

New Zealand Retirement Trust

1 April 2022

Risks

This document provides a general overview of how risks affect your investment and detail on the types of risks associated with investing. The risks described in this document include the key investment risks and other risks that may impact any of the funds in the New Zealand Retirement Trust (NZRT or Scheme).

The risks described in this document should be read in conjunction with the specific risks set out in the relevant Product Disclosure Statement (PDS) and with the specific risks (if any) set out in the most recent quarterly fund updates for the Scheme.



A little help.



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Risks and your investment

There are risks associated with investing. The risks that are associated with an investment could affect your level of return or ability to recover the total amount of your contributions.

It is important to realise that no-one can predict every event that may affect investments. The underlying assets of the funds within the Scheme (Funds) will rise and fall in value, and returns may be negative from time to time. Market volatility may affect the investment performance of some of the Funds. Returns are not guaranteed and you may get more or less than the total amount contributed when you leave the Scheme.

The following pages summarise the risks applying to the Scheme that could impact the level of return from your investment or the ability to recover the full amount of your investment in the Scheme.

The information below doesn't cover everything, but they do cover the risks we believe to be most important. It is recommended that you seek advice from a financial advice provider for further information.

How these risks relate to those covered by the relevant PDS and quarterly fund updates

The risks described in each PDS are broken into:

- general investment risks that may cause a Fund's risk indicator to move up and down; and
- other specific risks that we are aware of in relation to the Scheme or the Funds offered in the PDS that may arise which increase the risk to investors' returns, other than circumstances that are already reflected in the risk indicator.

For all funds other than the Lifesteps Funds, the quarterly fund update will describe the specific risks (if there are any) for investing in that particular Fund that we are aware of that exist or that may arise which increase the risk to investors' returns, other than circumstances that are already reflected in the risk indicator for that Fund.

This document provides more detail on these risks, and outlines some of the other general investment risks that may apply.

General investment risks

Investment risk is the risk of negative or lower than expected returns from the Funds. It is also possible the returns for a particular Fund will be insufficient to meet its expenses.

Returns and risks vary, depending on the type of asset invested in. This is because assets perform differently through market cycles and every asset type carries a different type of risk. Generally, the level of risk is related to the potential return from the investment. Lower risk investments, such as cash and fixed interest (known as 'income assets'), typically provide more consistent yet lower returns. Higher risk investments, such as property and equities (known as 'growth assets'), have the potential to fluctuate significantly in value with a greater possibility of a negative return. Generally, a fund with a higher allocation to growth assets has the potential for higher returns over the long term than a fund with a higher allocation to income assets.

The main risk associated with receiving less than you invested, or a lower return than expected, from the Fund or Funds chosen is adverse market performance. The prices and values of securities held by a Fund within the Scheme will fluctuate as a result of changes in market conditions. For example, if you're invested in a Fund that holds New Zealand equities, and the equity market falls in New Zealand, then the value of your investment may fall (depending on how the other types of investments in that Fund have performed). Underlying assets held by the Funds will rise and fall in value and returns will, with exceptions, from time to time be negative. Depending on the length of time that you have invested and market movements, it is possible that you may receive less than your initial investment on withdrawal.

As set out in section 4 of each PDS, there are different types of risk that contribute to investment risk. The examples that follow are believed to be the investment risks that apply to the Scheme.

