



SELECT KIWISAVER SCHEME

OTHER MATERIAL
INFORMATION (OMI)

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Smartshares Limited (**Smartshares**) has prepared this document to meet the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 and clause 52 of schedule 4 of the Financial Markets Conduct Regulations 2014.

This document supplements the Product Disclosure Statement for the Select KiwiSaver Scheme (**Scheme**) and sets out important information about the Scheme.

The information in this document could change in the future. Please check the offer register at www.disclose-register.companiesoffice.govt.nz for any updates.

1. Risks

This section sets out a summary of the risks that we believe to be the most important, but there may be other risks that are relevant to your investment in the Scheme. You should seek advice from a financial adviser before investing in the Scheme.

A. General Risks

We consider that the risks set out below could be material to your investment and affect the risk indicator for the funds.

Market risk

Market risk is the risk that there is a decline in the value of a market, or a sector of a market (such as a particular industry), which negatively affects the value of the financial products held by the Scheme, or the amount or frequency of distributions we receive from the issuers of those financial products.

Market risk can change for many reasons, including changes in investor confidence or perceptions of a market, changes in economic conditions, government regulations, natural disasters, and local and international political events.

Individual financial product risk

Individual financial product risk is the risk that a specific issuer is affected by adverse circumstances which causes a decline in the value of its financial products which are held by the Scheme, or the issuer's ability to pay distributions in relation to those financial products.

Liquidity risk

Liquidity risk is the risk that, due to market demand and supply factors, we are unable to buy or sell financial products for the Scheme in a timely manner or at fair value. Liquidity risk may negatively impact the value of the Scheme's investments, which could prevent the funds from meeting their investment objectives, or could prevent us from being able to redeem your investment in the Scheme.

Currency risk

Currency risk is the risk that a change in exchange rates causes a reduction in value of certain investments held by the Scheme. The value of international investments (including those held by the Scheme) will fall if the New Zealand dollar increases against the currency in which international investments are denominated.

Currency risk can occur when we apply New Zealand dollars to acquire foreign currency denominated financial products and then convert the value of those investments back into New

Zealand currency. In addition, as some funds receive foreign currency denominated distributions, these will be exposed to currency risk based on movements in the exchange rate between the foreign currency and New Zealand dollar.

Currency risk is relevant for the funds in the Scheme where they have exposure to international assets. We may hedge currency exposures in the funds to mitigate currency risk – see the Statement of Investment Policy and Objectives for the Scheme for further information.

Credit risk

Credit risk is the risk that issuers of cash and cash equivalents, and New Zealand and international fixed interest assets do not pay interest and/or capital repayments when these are due.

Credit risk is relevant for the funds in the Scheme where they have exposure to cash and cash equivalents, and New Zealand and international fixed interest assets.

Interest rate risk

Interest rate risk is the risk that interest rates rise and the value of investments (in particular, cash and cash equivalents, and New Zealand and international fixed interest assets) reduce. Generally, as interest rates rise, the market value of cash and cash equivalents, and New Zealand and international fixed interest assets tends to decrease, and vice versa. If interest rates rise, cash and cash equivalents, and New Zealand and international fixed interest assets will become less valuable as higher alternative interest rate products become available in the market.

In addition, for the funds that hold financial products that have floating interest rates, floating interest rates can change due to general market conditions or conditions specific to a particular industry sector or issuer. Any such changes could affect future returns from such products.

Interest rate risk is relevant for the funds in the Scheme where they have exposure to cash and cash equivalents, and New Zealand and international fixed interest assets.

B. Other risks

You should also be aware of the risks set out below which do not affect the risk indicator for the funds.

Operational risk

Operational risk is the risk that operational errors, including business interruptions arising through key personnel changes, human error, technology or infrastructure failure, and other external events, fraud or misconduct, may adversely impact on the operation and performance of the Scheme or a fund within the Scheme. We mitigate this risk through internal policies, procedures and controls, including a compliance programme. We also outsource some aspects of our operations to third-party providers and maintain insurance, subject to normal commercial insurance excesses.

