



Product Disclosure Statement

Dated: 13 April 2018

This document replaces the product disclosure statement dated 3 April 2018

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.companiesoffice.govt.nz/disclose.

Simplicity NZ Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you make an investment decision.

Who manages the Simplicity Investment Funds?

Simplicity NZ Limited (**Simplicity, we, our, or us**) is the manager of the Funds.

See Section 7 (Who is involved?) for more information.

What are the returns?

The return on your investment comes from:

- Any increase or decrease in the Fund's unit price; and
- Any distributions made from the Fund.

While permitted in the trust deed, it is not intended that distributions are made from the Funds, and any returns will be reflected in the unit price.

How can you get your money out?

You may at any time request the redemption of some or all of your investment. Minimum redemption amounts or minimum outstanding balances may apply. You will need to complete a redemption request in the prescribed format which is available from us on request or on our website www.simplicityfunds.kiwi. Subject to relevant law, we may defer or suspend redemptions in some circumstances. See Section 2 (How does this investment work?) on page 6 for more information on how to get your money out.

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

How will your investment be taxed?

The Funds are portfolio investment entities (PIEs).

The amount of tax you pay in respect of a PIE is based on your prescribed investor rate (PIR). This can be 0.0%, 10.5%, 17.5%, or 28%. See Section 6 (What taxes will you pay?) on page 12 for more information.

Where can you find more key information?

Simplicity is required to publish annual updates for each investment option and we will also publish quarterly updates. The updates show the returns, and the total fees actually charged to investors, during the previous year. The latest fund updates are available at www.simplicityfunds.kiwi. Simplicity will also give you copies of those documents on request.



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2. How does this investment work?

The Funds are investment options in a managed investment scheme that is governed by a trust deed dated 3 March 2017.

Your money is pooled with that of other investors of the relevant Fund. However, the assets of one Fund cannot be used to cover the liabilities of another Fund. The interests of investors are represented by units, which confer an equal interest in a Fund and are of equal value.

The value of units in each Fund will change according to the changing value of the underlying assets in which the Fund has invested.

The key benefits of investing in the Funds are:

- a choice of Funds to help you meet your savings goals, many of which invest in a diverse range of investments globally. The Conservative, the Balanced and the Growth Investment Funds hold over 3,000 investments in each Fund, spread across more than 20 countries.
- Our not for profit, on-line business model allows Simplicity to aim for the lowest fees in New Zealand for investors, which minimises the negative impact fees have on returns.
- experienced investment management. We are experienced in managing investments, including a default KiwiSaver scheme. We will manage all New Zealand assets and be responsible for our low cost, low turnover approach. The manager of offshore investments, Vanguard Asset Management Limited (**Vanguard**), shares a similar low cost philosophy, and is currently the second largest Fund Manager in the world, with over NZ\$6.6 trillion under management as at 31 December 2017.
- our Funds are all PIEs for tax purposes, meaning that if you are a New Zealand resident unit holder and have supplied us with the correct PIR, tax is usually paid on your behalf at a rate approximating your marginal tax rate and there is no further tax to pay. PIE tax is capped at 28%, which can be a benefit for 33% tax rate investors.

Structure of the Funds

The Funds are governed by the trust deed between us and Public Trust, the supervisor of the Funds (**Trust Deed**). The Funds' assets are held by Public Trust, which is the Supervisor and independent custodian of the Funds, on behalf of investors.

The Funds are investment options in a managed investment scheme. This means that your money is pooled with other investors' money and invested by Public Trust on our instructions. Your investment is represented by units in the fund. A managed investment scheme can give you access to investments that you may not be able to access as an individual.



Distributions

It is not intended that distributions are made from the Funds. Any investment gains will be reflected in each Fund's unit price.

Making investments

Investments can be made by completing the application form on our website www.simplicityfunds.kiwi

There are different forms depending on the type of investor making the application. Applications are subject to a minimum initial investment of \$10,000.

All investors must be either New Zealand based or New Zealand citizens resident overseas.

For information on how to invest in the Fund(s), see Section 10 (How to apply) on page 15.

