the investment managers and assets, we adopt an exclusion approach and exclude investments that do not meet defined principles. Such excluded investments form Ethica’s “Excluded Activity List”.

Principles

We look to exclude investments where the activities of the organisations behind the investment:

- have an overall negative impact on social and community outcomes;
- would be illegal in New Zealand;
- are inconsistent with the United Nations’ policies on health and safety, child rights and human rights;
- are expected to result in long-term, permanent, detrimental change to the environment.

In addition, Ethica will exclude investments in organisations that a significant number of informed New Zealanders would find objectionable.

Excluded list

Current investments and sectors that are excluded are those where a material part of their revenue and/or activities are in the areas of:

- gambling
- tobacco
- alcohol





- armaments
- pornography
- fossil fuel extraction.

Ethics Committee

Ethica operates an “Ethics Committee” to monitor and review investments. As part of the Committee’s responsibilities, the portfolio of investments will be published each year. The Ethics Committee welcomes comments from Members on the portfolio and will investigate and consult with members as appropriate, on whether specific investments should be added to the current Excluded Activity List.

4. SECTOR FUNDS

SuperLife has 14 Sector Funds. These are building blocks that let you form your Investment Strategy.

The Sector Funds are:

- Cash Fund
- NZ Bonds Fund
- Overseas Bonds Fund
- Overseas Non-government Bonds Fund
- Property Fund
- NZ Shares Fund
- Australian Shares Fund
- Overseas Shares Currency Hedged Fund
- Overseas Shares (Unhedged) Fund
- Emerging Markets Fund
- Gemino Fund
- UK Cash Fund
- UK Income Fund
- UK Shares/Property Fund.

Each Sector Fund invests in its permitted investments and looks to capture the returns of a particular type of asset. With each Sector Fund, cash and cash equivalent assets may also be held for liquidity purposes.

In addition to each Sector Fund investing in its permitted investments, each Fund may invest in other external investment funds (“**Underlying Funds**”) that primarily invest in the permitted investments, including ETFs and unlisted managed investment funds. The investment management of the Underlying Funds will be provided by the investment managers of those investment funds. The Underlying Funds may be managed by companies related to us, for example Smartshares Limited (“**Related Underlying Funds**”).

The Underlying Funds or Related Underlying Funds in which the capital of each Sector Fund are invested in and/or the underlying investment manager(s) appointed to invest the Fund’s capital, are chosen by us.





Cash Fund

Objective:

To capture the market returns of the New Zealand “cash” investment market.

Permitted investments:

Cash and cash equivalent assets denominated in New Zealand dollars with a maximum remaining duration of 365 days, including:

- short-term fixed interest investments;
- bank deposits; and
- other cash and cash equivalent investments.

Benchmark returns:

The 1 to 2 year returns are evaluated against the ANZ 90-day Bank Bills Index.

A margin over the index return is expected over each 2-year period to reflect the investment risks of the portfolio.

Implementation:

Under SLSS, the SLSS Investment Manager decides on what investments to buy and Underlying Funds to invest in.

The SLSS fund invests in the ETF of Smartshares known as New Zealand Cash Trust (NZC) and the wholesale cash fund of Nikko Asset Management New Zealand Limited (“**Nikko**”) known as Nikko AM Wholesale NZ Cash Fund.

NZ Bonds Fund

Objective:

To capture the market returns of the New Zealand investment-grade bond market made up of the fixed interest investments issued by the New Zealand government and major New Zealand organisations.

Permitted investments:

Any fixed interest security where the interest rate is denominated in NZ dollars:

- of, or guaranteed by, the NZ government;
- of a corporate entity or bank constituted by or under the laws of NZ;
- of a local authority or other governing body constituted by or under NZ law.

Any convertible or non-convertible securities of a corporation which provides a predetermined rate of dividend or interest.

NZ dollar securities issued or guaranteed by foreign governments.

Deposits with a bank and Certificates of Deposit issued by a bank whether negotiable, convertible or not.

Bills of Exchange that have been accepted or endorsed by a bank.

Promissory notes and floating rate notes.

Cash and cash equivalents.



