



Pathfinder KiwiSaver Plan

**Other Material
Information**

We've been investing ethically
since *before it was cool.*

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1. General information

Purpose of this document

This Other Material Information document (**Document**) contains additional material information for the Pathfinder KiwiSaver Plan (**Scheme**) that is not contained in the Product Disclosure Statement (**PDS**) to help you make your investment decision. It should be read together with the PDS, the Statement of Investment Policy and Objectives (**SIPO**), the Ethical Investment Policy and the other documents uploaded on the Scheme's offer register on the Disclose website www.business.govt.nz/disclose

This Document relates to the offer of units in each of the following funds (**Funds**):

Fund	Establishment Date
Pathfinder KiwiSaver Growth Fund	29 May 2019
Pathfinder KiwiSaver Balanced Fund	29 May 2019
Pathfinder KiwiSaver Conservative Fund	29 May 2019

Viewing the PDS

The PDS and other information about the Scheme and each Fund can be found on the Disclose website www.business.govt.nz/disclose and at www.pathfinder.kiwi

Some terms we use

In this Document where the words (**us, we, our** or **Path finder**) are used they refer to Pathfinder Asset Management Limited (the manager of the Scheme). Where the words (**you, your** or **investor**) are used they refer to you as an investor in a Fund. Capitalised terms in this Document have the meaning given to them in the PDS.

SIPO

We manage the Funds under the SIPO.

No performance guarantees

Neither Pathfinder (as **Manager**) or Public Trust (as **Supervisor**) guarantees the performance of the Funds or any return from an investment in the Funds. The New Zealand Government does not guarantee any KiwiSaver scheme or any fund in any KiwiSaver scheme.



2. Who is involved?

Manager

Pathfinder is licensed under the Financial Markets Conduct Act 2013 (**FMCA**) as a manager of managed investment schemes. We are responsible for issuing and administering the Scheme and managing the assets in the Funds. Pathfinder specialises in ethical investment and was established in 2009 (company number 2203860).

We are a registered financial service provider (FSP number 34682) and provide investment management services for the Scheme's three Funds. More information about our licence, including its conditions, can be obtained from the Financial Service Providers Register at <https://app.companiesoffice.govt.nz/companies/app/ui/pages/companies/7240159/directors>

Information about our board of directors can be found on our website at www.pathfinder.kiwi and on <https://companies-register.companiesoffice.govt.nz/>

Ethics and Investment Committee

Pathfinder's Ethics and Investment Committee has up to seven members. The membership of the Committee is determined by the Board. Current members are:

1. An independent, who may also be a board member (co-chair of the Committee)
2. 2 directors of the Board (one of the directors co-chair of the Committee)
3. Chief Investment Officer
4. Pathfinder CEO
5. Head of Private Wealth Clients (Alvarium)
6. Head of Managed Accounts (Alvarium)

You can find biographies for each member on our [website](#).



Supervisor and Custodian

Public Trust is the Supervisor of the Scheme. The Supervisor is licensed under the Financial Markets Supervisors Act 2011 to act as a Supervisor of a KiwiSaver Scheme. A copy of the Supervisor's licence, including its conditions, can be obtained on the FMA's website www.fma.govt.nz/business/licensed-providers

The Supervisor is responsible for the following functions:

- supervising the performance by the manager of its functions and issuer obligations
- supervising the financial position of the manager and the Scheme
- acting on behalf of investors in relation to the Scheme and the manager
- reporting to the FMA any contravention or likely contravention of a manager's issuer obligations
- holding the Scheme's property or ensuring that it is held in accordance with the FMCA
- performing or exercising any other functions, powers, and duties conferred or imposed on the Supervisor by or under the FMCA, the Financial Markets Supervisors Act 2011 and the Trust Deed

The current board members of the Supervisor can be viewed at www.publictrust.co.nz.

The Supervisor's wholly owned subsidiary, Pathfinder Nominees Limited, holds the Scheme assets. No Scheme assets can be held by Pathfinder.

Manager's and Supervisor's Indemnity

Subject to the limits on permitted indemnities under the FMCA, if we are, or the Supervisor is, held personally liable to any other person in respect of any debt, liability or obligation incurred by or on behalf of any Fund or any action taken or omitted in connection with any Fund (other than in respect of our or the Supervisor's negligence, fraud or dishonesty), then we or the Supervisor (as the case may be) are entitled to an indemnity and reimbursement out of the relevant Fund to the full extent of such liability.