Withdrawing your investments

If you wish to make a redemption you must complete a redemption request in the prescribed format which is available from us on request or on our website www.simplicityfunds.kiwi. Once submitted, your redemption request is not able to be withdrawn. We have the ability, in certain circumstances to suspend or defer redemptions. In the event that this should ever occur, you can still submit a redemption request and these will be processed, in the order in which they are received, once the suspension or deferral has been lifted.

If your withdrawal would result in your investment falling below \$10,000, we may request the Supervisor to withdraw the balance of your holding and repay the proceeds back to you.

Withdrawal requests will be processed each business day in Auckland. The withdrawal value of the units will be paid to you, after adjustment for any tax payable (if applicable), within 30 business days from the date your withdrawal request is received. No person guarantees or promises the repayment of, or returns on, your investment in the Funds.

How to switch between Funds

You can also switch from one Fund to another Fund. Completed switch requests will be made on the next available unit price. A switch will be treated as a redemption from one Fund and an application into another Fund. We do not charge an entry/exit fee or a buy/sell spread. A switching form is available on our website www.simplicityfunds.kiwi.

3. Description of your investment options

This table shows details of each investment option.

| Fund name | Summary of investment objectives and strategy (including target investment mix) | Risk category | Minimum suggested investment time frame |
|------------------------------|--|---------------|---|
| Conservative Investment Fund | <p>The Conservative Investment Fund target asset allocations are 22% in growth assets (12.5% international shares and 9.5% Australasian shares) and 78% in income assets (2% cash and 76% split between New Zealand and International fixed interest).</p> <p>Its objective is to reduce the likelihood of negative returns over the short term. It has higher proportions of investment in defensive assets, such as cash and bonds, while still providing an opportunity for positive real returns over the longer term by investing a smaller proportion of the Fund in growth assets such as equities and property.</p> <p>This option is suited to members seeking lower volatility of returns.</p> | 3 | 3+ years |
| Balanced Investment Fund | <p>The Balanced Investment Fund target asset allocations are 56% in growth assets (35% international shares and 21% Australasian shares) and 44% in income assets (2% cash and 42% split between New Zealand and International fixed interest).</p> <p>Its objective is to reduce the likelihood of negative returns over the short to medium term through higher proportions of investment in defensive assets, such as cash and bonds, while still providing a reasonable opportunity for positive real returns over the longer term by investing a reasonable proportion of the Fund in growth assets such as equities and property.</p> <p>This option is suited to members seeking medium term growth with risk limited by broad diversification.</p> | 3 | 6+ years |
| Growth Investment Fund | <p>The Growth Investment Fund target asset allocations are 78% in growth assets (48.5% international shares and 29.5% Australasian shares) and 22% in income assets (2% cash and 20% split between New Zealand and International fixed interest).</p> <p>Its objective is to achieve positive real returns over the medium to long term through investment in growth assets, while managing volatility through diversification of the Fund's assets.</p> <p>This option is suited to members seeking long term growth with risk limited by broad diversification.</p> | 4 | 9+ years |

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at <https://www.sorted.org.nz/calculators/investment-planner>.

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

The risk indicator is not a guarantee of the Fund’s future performance. As the Conservative Fund, the Balanced Fund and the Growth Fund have not been in existence for five years, the risk indicator is based on market returns data for the period from 31 December 2012 until 31 March 2017, and then fund returns to 31 December 2017. As the NZ Share Fund and the NZ Bond Fund have not been in existence for five years, the risk indicator is based on market returns data for the 5 years to 31 December 2017. As a result of this, the risk indicator may provide a less reliable indicator of the potential future volatility of the Fund. While risk indicators are usually relatively stable, they do shift from time to time. You can see the most recent risk indicator in the latest fund update for the Funds.