**Benchmark returns:**

The 3 to 5 year returns are evaluated against the ANZ NZ All Government Bond Index.

A margin over the index return is expected over each 5-year period to reflect the risks of the non-government bond investments.

Implementation:

Under SLSS, the SLSS Investment Manager decides on what investments to buy and Underlying Funds to invest in.

The SLSS fund invests in the ETF of Smartshares known as New Zealand Bond Trust (NZB) and the wholesale NZ bond fund of Nikko known as Nikko AM Wholesale NZ Bond Fund.

Overseas Bonds Fund**Objective:**

To capture the market returns of the global investment grade bond market made up of bonds issued by the governments of overseas countries and other issuers within the developed markets.

Permitted investments:

Any fixed interest security where the interest rate is:

- of, or guaranteed by, a government of an overseas country;
- of a corporate entity or bank;
- of a local authority or other equivalent body.

Any convertible or non-convertible securities of a corporation which provides a predetermined rate of dividend or interest.

Deposits with a bank and Certificates of Deposit issued by a bank whether negotiable, convertible or not.

Bills of Exchange that have been accepted or endorsed by a bank.

Promissory notes and floating rate notes.

A security that is included in the Barclays Global Aggregate Investment Grade Index.

Forward currency hedging contracts.

Cash and cash equivalents.

Hedging:

The foreign currency exposures are hedged to the NZ dollar by buying forward currency hedging contracts.

Benchmark returns:

The 3 to 5 year returns are evaluated against the Barclays Global Aggregate Investment Grade Index hedged to New Zealand dollars.

Implementation:

Under SLSS, the SLSS Investment Manager decides on what investments to buy and Underlying Funds to invest in.





The SLSS fund invests in the ETF of Smartshares known as Global Bond Trust (GBF) and the overseas bond trust of State Street Advisors Australia Pty Limited (“SSgA”) known as SSgA Global Fixed Income Index Trust.

The GBF is hedged to the New Zealand dollar within the ETF.

The SSgA fund is hedged to the Australian dollar within the SSgA fund. Currency hedging outside the SSgA fund is managed by the SLSS Investment Manager. Where the hedging contracts are implemented by the SLSS Investment Manager, the services of Nikko are used.

Overseas Non-government Bonds Fund

Objective:

To capture the market returns available from the investment grade bonds issued by organisations in the developed markets.

Permitted investments:

Any fixed interest security available in an overseas developed market characterised as:

- of or guaranteed by a foreign government;
- of a corporate entity or bank constituted by or under the laws of an overseas developed market;
- of a local authority or other governing body constituted by or under laws of an overseas developed market.

A security that is included in the Citigroup World Broad Investment-Grade Bond Index.

Any convertible or non-convertible securities of a corporation which provides a predetermined rate of dividend or interest.

Deposits with a bank and Certificates of Deposit issued by a bank whether negotiable, convertible or not.

Bills of Exchange that have been accepted or endorsed by a bank.

Promissory notes.

Floating rate notes.

Forward currency hedging contracts.

Cash and cash equivalents.

Hedging:

The foreign currency exposures are hedged to the NZ dollar by buying forward currency hedging contracts.

Benchmark returns:

The 3 to 5 year returns are evaluated against the Citigroup World Government Bond Index hedged to New Zealand dollars.

A margin above this is expected to reflect the exposure to investment grade corporate bonds.

Implementation:

Under SLSS, the SLSS Investment Manager decides on what investments to buy and Underlying Funds to invest in.





The SLSS fund invests in the Vanguard International, Credit Securities Index Fund (Hedged) of Vanguard Investments Australia Limited (“Vanguard”).

This product is an index fund and is hedged to the Australian dollar within the product. The Vanguard fund is benchmarked against the Barclays Global Aggregate Investment Grade Index ex Mortgage Backed Securities.

Currency hedging outside the Vanguard fund is managed by the SLSS Investment Manager. Where the hedging contracts are implemented by the SLSS Investment Manager, the services of Nikko are used.

Property Fund

Objective:

To capture the market returns of the property markets of New Zealand, Australia and the non-Australasian developed markets, over the long term, by passively investing in a diversified portfolio of listed or about to be listed property securities.