3. Social Enterprise Approach

We give to social and environmental causes. Consistent with our social enterprise approach, we support:

Our Charity Partners: we want to make a significant donation to local charities. We donate 20% of our KiwiSaver management fees (from our own pocket, not yours) to selected non-government-organisation charities (**Charity Partners**).

Charity Partners have been carefully selected by us, each working towards a better, fairer, healthier, more inclusive and kinder world. A list of our current Charity Partners are available on our website www.pathfinder.kiwi.

You can select your preferred Charity Partner to receive donations from us when you join Pathfinder. Uniquely, while you select the charity, the donation is our cost not yours. We have agreed with our Charity Partners that where investors have selected them, we will make a donation to the Charity Partner in an amount equal to the donation rate multiplied by our management fee attributable to that investor. The current donation rate is 20%. We may in our sole discretion and at any time, increase or reduce the donation rate.

If you do not select a Charity Partner, we will select a charity that aligns with our values on your behalf. You are able to change your Charity Partner at any time.

At the date of this document, donations are calculated based on unitholders at the end of each calendar month and are paid annually. It is possible we may in future choose to calculate and pay on a different schedule, but that is not currently the case.

Each donation arrangement may be terminated by the Charity Partner or by us, if this happens we will ask you for another charity selection.

As part of our commitment to social and environmental causes in New Zealand, Pathfinder and Alvarium executives may hold governance positions with one or more Charity Partners.

Paris Agreement: In addition to our Paris-aligned investment strategy, we, at our own expense, offset the carbon emissions generated by the KiwiSaver Funds by purchasing GHG offset credits.





4. Material contracts, policies and documents

Below are material documents in relation to the Scheme and the Funds:

Document	Parties	Purpose
Trust Deed	Pathfinder, Public Trust	Governs the establishment and operation of the Scheme.
Establishment Deeds	Pathfinder, Public Trust	Each Fund under the Scheme is constituted under a separate establishment deed.
SIPO	n.a.	This defines the investment objective and strategy for each Fund, including restrictions on investments.
Service Agreement	Pathfinder, Apex Group (NZ)	Appoints Apex Investment Administration (NZ) Limited (Apex Group (NZ)), previously known as MMC Limited) as administration manager to perform services for the Scheme such as fund accounting, fund valuations, registry, reconciliations and unit pricing.
Manager Reporting Agreement	Pathfinder, Public Trust	This sets out the reporting requirements and frequency of reporting in relation to the Scheme and the Funds as agreed between the Manager and the Supervisor. The reporting requirements include providing quarterly certificates, monthly reports, financial information, related party transaction reporting and other requested information on the Scheme and the Funds to the Supervisor.
Charity Partner Alignment Agreement	Pathfinder, each charity partner on our Charity Partner List	This sets out our agreement to make donations to each Charity Partner.
Scheme Provider Agreement	Pathfinder, Inland Revenue	Sets out Pathfinder's obligations to Inland Revenue as a KiwiSaver provider. The Scheme Provider Agreement outlines various operational and technical requirements of a KiwiSaver provider. The Scheme Provider Agreement sets out business and IT requirements, business continuity and disaster recovery plan requirements, and reporting and meeting procedures.
Service Agreement	Pathfinder, Alvarium Wealth (NZ) Limited	Appoints Alvarium, our sister company, to provide services on behalf of Pathfinder to fulfil all obligations as the Manager of the Scheme.



We are able to make changes to documents in relation to the Scheme and each Fund. We set out below some of the important areas where we can make changes. This is not an exclusive list, but is intended to point out some key terms that can be changed:

Change	Notice	Restrictions
Fees: introduce new fees or increase existing fees	One month	Under the KiwiSaver Act 2006 fees must not be unreasonable. We must give notice of any fee increase to the FMA before or as soon as reasonably practicable after the increase takes effect.
Amounts: minimum investment, minimum withdrawal, minimum balance	Not required	We can change these at any time.
SIPO terms: such as investment objectives, asset allocation, permitted investments and Fund benchmark	Material changes notified	Consultation required with the Supervisor. Prior notice of material changes will be given to you and noted in our annual report.
Trust deed and Establishment Deeds: changes to terms	Notice may not be required (although some changes require a special resolution of investors)	Consent of the Supervisor is required. The Supervisor must not consent unless it is satisfied that the changes to the trust deed do not have an adverse material effect on the investors or unless the changes will be approved by the investors of the Scheme. Material changes will be noted in our annual report.