Concentration risk

Concentration risk is the risk that a fund's investments are concentrated in a particular country, market, sector, asset class, or asset which may result in the fund being impacted by adverse events affecting a specific country, market, sector or asset class, or asset.

Third party risk

The Scheme relies on a number of outsource providers to provide services. The failure of a service provider to deliver such services (because of business interruption, external factors or otherwise) may adversely affect the operation and performance of the Scheme. We mitigate this risk through an outsource provider policy which requires us to conduct due diligence in relation to the selection of outsource providers and to monitor their performance on an on-going basis.

Regulatory and legal risk

Regulatory risk is the risk that the Scheme or its investments may be adversely affected by future changes in applicable laws, an incorrect interpretation of laws or regulations, or by decisions taken by regulatory enforcement agencies. Legal risk is the risk that we do not correctly document or comply with our legal obligations.

Underlying funds risk

Our funds invest in funds managed by Smartshares, related companies of JMI Wealth or other managers. There is a risk that the underlying fund does not perform as we expect and therefore a fund is not able to fulfil its investment objectives. We do not have control or direct oversight over the functions or performance of any external underlying fund manager through which the Scheme invests. The manager of an underlying fund has no direct legal obligation to you.

Tax risk

There is a risk that tax laws that apply to your interest in the Scheme, or the application, or interpretation of those laws could have an adverse effect on your returns or the value of your interest in the Scheme.

In particular, there is a PIE tax status risk, which is the risk that the Scheme may lose its portfolio investment entity (**PIE**) status, which would likely affect the after-tax returns that you receive. We mitigate this risk by implementing processes that are designed to ensure that the Scheme complies with the PIE requirements. Please note that we have broad powers to take actions to ensure the funds remain eligible to be multi-rate PIEs. This includes, for example, the ability to refuse investment or to compulsorily withdraw all or part of your interest where continued investment may prejudice a fund's multi-rate PIE eligibility.

2. Material contracts

This section sets out the contracts that we consider to be material in relation to the Scheme.

Administration Services Agreement – BNP Paribas

There is an Administration Services Agreement between Smartshares and BNP Paribas Fund Services Australasia Pty Limited (**BNP Paribas**).

BNP Paribas is the Scheme's administration manager.

The Administration Services Agreement sets out the administration services that BNP Paribas has agreed to provide Smartshares, together with the performance standards BNP Paribas must comply with in providing the services.

Administration Services Agreement – NZX

There is an Administration Services Agreement between Smartshares and NZX Limited (**NZX**).

NZX is Smartshares' parent company.

The Administration Services Agreement sets out the administration services that NZX has agreed to provide Smartshares, together with the performance standards NZX must comply with in providing the services.

Investment Management Agreement

There is an Investment Management Agreement between Smartshares and JMI Wealth Limited (**JMI Wealth**).

Under the Investment Management Agreement, Smartshares appoints JMI Wealth as the Scheme's investment manager. The agreement has the following key features:

- JMI Wealth sets the strategic and tactical asset allocations for each of the Scheme's funds, together with the underlying funds to be used to meet those asset allocations;
- Smartshares' role is to adopt the proposed asset allocations and investments (or to agree other asset allocations and investments with JMI Wealth) and to execute operational aspects, including rebalancing;
- the agreement contains a number of protections. These include obligations for JMI Wealth to comply with both statutory and industry standard duties of care, and to provide ongoing reporting and compliance support to Smartshares. JMI Wealth also warrants and represents to Smartshares that it has the staff, operational resources and overall capability to provide the investment management service.

KiwiSaver Scheme Hosting Agreement

There is a KiwiSaver Scheme Hosting Agreement between Smartshares, JMI Wealth and Select Wealth Management Limited (**Select Wealth**).

The KiwiSaver Scheme Hosting Agreement sets out the arrangements between Smartshares, JMI Wealth and Select Wealth in relation to the establishment, management and distribution of the Scheme. In particular, the agreement sets out Smartshares' responsibility for the day-to-day operation and management of the Scheme. This includes appointing and overseeing the performance of JMI as the Scheme's investment manager and Select Wealth as the Scheme's distributor. The agreement also requires a proportion of the Scheme to be invested in other funds managed by Smartshares. That investment is on arms' length terms.