Permitted investments:

Property securities and associated investments (“Property Shares”) listed on a board of the NZSE, the Australian Stock Exchange (“ASX”) or the stock exchange of a developed country.

Property Shares of New Zealand and Australian companies that are expected to be listed within 1 year on a board of the NZSE or ASX.

Shares in this context include futures, options, rights and any listed hybrid equity security including redeemable preference shares, specified preference shares, partly paid shares and convertible notes.

Forward currency hedging contracts; cash and cash equivalents.

Hedging:

The foreign currency exposures for global property securities are generally hedged to the Australian dollar. The currency risks of the Australian property securities and the NZ and Australian exposure of the global property securities are expected to be 50% hedged on average to the NZ dollar, but may at times, vary between 0% and 100%.

The SLSS Investment Manager manages the currency exposure risk between NZ and Australia and implements that through Nikko.

Benchmark returns:

The 5 to 7 year returns are evaluated against the NZX Property Index. The returns are expected to vary relative to the index reflecting the exposure to Australian and global property securities. Over the long term (10 years plus) the volatility of the portfolio is expected to be less due to the higher level of diversification.

Implementation:

Under SLSS, the SLSS Investment Manager decides on which investments to buy and Underlying Funds to invest in.

The SLSS Investment Manager decides on the split between New Zealand, Australia and the global developed markets. Securities within New Zealand and Australian markets are bought to target an equally weighted exposure within each market, but there will be departures from this principle because of the products invested in, market movements, size and liquidity and efficiency constraints, and for diversification purposes.



Investing on a passive basis means that the turnover of the portfolio is expected to be low and the portfolio is not expected to be traded over the short-term.

For global property securities, the SLSS fund currently buys units in the Vanguard International Property Securities Index Fund (Hedged), managed by Vanguard. This is a global ex-Australia property index fund.

For Australasian securities, the SLSS fund also invests in the ETFs of Smartshares known as New Zealand Property Trust (NZP) and Australian Property Index Trust (ASP).

NZ Shares Fund

Objective:

To capture the market returns of the New Zealand share market over the long term from a diversified portfolio of listed New Zealand shares.

Permitted investments:

Shares and associated investments, listed on a board of the NZSE.

Shares in this context includes futures, options, rights and any listed hybrid equity security including redeemable preference shares, specified preference shares, partly paid shares and convertible notes.

Shares of New Zealand companies that are expected to be listed within 1 year on a board of the NZSE.

Cash and cash equivalents.

Benchmark returns:

The 7 to 10 year returns are evaluated against the NZX 50 Index.

Implementation:

Under SLSS, the decisions on which investments to buy are made by the SLSS Investment Manager. To help it, it receives advice from Forsyth Barr Limited (“**Forsyth Barr**”) and other brokers as appropriate.

Investments are bought to construct a NZ Share portfolio for a long-term investor. Shares are bought on a passive basis.

Investing on a passive basis means that the turnover of the portfolio is expected to be low and the portfolio is not expected to be traded over the short-term. Shares are purchased with the expectation that they will still be held in 7 years’ time.

The SLSS fund invests part of its capital in the different NZ share ETFs of Smartshares.

Australian Shares Fund

Objective:

To capture the market returns of the Australian share market over the long term from a diversified portfolio of Australian shares.

Permitted investments:

Shares and associated investments listed on a board of the ASX.

Shares in this context includes futures, options, rights and any listed hybrid equity security including redeemable preference shares, specified preference shares, partly paid shares and convertible notes.





Shares of Australian companies that are expected to be listed within 1 year on a board of the ASX.

Forward currency hedging contracts.

Cash and cash equivalent.

Hedging:

The foreign currency risks between the NZ and Australian dollar are expected to be 50% hedged on average, but may at times be fully hedged or fully unhedged.

The SLSS Investment Manager manages the currency exposure risk between NZ and Australia and implements that through Nikko.

Benchmark returns:

The 7 to 10 year returns are evaluated against the S&P/ASX 200 Index (50% hedged to the New Zealand dollar).