Pathfinder also has a number of internal policy documents that govern its operations.

The key policies are as follows:

Policy	Purpose
Ethical Investment Policy	This describes how our ethical values are embedded in the way we invest.
Compliance Manual	<p>This provides our framework for identifying, monitoring, managing and reporting on risks. Areas covered include:</p> <ul style="list-style-type: none"> - Pathfinder governance - Internal controls - Conflicts of interest - Related party transactions - Insurance - Business continuity - Scheme administration (unit registry, valuation, pricing) - Error reporting and compensation - Insider Trading Policy - Trade Allocation Policy - Private Asset Valuation Policy

Please contact Pathfinder (email: info@pathfinder.kiwi) if you would like more information about the material contracts, policies and other documents.

5. What are the risks of investing?

All investments involve some level of risk. This may mean (1) you do not get all your money back and/or (2) you do not get your money back at the time you want it. Before making investment decisions, you should consult a financial adviser. The following section supplements section 4 of the PDS “What are the risks?” which sets out the material risks to your investment in the Scheme. In addition, the following risks may affect the value of your investment in the Scheme.

You should only invest in the Scheme if you understand and are willing to undertake the risks involved. Carefully consider each of the risks set out in the PDS and below. The following, and the risks set out in the PDS, is not a complete list of risks that may impact your investment in the Scheme; it does cover those that are more likely to arise.



Risks for all funds

- **Outsourcing risk:** Apex Group (NZ) has been appointed as administration manager for the Funds, which includes providing registry and fund accounting services. We have made this appointment to access the specialist skills of Apex Group 9 (NZ). However, this does mean we are reliant on Apex Group NZ continuing to perform their functions (it could impact the Scheme if they fail to do so).
- **Operating risk:** There is a risk of technological or other operational failure impacting on the Funds. There is also the risk that our internal processes or systems are not adequate or that they fail. This may impact the operation of the Funds.
- **Key person risk:** Pathfinder is a specialist fund manager and relies on its skilled staff. If some key staff left Pathfinder (or were unable to work), this may impact the operation of the Funds.
- **Suspension or deferral of redemptions:** In normal circumstances an investment in a Fund can be redeemed. However, it is possible that redemptions may be deferred or suspended. This could happen, for example, if a Fund was unable to sell the underlying assets it holds, or if as a result of unusual events markets were not open for trading. Should this occur, it would mean you may not be able to redeem your units when you want to.
- **Change of law or regulatory risk:** This relates to changes in legislation or regulation (or interpretation or application of these) in New Zealand or a country where the Funds invest. Any such change could have an adverse effect on the Funds, your investment and/or your after-tax returns.
- **Derivatives risk:** Each Fund may use one or more strategies from time to time to mitigate (or “hedge”) the risk of loss from underlying investments. Such strategies may include holding a higher proportion of assets in cash and the use of derivatives (such as futures and/or options). It is important to note that if the relevant market was to fall (1) there is no guarantee that protection strategies will be in place at the time, (2) the protection strategies can only ever help limit (but never eliminate) losses from a market fall and (3) these strategies may also give rise to a cost for a Fund. There is also a risk that using these strategies may mean the Fund does not participate (or does not fully participate) in rising markets.
- **Ethical investment risk:** As an ethical investor our investible universe will be reduced by applying our exclusions. This means there will be profitable investments that we turn down because they do not comply with our ethical considerations. The flipside is that we believe investments complying with this policy may well be of higher quality. Higher quality companies are likely to be better long-term investments, with the added benefit of avoiding causing harm.



6. Market indices

We use Morningstar® Target Allocation Indexes for the purposes of reporting Fund returns in our fund updates. As at the date of this OMI, the market indices are also used to calculate the risk indicators for the Funds.

The market indices used in relation to the Funds are widely recognised in financial markets and are administered independently from us.

We apply currency hedging to market index returns for comparing to Fund returns. You can find more information about the market indices from our website: www.pathfinder.kiwi and our SIPO.

