



# **SECURITY MUTUAL FUND**

## **INVESTMENT STATEMENT**

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## 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:

|  | <b>Page</b> |
|--|-------------|
| What sort of investment is this?   | 3           |
| Who is involved in providing it for me?  | 3           |
| How much do I pay?   | 4           |
| What are the charges?  | 4           |
| What returns will I get?   | 6           |
| What are my risks?   | 7           |
| Can the investment be altered?   | 8           |
| How do I cash in my investment?  | 8           |
| Who do I contact with inquiries about my investment?                           | 9           |
| Is there anyone to whom I can complain if I have problems with the investment? | 9           |
| What other information can I obtain about this investment?                     | 10          |

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.

For the purposes of the Securities Act 1978 this Investment Statement was prepared on 20 October 2011.

### **What sort of investment is this?**

This is an investment in a registered superannuation scheme. The scheme is registered under the Superannuation Schemes Act 1989. The scheme is governed by a consolidated trust deed dated 21 December 2007.

Mutual Superannuation Fund Limited is the trustee (**Trustee**), administration manager and promoter of the scheme.

Any natural person can apply to become a contributor to the scheme. The contributions are invested by or on behalf of the Trustee. The Trustee can invest in any property. Currently, the policy of the Trustee is to invest in international and local shares, international and local fixed interest securities and some cash.

Benefits are generally payable to contributors on the maturity date nominated by the contributor.

### **Who is involved in providing it for me?**

The name of the scheme is **Security Mutual Fund**

The Trustee, administration manager and promoter of the scheme is:

Mutual Superannuation Fund Limited  
198 Federal Street, Auckland  
PO Box 6831  
Auckland

The address of the Trustee, administration manager and promoter may change from time to time. You can obtain the current address of the Trustee, administration manager or promoter at any time by calling 0800 367 673.

Security Mutual Fund is a superannuation scheme registered under the Superannuation Schemes Act 1989.

The scheme is a contributory scheme for natural persons and others admitted to membership by the Trustee. The scheme was established in 1971 under a trust deed dated 14 September 1971. That deed and various amendments to it were consolidated in a trust deed dated 21 December 2007, which now governs the scheme (**'trust deed'**). The trust deed is an umbrella trust deed which also governs the MSF KiwiSaver Scheme, established with effect from 21 December 2007.

The purpose of the scheme is to provide retirement benefits to contributors to the scheme. Investors cannot cash in their investment until the maturity date nominated by them or their earlier death, permanent incapacity or permanent emigration from New Zealand.

### **How much do I pay?**

Contributions can be made regularly or paid as a lump sum. The minimum regular contribution is \$500 per annum. This can be paid weekly, monthly or annually. The minimum lump sum contribution is \$1,000. If regular contributions are being made periodic lump sum contributions can be made as well if desired. Subject to contributions being no less than these minimum amounts there are no strict payment dates on which contributions must be made nor is there any requirement regarding the frequency of those payments. Consequently there is no penalty if a payment date is missed and as a result there are no circumstances in which a contributor may be required to pay more than the amount of contributions that they have determined to make.

Payments are made to the Trustee, Security Mutual Fund, 198 Federal Street, Auckland 1010, PO Box 6831, Wellesley Street, Auckland 1141. Payments should be made by cheque to 'Mutual Superannuation Fund Ltd' (crossed 'not negotiable, account payee only'). Payments can also be made by direct credit or automatic payment.

In certain circumstances contributions can be decreased or discontinued. See details under 'Can the investment be altered?'

### **What are the charges?**

The following expenses are deducted from the fund into which moneys paid into the scheme are held:

- The expenses of managing the scheme. There is no fixed charge payable to the administration manager for its services in administering and managing the scheme.
- Promotional expenses.
- The remuneration of the directors and other officers of the Trustee and any other person providing services for the Trustee and the scheme.

The expenses are charged against income and the resulting surplus allocated to contributors on the weighted average daily balance of contributors' funds held with the scheme. There are no limitations on the amount of such expenses and fees which may be recovered from the scheme.

**ENTRANCE FEES** - the following fees (calculated as a percentage of the investment amount) are payable on becoming a member of the scheme:

Lump sum payments

|   |      |
|---|------|
| Less than \$5,000                       | 5%   |
| \$5,000 or over but less than \$10,000  | 3%   |
| \$10,000 or over but less than \$20,000 | 2.5% |
| \$20,000 or over but less than \$40,000 | 1.5% |
| \$40,000 or over                        | 1%   |
| Each incremental step is cumulative     |      |

**PROVIDED THAT** the Trustee may at any time in its absolute discretion determine that a lesser entrance fee than that determined above may apply.

