

Fidelity KiwiSaver Scheme

Our KiwiSaver scheme

Investment Statement
and application form
Prepared as at 19 September 2011



Important information

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

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

Choosing an investment

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

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

The Financial Markets Authority regulates conduct in financial markets

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

For more information about investing, go to <http://www.fma.govt.nz>

Financial advisers can help you make investment decisions

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

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

When seeking or receiving financial advice, you should check:

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

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

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

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

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

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

2 The Fidelity KiwiSaver Scheme at a glance

Why you need KiwiSaver

The majority of New Zealanders enjoy a high standard of living. Many wish to continue this in retirement, perhaps enjoying a few luxuries that time or other commitments may not have allowed when they were working. For example, you may wish to consider an overseas trip, renovating your home or joining a few interest groups that involve extra expense when you retire. Unfortunately, most of us will not have saved enough to make this possible and New Zealand Superannuation is not sufficient for many people to live comfortably on.

KiwiSaver may not be a solution but it will assist in addressing these challenges. It provides significant incentives and assistance to encourage people to join and save for retirement. KiwiSaver also includes incentives for first home buyers. If you are eligible, these will help you achieve your home ownership goals and at the same time, start you on the road to retirement savings.

The Fidelity KiwiSaver Scheme at a glance

- ▶ The Fidelity KiwiSaver Scheme is a KiwiSaver retirement savings scheme offered by Fidelity Life Assurance Company Limited (**Fidelity Life**).
- ▶ By saving in the Fidelity KiwiSaver Scheme you are taking steps to saving towards financial independence and quality of life in retirement.
- ▶ The Fidelity KiwiSaver Scheme will enable you to access a range of incentives from the Government and from your employer.
- ▶ Employees can join the Fidelity KiwiSaver Scheme by completing the application form in this Investment Statement.
- ▶ If you are self employed or not working, you can also join the Fidelity KiwiSaver Scheme by completing the application form in this Investment Statement.
- ▶ Funds include the Capital Guaranteed Kiwi Fund¹, the Ethical Kiwi Fund and the unique Options Kiwi Fund².
- ▶ You can contact your financial adviser or Fidelity Life if you need more information or, for help and to provide assistance in relation to the Fidelity KiwiSaver Scheme.

¹ For detail of the guarantee provided to the Scheme by Fidelity Life in respect of the Unit Price of units in the Capital Guaranteed Kiwi Fund as at 31 March each year, see page 20.

² The Options Kiwi Fund has a **high** risk profile and is subject to significant volatility. The Options Kiwi Fund uses leverage and derivatives (options contracts) that **could** enhance **any** returns or generate substantial losses. As with all of the Fidelity KiwiSaver Scheme funds, please consult your financial adviser on what proportion of your retirement savings should be in the Options Kiwi Fund.



What Investment options are available?

The Fidelity KiwiSaver Scheme has seven investment funds, each with a different “risk profile”

- ▶ Capital Guaranteed Kiwi Fund¹
- ▶ Conservative Kiwi Fund
- ▶ Balanced Kiwi Fund
- ▶ Ethical Kiwi Fund
- ▶ Growth Kiwi Fund
- ▶ Aggressive Kiwi Fund
- ▶ Options Kiwi Fund²

Capital Guaranteed Kiwi Fund¹

For investors who are seeking some degree of stability in the value of their investment, the Capital Guaranteed Kiwi Fund has the benefit of a guarantee from Fidelity Life that the unit price calculated as of 31 March each year will not be lower than the unit price calculated as of 31 March of the previous year. See page 20 for more details.

Ethical Kiwi Fund

The Ethical Kiwi Fund aims to provide investors with the opportunity to avoid certain types of companies and investments. It thus supports investments that embrace the principles of ethical business practice. Currently, the Ethical Kiwi Fund uses its best endeavours to avoid securities issued by organisations earning a substantial share of their earnings from the following industries:

- ▶ tobacco
- ▶ gambling
- ▶ alcohol
- ▶ armament production

Unlike most ethical investment funds, which focus only on one part of the investment spectrum, the Ethical Kiwi Fund is a diversified fund, with investments in cash, fixed interest, and New Zealand, Australian and overseas shares. It is managed for the Fidelity KiwiSaver Scheme by Tyndall Investment Management New Zealand Limited, which has been successfully managing a Trans Tasman equity ethical fund since 2002.

Options Kiwi Fund

The Options Kiwi Fund is an alternative investment that invests in cash deposits, bills and other short-term financial instruments. It is managed for the Fidelity KiwiSaver Scheme by Tyndall Investment Management New Zealand Limited.

Much like a property investor can use their own house as security to leverage and buy more houses, the cash invested in the Options Kiwi Fund is used as security by Tyndall to sell option contracts to various major banks. Tyndall earns a premium for selling these options contracts.

These options contracts are based on movements in Government bond rates. Currently most of these are over a 30-day period on US 10 year bonds (but they can be for other time periods and in other countries). They provide the bank counterparty with a payout if interest rates move by more than a prescribed margin in that time.

- ▶ If the 10 year Government bond rate moves up or down less than the margin, the fund does not have to make any payment on maturity of the option.
- ▶ If the 10 year Government bond rate moves more than the margin, then the fund must pay out on the contract.

It is very similar to an insurance contract, where the insurer receives premium income but must pay out if a particular event occurs.

The Options Kiwi Fund's return is then a combination of:

- ▶ Interest earned on the short-term cash deposits (if any); plus
- ▶ The options premiums paid to the Options Kiwi Fund by the banks less any payout.

Authorised Governments: New Zealand, Australia, Eurozone, United Kingdom and United States

Bonds: 7 years to 15 years duration

The Options Kiwi Fund has a **high** risk profile and is subject to significant volatility. The Options Kiwi Fund uses leverage and derivatives (options contracts) that **could** enhance **any** returns or generate substantial losses. As with all of the Fidelity KiwiSaver Scheme funds, please consult your financial adviser on what proportion of your retirement savings should be in the Options Kiwi Fund.

¹ For detail of the guarantee provided to the Scheme by Fidelity Life in respect of the Unit Price of units in the Capital Guaranteed Kiwi Fund as at 31 March each year, see page 20.

² The Options Kiwi Fund has a **high** risk profile and is subject to significant volatility. The Options Kiwi Fund uses leverage and derivatives (options contracts) that **could** enhance **any** returns or generate substantial losses. As with all of the Fidelity KiwiSaver Scheme funds, please consult your financial adviser on what proportion of your retirement savings should be in the Options Kiwi Fund.

4 Investment options

WHERE THE FUNDS INVEST (target benchmark – see note 2)

<p>Capital Guaranteed Kiwi Fund (see note 3)</p> <p>Where it invests A mix of cash, fixed interest, NZ, Australian and international shares, with at least 40% in cash.</p> <p>Who it may suit Investors with a shorter-term time frame (2-7 years) and seeking capital stability in their investment.</p> <p>Risk profile Low</p>	<p>International shares 10% NZ/Aust shares 5% Fixed interest 25% Cash 60%</p>
<p>Conservative Kiwi Fund</p> <p>Where it invests A mix of cash, fixed interest, property and NZ, Australian and international shares, with at least 35% invested in cash and fixed interest.</p> <p>Who it may suit Investors with a 5-10 year time frame and seeking capital stability with some investment growth.</p> <p>Risk profile Low</p>	<p>International shares 10% NZ/Aust shares 10% Property 5% Cash 25% Fixed interest 50%</p>
<p>Balanced Kiwi Fund</p> <p>Where it invests A balanced mix of cash, fixed interest, property and NZ, Australian and international shares.</p> <p>Who it may suit Investors with a 5-15 year time frame, looking for a diversified portfolio balancing risk and return, but willing to have periods of negative returns.</p> <p>Risk profile Medium</p>	<p>International shares 30% Cash 15% Fixed interest 35% NZ/Aust shares 12.5% Property 7.5%</p>
<p>Ethical Kiwi Fund</p> <p>Where it invests A mix of cash, fixed interest, NZ, Australian and international shares selected by Tyndall Investment Management New Zealand Limited in accordance with their ethical investment guidelines.</p> <p>Who it may suit Investors with a 5-15 year time frame wishing to invest in socially responsible investments, looking for a portfolio balancing risk and return but willing to have periods of negative returns.</p> <p>Risk profile Medium</p>	<p>International shares 40% Fixed interest 40% NZ/Aust shares 20%</p>
<p>Growth Kiwi Fund</p> <p>Where it invests A mix of cash, fixed interest, property and NZ, Australian and international shares, with at least 30% of assets invested in growth investments, particularly international shares.</p> <p>Who it may suit Investors with a longer-term time frame (10-45 years) looking for growth and able to tolerate a larger risk of negative return periods.</p> <p>Risk profile Medium to high</p>	<p>International shares 52.5% Fixed interest 17.5% Cash 5% Property 10% NZ/Aust shares 15%</p>
<p>Aggressive Kiwi Fund (see note 1)</p> <p>Where it invests International shares, NZ & Australian shares, derivatives, fixed interest and cash.</p> <p>Who it may suit Investors looking for performance over the long-term and who can tolerate volatility (significant ups and downs in the value of their investment) associated with investing into such investments.</p> <p>Risk profile High</p>	<p>Growth assets* 75% Options, cash & fixed interest 25%</p> <p>*Growth assets are assets where capital appreciation is expected such as shares, property and hedge funds</p>
<p>Options Kiwi Fund (see note 1 and 4)</p> <p>Where it invests Short-term fixed interest investments, used as security for issuing derivatives (selling put and call options contracts).</p> <p>Who it may suit Investors with a 7-15 year time frame who are looking to earn above average returns and are willing to accept significant market volatility and losses that may occur from issuing options on the US and other Government bonds.</p> <p>Risk profile High (see note 4)</p>	<ul style="list-style-type: none"> ▶ Cash ▶ Options contracts ▶ Fixed interest

NOTES: 1. Both the Options Kiwi Fund and Aggressive Kiwi Fund issue options contracts in a leveraged manner. 2. The actual holdings of each Investment Fund will range around the benchmark – refer to the table showing the asset allocation ranges under the heading “What sort of investment is this?” 3. For detail of the guarantee provided to the Scheme by Fidelity Life in respect of the Unit Price of units in the Capital Guaranteed Kiwi Fund as at 31 March each year, see page 20. 4. The Options Kiwi Fund has a **high** risk profile and is subject to significant volatility. The Options Kiwi Fund uses leverage and derivatives (options contracts) that **could** enhance **any** returns or generate substantial losses. As with all of the Fidelity KiwiSaver Scheme funds, please consult your financial adviser on what proportion of your retirement savings should be in the Options Kiwi Fund.

To join, you will need to:

- ▶ read the rest of this Investment Statement
- ▶ complete the application form on page 7
- ▶ provide proof of identity if required (see below).

If you are employed, you must contribute via salary deduction.

If you are not employed and are therefore contributing directly, you will also need to:

- ▶ complete the direct debit form
- ▶ provide a deposit slip from your bank account so we can verify the account details
- ▶ provide proof of identity if required

If you are making any payments by cheque, please make your cheque payable to “Guardian Trust Fidelity Nominees Ltd”.

If you are enrolling a child:

- ▶ If the child is under 16 all of the child’s parents/guardians (acting jointly) must sign the application form
- ▶ If the child is aged 16 or 17 the child must co-sign the application form with a parent/guardian.

Return this form (and other documents as required) to Fidelity Life or via your adviser.

Investor identification

The Financial Transactions Reporting Act 1996 requires us to positively identify all investors. You may be asked to provide identification, depending on how you make your initial investment. You will not need to provide identification if you are an existing Fidelity Life client or make your initial investment by personal cheque (ie drawn on your own bank account), or by direct debit on your personal account.