7. Conflict of interest

This section sets out information about any conflicts of interests that could reasonably be expected to materially influence the investment decisions in our role as manager of the Scheme.

Conflicts of interest occur when our interests, as manager of the Scheme, may be inconsistent or very different to the interests of the investors in the Scheme. It is important that conflicts are identified and managed – whether the conflicts are real or perceived.

Conflicts of interest will arise from time to time. Examples of circumstances in which conflicts may arise include:

- Investments are made into funds or financial products of a related party (for example in financial products managed or arranged by Pathfinder, Alvarium or associated companies). For managing of this conflict, see below in relation to related party transactions.
- Investments that are bought, sold or held by Pathfinder's non-KiwiSaver funds may also be bought, sold or held by a Fund in the Scheme. This conflict is managed by Pathfinder's Trade Allocation Policy.
- Pathfinder and Alvarium (our sister company) staff may want to buy, sell or hold a security personally that is also held or considered by a Fund. This conflict is managed by Pathfinder's Insider Trading Policy.
- Investments are made into companies where a Director is also a person associated with the shareholders of Pathfinder. For managing of this conflict see below in relation to related party transactions.

Duty to Investors:

Our focus for managing conflicts of interest is our duty to act in the best interests of our investors. Our Compliance Manual recognises that to achieve this our focus is on creating processes, controls and a culture where:

- client interests are at the heart of the business
- staff understand (and care about) good outcomes for investors
- investors are treated equally and fairly and any conflicts of interest are disclosed to them



Related party transactions

We manage this conflict by ensuring that all transactions giving rise to a related party benefit comply with the requirements of the Financial Markets Conduct Act 2013 and Pathfinder's Compliance Manual. This procedure requires us to certify that the transaction, or series of transactions, is permitted by the Financial Markets Conduct Act 2013 or to obtain the Supervisor's consent to the transaction or transactions. We must also notify the Supervisor of the transaction or transactions.

These related party transactions include:

- Investment in the Pathfinder Green Bond Fund, Wholesale Ethical Trans-Tasman Fund and the Responsible Investment Fund, each of which is a Fund managed by us.
- Investment in the Alvarium Sustainable Income Fund managed by Alvarium Wealth (NZ) Limited, our sibling company. The estimated annual external cost in section 5 of the PDS, represents the estimated management fees paid to us or Alvarium for the investment in the Pathfinder Green Bond Fund and Alvarium Sustainable Income Fund.
- Investment in the private loans issued by Alvarium affiliates - this may be directly or through the Alvarium Private Credit Fund. Where a loan is made to a related party, we comply with the requirements of the Financial Markets Conduct Act 2013 as outlined above. In addition, all private loans to Alvarium affiliates are approved by the independent Chair of the Investment Committee and reported to the Investment Committee and the board.





8. Taxation

Background: Your returns from a Fund will be affected by taxation. The following is a general overview of the taxation treatment that applies. It is based on current NZ tax legislation (which may change). The impact of taxation will vary depending upon your individual circumstances. Pathfinder (as manager) and Public Trust (as supervisor) do not take any responsibility for your taxation liabilities. You are encouraged to seek professional financial and tax advice on the implications for you from investing in a Fund.

Terms used: In this section the terms “PIE” and “PIR” are used extensively. These are defined below:

Term	Meaning
PIE	The Scheme has registered for a special designation for tax purposes called a “portfolio investment entity” (or “PIE”). This term is defined in the Income Tax Act 2007.
PIE Tax	PIE tax is tax on income allocated to you as an investor. This will be determined by reference to the PIR you nominate and is generally paid by the Scheme (and not by you).
PIR or Prescribed Investor Rate	This is the tax rate an investor in a PIE may (or must) elect under the Income Tax Act 2007. Your nominated PIR is used by a PIE to calculate the tax liability on income allocated to you.

PIE status: The taxation rules applying assume the Scheme is a multi-rate PIE. Should the Scheme cease to be a PIE, the taxation rules applying to it (and each Fund) may change.

Allocation of income: Taxable income (or losses) will be allocated between investors based on the number of units held by them. We calculate tax payable on income allocated to you at your nominated PIR.