For regular payments there is an entrance fee of 10% of the annual contribution (subject to the Trustee's discretion), and 10% of any annual increase (subject to the Trustee's discretion), and a collection or accounting fee of 3% for monthly payments or 2% if less frequently than monthly. As at the date of this investment statement, we do not currently charge these fees. However, we may elect to do so in the future.

If you withdraw before your nominated maturity date, the Trustee may impose an exit fee of 5% of the value of the benefit upon withdrawal if the withdrawal is within one year of the date contributions are first made, reducing to 0% after 5 years on a proportionate basis.

If you pay by instalments and have not paid any instalments for a period of six months from the due date of payment, you cease to be a member and if you wish to re-contribute to the scheme, you may (subject to the Trustee's discretion) be required to pay an entrance fee.

You may by request in writing to the Trustee increase or decrease or discontinue contributions or defer payment of your benefit. In the event of increase or deferral an additional fee or charge will be payable though the Trustee may waive that fee in respect of the amount of the increased contribution or amount of the benefit that is deferred.

The Trustee has the right to charge fees or apply charges directly to contributors. Any such fees and charges will be specified in the membership application form and will depend on the type of contribution you choose to make. The amount of fees and charges agreed to by you at the time of joining the scheme cannot be altered. Subject to that, the fees and charges payable by contributors can be varied by the Trustee. However no such fees or charges can be more than as set out above.

The fees and charges applicable at any time can be ascertained by contacting the Trustee.

## What returns will I get?

### *The nature of your returns*

The scheme is a medium to long term investment designed to provide funds on retirement. You cannot cash in your investment during your nominated term except under the limited circumstances outlined below under 'How do I cash in my investment?'.

If the maturity date nominated by you occurs on a balance date of the scheme (30<sup>th</sup> June), your benefit upon reaching the maturity date will be a sum equal to the amount of the contributions made by you plus your share of the net profit (or minus your share of any loss) of the scheme as calculated in the annual accounts of the scheme as at the relevant balance date the ('**Benefit Amount**'). If your maturity date occurs between balance dates the Trustee will make a reasonable estimate of the Benefit Amount.

The scheme is a portfolio investment entity ('**PIE**') whereby tax is paid on behalf of individual resident members at their elected prescribed investor rate ('**PIR**'). As at the date of this Investment Statement, the PIRs for New Zealand resident individuals are 10.5%, 17.5% or 28% depending on contributors' taxable income and PIE income or losses.

Permitted withdrawals from the scheme will not generally be taxable unless tax is required to be paid at the time of the withdrawal in relation to PIE tax obligations.

Tax legislation is complex and may have different or further consequences than those described in general terms above. Contributors should seek independent professional tax advice before investing or withdrawing.

No return on your investment is guaranteed.

Return of your capital is not guaranteed.

The name of the person legally liable to pay any returns is the Trustee, Mutual Superannuation Fund Limited.

Your return is calculated annually as at the scheme's balance date (30th June). The Trustee certifies the amount of the return and issues a certificate to you giving details. The returns are compounded until the maturity date.

### *Key factors that determine your returns*

The value of your investment will depend on the returns received by the scheme from its investments. The main investments of the scheme are in international and local shares, fixed interest securities and some cash. The following factors will affect the value of your investment:

- The amount you invest.
- The term you invest for.
- The performance of the underlying investment (i.e. the investments made by the scheme).
- The charges and fees deducted prior to calculation of the returns of the scheme (see 'What are the charges?') above.
- The tax treatment of the scheme and its contributors.
- The state of the market in which the scheme's investments are made.
- Movements in interest rates and currency exchange rates.

## What are my risks?

**All investments carry risk. There are risks associated with the scheme that could affect your ability to recover the amount of your contributions or impact on the returns payable from the scheme.**

The principal risks applying to the scheme that could affect returns (and which are common to superannuation schemes generally) are:

- *Investment risk:* The risk of a result of negative returns on the scheme's investments or that the returns for the scheme are insufficient to meet the applicable expenses.
- *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, you may not recover the full amount of your investment in the scheme.
- *Liquidity risk:* The risk associated with an inability on the part of the scheme to meet monetary obligations in a timely manner. The 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 or general superannuation legislation which could affect the operation of the scheme or your benefits, or of the trust deed being amended in a manner permitted by law that has the effect of reducing benefits.
- *Contributor risk:* The risk of a benefit being forfeited by you if you become bankrupt or unable to manage your affairs.
- *Foreign exchange and currency movement risk:* The risk of movements in foreign exchange rates which affect the value of the scheme's overseas investments.
- *Administration risk:* The risk of a technological or other failure impacting on the scheme or financial markets in general.
- *Interest risk:* Interest rate risk that arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.
- *Maintaining PIE status:* If the scheme was not able to retain PIE status the scheme would revert to being taxed at 28% on all income.
- *PIR risk:* The risk of you providing an incorrect Prescribed Investor Rate ('PIR') or not advising the Trustee of a change to your PIR resulting in you either paying too much tax on your investment or having an obligation to pay further tax and file a tax return.