In all other cases you will need to provide identification.

If you are providing identification to a Fidelity Life – approved adviser, you may provide either certified copies or originals (which the adviser will copy and certify as true).

If you are providing identification directly to Fidelity Life, please send certified copies only, not originals.

A certified copy is an original form of identification that has been sighted, copied, and signed by a Justice of the Peace or a solicitor.

For Adults

1. You must provide proof of your residential address (eg. a copy of a power or telephone company bill no more than 6 months old), and

2. Either

One proof of identity – from one of the following documents

- New Zealand Passport
- Overseas Passport
- New Zealand drivers licence
- New Zealand 18+ card
- Credit card (provided it incorporates a photo)
- New Zealand firearm or dealer’s licence
- New Zealand certificate of identity (issued by Department of Labour or Department of Internal Affairs),

3. Or

Two proof’s of identity from any of the following documents

- Full New Zealand birth certificate
- Student or employer’s issued ID card (with a photo)
- International drivers licence
- Utilities bill (e.g. electricity, phone, gas, council property rates etc) with the same name and address as the applicant
- Bank or credit card statement with the same name and address as the applicant.

For Parent(s)/Guardian(s) enrolling on the child’s behalf

One proof of guardianship from one of the following documents

- Childs full birth certificate (naming the person(s) signing the enrolment on behalf of the child as the parent(s) or guardian(s)),
- Guardianship document (naming the person(s) signing the enrolment on behalf of the child as the parent(s) or guardian(s)),

AND

- Proof of identity of the PARENT(S)/ GUARDIAN(S) signing the application as detailed above (Note that where a child aged 16 or 17 co-signs with a parent/guardian, the child must also provide proof of identity).

6 Joining the Fidelity KiwiSaver Scheme (continued)

Important information

By becoming a member of the Fidelity KiwiSaver Scheme in accordance with the KiwiSaver Act 2006 you agree to be bound by the provisions of the Fidelity KiwiSaver Scheme's Trust Deed. You also authorise the Manager and the Trustee to:

- ▶ use information about you for statistical purposes as long as you are not identified, and for providing you with information about the Manager and its services.
- ▶ disclose information held about you outside of the Manager's group of companies, to the Trustee of the Scheme, the Inland Revenue Department, to other companies for processing on the Manager's behalf, where required by law, or with your consent.
- ▶ invest contributions received by the Scheme on your behalf in the Default Investment Fund (the Balanced Kiwi Fund), unless you give the Manager an Investment Direction.
- ▶ send emails to you should you provide the Manager with your email address, in respect of the Fidelity KiwiSaver Scheme and any further services.

Any personal information held by the Manager or Trustee about you will be stored securely. You have the right to access and correct personal information by contacting the Manager or the Trustee.

Where you have invested through an adviser, you authorise the Manager to disclose information about you to that financial adviser or to any other adviser allocated to service your business.

KiwiSaver Member Account

Once you are enrolled in the Fidelity KiwiSaver Scheme you will be able to access your KiwiSaver member account via the Fidelity Life website www.fidelitylife.co.nz. You will be advised your logon ID and initial password for access via a letter to the address provided on your

application form. On your initial login you will be asked to change your password. **Please keep your password safe and do not disclose your password to any other person. If you disclose your password, the Manager and Trustee will not be liable for actions resulting from another person accessing your account.**



Please return the application form (and other forms if required) to:

Fidelity Life Assurance Company Ltd
PO Box 37 275, Parnell, Auckland 1151

Primary Employer

Name Employer IRD number Telephone number

Postal address

Postcode

Payroll contact person

Contribution rate 2% 4% 8%

Second Employer (if applicable)

Name Employer IRD number Telephone number

Postal address

Postcode

Payroll contact person

Contribution rate 2% 4% 8%If you are **an employee** and **NOT contributing additional amounts** directly, go to **Section 4** on the next page →If you are **either an employee** and **wanting to contribute additional amounts, or not an employee**, go to **Section 3** below ↓

Please give the percentage of your contribution to be invested in each Fund (maximum four Funds)

Capital Guaranteed Kiwi % Conservative Kiwi % Balanced Kiwi % Growth Kiwi %Ethical Kiwi % Aggressive Kiwi % Options Kiwi %

I am **an employee** (paying KiwiSaver contributions via pay deduction) and **I will not be contributing by direct debit** – please go to section 5.

an employee (paying KiwiSaver contributions via pay deduction) and **I will also be contributing by direct debit**. (You will need to complete below and the direct debit form).

not an employee and **I will be contributing by direct debit**. (You will need to complete below and the direct debit form).

not an employee and **I will not be contributing by direct debit** – please go to section 5.

not an employee and **I will be contributing by IR586 (automatic payment) via Inland Revenue Department**.

I am making Regular contribution \$ Payable: fortnightly monthly half-yearly annually

Commencement date for direct debits (must be between 1st to 28th of the month)

To be debited fortnightly monthly half-yearly annually (only select one)

Lump-sum investment \$ (cheque payable to **Guardian Trust Fidelity Nominees Ltd**)

See page 16 for minimum contribution amounts

DECLARATION
(All investors)

- ▶ I declare that the above information is correct. The information and any information collected in the future can be used for statistical purposes as long as I am not identified, and for providing me with information about Fidelity Life and its services. I have rights of access to, and correction of, the information held subject to the provisions of the Privacy Act 1993 and amending legislation.
- ▶ I declare that I have received a copy of the Investment Statement, agree to be bound by the terms of the Trust Deed governing the Fidelity KiwiSaver Scheme, and apply for membership of the Fidelity KiwiSaver Scheme.
- ▶ I consent to Fidelity Life providing information about my investments and my membership to either the adviser shown in this application form or to any other adviser allocated to service my business.
- ▶ I agree that information held about me may be disclosed outside of the Fidelity Life group of companies to the Trustee of the Fidelity KiwiSaver Scheme, the Inland Revenue Department, to other companies for processing on the Manager's behalf or where required by law, or to other parties with my consent.
- ▶ I am normally present in New Zealand or I am an employee of the State services.
- ▶ I am a New Zealand citizen or I am entitled to be in New Zealand indefinitely.
- ▶ I direct the Trustee to invest contributions received by the Scheme, on my behalf, in the manner specified under section 4 of this application form.
- ▶ I acknowledge that the direction I choose to invest contributions is my responsibility, and neither the Manager nor the Trustee is to be regarded as representing or implying that my investment choice is appropriate for my personal circumstances. I will seek my own professional financial advice in this respect.
- ▶ I understand that the Fidelity KiwiSaver Scheme is for long term investment and the value of my investment may rise and fall from time to time.
- ▶ I acknowledge and understand if I invest in the Options Kiwi Fund at any time, that it is a **high** risk investment which uses leverage and derivatives (options contracts) that **could** enhance **any** returns or generate substantial losses.
- ▶ I understand that deductions of contributions will be made from each payment of my salary or wages (at the rate of 2%, 4% or 8%), as applicable if I am an employee.
- ▶ Apart from the circumstances outlined in the attached Investment Statement, I understand that I will not have access to, or be able to withdraw from, my contributions/investment in the Fidelity KiwiSaver Scheme until I reach the age of entitlement to New Zealand Superannuation (currently 65) or have been a member of a KiwiSaver scheme (or complying superannuation fund) for 5 years, whichever is the later.
- ▶ If I am a member of another KiwiSaver scheme, I understand and consent to the transfer of my interest in the other KiwiSaver scheme to the Fidelity KiwiSaver Scheme. I also understand that I will cease to be a member of the other KiwiSaver scheme. If I have a mortgage diversion facility in place I understand that this facility will cease upon transfer to the Fidelity KiwiSaver Scheme.
- ▶ If I have provided my email address in this application form, or if I provide it at any stage in the future, I consent to receive emails from Fidelity Life Assurance Company Limited and related companies, in respect of the Fidelity KiwiSaver Scheme and any further services.
- ▶ I undertake to keep my Fidelity KiwiSaver Scheme member account password safe and to disclose it to no one. I acknowledge that neither the Manager nor Trustee are liable for any loss following unauthorised access to my account where I have directly or inadvertently disclosed my password to another person.

Signature of Applicant (if aged 16 or over) Date

Signature of legal guardian (if applicable) Date

Full name of legal guardian (if applicable)

Capacity of legal guardian (if not parent)

Signature of second legal guardian (if applicable) Date

Full name of second legal guardian (if applicable)

Capacity of second legal guardian (if not parent)

Are you (the Applicant) a member of another KiwiSaver scheme? Yes No

If yes, please provide the scheme (provider) name

(To be completed in all cases except if the member is a Fidelity Life client or where a cheque or direct debit order is on the member's account).

For a list of valid identification types, please refer to page 5.

Applicant's full name

Surname

First names

Applicant's IRD number

Fidelity Life Client

Yes No

All applicants

Proof of residential address

Type of document:

Supplier name:

Complete for member aged over 16 (or child signing on their own behalf)

1. Accepted Photo ID of member (or bank account ID)

Type of ID

ID No

OR

2. Two other non-photo proofs of ID of member

Type of ID

ID No

Type of ID

ID No

Complete for Parent(s)/Guardian(s) enrolling a child on the child's behalf

1. Birth Certificate/Guardianship documents:

Child's full name

Type of ID

ID No

2. Accepted Photo ID of Parent/Guardian

Type of ID

ID No

OR

3. Two accepted other non-photo ID of Parent/Guardian

Type of ID

ID No

Type of ID

ID No

4. Accepted Photo ID of second Parent/Guardian (if applicable)

Type of ID

ID No

OR

5. Two accepted other non-photo ID of second Parent/Guardian (if applicable)

Type of ID

ID No:

Type of ID

ID No:

I declare that I have sighted the proofs of identification above in respect to the member

Signature of adviser/broker

Date:

Adviser company/
Brokerage name

Adviser name

Adviser number

Please return the application form (and other forms if required) to: Fidelity Life Assurance Company Limited, PO Box 37 275, Parnell, Auckland 1151

1. What sort of investment is this?

The securities offered in this Investment Statement are an interest in the Fidelity KiwiSaver Scheme (**Scheme**), a registered KiwiSaver scheme designed for long-term savings and which enables you and other members to obtain the benefits of professional investment management.

Membership of the Scheme

To be eligible to join the Scheme you must be under the New Zealand superannuation qualification age (currently 65) (unless you transfer from another KiwiSaver scheme), entitled to permanently reside in New Zealand, and living in New Zealand (subject to certain exceptions).

You can become a member of the Scheme in one of three ways:

- ▶ By completing and returning the application form in this Investment Statement, and having your application accepted by Fidelity Life Assurance Company Limited (**Manager**), as agent for the Trustee.
- ▶ If you are allocated to the Scheme under the KiwiSaver Act 2006 (**KiwiSaver Act**) because your employer has agreed with the Manager (on behalf of the Trustee) that the Manager will provide access to the Scheme for the employer’s new employees (**Employer’s Chosen Scheme**) and as such you are subject to automatic enrolment, or you have given your employer a KiwiSaver deduction notice, and you have not chosen your own KiwiSaver scheme within the required time frame.
- ▶ If you are an employee of an employer that has entered into a participation agreement with the Trustee to provide access to the Scheme to its employees (**Participating Employer**).

This Investment Statement is for individual members and employees of employers who have selected the Scheme as its Employer’s Chosen Scheme. A separate investment statement will be provided for employees of Participating Employers, along with a supplement setting out the terms and conditions of the Participating Employers participation in the Scheme.