Implementation:

Under SLSS, the SLSS Investment Manager decides on which investments to buy and Underlying Funds to invest in.

Shares are bought on a passive basis. Investing on a passive basis means that the turnover of the portfolio is expected to be low and the portfolio is not expected to be traded over the short-term. The SLSS fund invests its capital in the different Australian share ETFs of Smartshares.

Overseas Shares Currency Hedged

Objective:

To capture the market returns of the share markets of the developed countries, without the exposure to the risks of currency movement.

The Fund invests on a passive basis.

Permitted investments:

Shares and associated investments listed on a board of a stock exchange of a developed market that is included in the MSCI World Index.

Shares in this context include futures, options, rights and any listed hybrid equity security including redeemable preference shares, specified preference shares, partly paid shares and convertible notes.

Forward currency hedging contracts.

Cash and cash equivalents.

Hedging:

The foreign currency risks are hedged to the New Zealand dollar by buying forward currency hedging contracts. The target is to be 100% hedged before tax, but the hedging level will typically vary within 95% to 105%.

Benchmark returns:

The 7 to 10 year returns are evaluated against the MSCI World Index (hedged to the New Zealand dollar).



**Implementation:**

Under SLSS, the decisions as to which investments to buy and Underlying Funds to invest in, are made by the SLSS Investment Manager.

The SLSS fund invests in the different global share ETFs managed by Smartshares.

The SLSS Investment Manager undertakes the management of the currency exposure risk and implements that through Nikko.

Overseas Shares (Unhedged) Fund**Objective:**

To capture the market returns of the share markets of the developed countries.

The Fund invests on a passive basis.

The Fund is exposed to the foreign currency exposures of the overseas share markets invested in.

Permitted investments:

Shares and associated investments listed on a board of a stock exchange of a developed market that is included in the MSCI World Index.

Shares in this context include futures, options, rights and any listed hybrid equity security including redeemable preference shares, specified preference shares, partly paid shares and convertible notes.

Cash and cash equivalents.

Benchmark returns:

The 7 to 10 year returns are evaluated against the MSCI World Index (New Zealand dollars).

Implementation:

Under SLSS, the SLSS Investment Manager decides on which investments to buy and Underlying Funds to invest in.

The SLSS fund invests in the different global share ETFs managed by Smartshares.

Emerging Markets Fund**Objective:**

To capture the market returns of the share markets of the emerging countries.

The Fund invests on a passive basis.

Permitted investments:

Shares and associated investments listed on a board of a stock exchange of an emerging market that are included in the MSCI Emerging Markets Index.

Shares in this context include futures, options, rights and any listed hybrid equity security including redeemable preference shares, specified preference shares, partly paid shares and convertible notes.

Forward currency hedging contracts.

Cash and cash equivalents.



**Hedging:**

The exchange rate risk relating to the foreign currency exposure will normally be unhedged, but currency hedging can be put in place.

The SLSS Investment Manager makes the hedging decisions and implements that through Nikko.

Benchmark returns:

The 7 to 10 year returns are evaluated against the MSCI Emerging Markets Index (New Zealand dollars).

Implementation:

Under SLSS, the SLSS Investment Manager decides on which investments to buy and Underlying Funds to invest in.

The SLSS fund invests in:

- Listed products of Somerset Capital Management LLP ("**Somerset**"). The Somerset products are PFS Somerset EM Dividend Growth Fund A Accumulation and PFS Somerset EM Small Cap Fund B Accumulation.
- ETFs managed by Blackrock (through iShares).
- The ETF managed by Smartshares known as Emerging Markets Trust (EMF).

Gemino Fund**Objective:**

To invest in a concentrated portfolio of investments where each individual investment is considered to have the potential to provide a return equivalent to doubling in value over a 3 year period.

Permitted investments:

Shares and associated investments listed on a board of the NZSE, ASX or any stock exchange throughout the world. Shares in this context include futures, options, rights and any listed hybrid equity security including redeemable preference shares, specified preference shares, partly paid shares and convertible notes.

Shares of companies that are expected to be listed within 1 year on a board of the NZSE, ASX or any stock exchange throughout the world.