General investment risks

Some of the things that may cause the Funds’ value to move up and down, which affect the risk indicator, are market risk, liquidity risk, interest rate risk and currency risk.

| Investment risk | Description |
|--------------------|--|
| Market risk | The value of investments may rise or fall as a result of developments in economies, financial markets, and regulatory or political conditions. The performance of individual assets, securities, and issuers can impact returns. |
| Liquidity risk | There is a risk that some assets of a Fund may not be able to be converted into cash, because of lack of a market in which to sell them, or if the market is disrupted. |
| Interest rate risk | The market value of fixed interest securities can change because of changes in interest rates. The impact this has on a Fund will depend on the term of the fixed investment, and the interest rate relative to market rates. |
| Currency risk | As some of the assets in the funds are invested overseas, returns in New Zealand can be affected by movements between the New Zealand dollar and overseas currencies. If the New Zealand dollar goes up, the relative value of these assets goes down. If the New Zealand dollar goes down, the relative value of these assets goes up. While we have a policy of hedging overseas investments 100% to the NZ dollar, on a before tax basis, there may be fluctuations in value, and the actual percentage may vary. There may also be additional requirements to pay for the cost of hedging if the NZD is more volatile than predicted. |

5. What are the fees?

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

- regular charges (for example, annual fund charges). Small differences in these fees can have a big impact on your investment over the long term
- one-off fees (for example, exit fees – although we do not currently charge these).

The Funds' fees are as follows:

| Fund | Total annual fund charges (p.a. estimated) | Other charges |
|------------------------------|--|---|
| Growth Investment Fund | 0.31 % p.a. of the Fund's net asset value. | |
| Balanced Investment Fund | 0.31 % p.a. of the Fund's net asset value. | Other charges for all funds: Administration Fee \$30 per annum (\$2.50 per month) per member |
| Conservative Investment Fund | 0.31 % p.a. of the Fund's net asset value. | |
| NZ Share Fund | 0.10 % p.a. of the Fund's net asset value. | |
| NZ Bond Fund | 0.10 % p.a. of the Fund's net asset value. | |

The fees outlined above cover the following:

| Fee | What it covers |
|---------------------|---|
| Annual fund charges | <p>The annual fund charges comprise an annual investment management fee of 0.31% per annum for the Conservative, Balanced and Growth Funds or 0.10% per annum for the NZ Share and NZ Bond Funds, expressed as a percentage of the total funds under management. These charges cover fees of Simplicity, the supervisor, and the custodian and administration manager in performing their respective roles. The annual fund charges also pay for other charges and expenses, such as accounting and audit fees.</p> <p>Where the Conservative, Balanced and Growth Funds invest in the NZ Share and NZ Bond Funds, the annual fund charges on those investments are rebated.</p> <p>The annual fund charges for the Conservative, Balanced and Growth Funds also includes a 0.01% estimated fee which covers administration fees charged by the Vanguard underlying funds, covering costs such as audit and responsible entity charges in those funds. This estimate is based on actual annual costs reported by Vanguard for the year ended 30 June 2017, and anticipated investment levels in the underlying funds in accordance with the Funds' SIPO.</p> <p>The annual fund charges exclude transaction costs incurred by the funds in which the Funds invest, and any hedging costs.</p> |
| Other charges | <p>Paid to Simplicity for the administration services it provides to the Funds. This \$2.50 fee is payable monthly in arrears from the start of your membership, as an estimate of costs. If actual Fund expenses, and expenses of the manager are higher, they may be deducted from the Fund. This fee may not apply if you invest through an adviser or another approved channel.</p> |

All fees are disclosed on a before-tax basis. GST will be added to fees and may be included in some expenses, where applicable. Fees may be increased in accordance with the provisions of the Trust Deed (see the Fund's register entry at www.companiesregister.govt.nz/disclose). All fees are disclosed on a before-tax basis. GST will be added to fees and may be included in some expenses, where applicable.

There are currently no performance-based fees charged in respect of the Funds.

Individual action fees

We do not currently charge contribution, establishment, termination, or withdrawal fees, and we intend that, for the foreseeable future, we will not introduce any such fees. However, we could charge these or other fees in the future. Accordingly, you may be charged other fees on an individual basis for investor-specific decisions or actions. See the Fund's register entry at www.companiesoffice.govt.nz/disclose for more information.

Example of how fees apply to an investor

Ian invests \$10,000 in the Growth Investment Fund. The starting value of his investment is \$10,000. He is charged management fees, which work out about \$30 (0.3% of \$10,000) per year. These fees will be more or less if his account balance has increased or decreased over the year. Over the next year, Ian pays other charges of \$30.