Crown contributions and other benefits

The Government will make certain contributions to a KiwiSaver scheme of which you are a member. The current Government contributions are:

- ▶ an initial and one-off kick start \$1,000 contribution if this is the first KiwiSaver scheme of which you are a member.
- ▶ for the period 1 July to 30 June, for every dollar you contribute, you will receive a member tax credit of fifty cents, up to the maximum of \$521.43 per annum for most members. This will be paid into your account following receipt from the Inland Revenue. In the year you first join KiwiSaver the tax credit will be prorated from the month you joined.
- ▶ a first home deposit subsidy of up to \$5,000 subject to eligibility requirements. Further details on this subsidy are located under the heading entitled “First home benefit” on page 23.

Currently if you join as an employee you will benefit from a minimum compulsory contribution from your employer of 2% of your gross salary or wages subject to certain exceptions. (The 2011 Budget has proposed that from 1 April 2013 the minimum employee contribution rate will increase to 3%).

Certain criteria and conditions apply to these Government and other benefits. Not all members will qualify for all benefits.

Investment Funds

The Scheme’s investment funds are listed below:

- ▶ Capital Guaranteed Kiwi Fund¹
- ▶ Conservative Kiwi Fund
- ▶ Balanced Kiwi Fund (Default Investment Fund)
- ▶ Ethical Kiwi Fund
- ▶ Growth Kiwi Fund
- ▶ Aggressive Kiwi Fund
- ▶ Options Kiwi Fund²

Each Investment Fund in the Scheme is segregated. Each Investment Fund consists of a mix of assets that are determined on the basis of the investment guidelines applicable to each Investment Fund. The Manager and the Trustee may agree to change the investment guidelines from time to time.

The existing asset allocation ranges contained in the investment guidelines for the Investment Funds are summarised in the table below:

	Capital Guaranteed Kiwi Fund ¹	Conservative Kiwi Fund	Balanced Kiwi Fund	Ethical Kiwi Fund	Growth Kiwi Fund	Aggressive Kiwi Fund	Option Kiwi Fund ²
Fixed Interest	0% – 40%	30% – 85%	0% – 85%	35% – 45%	0% – 70%	Options contracts, cash and fixed interest 10% – 40%	Fixed interest investments, cash and options contracts 100%
Cash	40% – 100%	5% – 65%	0% – 40%	0% – 20%	0% – 25%		
NZ/Australian Shares	0% – 10%	5% – 25%	5% – 40%	15% – 25%	10% – 40%		
International Shares	0% – 20%	5% – 25%	10% – 40%	35% – 45%	20% – 60%	Growth assets 60% – 90%	
Property	N/A	0% – 20%	0% – 20%	N/A	0% – 20%		

¹ For detail of the guarantee provided to the Scheme by Fidelity Life in respect of the Unit Price of the units in the Capital Guaranteed Kiwi Fund as at 31 March each year, see page 20.

² The Options Kiwi Fund has a **high** risk profile and is subject to significant volatility. The Options Kiwi Fund uses leverage and derivatives (options contracts) that **could** enhance **any** returns or generate substantial losses. As with all of the Fidelity KiwiSaver Scheme funds, please consult your financial adviser on what proportion of your retirement savings should be in the Options Kiwi Fund.

Fidelity KiwiSaver Scheme – in detail

(continued)

2. Who is involved in providing it for me?

The Scheme:

The name of the scheme is the Fidelity KiwiSaver Scheme (the **Scheme**). The Scheme is a KiwiSaver scheme established on 27 June 2007 under a trust deed entered between Guardian Trust Superannuation Trustees Limited (as Trustee of the Scheme) and Fidelity Life Assurance Company Limited (as Sponsor of the Scheme) (**Trust Deed**). You are entitled to receive benefits from the Scheme in certain circumstances (as set out in the section entitled “What returns will I get?”) and the amount of these benefits that the Scheme pays are based on the contributions you, your employer and other persons make to the Scheme on your behalf, together with any investment earnings and Government contributions.

The Trustee

The trustee of the scheme is Guardian Trust Superannuation Trustees Limited (the **Trustee**), a wholly-owned subsidiary of The New Zealand Guardian Trust Company Limited. The Trustee can be contacted at the following address:

Guardian Trust Superannuation Trustees Limited
PO Box 1934, Auckland
Level 7, Vero Centre, 48 Shortland Street, Auckland
Telephone: (09) 3777300

The Manager

Fidelity Life Assurance Company Limited (the **Manager**) has been appointed as the administration and investment manager and registrar of the Scheme under a Management Agreement entered between itself and the Trustee. The Manager can be contacted at the following address:

Fidelity Life Assurance Company Limited
PO Box 37-275, Parnell, Auckland
81 Carlton Gore Road, Newmarket, Auckland
Telephone (09) 373 4914

The Promoters

Fidelity Life Assurance Company Limited (**Fidelity Life**) and each of its directors, namely Ian Leonard Braddock, Carole Beatrice Durbin, Jeffrey Philip Meltzer and Colin George Wise are the promoters of the Scheme. These directors can change from time to time. They can be contacted at the address of the Manager detailed above.

Director and contact details may change from time to time. Please contact KiwiSaver Services on 0800 88 5494 for up to date information.

Responsible investment

Responsible investment, including environmental, social and governance considerations, is taken into account in the investment policies and procedure of the Scheme as at the date of this Investment Statement. You can obtain an explanation of the extent to which responsible investment is taken into account in those policies and procedures:

- ▶ on the issuer’s website on the Internet at www.nzgt.co.nz, which is publicly accessible at all reasonable times; and
- ▶ from the issuer, free of charge, upon request.

The issuer of the Scheme is the Trustee. You can also obtain an explanation of the extent to which responsible investment is taken into account in the policies and procedures of the Scheme on the Manager’s website at www.fidelitylife.co.nz and, from the Manager free of charge upon request.

Responsible investment, including environmental, social and governance considerations, is taken into account in the investment policies and procedures of the Ethical Kiwi Fund to the extent set out in the policies and procedures described above.

Currently, best endeavours are used to avoid the Ethical Kiwi Fund investing in securities issued by organisations which derive a substantial share of their earnings from the following industries:

- ▶ tobacco
- ▶ alcohol
- ▶ gambling
- ▶ armament production

See page 3 for more information on the Ethical Kiwi Fund.

As at the date of this Investment Statement, responsible investment considerations are not taken into account for the investment policies and procedures for the Capital Guaranteed Kiwi Fund¹, Conservative Kiwi Fund, Balanced Kiwi Fund, Growth Kiwi Fund, Aggressive Kiwi Fund or the Options Kiwi Fund².

¹ For detail of the guarantee provided to the Scheme by Fidelity Life in respect of the Unit Price of the units in the Capital Guaranteed Kiwi Fund as at 31 March each year, see page 20.

² The Options Kiwi Fund has a **high** risk profile and is subject to significant volatility. The Options Kiwi Fund uses leverage and derivatives (options contracts) that **could** enhance **any** returns or generate substantial losses. As with all of the Fidelity KiwiSaver Scheme funds, please consult your financial adviser on what proportion of your retirement savings should be in the Options Kiwi Fund.

3. How much do I pay?

The amount that you must contribute to the Scheme will depend on whether you make contributions to the Scheme directly, have contributions deducted from your salary or wages by your employer and paid to the Scheme via the Inland Revenue Department (IRD), or you pay contributions to the Scheme via the IRD.

Contributing via your employer

If you are an employee, your employer must make deductions of contributions from your salary or wages and pay those contributions to the Scheme via the IRD. Currently the contributions that your employer is required to deduct must be either:

- ▶ 2% of your gross salary or wages that you earn at that job; or
- ▶ 4% of your gross salary or wages that you earn at that job; or
- ▶ 8% of your gross salary or wages that you earn at that job.

This amount will be deducted from your after tax pay. Gross salary or wages has the meaning given to it in the KiwiSaver Act. In summary, "gross salary or wages" includes most taxable payments of salary or wages that your employer pays to you and includes overtime and bonuses.

If you do not specify your contribution rate, the current 2% contribution rate will apply. The 2011 Budget has proposed that from 1 April 2013 the minimum employee contribution rate will increase to 3%, for both new and existing members. The default employee contribution rate for members who do not choose to contribute at a higher rate will be 3%.

To change the rate at which you currently contribute (either 2% (subject to the 2011 Budget proposals this may increase to 3% from 1 April 2013), 4% or 8%,) you must give notice to your employer. You may only change your contribution rate at intervals no less than three months apart, unless your employer agrees otherwise.

You are not required to make these contributions if you have been granted a contributions holiday by the IRD. For information on applying for a contributions holiday please refer to the section on contributions holidays on page 27 under the heading "Can the investment be altered?".

Your employer will also be required to make a matching contribution subject to certain exceptions. This is currently 2% of your gross salary or wages. The 2011 Budget has proposed that from 1 April 2013 the minimum employer contribution rate will increase to 3%.

For the purposes of calculating compulsory employer contributions, the definition of an employee's gross salary or wages excludes ACC and weekly compensation payments, parental leave paid from public funds and redundancy payments. Under current legislation, and subject to certain conditions, ongoing contributions by a member's employer to an existing superannuation scheme for the member's benefit will count towards the member's compulsory employer contribution requirements. Further details about employer contributions are available from the Manager.

All employer contributions to a KiwiSaver scheme must be paid through the IRD except employer contributions for purposes other than an employee's retirement benefits which can be paid directly to the relevant KiwiSaver scheme. All contributions that the IRD receives on your behalf during the three-month period after the earlier of the date the IRD receives your first KiwiSaver contribution and the date when the IRD is given notice or otherwise knows that you are a member of the Scheme, will generally be forwarded to the Scheme as soon as practicable after the end of that three-month period. During such three-month period, such contributions will be held in an IRD holding account and accumulate interest (which is not subject to tax).

The three-month period may be extended until the amount contributed meets the minimum threshold amount agreed between IRD and the Manager.

You can also contribute additional amounts via the IRD using form IR586. No minimum amount applies.

Contributing via the IRD

You, or anybody else on your behalf (except your employer), may at any time make payment of contributions to the IRD, who will then forward them onto the Scheme by:

- ▶ using the "Pay tax" option on your bank's internet banking facility;
- ▶ sending a cheque to IRD; or
- ▶ paying over the counter at a Westpac bank branch (use the payment reference KSS plus your IRD number).

When making such contributions to the IRD the contribution must be accompanied by your name, address, tax file number and any other information that the IRD requires.

Fidelity KiwiSaver Scheme – in detail

(continued)

Contributing directly

If you are not employed and would like to make contributions directly to the Scheme, or you are employed and contributing via your employer but would like to make additional contributions, you can make contributions in either of the following two ways. The first is to set up a direct debit payment to the Scheme's bank account and the second is by making lump sum contributions as described in the section below entitled "Lump sum contributions".

To make a direct debit payment directly to the Scheme's bank account from your bank account, please fill out the direct debit form in this Investment Statement and send it in with your application form. If you choose to contribute directly, the minimum monthly contribution is \$50 (\$20 if you are aged under 18). If you would like to alter, stop or recommence your direct debit, you may do so at any time provided that you give notice to the Manager that you intend to do so and that the minimum monthly contribution is met if you have not stopped contributing.

Lump-sum contributions

You and other persons may contribute additional lump sums of at least \$1,000 at any time on your behalf. These lump sums will not give rise to any additional contribution entitlements from your employer.

Payments by cheque must be made out to the Trustee's nominee company, Guardian Trust Fidelity Nominees Limited, and forwarded to the Trustee at the address below:

Guardian Trust Superannuation Trustees Limited
C/- Fidelity Life Assurance Company Limited
PO Box 37 275, Parnell, Auckland, 1151

Direct debits and payment by cheque must be accompanied by your IRD number. If any payments are not accompanied by your IRD number the Manager may not be able to process the payment and allocate units to your accounts in the Scheme.