Risk	Description of the risk
Asset allocation risk	<p>As mentioned in the PDS and above, each investment sector has risks that are typical of that sector. We manage this risk in the single sector funds by investing across different investments within that asset class and for the diversified funds we manage this risk by investing across different asset classes as well as investing across different investments within each asset class. We regularly monitor and review the investment performance and investment options. We also utilise investment research and other tools to provide recommendations on underlying fund managers, where applicable.</p> <p>The detail below outlines the key risks of each investment sector:</p> <p>Cash</p> <p>The main risk with cash is that inflation will erode value. Where cash assets included in a Fund are placed on bank deposit there is also a small risk of the bank defaulting, meaning that some or all of the cash may be lost. Funds with greater exposure to cash assets will be more affected by this risk.</p> <p>Fixed interest</p> <p>For any particular fixed interest security, changes to interest rates in the market affect its value and there is the risk of the borrower not making the interest payments and/or not repaying the loan. Funds with greater exposure to fixed interest assets will be more affected by this risk.</p> <p>Property</p> <p>There is the possibility of financial loss occurring as the result of owning any real estate investment. The value of property investments may be affected by demand, location, the quality of the property, market conditions, interest rates, opinion and the market for property investments. Funds with greater exposure to real property assets will be more affected by this risk.</p> <p>Equities</p> <p>The value of an individual share is influenced by many factors including the performance of the relevant company, market opinion and the economic performance of the country or sector. Funds with greater exposure to shares will be more affected by this risk.</p>
Market risk	<p>Market risk is the risk that the Funds' investment return will fluctuate as a result of changes in market conditions. These conditions include but are not limited to economic and regulatory conditions, political events, environmental and technological issues.</p>
Currency risk	<p>Currency risk is the risk that the value of a financial investment will fluctuate as a result of changes in foreign exchange rates. Investments denominated in foreign currencies will fall if the New Zealand Dollar strengthens against those currencies, all else being equal.</p>
Interest rate risk	<p>Interest rate risk is the risk that the Funds' investment return will fluctuate as a result of changes in interest rates. The Funds' exposure to interest rate risk primarily arises from investments in interest-bearing instruments such as cash and bonds, but can also affect other assets such as property and share investments.</p>
Credit risk	<p>Credit risk is the risk that a borrower may default on their financial obligations or be otherwise unable to meet their financial obligations, either in whole or in part under a contract. The impact of this will be a reduction in the level of returns or the full amount of the investment not being recovered.</p>
Liquidity risk	<p>Liquidity risk is the risk that the Funds will experience difficulty in realising assets, having to liquidate assets at a time of duress which means a sub-optimal price is realised, or otherwise experiencing difficulty raising sufficient funds to satisfy financial obligations. Low liquidity means it may not be possible to sell assets at the desired time at fair value. This will impact the Funds' ability to make payments as required, such as paying benefits.</p>

Risk	Description of the risk
Counterparty risk	Counterparty risk is the risk that a party to a financial contract (including an investment contract) defaults or is otherwise unable to fulfil their obligations. If this occurs, the full amount of the investment may not be recovered.

Other general risks

The value of your investment, and your ability to withdraw, may also be affected by some or all of the following risks. The table below sets out the other risks that may affect any of the Funds:

Risk	Description	Impact of the risk	How we mitigate or manage these risks
Operational risk	The risk of a technological, process, or other failure affecting the Scheme's operations or the financial markets in general.	Any risk of technological failure could impact your returns or ability to withdraw from the Funds.	We have a risk management framework that encompasses a business continuity plan, which is designed to minimise the period of business disruption caused by these unforeseen events and address such failures in a timely and effective manner.
Regulatory risk	The risk that the Scheme is affected by future changes to tax, financial markets, or other legislation (whether in New Zealand or overseas).	These changes could affect the Scheme's investments by impacting on the operation of the Scheme, returns and benefits available.	We actively monitor new developments to the regulatory environment. Furthermore, we regularly liaise with other market participants and the regulators to gauge market sentiment for change.
Risk of losing PIE tax status	Although the Scheme comprises a number of Funds, it is structured as a single PIE for tax purposes. Accordingly, there is a risk in respect of the Scheme that, if a Fund fails to satisfy PIE eligibility criteria and that failure is not remedied within the period permitted under the Income Tax Act 2007, all Funds may lose PIE status and revert to a scheme taxed at a flat rate of 28%, rather than at your own prescribed investor rate.	A loss of PIE tax status for the Scheme could impact the returns to the investor.	We have implemented processes to monitor ongoing PIE eligibility compliance within each Fund, and proactively manage this risk.
Risk of restrictions of withdrawals, transfers or switches	There is a risk that we may defer withdrawals, transfers from the Scheme or switches between Funds if we determine that, having regard to the realisation of assets required in order to make the relevant payment or to give effect to the switch, giving effect to the withdrawal, transfer or switch earlier would be imprudent or impracticable.	Any such deferral will restrict your ability to withdraw, transfer to another scheme or switch between Funds.	We actively monitor the underlying funds into which the Funds invest in so that we are aware of any changes and we can change the underlying funds we invest in at any time.
Insolvency risk	The risk that the Scheme or a Fund becomes insolvent and is placed into receivership, liquidation or statutory management, making it unable to meet its financial obligations.	If the Scheme becomes insolvent then you may not recover the full amount of your investment in the Scheme. However, you won't incur any liability to any person, other than for expenses, fees or taxes payable before the insolvency. If you have a QROPS account, any withdrawal of funds from the Scheme on insolvency may be subject to UK tax liability.	We mitigate this risk by ensuring that each Fund primarily invests in liquid assets.