Estimated total fees for the first year:

| | |
|-----------------------|--------------------------|
| Fund Charges | \$31 (0.31% of \$10,000) |
| Administration Fee | \$30 (\$2.50 per month) |
| Individual Action fee | Nil |
| Total Fees | \$61 |

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

The fees can be changed

The existing fees may be changed or new fees imposed in accordance with the Trust Deed and applicable law upon giving you 90 days written notice. We must publish a quarterly fund update for each Fund showing the fees actually charged during the most recent year.

Every three months, we must publish a fund update for each fund showing the fees actually charged during the most recent year. Fund updates, including past updates, are available at www.simplicityfunds.kiwi and on the Funds' register entries at www.companiesoffice.govt.nz/disclose.

6. What taxes will you pay?

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

See the 'Other Material Information' document at www.companiesoffice.govt.nz/disclose for more information about the tax consequences of an investment in the Funds.

7. Who is involved?

About Simplicity

Simplicity NZ Limited is the manager of the Funds. We are a not for profit company, 100% owned by the Simplicity Charitable Trust.

Our aim is to make our investors better off by offering the lowest cost Funds and operating in the simplest, most transparent way possible. This is achieved by:

- minimising profits and instead benefiting members in the form of lower costs;
- being 100% online;
- having very easy to understand fees; and
- benefitting from scale by outsourcing to quality providers wherever possible.

Simplicity donates 15% of our annual investment management fee (i.e. 45c of the \$3.00 per \$1,000 it charges members) to the Simplicity Charitable Trust, which in turn donates to worthy New Zealand charities.

We can be contacted at:

24 Hamana Street
Narrow Neck
Auckland 0622

Phone: (09) 446 6112

Email: info@simplicity.kiwi

Who else is involved?

| | Name | Role |
|------------------------|---|---|
| Supervisor | Public Trust | Supervises the manager of the Funds. |
| Custodian | Simplicity Nominees Limited (a subsidiary of Public Trust) | Holds the assets of the Funds on trust. |
| Administration Manager | MMC Limited | Provides registry, accounting, pricing and valuation services for the Fund. |
| Investment Manager | Vanguard Asset Management Limited | Provides international asset management through its range of global funds. |

8. How to complain

If you have a complaint, please contact us. We can be contacted at:

Simplicity NZ Limited
AJK (Sam) Stubbs
24 Hamana Street
Narrow Neck
Auckland 0622
New Zealand

Phone: (09) 446 6112

Email: sam.stubbs@simplicity.kiwi

You can also contact the Supervisor, Public Trust at:

Public Trust
Corporate Trustee Services
Level 9, 34 Shortland Street
P O Box 1598 Shortland Street
Auckland 1140

Phone: +64 9 985 5300

Email: enquiry@publictrust.co.nz

If we are unable to resolve your complaint, you can complain to Financial Services Complaints Ltd (FSCL). They can be contacted at:

Complaint Investigation Officer
Financial Services Complaints Ltd
Level 4
101 Lambton Quay
PO Box 5697
Lambton Quay
Wellington 6145

Phone: 0800 347 257

Email: info@fscl.org.nz

FSCL will not charge you a fee to investigate or resolve a complaint



9. Where you can find more information

Further information relating to the Funds, including financial statements, annual reports, annual and quarterly fund updates, the Trust Deed and SIPO, is available at www.companiesoffice.govt.nz/disclose. A copy of this information is available on request from the Registrar of Financial Service Providers.

The above information is also available free of charge on our website at www.simplicityfunds.kiwi including our contact details.

You may also obtain a copy of the application form and an estimate of your current benefits free of charge by contacting us.

You will also be sent annual tax statements which will include the amount of PIE income attributed to you and the amount of PIE tax paid at your PIR. You will also be asked to confirm your IRD number and PIR.

You can obtain general information about us and the Funds on our website at www.simplicityfunds.kiwi

10. How to apply

It's easy. Go to our website www.simplicityfunds.kiwi