Crown contributions and other benefits

The Government will make certain contributions to a KiwiSaver scheme of which you are a member. As at the date of this Investment Statement, the Government contributions are:

- ▶ a one-off kick start \$1,000 contribution if this is the first KiwiSaver scheme of which you are a member. This \$1,000 contribution will be made approximately three months after the earlier of:
 - ▶ the date of your first contribution to a KiwiSaver Scheme; or
 - ▶ the date when the IRD is notified, or otherwise knows, that you are a member of a KiwiSaver scheme.

If you have transferred from a complying superannuation fund and you were a member of the complying superannuation fund for more than 3 months, the Government contribution will be made as soon as practicable after the day on which the IRD is given notice that you have transferred. The \$1,000 Government contribution must be credited proportionately across the investment funds which you have chosen, if you have chosen two or more investment funds.

- ▶ for the period 1 July to 30 June, for every dollar you contribute, you will receive a tax credit of fifty cents, up to the maximum of \$521.43 per annum, for most members, (will be paid into your account following receipt from the Inland Revenue). In the year you first join KiwiSaver the tax credit will be prorated from the month you joined. This may change in the future. The tax credit will not apply in respect of members under age 18, or members who have become entitled to receive a benefit on end payment date (members who have reached the later of New Zealand superannuation qualification age (currently age 65) or who have been a member of a KiwiSaver scheme for five years), or subject to certain limited exceptions in respect of members who do not have their principal place of residence in New Zealand. The tax credit must be credited proportionately across the investment funds which you have chosen, if you have chosen two or more investment funds.
- ▶ a first home deposit subsidy of up to \$5,000 subject to eligibility requirements. Further details on this subsidy are located under the heading entitled "First home benefit" on page 23.

The government contributions may change in the future.

Transferring from another superannuation scheme

You may transfer any amount into this Scheme from any other KiwiSaver or superannuation scheme. By joining the Scheme you will be initiating the closure of your membership in your current KiwiSaver scheme and the transfer of your benefit to this Scheme.

Accounts

When you become a member of the Scheme, the Trustee will establish an account, in your name. The balance of your account is measured in "units". The units represent the interests that you hold in the various Investment Funds you have chosen. When contributions are received into the relevant Investment Fund, you are effectively "buying" a number of units at what is known as the "Unit Price". The Unit Price reflects the value of the investments made by each Investment Fund, and as the value of the investments rise or fall in value, so too does the value of each unit.

Investment fund units

The number of units that you receive for contributions made to the Scheme on your behalf will be calculated by dividing the amount contributed including interest accrued (if any) (net of the amount that the Trustee considers appropriate to deduct for fees, expenses, or other liabilities) at the relevant Unit Price immediately following the determination of the Unit Price on the first “Valuation Time” after receipt of the contribution or transfer. The resulting number of units will be rounded to the nearest two decimal places. The valuation for each Investment Fund is carried out on each business day (the **Valuation Time**). For the purposes of this Investment Statement, a business day excludes Saturdays, Sundays, all public holidays, Auckland Anniversary Day and the next business day after 26 December.

Each unit held in your account gives you the right to participate in any profits or losses of the relevant Investment Fund or Funds you choose to invest in. However, units held in your account do not give you any interest over any particular part of an Investment Fund or any of the assets of any Investment Fund.

Investment Direction

When you apply for membership in the Scheme you are required to provide an Investment Direction. The Investment Direction must specify the proportion of one or more Investment Funds in which you would like your contributions and other amounts received by the Scheme on your behalf invested.

For example, you could provide an Investment Direction that states that you would like your contributions invested 15% in the Conservative Kiwi Fund, 50% in the Balanced Kiwi Fund and 35% in the Growth Kiwi Fund. The result would be that for every \$100 of contributions made to the Scheme on your behalf:

- ▶ \$15 would be invested in units in the Conservative Kiwi Fund
- ▶ \$50 would be invested in units in the Balanced Kiwi Fund
- ▶ \$35 would be invested in units in the Growth Kiwi Fund.

If you do not provide an Investment Direction, or provide an incorrect Investment Direction, the contributions made to your accounts will be invested in units in the Default Investment Fund (the Balanced Kiwi Fund). Fidelity Life will contact you as soon as reasonably practicable to advise you that you have not provided an Investment Direction, or that you have provided an incorrect Investment Direction.

Switching Investment Funds

You can amend your Investment Direction to switch Investment Funds without charge once each Scheme year (ending 31 March) in respect to future contributions, and/or contributions already invested. A \$60 fee will apply for any switches after the first one, each Scheme year.

4. What are the charges?

The fees that you pay are set out below.

Entry/exit fees

No entry or exit fees are payable.

Annual and regular fees

Administration fee

\$3.00 per member per month will be debited to your account regardless of the number of investment funds chosen. This fee may be indexed at the Manager’s discretion, each year using Statistics New Zealand’s Consumer Price Index (CPI) and is payable by selling units from your account.

Manager fee

The Manager will be paid a fee of 0.50% per annum from the Scheme calculated daily as a percentage of the total net asset value (before any portfolio investment entity tax liability) of all funds under management in the Scheme and paid monthly in arrears.

Expenses

The Trustee and the Manager are entitled to recover administration and management costs, charges and expenses from the Scheme. This includes such expenses as audit, registry and legal fees. All of the Investment Funds may invest in other funds that may be issued or managed by external investment managers and in which fees and expenses are charged. These charges will affect returns to members and will be reflected in the unit price of the relevant Investment Fund. By joining the Scheme members accept and authorise these types of deductions.

Where the Investment Funds invest in external funds that are managed by the Manager or a related party of the Manager, any management fees chargeable to the Scheme by the manager of the external fund will be waived. Where the Investment Funds invest in an external fund that is supervised by the Trustee or a related party of the Trustee, the trustee fee charged to that external fund will not be waived. These types of fees and expenses will be reflected in the unit prices of the relevant Investment Fund.

Fidelity KiwiSaver Scheme – in detail

(continued)

The following table shows the actual external investment fund investment management total expense ratio for the year ended 30 June 2011. These external investment management total expense ratio are not included in the 1.5% maximum fee cap referred on page 19.

Investment Fund	External Investment Management Total Expense Ratio*
Capital Guaranteed Kiwi Fund ¹	0.36%
Conservative Kiwi Fund	0.49%
Balanced Kiwi Fund	0.58%
Ethical Kiwi Fund	0.60%
Growth Kiwi Fund	0.65%
Aggressive Kiwi Fund	0.69%
Options Kiwi Fund ²	0.50%

* The total expenses set out in the table above do not include performance fees as detailed below.

The total expenses for the current financial year and any future periods are subject to change.

Total Expense Ratio

The following table shows the before tax Total Expense Ratio (TER) for the year ended 31 March 2011.

Investment Fund	Total Expenses Ratio
Capital Guaranteed Kiwi Fund ¹	0.98%
Conservative Kiwi Fund	1.11%
Balanced Kiwi Fund	1.20%
Ethical Kiwi Fund	1.22%
Growth Kiwi Fund	1.27%
Aggressive Kiwi Fund	1.31%
Options Kiwi Fund ²	1.12%

The TER shows the actual total fees and total expenses (including External Investment Management Total Expense detailed above but excluding performance fees) of the fund or of any individual investor in the fund. It shows the fees and other expenses of the fund as a percentage of the average size of the fund over the relevant financial year.

The table shows the TER for the last completed financial year. The TER for the current financial year or any future period is not guaranteed. For example, if the average size of the fund reduces, generally the TER will increase.

The TER is calculated in accordance with the following formula.

$$TER = \text{Total Expenses} / \text{Average Fund Size} \times 100$$

TER does not include Performance fees or Administration fees, please see below for further information.

Performance fee

The Manager can delegate fund management of part or all of each Fund to external fund managers. Management agreements with external fund managers may include a performance fee that is designed to reward an investment manager for superior performance. The performance fee is calculated on an annual basis but accruals for it will be made in the unit pricing. Performance fees cannot be quantified in advance. As of the date of this Investment Statement, performance fees may apply to external fund managers in all Funds except the Ethical Kiwi Fund, as follows:

- ▶ **Options Kiwi Fund² (invests in a Tyndall fund):**
 - ▶ 10% of the gross return of the Tyndall Option Fund in excess of 16% per annum.
- ▶ **Aggressive Kiwi Fund (may invest in part in two Tyndall funds):**
 - ▶ 10% of the gross return of the Tyndall Option Fund in excess of 16% per annum, and
 - ▶ 15% of the gross return of the Tyndall Wholesale Aggressive Fund in excess of the Official Cash Rate plus 5% per annum.
- ▶ **Conservative Kiwi Fund, Balanced Kiwi Fund, Growth Kiwi Fund and the Capital Guaranteed Kiwi Fund¹ (may invest in part in a Tyndall fund and an AMP fund):**
 - ▶ 15% of the gross return of the Tyndall Wholesale Aggressive Fund in excess of Official Cash Rate plus 5% per annum, and
 - ▶ 10% of the gross return of the AMP Capital Strategic NZ Shares Fund in excess of the return of the NZX Portfolio Index.
- ▶ **Conservative Kiwi Fund, Balanced Kiwi Fund, Growth Kiwi Fund, Capital Guaranteed Kiwi Fund¹ and Aggressive Kiwi Fund (may invest in part in two Devon funds):**
 - ▶ 10% of the gross return of the Devon Trans-Tasman Fund in excess of 9.85% per annum; and
 - ▶ 10% of the gross return of the Devon Australian Fund in excess of 10% per annum.

¹ For more detail of the guarantee provided to the Scheme by Fidelity Life in respect of the Unit Price of units in the Capital Guaranteed Kiwi Fund as at 31 March each year, see page 20.

² The Options Kiwi Fund has a **high** risk profile and is subject to significant volatility. The Options Kiwi Fund uses leverage and derivatives (options contracts) that **could** enhance **any** returns or generate substantial losses. As with all of the Fidelity KiwiSaver Scheme funds, please consult your authorised financial adviser on what proportion of your retirement savings should be in the Options Kiwi Fund.

Trustee fee

The Trustee will be paid a fee of up to 0.065% per annum calculated as a percentage of the total net asset value (before any portfolio investment entity tax liability) of all Funds under management in this Scheme and calculated daily and payable monthly in arrears (subject to a minimum annual fee of \$10,000). This Trustee fee may be altered by agreement between the Manager and the Trustee subject to the maximum fee cap stated below.

Fee cap

The Trustee's fee and the Manager's annual management fee may be altered by agreement between the Trustee and the Manager, subject to a maximum fee cap of 1.5% per annum of the net asset value of all Funds under management in the Scheme to pay the total of the Trustee's and the Manager's annual fee, plus GST (if any).

For the avoidance of doubt this fee cap applies to the fee payable to the Manager and Trustee and not to other amounts payable to the Manager and Trustee.

This maximum fee of 1.5% may be indexed, at the Manager's discretion, each year using the CPI.

Switching fee

You may make one switch between Investment Funds each Scheme year (1 April to 31 March) free of charge. Your account will be charged a switching fee of \$60 per switch for any additional switches, paid by selling units in your account. This fee may be indexed, at the Manager's discretion, against the CPI each year.

Subject to approval by the Financial Markets Authority (FMA) and to the requirement for fees not to be unreasonable, there are no limits on the amount of the administration fee and the switching fee.

General**Payment of fees**

Management fees, Trustee fees, charges and expenses are generally met by the Scheme by way of deduction from investment income and assets of the relevant Investment Funds. Therefore these fees and expenses are reflected in the unit prices of the relevant Investment Fund.