Forward currency hedging contracts.

Cash and cash equivalents.

Benchmark returns:

No benchmark applies for this Fund.

Implementation:

Under SLSS, the decisions on which investments to buy are made by the SLSS Investment Manager. To help it, it receives advice from Forsyth Barr and other brokers as appropriate.

Investments are chosen if they are considered to have the potential to provide a return equivalent to doubling in value on a 1 to 3 year time horizon, and as such, each investment is high risk. This means any individual company's share holding may potentially double in value, but could also reduce to zero value.





Shares are not limited to any country or industry. The focus is on smaller companies. There are no limits as to what companies it can invest in, but it will typically have a bias to growth sectors like resources, biotech and technology. It is expected that it will participate in IPOs.

UK Cash Fund

Objective:

To capture the market returns of the UK “cash” investment market, managed from a UK investor’s perspective.

Permitted investments:

Cash and cash equivalent investments with a maximum remaining duration of 365 days, including short-dated fixed interest investments denominated in UK pounds.

Bank deposits.

Cash and cash equivalents.

Benchmark returns:

The 1 to 2 year returns are evaluated against UK cash rate converted to New Zealand dollars.

Implementation:

Under SLSS the decisions on which investments to buy are made by the SLSS Investment Manager.

The SLSS fund invests in cash and cash equivalent investments (bank deposits and other cash and short-term fixed interest investments) primarily denominated in UK pounds.

Other comments:

As the investments will primarily be UK cash investments, the returns in New Zealand dollars may be volatile and, as a New Zealand domiciled fund, returns will be accounted for in New Zealand dollars and are therefore subject to New Zealand tax laws.

UK Income Fund

Objective:

To capture the market returns available from bond investments, managed from a UK investor’s perspective.

Permitted investments:

Any fixed interest security:

- of, or guaranteed by, a government in any overseas developed market;
- of a corporate entity or bank constituted by, or under, the laws of an overseas developed market;
- of a local authority or other governing body constituted by or under the laws of an overseas developed market.

Any convertible or non-convertible securities of a corporation which provides a predetermined rate of dividend or interest.

Deposits with a bank.

Certificates of Deposit issued by a bank whether negotiable, convertible or not.





Bills of Exchange that have been accepted or endorsed by a bank.

Promissory notes.

Floating rate notes.

Forward currency hedging contracts.

Cash and cash equivalents.

Hedging:

The foreign currency exposure associated with investments made outside the UK will generally be unhedged but will at times be hedged to UK pounds.

Hedging decisions are made by the SLSS Investment Manager and implemented through Nikko.

Benchmark returns:

The 3 to 5 year returns are evaluated against UK 10-year bond index converted to New Zealand dollars.

Implementation:

Under SLSS, the SLSS Investment Manager decides on which investments to buy and Underlying Funds to invest in.

The SLSS fund invests in cash investments and passive global bond trusts that invest in the permitted investments.

Other comments:

As the investments will primarily be bond investments managed from a UK investor's perspective, the returns in New Zealand dollars may be volatile and, as a New Zealand-domiciled fund, returns will be accounted for in New Zealand dollars and are therefore subject to New Zealand tax laws.

UK Shares/Property Fund

Objective:

To capture the market returns of the global share markets, managed from a UK investor's perspective.

Permitted investments:

Shares and associated investments listed on a board of a stock exchange of a developed market that are included in the MSCI World Index.

Shares in this context include futures, options, rights and any listed hybrid equity security including redeemable preference shares, specified preference shares, partly paid shares and convertible notes.

Forward currency hedging contracts.

Cash and cash equivalents.

Hedging:

The foreign currency exposure associated with investments made outside the UK will generally be unhedged but will at times be hedged to UK pounds.

The SLSS Investment Manager makes the hedging decisions and implements that through Nikko.



**Benchmark returns:**

The 7 to 10 year returns are evaluated against MSCI World Index (New Zealand dollar).

Implementation:

Under SLSS, the SLSS Investment Manager decides on which investments to buy and Underlying Funds to invest in.