Manager Reporting Agreement

There is a Manager Reporting Agreement between Smartshares and Public Trust.

Public Trust is the Scheme's supervisor.

The Manager Reporting Agreement sets out the arrangements between Smartshares and Public Trust in relation to certain reporting and other operational matters (including disclosure documents and the operation of bank accounts) relating to the Scheme.

Master Trust Deed

The Scheme is governed by the Trust Deed between Smartshares and Public Trust. A copy of the Trust Deed is available on the scheme register at www.disclose-register.companiesoffice.govt.nz

3. Market indices

Schedule 1 sets out where further information about the market indices referred to in the fund updates and Statement of Investment Policy and Objectives for the Scheme may be obtained.

The returns for indices that measure the performance of New Zealand equities and listed property are calculated on a net total return basis. Regular cash dividends are reinvested at the close on the ex-dividend date, after the deduction of applicable imputation credits and withholding taxes.

The returns for indices that measure the performance of Australian and international equities and listed property are calculated on a net total return basis. Regular cash dividends are reinvested at the close on the ex-dividend date, after the deduction of applicable withholding taxes for a non-resident investor.

The returns for indices that measure the performance of cash and cash equivalents, and New Zealand and international fixed interest, are calculated by aggregating the interest return, reflecting the return due to paid and accrued interest, and price return, reflecting the gains or losses due to changes in the end-of-day price and principal repayments.

4. Conflicts of interest

This section sets out the conflicts of interest that currently exist or are likely to arise in the future in respect of the Scheme. In particular, it sets out:

- the nature of the conflict of interest;
- the funds that are or may be affected by the conflict of interest;
- the circumstances in which, and how, the conflict of interest would, or could reasonably be expected to, materially influence the investment decisions of Smartshares or the investment manager (or both) in respect of the Scheme; and
- the measures that have been, or will be, taken to manage the conflict of interest.

Nature of the conflict	Funds affected by the conflict	How the conflict materially influences investment decisions and the measures taken to manage the conflict
<p>JMI Wealth is the Scheme's investment manager.</p> <p>The Scheme is distributed by Select Wealth.</p> <p>Investment Services Group Limited is the parent company of both Select Wealth and JMI Wealth.</p> <p>The Scheme may invest in funds managed by related parties of Select Wealth.</p>	<p>Conservative Fund</p> <p>Balanced Fund</p> <p>Growth Fund</p>	<p>JMI Wealth may be influenced by its association with Select Wealth to prefer funds managed by related parties of Select Wealth over those managed by independent third parties.</p> <p>JMI Wealth may allocate to underlying funds that charge a performance fee. Given the fund charges are fixed, the lower the performance fee charged by the underlying fund, the greater the potential remuneration for Select. This may influence JMI Wealth to allocate to performance fee based underlying funds that underperform.</p> <p>JMI Wealth has objective criteria which it uses to assess what underlying funds the Scheme should invest in. The funds of related parties of Select Wealth are assessed against these criteria.</p> <p>Smartshares assesses JMI Wealth's arrangements to identify and manage conflicts of interest at least annually.</p> <p>Smartshares reviews each fund's mix of investments each month. As part of that process, Smartshares assesses each fund's investments in other funds managed by related parties of Select Wealth (if any).</p> <p>JMI Wealth's appointment as investment manager has been approved as being on arm's length terms in accordance with Smartshares' Related Party Transactions Policy.</p>

<p>The Scheme invests in other funds managed by Smartshares.</p>	<p>Conservative Fund Balanced Fund Growth Fund</p>	<p>Smartshares may seek to influence JMI Wealth to allocate additional amounts from the Scheme to other funds managed by Smartshares over those managed by independent third parties.</p> <p>When the Scheme invests in underlying funds managed by Smartshares, Smartshares may rebate part of the underlying fund's management fee. These rebate arrangements are on arm's length commercial terms and are consistent with the rebate arrangements with other wholesale investors in other Smartshares funds.</p>
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5. Trade allocation policy

This section sets out Smartshares' trade allocation practices for the Scheme.