The administration fee and any administration and management costs, charges and expenses which are directly attributable to a member are deducted by cashing up units in the member's account, on a pro-rata basis across the Investment Funds in which the member has an interest.

Ability to change fees

Other than as stated above, or as required as a consequence of legal or regulatory changes, the Manager and Trustee have no ability to increase the fees stated above without obtaining the consent of all affected members.

Tax

All fees noted above are stated gross of tax unless otherwise stated. Where possible the Manager may claim tax deductions in respect to the fees (including the Trustee's fee, the Manager's fee, investment management fees and other costs, charges and expenses) to the extent permitted under income tax legislation. This means members may get the indirect benefit of such tax deductions.

GST

All fees are stated on a GST-exclusive basis. Under current law some fees are wholly or partially exempt from GST. If GST is payable on any of the fees then the GST component is payable in addition to the fees stated.

5. What returns will I get?

Returns from the Scheme are reflected through the increase or decrease in the Unit Prices of the Investment Fund(s) in which you have invested. The Unit Price of an Investment Fund is the price paid or received when you invest in units in, or redeem units from, an Investment Fund.

An Investment Fund's Unit Price is determined by dividing the total assets of the Investment Fund (determined at the current fair market value), plus any income accruing from the assets (or an appropriate part thereof) and any other appropriate amounts as determined by the Trustee, less liabilities, costs, charges and other amounts as determined by the Trustee, by the number of units on issue for that Investment Fund. An Investment Fund's Unit Price will therefore reflect any capital growth or loss on the value of the assets, as well as any income earned after payment of any expenses.

Key factors that may affect returns:

The return that you get when receiving a benefit will depend on such factors as:

- ▶ the amount you, your employer and any one else has contributed to the Scheme on your behalf;
- ▶ the performance of the Investment Fund(s) (which may vary) in which you have directed the Trustee to invest contributions made to the Scheme on your behalf or which have been allocated to you;
- ▶ the mix of Investment Funds that you choose to invest in;
- ▶ the amount of fees, charges, expenses and taxes; and

Fidelity KiwiSaver Scheme – in detail

(continued)

- ▶ the effect of the guarantee provided by Fidelity Life in respect of the Unit Price of units in the Capital Guaranteed Kiwi Fund as at 31 March each year (discussed below).

As you will only receive returns when you receive a benefit (described below), the dates on which the returns will be paid to you are unknown as at the date of this Investment Statement.

The returns from each Investment Fund are not guaranteed and may vary significantly from year to year. There may be times when the Investment Funds you have chosen or that have been allocated to you do not perform as expected and returns could even be negative, despite the skill and care of the Manager. This could be due to the state of the economy (international and domestic), world markets, interest rate movements, the performance of individual companies contained in your Investment Funds, or Government policy.

The Trustee of the Scheme, Guardian Trust Superannuation Trustees Limited, is legally liable to pay any returns to you.

There is no Crown guarantee in respect of the performance of the Scheme or any investment product of the Scheme. Neither the Trustee nor any of its directors guarantee or promise the return of capital or income from the Scheme. For avoidance of doubt, although the Trustee is guaranteed by its parent company, The New Zealand Guardian Trust Company Limited, this is not a guarantee of the Scheme's performance.

Returns reported are a reflection of past performance and are not indicative of future performance. **The markets have continued to be volatile** and returns will fluctuate (move up or down) according to market conditions.

Capital Guaranteed Kiwi Fund

Under the guarantee, Fidelity Life guarantees that on 31 March 2012 the Unit Price of the CGK Fund will not be less than \$2.283422. Fidelity Life further guarantees that the Unit Price of the CGK Fund on 31 March in each subsequent year will be no less than the Unit Price of the CGK Fund on the preceding 31 March. Fidelity Life Assurance Company Limited (**Fidelity Life**) provides a guarantee to the Trustee on behalf of members who hold Units in the Capital Guaranteed Kiwi Fund (**CGK Fund**). The guarantee is given by Fidelity Life in its capacity as the investment and administration manager of the Scheme. Fidelity Life is required to give effect to its obligations under the guarantee by transferring into the Scheme for the CGK Fund investment assets of a value sufficient to ensure the Unit Price of the CGK Fund meets the guaranteed value as at the relevant 31 March. The investment assets transferred must be authorised investments for the CGK Fund and are valued in accordance with the valuation methodology set out in the Trust Deed.

There are certain limitations on the guarantee.

- ▶ The guarantee is in favour of the Trustee for the members of the CGK Fund.
- ▶ It is not enforceable by members directly against Fidelity Life.
- ▶ The nature of the guarantee is such that members who have invested in the CGK Fund are not guaranteed to receive the capital amount invested by them at the time they receive their benefits.
- ▶ The Unit Price of the CGK Fund at the time of the payment of the benefit may have deteriorated below the capital amount invested by the member, notwithstanding the contribution by Fidelity Life of investment assets to the CGK Fund under the guarantee. This could be caused by a deterioration in the value of the assets of the CGK Fund following 31 March in any year.
- ▶ The guarantee is conditional upon Fidelity Life's continued appointment as investment and administration manager of the Scheme. If this appointment is terminated at any time, Fidelity Life will immediately terminate the guarantee and will have no further obligation to transfer assets to the CGK Fund.

A member who exits the CGK Fund (by switching to another Investment Fund, transferring to another KiwiSaver Scheme or otherwise ceasing to invest in the CGK Fund) before any transfer of assets by Fidelity Life under the guarantee is made will not receive the benefit of that transfer of assets to the CGK Fund.

Fidelity Life reserves the right to refuse requests to invest in the CGK Fund whether by way of an existing member's Investment Direction or as set out in an application for membership in the Scheme, without giving any reasons for such a refusal.

Fidelity Life's obligation to pay under the guarantee is at all times subordinated to its obligation to pay all life insurance policyholder liabilities of Fidelity Life. This means that in a liquidation of Fidelity Life or otherwise, Fidelity Life will only be required to meet its obligations under the guarantee after all life insurance policyholder liabilities have been paid in full. Fidelity Life's obligations under the guarantee are also unsecured and will rank behind all secured and preferential creditors of Fidelity Life and equally with all other unsecured creditors. There are no restrictions on the amount of insurance policyholder liabilities or secured or unsecured creditors that Fidelity Life may incur during the term of the guarantee and no obligation to advise members or the Trustee of the amount of those liabilities at any time.

If the Management Agreement appointing Fidelity Life as Manager of the Scheme is terminated in accordance with the terms of that agreement, the guarantee will terminate and Fidelity Life will no longer have any actual or contingent liability under the guarantee from the date of termination of the Management Agreement. The circumstances in which the Trustee is entitled to terminate the Management Agreement include: if an order is made winding up Fidelity Life, if (after receiving legal advice) the Trustee considers that termination is required in order for the Trustee to comply with its fiduciary duties and if Fidelity Life commits a serious breach of the Management Agreement that is not remedied within the required timeframes.

Fidelity Life's most recent audited financial statements at 30 June 2010 showed net tangible assets of \$112,659,000 and disclosed that there were no contingent liabilities that could materially affect those net tangible assets.

This position will change over time. Fidelity Life does not give any commitment to maintain net tangible assets of any specified amount.

The financial statements of Fidelity Life are available on the Companies Office website www.companies.govt.nz.

With the exception of the guarantee described above in relation to the annual Unit Price of the Capital Guarantee Kiwi Fund, neither Fidelity Life nor its directors guarantee or promise the return of capital or income from the Scheme.

Taxation

The information in this section is intended as general guidance only and is based on legislation in effect as at the date of this Investment Statement. It is recommended that you seek professional tax advice regarding your individual circumstances, or to clarify any of the following, prior to investing. **Neither the Trustee nor the Manager accepts any responsibility for the taxation consequences of your investment in the Scheme.**

The Scheme is registered as a **PIE** and the following comments are based on the Scheme remaining a PIE.

Portfolio Investment Entity (PIE) Tax

The Scheme is a portfolio investment entity (**PIE**). Under the PIE regime, taxable income earned by the Scheme will be attributed to all members in accordance with the proportion of their interest in the overall Scheme. The income attributed to each member will be taxed at the member's "prescribed investor rate". A prescribed investor rate is similar to an individual's marginal tax rate, but it is capped at 28%. The Manager, as the Trustee's agent, will pay tax on behalf of the members and undertake any adjustments to members' interests in the Scheme in order to comply with the PIE tax requirements.

At the date of this Investment Statement the applicable prescribed investor rates are 10.5%, 17.5% or 28%.

In order to qualify for the 10.5% prescribed investor rate, a member must be a New Zealand tax resident and, in either of the two income years immediately before the tax year in question, the member's:

- ▶ taxable income was \$14,000 or less; and
- ▶ combined taxable income and portfolio investor allocated income after subtracting any portfolio investor allocated loss was \$48,000 or less.

In order to qualify for the 17.5% prescribed investor rate, a member must be a New Zealand tax resident and, in either of the two income years¹ immediately before the tax year in question, the member's:

- ▶ taxable income was \$48,000 or less, and the member's combined taxable income and portfolio investor allocated income after subtracting any portfolio investor allocated loss was more than \$48,000 but not more than \$70,000; and
- ▶ the 10.5% rate does not apply.

If the member does not qualify for the 10.5% or 17.5% prescribed investor rates, the member's prescribed investor rate will be 28%.

When a member makes an application to become a member of the Scheme they must advise the Manager of their prescribed investor rate. Members will also be able to advise the Manager of their prescribed investor rate at any time, including when it changes, by contacting the Manager using the contact details provided in section 2 of this Investment Statement. If a member does not provide a prescribed investor rate or their valid IRD number to the Manager, the income attributed to the member in the Scheme will be taxed at 28%. Further information regarding prescribed investor rates may be viewed at the Inland Revenue website (www.ird.govt.nz/toii/pir/workout/).

If a PIE makes a loss or there are excess tax credits for a period, the Scheme should receive a tax rebate from the IRD and will be able to issue additional Units in Investment Funds to Members Accounts and Reserve Accounts on account of that rebate.

Generally, provided members advise the Manager of a valid IRD number and the correct prescribed investor rate, tax paid by a PIE on income attributed to members will be a final tax. Therefore in most circumstances members will not have an obligation to file a return in respect of PIE income. If a member's PIE income is taxed at a higher prescribed investor rate and the member is eligible for a lower prescribed investor rate, but has not advised the Manager of this, the member will not be able to receive a refund of the overpayment. Additionally, if a member has advised the Manager that the member

¹ An income year generally runs from 1 April to 31 March.

Fidelity KiwiSaver Scheme – in detail

(continued)

is eligible for a lower prescribed investor rate and this is incorrect and the member is only eligible for a higher prescribed investor rate, the member may be liable to the IRD for further tax and penalties and have to file a tax return. It is intended that the Scheme return members' PIE tax to the IRD annually. The Manager will cancel Units in Members' Accounts and any Reserve Accounts as soon as practicable after 31 March to pay any PIE tax and in any case within the legislative timeframe of 2 months.

Members should note that the Commissioner of Inland Revenue will be able to require the Trustee to disregard a prescribed investor rate notified by a member if the Commissioner considers the rate to be incorrect.

As the Scheme is registered as a PIE, any capital gains made by the Scheme in respect to shares in New Zealand resident companies and certain Australian resident listed companies are excluded from the calculation of taxable income. Most overseas shares and interests in managed funds held by the Scheme will be taxed pursuant to the fair dividend rate (FDR) method. Under FDR, the Scheme will be deemed to have derived income equal to 5% of the average market value of its overseas shares and interests in managed funds (and any dividends or other returns flowing from overseas shares and interests in managed funds will not be separately taxed in New Zealand). Also under FDR, tax deductions may not be made for any losses in respect of holdings in overseas shares and interests in managed funds. Other income of the Scheme (e.g. interest on bank deposits) is 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).