Risk	Description	Impact of the risk	How we mitigate or manage these risks
Scheme liquidity risk	The risk that the Scheme cannot meet payments on time. This risk arises where there is a mismatch between the maturity profile of investments and the amounts required to meet withdrawal requests.	Such liquidity risk would restrict your ability to withdraw, transfer to another scheme or switch between Funds.	We mitigate this risk by ensuring that the Funds in the Scheme primarily invest in liquid assets. The asset holdings of the Funds are generally invested across different asset classes and/or different investments within an asset class.
Borrowing risk	The risk that where borrowing has occurred in relation to a Fund, the lender would have the right to demand payment from that Fund at short notice.	The level of borrowings by the Funds is subject to certain conditions in the Trust Deed.	We mitigate this risk by limiting borrowings of the Funds except to provide liquidity for the repayment or redemption of any units and by investing in assets that are generally liquid in nature under ordinary circumstances.
Single trust fund risk	AMP and The New Zealand Guardian Trust Company Limited (Supervisor) have established separate Funds within the Scheme, which are designed to enable investors to invest into particular asset classes or mixes of asset classes. However, the assets of the Scheme comprise a single trust fund.	Although all liabilities incurred in relation to a Fund must be met in the first instance from the assets held for that Fund, in the unlikely event that the assets attributable to a particular Fund are insufficient to meet the liabilities attributable to that Fund, the assets of any other Fund may be called on to meet those liabilities.	We mitigate this risk by ensuring separate accounting records are kept for each Fund and ensuring that the majority of Fund expenses are calculated as a portion of the Fund's value.

Other specific risks - Both PDS

The information in this section forms part of each PDS for the Scheme. It describes the other specific risks that we are aware of in relation to the Scheme that exist or that may arise which increase the risk to investors' returns, other than circumstances that are already reflected in the risk indicator, or that are disclosed in the PDS or quarterly fund update for a Fund.

Risk	Description	Impact of the risk	How we mitigate or manage these risks
Fund of funds risk	The Funds invest in other funds. An underlying fund manager of a Fund may close its investment fund without notice, or on limited notice, and this may result in investments being held in cash, pending the replacement of the underlying fund manager. Similarly, an underlying fund manager may close its investment fund to new applications, resulting in investments also being held in cash. This risk may affect all the Funds.	The decisions made by the underlying fund managers (for example, the underlying fund managers deciding to suspend or defer withdrawal requests in certain circumstances) will have an impact on your ability to withdraw or switch between Funds. Any risk of technological failure could impact your returns or ability to withdraw from the Funds.	AMP monitors and reviews the investment performance, compliance and contractual arrangement of the underlying fund managers quarterly. When selecting an underlying fund manager, AMP undergoes a due diligence and approval process. We also utilise investment research and other tools to provide recommendations on underlying fund managers, where applicable.
Service provider risk	The risk that if any of the parties involved in the operation of the Scheme (including the Supervisor, AMP, AMP Services, and BlackRock), underlying fund managers and AMP Life* fail to perform their obligations, it could adversely affect investors of the Scheme.	Any failure or non-performance by AMP Services, BlackRock, underlying fund managers, or AMP Life* could have an adverse effect on the Scheme and your ability to make a withdrawal. In addition, as AMP Services is a related party of AMP, any issue affecting their ability to perform functions may also affect us. If an employer fails to pass contributions on to us, it could adversely affect some or all of the investors (if any) employed by that employer.	AMP actively monitors and reviews the performance of those that are involved in providing the product to ensure compliance with contractual arrangements.
Risk of QROPS Rules applying to other accounts in the Scheme	The risk that more restrictive requirements will apply to a member's account in the Scheme if they have a QROPS account.	Under the QROPS Rules, the 'first dollar' rule applies, which means that any withdrawals from the Scheme is considered to be a withdrawal from QROPS funds first, therefore all accounts will be affected by QROPS Rules until you are entitled to make a full withdrawal from your QROPS account.	AMP actively monitors and reviews new account requests to determine whether a Scheme account is subject to QROPS Rules and manages the member's understanding of this risk.