The SLSS fund invests on a passive basis in UK share and property investments and global share and property investments. The investments will normally be listed securities and funds, and units in fund managers' unlisted unit trusts and collective investment vehicles.

The investment decisions are based on the SLSS Investment Manager's view of the UK and global investment and economic outlook on a 3 to 5 years' time horizon and returns measured over 7 to 10 year period.

Other comments:

As the investments will primarily be share investments managed from a UK investor's perspective, the returns in New Zealand dollars may be volatile and as a New Zealand-domiciled fund, returns will be accounted for in New Zealand dollars and are therefore subject to New Zealand tax laws.

6. ETF FUNDS

The ETF Funds are:

- NZ Cash ETF,
- NZ Bond ETF,
- Global Bond ETF,
- NZ Dividend ETF;
- NZ 50 Portfolio ETF;
- NZ Top 10 ETF;
- NZ MidCap ETF;
- NZ Property ETF,
- Aust Top 20 Leaders ETF;
- Aust Dividend ETF;
- Aust Financials ETF;
- Aust Property ETF;
- Aust Resources ETF;
- Aust MidCap ETF;
- Total World ETF;
- US S&P 500 ETF;
- Europe ETF;
- Asia Pacific ETF;
- US Growth ETF;
- US Value ETF;
- US MidCap ETF;
- US Small ETF; and
- Emerging Markets ETF.

Each ETF Fund is implemented by investing in the units of the equivalent Smartshares ETF listed on the NZSE. The permitted investments of each ETF Fund are units of the equivalent Smartshares ETF. In addition, cash and cash equivalents, for cash flow management purposes are permitted.





The objective of each ETF Fund is to provide a return that reflects the return of the relevant market index or benchmark for the ETF Fund. Where the ETF reflects an “Index”, it is a passive index ETF and is designed to track that index. Where the ETF reflects a “benchmark”, it is an active non-index ETF, and the objective is for the return of the ETF to exceed the return of the benchmark.

For the purposes of monitoring and evaluating the investment outcomes of each ETF Fund, each ETF Fund’s 3 to 5 year annualised average return is measured against the market index or benchmark set for the ETF Fund. The return may be lower than the market index or benchmark return, reflecting the fees payable and costs incurred.

Details of the Smartshares ETFs are available on its website www.smartshares.co.nz.

NZ Cash ETF Fund

Benchmark:

NZX 90-day Bank Bill Index.

Smartshares ETF:

New Zealand Cash Trust (NZC).

Other comments:

The objective of the NZC is to outperform the benchmark over a rolling 1-year period. It invests in short-term interest bearing assets and other cash and cash equivalent investments, and is managed by Nikko.

NZ Bond ETF Fund

Benchmark:

S&P/NZX A-Grade Corporate Bond Index.

Smartshares ETF:

New Zealand Bond Trust (NZB).

Other comments:

The objective of the NZB is to outperform the benchmark over a rolling 3-year period. It invests in interest bearing assets and other NZ bond investments, and is managed by Nikko.

Global Bond ETF Fund

Benchmark:

Barclays Global Aggregate Index.

Smartshares ETF:

Global Bond Trust (GBF).

Other comments:

The objective of the GBF is to outperform the benchmark by 1% p.a. over a rolling 3-year period. It invests in global interest bearing assets, bonds and other global securities and is managed by Pimco Australia Pty Limited (“Pimco”).





NZ Dividend ETF Fund

Index:

S&P/NZX 50 High Dividend Index

Smartshares ETF:

NZ Dividend Index Trust (DIV).

Other comments:

The S&P/NZX 50 High Dividend Index comprises 25 companies with the highest dividend yields and liquidity from the S&P/NZX 50 Index.

NZ 50 Portfolio ETF Fund

Index:

S&P/NZX 50 Portfolio Capital Index.

Smartshares ETF:

NZ Top 50 (FNZ).

Other comments:

The NZX 50 Portfolio Capital Index comprises 50 of the largest entities listed on the NZSE with the weighting of any one entity capped at 5% of the portfolio at the time of being added to the index.

NZ Top 10 ETF Fund

Index:

S&P/NZX 10 Index.