If a member provides an Investment Direction to the Trustee to switch all of the Units in his or her Accounts from investment in one Investment Fund to investment in another Investment Fund, the Manager will pay any PIE tax at the time of the switch and will deduct any such PIE tax from the amount that is switched between Investment Funds. Where a member provides an Investment Direction which involves only switching some (and not all) of the Units in his or her Accounts from Investment in one Investment Fund to investment in another Investment Fund no PIE tax will be paid at this stage.

Contributing to the Scheme – Employer Superannuation Contribution Tax (ESCT) exemption

Contributions by members to the Scheme are deducted from tax-paid salary or wages (although the level of contribution is calculated on gross (pre-tax) salary or wages).

Generally, Employer Contributions to KiwiSaver schemes are subject to ESCT except where a member has elected to have the Employer Contributions taxed as salary or wages and subject to PAYE. However, an exemption from ESCT currently applies to Employer Contributions that are matched by employee's contributions, capped at the lesser of either 2% of an employee's gross salary or wages or the rate at which the employee contributes. This exemption will apply to contributions made before 1 April 2012. After this date, ESCT will apply to all Employer Contributions.

Any additional Employer Contributions will be taxed at a rate of up to 33%.

General comments

Tax law is complex and changes frequently. Contributions are "locked-in" under the scheme. Investors should periodically monitor the tax implications of investing in the Scheme and should not assume that the position will remain the same as it is when they start investing. The comments under this section "Tax" are provided as general background only and are not a comprehensive discussion of tax issues.

Benefits

As the Scheme has been set up under the KiwiSaver Act to help you to save for your retirement, you cannot obtain benefits from the Scheme until you are eligible as set out in the circumstances below. It is possible that under the KiwiSaver Act or under the terms of the Trust Deed, the Trustee may require certain information from you in order to ensure that you are eligible to receive a benefit. The Trustee is authorised to withhold and pay any tax payable in respect to any benefit that is paid to you.

The Trustee has delegated to the Manager the functions of determining whether benefits are payable, calculating benefit entitlements and arranging for benefit payments.

KiwiSaver end payment date benefit

When you reach the age of entitlement to New Zealand Superannuation, which is currently 65, or five years after joining a KiwiSaver scheme or a complying superannuation fund, whichever is the later, you are entitled to receive a benefit from the Scheme (this is referred to as **KiwiSaver End Payment Date**). A complying superannuation fund is a superannuation scheme that requires lock-in and other features similar to a KiwiSaver scheme and which has been approved by the FMA as a complying superannuation fund. You may choose to leave some or all of the balance of your interest in the Scheme after you become eligible to receive this benefit. The amount that you are eligible to receive as a benefit is equivalent to the total value of the Investment Fund units held in your account (this amount is referred to as **Member's Accumulation**).

A member may make partial lump sum withdrawals on or after the KiwiSaver End Payment Date. Partial lump sum withdrawals must be for \$500 or more, and the member's remaining Scheme balance must not be less than \$1,000. If the member's remaining balance falls below \$1,000, the member will be required to make a full withdrawal. Fidelity Life may from time to time amend the amounts available to withdraw and introduce other withdrawal requirements in respect of withdrawals on or after the KiwiSaver End Payment Date.

The Member's Accumulation in the Scheme is the net value of the member's contributions, any employer contributions vested in the member, any fee subsidies paid in respect of the member, the \$1,000 Government kick start contribution, member tax credits, investment earnings, less fees, tax and any member tax credits required to be clawed back in respect of periods the member had a principal place of residence outside New Zealand.

Death benefit

If you die while you are a member of this Scheme, on application by your personal representatives, your estate will be paid an amount equal to the value of your Member's Accumulation.

If your death is the result of an accident, and the value of your Member's Accumulation is less than \$10,000, the Manager will "top up" the death benefit payment to \$10,000. This "top up" is only available if, at the date of your death, you are making regular contributions and at the date of death were under the age of eligibility for NZ Superannuation but aged at least 10 years. If the member is under the age of 10 years the Manager will top up any payment to \$2,000.

The Life Insurance Act 1908 currently prohibits the payment of more than \$2,000 in total in respect of the death of a minor under the age of 10 years. This prohibition relates only to the "top up" payment.

The value of any top up will be reduced by the total of any payments already made on hardship or disability grounds, or first home subsidy.

"Accidental death" means death caused solely and directly by violent, accidental, external and visible means within 12 months of the accident.

Withdrawal in case of significant financial hardship benefit

You may withdraw an amount no greater than the value of your Member's Accumulation, excluding the \$1,000 initial Crown contribution and any member tax credits, on the grounds of significant financial hardship with the approval of the Trustee in accordance

with the KiwiSaver Act. The Trustee must be reasonably satisfied that reasonable alternative sources of funding have been explored and have been exhausted. The Trustee may limit the amount permitted to be withdrawn to a specified amount that, in the Trustee's opinion, is required to alleviate the particular hardship you are suffering.

Under the KiwiSaver Act significant financial hardship includes significant financial difficulties that arise because:

- ▶ you are unable to meet minimum living expenses; or
- ▶ you are unable to meet mortgage repayments on your principal family residence resulting in the mortgagee seeking to enforce the mortgage on the residence; or
- ▶ of the cost of modifying a residence to meet your, or a dependent's, special needs arising from a disability; or
- ▶ of the cost of your, or a dependent's, medical treatment for an illness or injury; or
- ▶ of the cost of your, or a dependent's, palliative care; or
- ▶ of the cost of a funeral for a dependent; or
- ▶ you suffering from a serious illness.

Withdrawal in case of serious illness

You may withdraw an amount no greater than the value of your Member's Accumulation where the Trustee is reasonably satisfied that you are suffering from serious illness and are in compliance with the requirements of the KiwiSaver Act. As at the date of this Investment Statement, under the KiwiSaver Act "serious illness" means an injury, illness or disability:

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

First home benefit

KiwiSaver members may be eligible for a first-home deposit subsidy to help with the cost of a home loan deposit. The proposed first home deposit subsidy is \$1,000 for each year that a member has been making regular contributions to a KiwiSaver scheme (maximum \$5,000). The member will have to have been saving for a minimum period of three years to access this deposit subsidy.

The first home deposit subsidy will be restricted by income price caps and regional house price caps. Please visit the Housing New Zealand website at www.hnzc.co.nz for more details.

Fidelity KiwiSaver Scheme – in detail

(continued)

Withdrawals for the purchase of a home

Under the KiwiSaver Act you may be eligible to make a withdrawal up to the value of your Member's Accumulation (excluding the \$1,000 Government kick start contribution and any member tax credits) for the purpose of purchasing a first home where you have not previously received such a benefit from any KiwiSaver scheme and you satisfy one of the following two criteria:

- ▶ at least three years have passed since the IRD first received contributions for credit to a KiwiSaver scheme of which you are or were a member; or
- ▶ where no such contributions have been paid via the IRD, you have been a member of a KiwiSaver scheme for a period of 3 years or more.

Please visit the Housing New Zealand website at www.hnzc.co.nz for more details.

Withdrawal or transfer to foreign scheme in cases of permanent emigration

If you emigrate permanently from New Zealand you may, on application to the Trustee, and subject to compliance with the requirements of the KiwiSaver Act, withdraw an amount equal to the value of your Member's Accumulation (excluding the total amount of any member tax credit), no earlier than one year after your emigration. Alternatively, you may, on application to the Trustee, at any time after your permanent emigration from New Zealand, and subject to compliance with the requirements of the KiwiSaver Act, have the Trustee transfer an amount equal to the value of your Member's Accumulation (excluding any member tax credit) to a foreign superannuation scheme authorised for that purpose under regulations made under the KiwiSaver Act.

At the date of this Investment Statement legislation has been passed, which once in effect, will not permit KiwiSaver members to withdraw from the Scheme where they permanently emigrate to Australia. Instead, such members will only be able to transfer their Scheme entitlement to certain qualifying Australian superannuation schemes. This change is expected to come into effect late 2011¹.

Release of funds required under other enactments

The Trustee must comply with any enactment requiring it to release funds from the Scheme, including a requirement to release funds by order of any Court under any enactment (including the Property (Relationships) Act 1976).

Method of payment of benefit

The Trustee must, at your request, pay a permitted benefit as a lump sum.

Member tax credits

If you withdraw your benefit for the purposes of purchasing your first home or as a result of significant financial hardship, then your member tax credits will stay in your account. However if you permanently emigrate and you withdraw your benefit, any member tax credits paid into your account since joining will be returned to the Government. For all other benefits payable, the amount of a member tax credit may not be withdrawn before you provide a statutory declaration stating any periods for which you have had your principal place of residence outside New Zealand. The amount of a tax credit may not be withdrawn to the extent to which the Trustee has notice that a claim for a tax credit is wrong.

Suspension of Scheme or Investment Funds

To the extent permitted by the KiwiSaver Act, if by reason of:

- ▶ a decision to terminate the Scheme or an Investment Fund; or
- ▶ financial, political or economic conditions applying in respect of any financial market in which investments may be sold; or
- ▶ the nature of any investments of an Investment Fund; or
- ▶ the occurrence or existence of any other circumstances or events; or
- ▶ a suspension in respect of an investment fund in which the relevant Investment Fund has invested in,

the Trustee shall in good faith form the opinion that it is not practicable, or would be materially prejudicial to the interests of members of the Scheme or members who have invested in the Investment Fund as the case may be, for the Trustee to realise investments or borrow in accordance with the Trust Deed in order to permit payment of benefits or any transfer between Investment Funds or any transfer out of the Scheme, then the Trustee may give notice (a **Suspension Notice**) to that effect to the members of the Scheme or the members who have invested in the Investment Fund as the case requires. A Suspension Notice shall have the effect of suspending the operation of all existing and future benefit requests and payments in respect of members who have invested in the Scheme or the Investment Fund, as the case may be, until the earlier of the following events:

- ▶ the Trustee giving notice to the effect that the relevant Suspension Notice is cancelled either in whole or in part; or
- ▶ six months from the date of the Suspension Notice; or
- ▶ the date a suspension is lifted in respect of an investment fund in which a material amount of the relevant Investment Fund is invested.

¹ At the date of this Investment Statement no specified date can be provided as the legislation relies on equivalent legislation in Australia being passed.

In relation to the Capital Guaranteed Kiwi Fund, under the terms of the Fidelity Life guarantee¹, Fidelity Life has committed to not allocate, cancel or otherwise deal with units in that Fund in the period from 31 March in any year until the time that Fidelity Life has transferred investment assets to that Fund in satisfaction of its obligations under the guarantee. Members may have their units cancelled after 7 April in each relevant year (or earlier if Fidelity Life has already transferred investment assets to the Fund) in accordance with the guarantee provided by Fidelity Life notwithstanding that Fidelity Life is in default of its obligations to transfer investment assets. Members can decide whether to redeem their Member's Accumulation in these circumstances notwithstanding any default by Fidelity Life, or to continue to hold the units in anticipation of any default being remedied, including by way of enforcement by the Trustee of the guarantee.