* AMP group divested majority ownership of AMP Life to Resolution Life Australia Pty Limited on 30 June 2020, and has agreed to divest its remaining interest to Resolution Life Group.

Other specific risks - Personal Superannuation Section PDS

The information in this section forms part of the NZRT – Personal Superannuation Section PDS. It describes the other specific risks in relation to the offer contained in that PDS that we are aware of in relation to the Scheme that exist or that may arise which increase the risk to investors' returns, other than circumstances that are already reflected in the risk indicator, or that are disclosed in the PDS, a quarterly fund update for a Fund, or set out above.

Risk	Description	Impact of the risk	How we mitigate or manage these risks
Risk of losing QROPS status	The risk that the Scheme could lose QROPS status at any time.	If QROPS status is lost, a QROPS investor's UK tax implications may change in relation to their QROPS account balance and/or any future transfers of UK sourced pension fund made by them to the Scheme.	We actively monitor new developments in the QROPS environment. We have implemented processes to monitor ongoing compliance for QROPS, and proactively manage this risk.
Risk of UK tax implications for QROPS Members	The risk that a QROPS member may be deemed to have a UK tax liability in the event of a withdrawal from NZRT.	HMRC may impose an unauthorised payment charge of up to 55% on UK sourced pension funds transferred to a non-QROPS, or on payments to you from your QROPS account if those payments are not authorised by the UK legislation. All withdrawals are deemed to be made first from your QROPS account for these purposes.	AMP provides no warranty and does not indemnify you against these charges should they arise. We recommend that you seek independent UK and New Zealand tax advice before you make a transfer or withdrawal to determine whether you will be subject to UK tax liability.

Other specific risks - Workplace Savings Section PDS

The information in this section forms part of the NZRT – Workplace Savings Section PDS. It describes the other specific risks in relation to the offer contained in that PDS that we are aware of in relation to the Scheme that exist or that may arise which increase the risk to investors' returns, other than circumstances that are already reflected in the risk indicator, or that are disclosed in the PDS, a quarterly fund update for a Fund, or set out above.

Risk	Description	Impact of the risk	How we mitigate or manage these risks
Risk of employer failing to pass on contributions	Employers are responsible for collecting contributions from investors and passing them to us, together with any employer contributions. There is a risk that an employer will fail to pass this on.	If an employer fails to pass contributions on to us, it could adversely affect some or all of the investors employed by that employer.	AMP actively monitors contributions received from employers to ensure compliance with this obligation.

Glossary

AMP, we, our, us and the Manager means AMP Wealth Management New Zealand Limited, the manager of the New Zealand Retirement Trust.

AMP Life means Resolution Life Australasia Limited (formerly AMP Life Limited), the primary insurer of the Scheme and issuer of the managed fund policy which the Declared Rate Fund invests into.

AMP Services means AMP Services (NZ) Limited, the administration manager of the Scheme and a related party of AMP.

Current or **currently** means that legislation, policy or a practice is current as at the date of this document but may change at any time without notice.

Fund means an investment fund established in the New Zealand Retirement Trust.

Lifesteps Funds means the six funds that form the Lifesteps Investment Programme which are set out in the PDSs.

PDS means the relevant Product Disclosure Statement for the New Zealand Retirement Trust. There are currently two PDSs for the Scheme.

PIE means a Portfolio Investment Entity as defined in the Income Tax Act 2007.

QROPS means qualifying recognised overseas pension scheme.

QROPS Rules means the relevant UK legislation, regulations and/or statutory instruments applicable to a QROPS, as amended from time to time.

Quarterly fund update means a quarterly fund update prepared for an investment option within the Scheme.

Scheme or **NZRT** means the New Zealand Retirement Trust.

Single sector funds means funds that primarily provide exposure to a single asset class.

Supervisor means The New Zealand Guardian Trust Company Limited, the supervisor of the Scheme.

Trust Deed means the document governing the New Zealand Retirement Trust, as amended from time to time.

You, your or **investor** means the person who is an investor of the New Zealand Retirement Trust.

Phone 0800 800 267
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Want to know more?

For more information about the New Zealand Retirement Trust, please see the relevant New Zealand Retirement Trust Product Disclosure Statement at amp.co.nz/nzrt or contact us on 0800 800 267 or talk to your Adviser today.

A little help.