Smartshares ETF:

NZX 10 Fund (TNZ).

Other comments:

The S&P/NZX 10 Index is comprised of 10 of the largest companies in the S&P/NZX 50 Index. Dual and overseas listed companies are not eligible for index inclusion.

NZ MidCap ETF Fund

Index:

S&P/NZX MidCap Index.

Smartshares ETF:

NZX MidCap Index Fund (MDZ).

Other comments:

The S&P/NZX MidCap Index is designed to measure the performance of New Zealand's mid-cap equity market and comprises all constituents of the S&P/NZX 50 Index that are not members of the S&P/NZX 10 Index.





NZ Property ETF Fund

Index:

S&P/NZX Real Estate Select Index.

Smartshares ETF:

New Zealand Property Trust (NZP).

Other comments:

The S&P/NZX Real Estate Select Index consists of the NZ listed property securities with a market capitalisation above \$300m and where an individual security in the index is limited to 17.5% of the index when rebalanced.

Aust Top 20 Leaders ETF Fund

Index:

S&P/ASX 20 Index in NZ dollars.

Smartshares ETF:

NZX Australian 20 Leaders Index Fund (OZY).

Other comments:

The Fund is exposed to the Australian dollar and the exchange rate movement is unhedged.

The S&P/ASX 20 Index includes the 20 largest stocks by market capitalisation in the Australian ASX equity market.

Aust Dividend ETF Fund

Index:

S&P/ASX Dividend Opportunities Index in NZ dollars.

Smartshares ETF:

Australian Dividend Index Trust (ASD).

Other comments:

The Fund is exposed to the Australian dollar and the exchange rate movement is unhedged.

The S&P/ASX Dividend Opportunities Index offers exposure to 50 high yielding common stocks from the Australian equity market.

Aust Financials ETF Fund

Index:

S&P/ASX 200 Financials Ex-A-REIT Index in NZ dollars.

Smartshares ETF:

Australian Financials Index Trust (ASF).

Other comments:

The Fund is exposed to the Australian dollar and the exchange rate movement is unhedged.





Comprises those securities included in the S&P/ASX 200 Index in the Financial Sector (excluding real estate investment trusts).

Aust Property ETF Fund

Index:

S&P/ASX 200 A-REIT Equal Weight Index in NZ dollars.

Smartshares ETF:

Australian Property Index Trust (ASP).

Other comments:

The Fund is exposed to the Australian dollar and the exchange rate movement is unhedged.

The S&P/ASX 200 A-REIT Equal Weight Index equally weights the constituents of the S&P/ASX 200 A-REIT, which tracks Australian real estate investment trusts (A-REITs).

Aust Resources ETF Fund

Index:

S&P/ASX 200 Resources Index in NZ dollars.

Smartshares ETF:

Australian Resources Index Trust (ASR).

Other comments:

The Fund is exposed to the Australian dollar and the exchange rate movement is unhedged.

Comprises those securities included in the S&P/ASX 200 Index in the resources sector.

Aust MidCap ETF Fund

Index:

S&P/ASX MidCap 50 Index in NZ dollars.

Smartshares ETF:

NZX Australian MidCap Index Fund (MZY).

Other comments:

The Fund is exposed to the Australian dollar and the exchange rate movement is unhedged.

The S&P/ASX MidCap 50 Capital Index comprises 50 entities ranked from 51 to 100 by market capitalisation and liquidity on the ASX.





Total World ETF Fund

Index:

FTSE Global All Cap Index in NZ dollars.

Smartshares ETF:

Total World Trust (TWF).

TWF in turn invests in the Vanguard Total World Stock Index Fund ETF Shares (VT).

Other comments:

The Fund is exposed to the foreign currencies and the exchange rate movement is unhedged.

VT and therefore TWF, gives investors a broad exposure to entities listed in developed and emerging markets by tracking the FTSE Global All Cap Index, which comprises large-, mid- and small-capitalisation entities, as determined by the index administrator, globally from both the developed and emerging markets.

US S&P 500 ETF Fund

Index:

S&P 500 Index.

Smartshares ETF:

US 500 Trust (USF).