Where Smartshares buys or sells financial products for two or more funds on the same day, Smartshares will allocate trades in the best interests of investors, applying the following principles:

- all proposed trades must be pre-allocated;
- actual allocation must follow the pre-trade allocation;
- in the event that a trade is not fully allocated, actual allocation must be pro-rated based on the pre-trade allocation; and
- no fund will receive preferential allocation treatment over another.

The only exception to the principles set out above is where the size of the order for one of the funds is relatively minor, in which case the order for the fund wanting to buy or sell the minor amount of financial products will be met in preference to the other orders.

6. Trade execution policy

This section sets out Smartshares' trade execution practices for the Scheme.

Smartshares uses a broker to execute trades. Where Smartshares buys or sells financial products for a fund, Smartshares will select the broker to execute the trade based on what is cost effective for the fund and the broker's expertise.

7. Voting policy

This section sets out how Smartshares exercises its voting power in respect of assets held by the Scheme.

Smartshares will generally not vote in respect of the assets held by the fund. However, Smartshares may vote when it considers that not voting will have a material adverse effect on investors (taking into consideration the size of the managed investment scheme's exposure to the issuer and the proportion of the issuer held by funds managed by Smartshares).

When Smartshares votes, it will do so in what it considers to be the best interests of investors and with regard to any voting policy developed for the Scheme by JMI Wealth or any specific proposal by JMI Wealth as to the exercise of such votes.

8. Asset valuation and pricing methodology

This section describes the asset valuation and unit pricing methodology applied to the Scheme.

The value of the assets held by the Scheme and the net asset value of the Scheme will be determined in accordance with the Scheme's governing documents and on a consistently applied basis.

A. Asset valuation

The assets held by the Scheme that are quoted on a financial product market are valued for each business day based on:

- the last quoted sale price on the day for which the valuation is being made; or
- if no sale price was quoted for that day, the last bid or buying price on that day; or
- at the option of Smartshares, the amount certified by a firm of stockbrokers or other dealers in the relevant market.

The assets held by the Scheme that are not quoted on a financial product market are valued for each business day based on:

- in the case of underlying funds that are not quoted on a financial product market, the redemption value as advised by the scheme's manager; and
- in the case of other assets, valuation techniques, including using recent comparable arm's length market transactions, reference to the current market value of another similar asset, discounted cash flow analysis and valuation models.

Smartshares may use alternative valuation methods (including for assets that are quoted on a financial product market), provided the valuation method used is applied on a consistent basis over time. Smartshares must consult with the Scheme's supervisor prior to using an alternative valuation method.

B. Unit pricing

The unit price for the Scheme is calculated for each business day by dividing the net asset value of the Scheme by the number of units then on issue in the Scheme.

The net asset value of the Scheme is determined for each business day using the formula set out in the Scheme's governing documents.

Unit prices are rounded down to four decimal places.

9. Fees

This section provides further information on the fees charged in respect of the Scheme.

Total fund charges

The total fund charges are made up of two components:

1. an administration fee, and
2. a management fee,

Both of the administration fee and management fee are charged on each fund's net asset value and are deducted from, and reflected in the value of, each fund. Except as noted below under the heading 'Exceptional costs' the total fund charges are fixed and not estimated.

Administration fee

The administration fee covers normal fund operating costs. This includes our fees for acting as manager of the Scheme and the fees and costs charged by the supervisor, custodian and administration manager. It also includes certain fund expenses such as the costs of the Scheme's auditor and index provider licensing fees.

Management fee

The management fee covers the fees and costs of JMI Wealth for providing investment management services and the fees and costs of Select Wealth for acting as distributor of the Scheme. It also includes the fees and costs charged by the underlying funds that the Scheme invests in.

See section 2 'How does this investment work' and section 7 'Who is involved' of the Product Disclosure Statement for more information on the roles of the different parties in the Scheme.

Underlying fund performance-based fees

The funds may invest in underlying funds that have performance-based fees. Any performance-based fees in related underlying funds are fully rebated meaning that, in effect, they are not charged. Any performance based fees in non-related underlying funds are included in the management fee. As the total fund charges are fixed, investors do not pay any amounts in addition to the management fee for underlying performance-based fees.