Notification of tax number and PIR: You must provide us with your IRD number (or foreign tax number, if you are not a New Zealand tax resident) and PIR when you join a Fund (and when these details change). If you do not provide your IRD number within 6 weeks of joining a Fund, by law we are not able to accept your investment and you will be required to exit the Fund. If you do not nominate a PIR, then income allocated to you will be taxed at the 28% default rate. Inland Revenue can also require us to change a PIR that you nominate.

**Explanation of PIRs:**

The PIR rules are as follows:

- **10.5% and 17.5%:** The applicable rate will depend on your taxable and net PIE income (i.e. PIE income less PIE losses) in one of the two previous income years:

Taxable income	Taxable + Net PIE income	Prescribed Investor Rate
\$0 – \$14,000	\$0 – \$48,000	10.5%
\$0 – \$48,000	\$0 – \$70,000	17.5%

- **28%:** This rate applies if you are not eligible to elect a PIR of 10.5% or 17.5% or if you become non-resident.
- **Notified Foreign Investors (NFIs):** The Funds in the Pathfinder KiwiSaver Plan are registered as Foreign Investment variable-rate PIEs (Foreign Investment PIEs). Special PIR rules apply for certain non-resident investors in Foreign Investment PIEs. A non-resident investor in a Foreign Investment PIE can elect to be treated as a NFI if they provide (in addition to their normal investor details): (a) their date of birth (individuals only); (b) their address in their country of tax residence (and country code); and (c) their foreign tax number (and NZ IRD number, if available) or a statutory declaration that they are not able to provide their foreign tax number. A NFI in a Foreign Investment Variable-Rate PIE has a 0% PIR automatically applied to allocated income from non-NZ investments (while different PIRs will be automatically applied depending on the type of NZ investment). Non-resident investors that are not NFIs will have a 28% PIR applied.

For further information on determining your PIR, go to www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates

Payment of tax: PIE tax will be deducted by cancelling units equal to the value of the tax liability on PIE income allocated to investors. The Scheme's tax liability on PIE income allocated to investors will be deducted at the earliest of the following times:

- at the end of the income year (following 31 March); or
- upon any full or partial withdrawal of your investment or a transfer to another Fund.

Tax refunds: A refund of tax will be provided to the Scheme to compensate for any PIE tax losses or excess NZ tax credits for investors. This is then allocated to investors by issuing additional units in the relevant Fund.

Final tax: If you nominate your correct PIR then the PIE tax paid on income allocated to you will be a final tax. This means there is no obligation for you to file a tax return in respect of an investment in a Fund.



Advising the correct PIR: You must advise us if your PIR (or tax residence) changes and nominate the new correct tax rate (if applicable). Failure to advise us, or providing a lower rate than that applicable, will mean you are personally liable to pay any tax shortfall as part of the income tax year-end process. We cannot change your nominated PIR in respect of PIE tax that has already been calculated and deducted. If the rate applied to your PIE income is higher than your PIR, any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

Impact on social policy entitlements: PIE income allocated to you will not impact any entitlements you may have to Working for Families (as the Funds are registered KiwiSaver funds).

Cancellation of units: If the value of your units is not regarded as likely to be sufficient to fund the PIE tax liability on income allocated to you, the units will be redeemed to fund that liability. Each investor indemnifies the Supervisor and Manager if the value of their units is not sufficient to meet any PIE tax liability attributable to the investor.

PIE tax on withdrawals and transfers: If you withdraw your investment, or transfer your investment to another Fund, prior to 1 April in any year you will bear the cost of PIE tax on income allocated to you. This will be calculated from the beginning of the income year to the date of withdrawal or transfer by you.

New residents and taxation residents

Special PIR rules apply for investors that are new NZ tax residents or who meet the definition of a “transitional resident” (in the Income Tax Act 2007). Please seek professional advice if these definitions apply to you.

Other important taxation information

Tax certificate: We will provide you with an annual tax certificate. The certificate includes the PIE income allocated to you and the amount of tax paid at your nominated PIR.

Gains and distributions: Redemption gains on a transfer or withdrawal from a Fund will not be taxable to you.

Holding restrictions: PIEs have restrictions on the percentage of units you can hold (generally no more than 20% of the Scheme and a particular Fund). We may redeem or cancel units held by investors exceeding the permitted threshold to ensure the Scheme’s PIE status is maintained.

The impact of taxation will vary depending upon your individual circumstances. You are strongly encouraged to seek professional financial and tax advice.