USF in turn invests in the Vanguard 500 Index Fund ETF Shares (VOO).

Other comments:

The Fund is exposed to the US dollar and the exchange rate movement is unhedged.

VOO and therefore USF, gives investors exposure to 500 large entities listed on the NYSE or NASDAQ markets by tracking the S&P 500 Index (which is used as the main index for the American market).

Europe ETF Fund

Index:

FTSE Developed Europe All Cap Index in NZ dollars.

Smartshares ETF:

Europe Trust (EUF).

EUF in turn invests in the Vanguard European Stock Index Fund ETF Shares (VGK).

Other comments:

The Fund is exposed to the European currencies and the exchange rate movement is unhedged.

VGK and therefore EUF, gives investors a broad exposure to entities listed in developed European markets by tracking the FTSE Developed Europe Index, which comprises entities from developed European markets.





Asia Pacific ETF Fund

Index:

FTSE Developed Asia Pacific All Cap Index in NZ dollars.

Smartshares ETF:

Asia Pacific Trust (APA).

APA in turn invests in the Vanguard Pacific Stock Index Fund ETF Shares (VPL).

Other comments:

The Fund is exposed to the currencies of the countries in the Asia Pacific region and the exchange rate movement is unhedged.

VPL and therefore APA, gives investors a broad exposure to entities listed in developed Asia Pacific markets by tracking the FTSE Developed Asia Pacific All Cap Index, which comprises entities from developed markets, in Asia Pacific.

US Growth ETF Fund

Index:

CRSP U.S. Large Cap Growth Index in NZ dollars.

Smartshares ETF:

US Large Growth Trust (USG).

USG in turn invests in the Vanguard Growth Index Fund ETF Shares (VUG).

Other comments:

The Fund is exposed to the US dollar and the exchange rate movement is unhedged.

VUG gives investors exposure to large-capitalisation growth entities listed on the NYSE or NASDAQ markets by tracking the CRSP U.S. Large Cap Growth Index.

US Value ETF Fund

Index:

CRSP U.S. Large Cap Value Index in NZ dollars.

Smartshares ETF:

US Large Value Trust (USV),

USV in turn invests exclusively in the Vanguard Value Index Fund ETF Shares (VTV).

Other comments:

The Fund is exposed to the US dollar and the exchange rate movement is unhedged.

VTV gives investors exposure to large-capitalisation value entities listed on the NYSE or NASDAQ markets by tracking the CRSP U.S. Large Cap Value Index.





US MidCap ETF Fund

Index:

CRSP U.S. Mid Cap Index in NZ dollars.

Smartshares ETF:

US Mid-Cap Trust (USM)

USM in turn invests in the Vanguard Mid-Cap Index Fund ETF Shares (VO).

Other comments:

The Fund is exposed to the US dollar and the exchange rate movement is unhedged.

VO and therefore USM, gives investors exposure to mid-capitalisation entities listed on the NYSE or NASDAQ markets by tracking the CRSP U.S. Mid Cap Index.

US Small ETF Fund

Index:

CRSP U.S. Small Cap Index in NZ dollars.

Smartshares ETF:

US Small-Cap Trust (USS).

USS in turn invests in the Vanguard Small-Cap Index Fund ETF Shares (VB).

Other comments:

The Fund is exposed to the US dollar and the exchange rate movement is unhedged.

VB and therefore USS, gives investors exposure to small-capitalisation entities, as determined by the index administrator, listed on the NYSE or NASDAQ markets by tracking the CRSP U.S. Small Cap Index.

Emerging Markets ETF Fund

Index:

FTSE Emerging Markets All Cap China A Inclusion Index in NZ dollars.

Smartshares ETF:

Emerging Markets Trust (EMF).

This EMF in turn invests in the Vanguard Emerging Markets Stock Index Fund ETF Shares (VWO).

Other comments:

The Fund is exposed to the currencies of the emerging markets and the exchange rate movement is unhedged.

VWO and therefore EMF, gives investors a broad exposure to entities listed in advanced and secondary emerging markets by tracking the FTSE Emerging Markets All Cap China A Inclusion Index, including China A-shares.





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