Membership fees

The membership fee is deducted from your account balance monthly and covers a portion of Select Wealth's costs acting as distributor of the Scheme.

Financial advice fees

The distributor may pay financial advisers a fee of up to 0.25% for providing financial adviser services to investors. Financial advice is available to all investors of the Scheme. Whether an investor elects to receive financial advice or not, the investor will pay the fees set out above.

Individual action fees

We do not charge any fees on an individual basis for investor-specific decisions or actions.

Exceptional costs

We may, in exceptional circumstances, deduct costs that relate to the Scheme that arise outside the ordinary course of business from a fund (such occasions are likely to be very rare). This could include, for example, the costs of holding investor meetings, if required. As the circumstances that give rise to exceptional costs are likely to be very rare (if they happen at all) we have not provided for them in the total fund charge figures disclosed in the PDS.

Tax

All fees are disclosed on a before-tax basis. GST will be added to fees and may be included in some expenses, where applicable.

Changes to fees

We may change the fees payable by an investor at any time. Where we increase a fee, we will give you notice of the change. If there is a material increase in a fee, you will be given at least 90 days' notice of that change.

We will notify the Financial Markets Authority of any fee increases where required under the KiwiSaver Act 2006.

Schedule 1 – Market indices information

Fund	Index	More information	Date the index became the market index for the fund
Conservative Fund	S&P/NZX Bank Bills 90-Day Index	http://us.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index	11 November 2020
	S&P/NZX A-Grade Corporate Bond Index	http://us.spindices.com/indices/fixed-income/sp-nzx-a-grade-corporate-bond-index	11 November 2020
	Bloomberg Barclays Global Aggregate Index	https://www.bloomberg.com/professional/product/indices/	11 November 2020
	S&P/NZX 50 Index	https://us.spindices.com/indices/equity/sp-nzx-50-index	11 November 2020
	S&P/ASX 200 Index	https://au.spindices.com/indices/equity/sp-asx-200	11 November 2020
	MSCI All-World Index	https://www.msci.com/developed-markets	11 November 2020
	S&P/NZX Real Estate Select Index	http://us.spindices.com/indices/equity/sp-nzx-real-estate-select	11 November 2020

Fund	Index	More information	Date the index became the market index for the fund
Balanced Fund	S&P/NZX Bank Bills 90-Day Index	http://us.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index	11 November 2020
	S&P/NZX A-Grade Corporate Bond Index	http://us.spindices.com/indices/fixed-income/sp-nzx-a-grade-corporate-bond-index	11 November 2020
	Bloomberg Barclays Global Aggregate Index	http://www.bloomberg.com/professional/product/indices/	11 November 2020
	S&P/NZX 50 Index	http://us.spindices.com/indices/equity/sp-nzx-50-index	11 November 2020
	S&P/ASX 200 Index	http://au.spindices.com/indices/equity/sp-asx-200	11 November 2020
	MSCI All-World Index	http://msci.com/developed-markets	11 November 2020
	S&P/NZX Real Estate Select Index	http://us.spindices.com/indices/equity/sp-nzx-real-estate-select	11 November 2020

Fund	Index	More information	Date the index became the market index for the fund
Growth Fund	S&P/NZX Bank Bills 90-Day Index	http://us.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index	11 November 2020
	S&P/NZX A-Grade Corporate Bond Index	http://us.spindices.com/indices/fixed-income/sp-nzx-a-grade-corporate-bond-index	11 November 2020
	Bloomberg Barclays Global Aggregate Index	http://bloomberg.com/professional/product/indices/	11 November 2020
	S&P/NZX 50 Index	http://us.spindices.com/indices/equity/sp-nzx-50-index	11 November 2020
	S&P/ASX 200 Index	http://au.spindices.com/indices/equity/sp-asx-200	11 November 2020
	MSCI All-World Index	http://msci.com/developed-markets	11 November 2020
	S&P/NZX Real Estate Select Index	http://us.spindices.com/indices/equity/sp-nzx-real-estate-select	11 November 2020