6. What are my risks?

Although it is less likely over the long term, it is possible that at any time the value of your Member's Accumulation will be less than the amount you, your employer and anybody else have contributed to the Scheme on your behalf. It is also possible you may not receive the returns outlined under the section entitled "5. What returns will I get?". This is because all investments carry risk. There are risks associated with the Scheme that could affect members' ability to recover the amount of their contributions or impact on the returns payable from the Scheme as described in this Investment Statement. The principal risks applying to the Scheme that could affect returns (and which are common to most KiwiSaver and superannuation schemes generally) are:

- ▶ **Investment risk:** The risk of negative returns on the Scheme's investments (either generally or in respect of Investment Funds in which a member invests), or the risk that the returns for a particular Investment Fund or the Scheme generally are insufficient to meet the applicable expenses.

As at the date of this Investment Statement investment markets have been very volatile and this volatility may continue for some time.*
Returns will move up or down according to market conditions.

*** During August 2011, there was a significant downturn in the global investments market and all Fidelity KiwiSaver Scheme Investment Funds suffered a decrease in the unit value.** For the latest unit prices, please go to www.fidelitylife.co.nz.
- ▶ **Liquidity risk:** The risk of the Scheme not being able to meet monetary obligations in a timely manner. This risk arises where there is a mismatch between the maturity profile of investments and the amounts required to pay benefits.
- ▶ **Regulatory risk:** The risk of future changes to tax, KiwiSaver or general superannuation legislation which could affect the operation of the Scheme or Member's Accumulation in the Scheme, or of the Trust Deed being amended in a manner required or permitted by law that has the effect of reducing the value of a Member's Accumulation in the Scheme.
- ▶ **Credit risk:** The risk of the Scheme becoming insolvent and being placed into receivership, liquidation or statutory management or being otherwise unable to meet its financial obligations. If this occurs, members may not recover the full amount of their Member's Accumulation in the Scheme.
- ▶ **Administration risk:** The risk of a technological or other failure impacting on the Scheme or financial markets in general.
- ▶ **Tax rate risk:** The risk of the Manager either over or underpaying tax within the Scheme on behalf of a member as a result of the member providing the Manager with the wrong PIR or not advising the Manager to change the PIR when it needed to be changed. In the event of an underpayment of tax a member will be obliged to pay additional tax (and potentially penalties or interest) to the IRD.
- ▶ **Leverage risk:** The Options Kiwi Fund and Aggressive Kiwi Fund are leveraged through the use of put and call options. Due to this leverage a relatively small movement in the market price of the underlying instrument may result in a disproportionately large profit or loss to these Investment Funds. The Options Kiwi Fund has a **high** risk profile and is subject to significant volatility. The Options Kiwi Fund uses leverage and derivatives (options contracts) that **could** enhance **any** returns or generate substantial losses. As with all of the Fidelity KiwiSaver Scheme funds, please consult your financial adviser on what proportion of your retirement savings should be in the Options Kiwi Fund.
- ▶ **Refund of contributions risk:** It is foreseeable that contributions and other amounts may be paid into the Scheme in error. Where contributions and amounts are paid into the Scheme in error the Trustee may be required to refund the full contribution or amount, even though there has been a gain or loss made on investment of such contribution or amount. In the first instance, any gain or loss on investment will be borne by the member in respect of whom the contribution or amount was received in error. However, where there is a shortfall between the value of units in the relevant member's account and the amount required to be refunded, the shortfall will be borne by the Scheme.

¹ For more detail of the guarantee provided to the Scheme by Fidelity Life in respect of the Unit Price of units in the Capital Guaranteed Kiwi Fund as at 31 March each year, see page 20.

Fidelity KiwiSaver Scheme – in detail

(continued)

- ▶ **Loss of PIE status:** The risk that one or more Investment Funds will lose PIE status.
- ▶ **Guarantee Risk:**
 - ▶ The risk that the resources of Fidelity Life will not be sufficient to fulfil the guarantee obligation provided by Fidelity Life in respect of the Capital Guarantee Kiwi Fund¹ at any time (including because of the subordination of those obligations to the claims against Fidelity Life of insurance policyholders or other creditors ranking in priority to or equally with the Trustee's claims under the guarantee in circumstances where no limitations are placed on Fidelity Life incurring liabilities of this nature);
 - ▶ the risk that the guarantee will be terminated due to the termination of the Management Agreement appointing Fidelity Life as investment and administration manager of the Scheme (including for the insolvency of Fidelity Life or a material breach by Fidelity Life of its obligations under the Management Agreement) including in circumstances where the Trustee determines that such termination is necessary to protect the interests of members who have invested in other Investment Funds;
 - ▶ the risk that a member will exit the Capital Guaranteed Kiwi Fund¹ before any transfer of assets under the guarantee is made and will therefore not obtain the benefit of that transfer;
 - ▶ the risk that the value of the investment assets transferred by Fidelity Life as at 31 March in any year is not sufficient to ensure a member receives the capital amount invested by or on behalf of that member at the time the relevant benefit is paid;
 - ▶ the risk that Fidelity Life does not otherwise perform its obligations under the guarantee or is delayed in doing so.

Due to the impact of these risk factors outlined above, and the impact of fees (if higher than the Government subsidy), it is possible that you could receive less than your contributions if you are a member for a short time and/or the value of your investment has fallen.

It is essential that the above issues, in particular the guarantee risks, are understood by investors. If you have any queries in respect of any of the risks detailed or require further information please contact the Manager.

Except for a member being required to indemnify the Trustee in respect of any tax payable by the Trustee in respect of that member, you will not be required to pay in respect of the Scheme more money than is disclosed under the headings “3. How much do I pay?” on page 15 or “Consequences of insolvency” below. A member will only be required to indemnify the Trustee for tax payable by the Trustee, where

the Trustee incurs tax on a member's behalf and the Member's Accumulation in the Scheme is not large enough to cover the tax liability that the Trustee incurred.

The amount payable to members in the event of a windup of the Scheme will depend on the price for which the investments are able to be sold at that time, and the amount of expenses, taxes and liabilities payable.

Consequences of insolvency

Members have no liability to pay money to any person as a result of the insolvency of the Scheme.

If the Scheme becomes insolvent, it will be wound up in accordance with the termination procedures under the Trust Deed. The Scheme can also be wound up in the circumstances set out under the heading “How do I cash in my investment?”. Claims on the assets of the Scheme that will rank ahead of members in the event of the Scheme being put into liquidation or being wound up will include any outstanding Trustee expenses (including fees) or liabilities of the Scheme, any claims preferred at law, tax and the costs of winding up the Scheme. The Manager of the Scheme will not be entitled to claim any outstanding fees in the event the Scheme becomes insolvent. If there are any benefits payable under the Trust Deed and which had become payable prior to the winding up date and remain unpaid as at the winding up date, these will be paid prior to members who had not at that stage become entitled to receive a benefit.

Members will rank equally between themselves and will be paid in accordance with the Trust Deed. If the Scheme winds up and a member is not entitled to receive a benefit in the circumstances outlined above, then an amount equal to the value of that Member's Accumulation is required under the KiwiSaver Act to be transferred to another KiwiSaver scheme.

7. Can the investment be altered?

Your investment can be altered, subject to any restrictions imposed under the KiwiSaver Act.

Fees

The fees that you must pay in respect of the Scheme may be altered as described in the section entitled “4. What are the charges?” on page 17.

Contributions

If you are not employed and therefore are not required to have deductions of contributions made by your employers, you can increase or decrease your contributions at any time and suspend or recommence

¹ For detail of the guarantee provided to the Scheme by Fidelity Life in respect of the Unit Price of the units in the Capital Guaranteed Kiwi Fund as at 31 March each year, see page 20.

those contributions at any time on giving notice to the Trustee, subject to the minimum requirements set out under the heading “3. How much do I pay?”.

If you are contributing via deductions from your salary or wages, you may only suspend those contributions by opting out or applying for a contributions holiday to the IRD (see below).

Currently you can change your contribution rate to either 2%¹ or 4% or 8% of your gross salary or wages (or any other amount permitted under the KiwiSaver Act), by giving notice to your employer.

Under the KiwiSaver Act, a member who has their employer deduct contributions from their salary or wages may not change his or her contribution rate in relation to that employer at intervals that are less than three months apart unless the employer agrees.

Opting out

New employees of an employer who has selected the Scheme as the Employer’s Chosen Scheme will automatically become members of the Scheme. New employee members may choose to opt out of membership of the Scheme at any time from the 13th day to the 55th day after starting the new employment. A new employee wishing to opt out of the Scheme must give an opt out notice either to their employer or the IRD in the form of the opt out notice contained in the employee’s KiwiSaver information pack or in any other form acceptable to IRD.

Contributions holiday

You can apply for a contributions holiday where you are contributing via deductions from salary or wages via your employer (i.e. not by direct contribution to the Scheme), subject to certain rules, by applying to the IRD. You cannot apply for a contributions holiday until 12 months have expired since the earlier of:

- ▶ the date after the IRD received the first contribution in respect of you; or
- ▶ the date that a KiwiSaver scheme received the first contribution in respect of you; or
- ▶ the date that you first became a member of a complying superannuation fund.

The contributions holiday will be for a minimum period of three months and a maximum period of five years.

You may apply for a contributions holiday at any time if you are suffering or likely to suffer financial hardship and at least one contribution has been received by the IRD. The length of the contributions holiday in these circumstances is three months, unless the IRD agrees to a longer period.

Your application to the IRD must contain the following:

- ▶ your name and address;
- ▶ your tax file number (IRD number);
- ▶ the name and address of each of your employers to whom you intend that the contributions holiday will apply;
- ▶ the period of time for which the holiday is required;
- ▶ details of financial hardship if the application is being made on this ground; and
- ▶ any other information that the IRD requires.

The IRD is required to grant you a contributions holiday if the criteria above are complied with. The IRD will give notice to you and each of your employers to whom the contributions holiday will apply and will also give notice to the Manager of the Scheme. The IRD will notify you before your contributions holiday ends. You can apply for a new contributions holiday as your existing contributions holiday is about to end.

While on a contributions holiday you may revoke or reinstate it by giving notice to your employer or employers. However, you may not revoke or reinstate a contributions holiday at intervals of less than three months apart unless your employer agrees otherwise. Employers are not required to contribute during a contributions holiday.

Switching Investment Direction

You can amend your Investment Direction in regard to which Investment Funds you would like to invest your contributions, without charge once during each Scheme year, in respect to future contributions to the Scheme or contributions already invested. To make a switch, please contact the Manager using the details set out under the heading “Who do I contact with inquiries about my investment?”. A fee of \$60 will be charged where a member amends their Investment Direction more than once during a Scheme year (1 April to 31 March) as referred to under the heading “What are the Charges?”. This fee may be indexed to the CPI each year.

Trust Deed

The Trustee, with the consent of the Sponsor, may amend the Trust Deed, subject to the requirements of and to the extent permitted in the KiwiSaver Act. Any variation may, at the Trustee’s discretion, have retrospective effect. Where an amendment will adversely affect a member, that member’s consent will be required before the amendment can be made.

¹ It is proposed that from 1 April 2013 the minimum employee contribution rate will rise from 2% to 3%.

Fidelity KiwiSaver Scheme – in detail

(continued)

Investment Funds

The Sponsor may, with the consent of the Trustee, close, wind up, or amalgamate two or more Investment Funds on such terms and conditions as determined by the Trustee and the Manager.

If an Investment Fund is closed no further contributions may be invested in that Investment Fund unless and until the Trustee has in its complete discretion determined to reopen the Investment Fund. As soon as reasonably practicable after the Trustee has resolved to close the Investment Fund the Trustee will send notice of that fact to each member who has invested in that Investment Fund. Closure of an Investment Fund shall not affect the obligations of the Trustee to pay benefits to members if they are eligible to receive a benefit.

The Sponsor may, with the consent of the Trustee, temporarily close the Capital Guaranteed Kiwi Fund¹ to new members or to transfers from other Investment at any time if the Sponsor believes there is a significant risk that the unit price guarantee will be required. Where the Trustee resolves to wind up an Investment Fund, if a member's investment direction incorporates the Investment Fund being wound up, the member's investment direction will be deemed to no longer incorporate that Investment Fund and the remaining proportions prescribed in the investment direction will be adjusted in such manner as the Trustee may, in its complete discretion, determine. If the Trustee resolves to wind up an Investment Fund, as soon as reasonably practicable after the Trustee has wound up the Investment Fund the Trustee shall send notice of the fact to each member who has invested in that Investment Fund and also advise each member about any adjustment made to the member's investment direction as a result of the investment fund being wound up. As soon as reasonably practicable after the wind up date in respect of a wound up Investment Fund, but subject to the KiwiSaver Act, the Trustee shall retain such amount which the Trustee considers necessary and appropriate to meet all claims, liabilities (including contingent liabilities) and expenses, which in the Trustee's opinion ought to be met out of the wound up Investment Fund's assets. The Trustee shall also after making such deductions allocate each member's interest in the Investment Fund among the other Investment Fund or Investment Funds selected by each member in the member's Investment Direction (as amended as a result of such wind up). If a member's Investment Direction does not select any other Investment Fund the member's interest in the wound up Investment Fund will be allocated to the Default Investment Fund (the Balanced Kiwi Fund).

If the Trustee amalgamates two or more Investment Funds, as soon as reasonably practicable after the amalgamation the Trustee shall send notice of that fact to each member who has invested in the Investment Funds that are affected by the amalgamation.

Investment policies, objectives and guidelines

From time to time, the Trustee and the Sponsor by agreement may review and revise the investment objectives and Authorised Investments of the Investment Funds.

Law changes

The KiwiSaver Act and other legislation may be amended from time to time by the Government and any such amendment may impact on the Scheme.

From 1 October 2011, the Trust Deed will be deemed to include provisions requiring the Trustee to exercise reasonable diligence to ascertain whether or not any breach of the terms of the Trust Deed or of the terms of the offer of interests in the Scheme has occurred, and to do all things that it is empowered to do to cause any such breach to be remedied (except if it is satisfied that the breach will not materially prejudice the interests of the holders of interests in the Scheme).

Under the KiwiSaver Amendment Act 2011, the Manager and the Trustee must amend the governance arrangements for the Fidelity KiwiSaver Scheme by no later than 30 September 2012, so as to ensure that:

- ▶ Fidelity Life (as Manager) becomes the issuer of membership interests in the Scheme for securities legislation purposes and is responsible for the management of the Scheme; and
- ▶ The Trustee becomes the external supervisor of the Scheme and is responsible for the oversight of Fidelity Life as Manager and the custody of Scheme assets.

Fidelity Life and the Trustee will make the changes necessary for Fidelity Life to become legally responsible for managing and administering the Scheme and paying members' benefits.

Additionally, under the Securities Trustees and Statutory Supervisors Act 2011, before the Scheme adopts the above new governance arrangements the Trustee must obtain a licence from the Financial Markets Authority to continue acting as a KiwiSaver scheme trustee.

¹ For detail of the guarantee provided to the Scheme by Fidelity Life in respect of the Unit Price of the units in the Capital Guaranteed Kiwi Fund as at 31 March each year, see page 20.

8. How do I cash in my investment?

The main circumstances in which benefits will be payable under the Scheme are described above under “What returns will I get?”.

Benefits are payable on the end payment date, death, significant financial hardship, for the purpose of purchasing a first home, in the event of serious illness or permanent emigration. Access to your Member’s Accumulation in the Scheme is also permitted where required under legislation and also in respect to the mortgage diversion facility.

If you become bankrupt you will lose your Member’s Accumulation in the Scheme to the extent permitted by law. What this means is that the Trustee will hold and use your Member’s Accumulation at its discretion to benefit you or your dependants as the Trustee in its absolute discretion determines. Please note that under the law your Member’s Accumulation in the Scheme may not be protected from bankruptcy claims against you.

The Trustee may redeem units that you hold in Investment Funds to meet all fees, taxes and costs payable.

You are not permitted to sell, assign, mortgage, charge or pass to any other person your Member’s Accumulation in the Scheme in any way.

Wind up of Scheme

The Scheme shall be wound up if:

- ▶ Fidelity Life Assurance Company Limited as Sponsor notifies the Trustee that the Scheme is to be wound up;
- ▶ the Scheme ceases to have any beneficiaries and the Trustee resolves that it be wound up;
- ▶ the Trustee considers the Scheme is, or will be, unable to fulfil its purpose and resolves that the Scheme be wound up;
- ▶ the Scheme is required to be wound up by law and the Trustee resolves the Scheme be wound up; or
- ▶ by order of the FMA.

If the Scheme is wound up your Member’s Accumulation in the Scheme that is left after costs, debts and any benefits due are paid will be transferred to another KiwiSaver scheme of your choice, or, if you fail to make a choice, transferred to the IRD to be allocated to a Default Provider of a KiwiSaver scheme.

Transferring to another KiwiSaver scheme

You may apply to join another KiwiSaver scheme in which case the Manager shall transfer an amount equal to the value of your Member’s Accumulation in the Scheme (net of any tax) to the other KiwiSaver scheme upon receipt of written acceptance of terms from the transferee scheme trustees.

On transferring, you will cease to be a member of the Scheme.

Termination of membership

You will cease to be a member of the Scheme if:

- ▶ at any time the value of your Member’s Accumulation in the Scheme is nil or negative;
- ▶ you have received payment of the total value of your Member’s Accumulation in the Scheme;
- ▶ you have received a benefit or your benefit has been transferred to a foreign superannuation scheme following permanent emigration; or
- ▶ you transfer to another KiwiSaver scheme.

9. Who do I contact with inquiries about my investment?

You can direct questions in writing to:

Manager – Investment Operations
 Fidelity Life Assurance Company Limited
 81 Carlton Gore Road, Newmarket, Auckland
 P.O. Box 37 275, Parnell, Auckland, 1151
 or email kiwisaver@fidelitylife.co.nz

Alternatively, you can contact KiwiSaver Services on **0800 88 KIWI (0800 88 5494)**, during normal business hours.

Fidelity KiwiSaver Scheme – in detail

(continued)

10. Is there anyone to whom I can complain if I have problems with the Investment?

Complaints about the Scheme should be made in writing to:

Manager – Compliance
 Fidelity Life Assurance Company Limited
 81 Carlton Gore Road,
 Newmarket, 1023
 or email kiwisaver@fidelitylife.co.nz

Alternatively, you can contact Client Services on **0800 88 KIWI (0800 88 5494)**, during normal business hours.

Fidelity Life Assurance Company Limited is a member of the Insurance and Savings Ombudsman. Depending on the issue; you may be able to pursue a complaint with the Insurance and Savings Ombudsman. The Insurance and Savings Ombudsman can be contacted at:

The Insurance and Savings Ombudsman
 7th Floor BDO House
 99-105 Customhouse Quay
 Wellington
 Tel: 0800 888 202

You can also contact the Trustee at:

Relationship Manager, Corporate Trusts
 Guardian Trust Superannuation Trustees Limited
 PO Box 1934, Auckland
 Vero Centre, Level 7, 48 Shortland Street, Auckland

Alternatively, you can contact the Trustee on **09 377 7300** during normal business hours.

The FMA can consider complaints about the Scheme and can be contacted at:

Financial Markets Authority
 PO Box 1179
 Wellington 6140
 Telephone: 64 4 472 9830
 Fax: 64 4 472 8076

www.fma.govt.nz/about-us/contact-us/contact-form/

11. What other information can I obtain about this investment?

Trust Deed, Prospectus and Financial Statements

Other information about the Scheme and the securities is contained or referred to in the Trust Deed, registered prospectus and financial statements for the Scheme.

You can request a copy of the Trust Deed, the registered prospectus, the most recent financial statements of the Scheme and the annual report of the Scheme from the Manager during normal business hours, free of charge. These documents are also available from the website www.fidelitylife.co.nz. These documents, along with the most recent financial statements of the Manager and any material contracts set out in the registered prospectus, except for the annual report, are filed with the Ministry of Economic Development and are available for public inspection online on.

Annual Information

The Manager will send you each year:

- ▶ the annual report of the Scheme;
- ▶ the Trustee's certificate; together with
- ▶ a transaction summary.

In addition, you can receive regular information on your account via the web or annually in hard copy.

On-request information

You can request the following documents or information from the Manager free of charge (see "9. Who do I contact with inquiries about my investment?" for contact details):

- ▶ a copy of the Scheme's Trust Deed;
- ▶ the current value of your Member's Accumulation in the Scheme;
- ▶ the prospectus for the Scheme;
- ▶ a copy of financial statements for the Scheme and any auditor's report;
- ▶ the most recent annual report of the Scheme; and
- ▶ a copy of the most recent investment statement.

These documents will generally be made available via the website www.fidelitylife.co.nz or will be sent as an email attachment. However, they will be available in hard copy and posted to you upon request.

Special bonus voucher offer

\$100

Valid to 30 September 2012

Establish a life or disability insurance policy with Fidelity Life within 3 months of establishing your Fidelity KiwiSaver account, and we'll pay the first month's premium (up to \$100).

Terms and Conditions apply – see below

Take care of your family when you can't.

Getting your KiwiSaver plan underway is a great start towards financial independence – but what would happen if death or disability were to strike you or your family?

- ▶ The impact of such an event could include forced sale of your family home, erosion of savings, loss of employment opportunities through a limited ability to work, a halt in saving for retirement or in plans for your children's education.
- ▶ Fortunately, Fidelity Life has a range of insurance options that help you plan for unforeseen events. Your insurance adviser can help you select the benefit best suited to your circumstances.
- ▶ We will pay your first month's premium up to a maximum of \$100, if you start your life or disability plan during the special offer period.

Terms and conditions

- ▶ This offer is valid only for applications received before Valid to 30 September 2012 for Fidelity Life's Protection Plan or Platinum products.
- ▶ The voucher may be used for increases in cover for existing policies, but they must be up to date and the voucher cannot be used to pay policy arrears or for policy anniversary CPI increases.
- ▶ Premiums must be paid for 12 months, otherwise the offer is void.
- ▶ One voucher per member.

Please attach this voucher to your application, and give your completed application form to your adviser, or return Freepost to:

Fidelity Life

Freepost No. 1893

PO Box 37-275, Parnell

Auckland 1151

Enquiries to: **0800 88 22 88**



19 September 2011

The provisions set out prevail at the time this Investment Statement is issued, but may change in the future.

Guardian Trust Superannuation Trustees Limited is the Issuer of the Fidelity KiwiSaver Scheme and Fidelity Life Assurance Company Limited ("Fidelity Life") is the Administration and Investment Manager and Promoter. Investments in the Fidelity KiwiSaver Scheme do not represent deposits or other liabilities of Fidelity Life or the Issuer and are subject to investment risk, including delays in repayment and loss of income and principal invested. No member of Fidelity Life, Guardian Trust Superannuation Trustees Limited, its parent and their respective directors or any other person guarantees or secures (either partially or fully) Fidelity Life and its subsidiaries or the capital value or performance of any products issued or managed by them other than as specifically provided in the Guarantee given by Fidelity Life in favour of the Issuer.

Fidelity Life Assurance Company Limited

PO Box 37-275, Parnell, Auckland, New Zealand, 1151
81 Carlton Gore Road, Newmarket, Auckland, 1023

Telephone: 09 373 4914 or 0800 882 288

Facsimile: 09 308 9953

Website: www.fidelitylife.co.nz