Because of the impact of fees it is reasonably foreseeable that you will receive less than your contributions if you cease to be a member a short time after joining.

You will not be required to pay in respect of the scheme more money than is disclosed under the heading 'How much do I pay?' above, and under the heading 'What happens in the event of the insolvency of the scheme?' below.

### ***What happens in the event of insolvency of the scheme?***

In the event that the scheme becomes insolvent there would be no obligation on the part of any contributor to pay any money to any person as a result of such insolvency. If the scheme is wound up, secured and unsecured creditors would rank ahead of contributors.

The Trustee has power to wind up the scheme if it considers that it is not in the best interests of contributors to continue its operation or that the interests of contributors may suffer if the scheme is allowed to continue. The Trustee can also apply to the court for an order to wind up the scheme.

### **Can the investment be altered?**

Subject to the minimum contribution levels, you can increase, decrease or discontinue contributions or defer payment returns at any time by written request to the Trustee. No additional fee or charge is payable in respect of an increased contribution or deferred payment.

Unless the Trustee determines that to do so would materially prejudice the interests of members generally, or a breach of the Superannuation Schemes Act 1989 would result, the Trustee may generally vary all or any of the terms of the scheme's investments (for example, underlying fund managers, mixture of investments, guidelines and procedures and minimum contribution and holding requirements).

The Trustee may amend the trust deed subject to the provisions of the Superannuation Schemes Act 1989 and certain other legislation.

### **How do I cash in my investment?**

You cannot terminate your investment before your nominated maturity date except in the event of your:

1. Death.
2. Permanent illness or incapacity (as described in the trust deed).
3. Permanent emigration from New Zealand.

No additional charges are payable in these events.

Your investment in the scheme cannot be transferred to another person.

Shortly before the maturity date the Trustee will contact you to advise you of the options which can be exercised by you after the maturity date.

The options in respect of your Benefit Amount (if any) can be exercised at any time after the maturity date by notice in writing to the registered office of the Trustee. The options are:

1. Reinvest for a further term.
2. Payment of the Benefit Amount or part of it to you in cash.

3. Application of the Benefit Amount (or part of it) to purchase a life annuity (subject to availability).
4. Payment of part of the Benefit Amount to you in cash and the balance for the purchase of a life annuity (subject to availability).
5. Payment of the Benefit Amount by the Trustee to a reputable life insurance company approved by the Trustee to purchase a life annuity for you during your lifetime (subject to availability).
6. Payment of the Benefit Amount by the Trustee to a reputable life insurance company approved by the Trustee to purchase a life annuity for you during your lifetime and upon your death for your surviving spouse for the duration of his or her lifetime (subject to availability).

### **Who do I contact with inquiries about my investment?**

If you have any inquiries about your investment please contact:

|  |   |
|--|---|
| The Office Manager<br>198 Federal Street | Mutual Superannuation Fund Limited<br><br>Auckland 1010<br>PO Box 6831<br>Wellesley Street<br>Auckland 1141<br>Telephone: 09 379 8052 |
|--|---|

### **Is there anyone to whom I can complain if I have problems with the investment?**

If you are not satisfied with the service you have received from us you should contact us. We have an internal complaints process and undertake to investigate your concerns promptly and fairly. You may contact us to make a complaint by telephone, email or in writing:

|                        |  |
|------------------------|--|
| The Executive Director | Mutual Superannuation Fund Limited<br>198 Federal Street<br>Auckland<br>PO Box 6831<br>Telephone: 09 379 8052<br>Email: <a href="mailto:funds@msf.co.mz">funds@msf.co.mz</a> |
|------------------------|--|

We are a member of an independent dispute resolution scheme operated by Financial Services Complaints Limited ('**FSCL**') and approved by the Ministry of Consumer Affairs. We have 40 days to respond to your complaint. If you are not satisfied by our response, you may refer the matter to FSCL by e-mailing [info@fscl.org.nz](mailto:info@fscl.org.nz) or calling FSCL on 0800 347257. Full details of how to access the FSCL scheme can be obtained on their website [www.fscl.org.nz](http://www.fscl.org.nz). There is no cost to you to use the services of FSCL.

If you have a complaint that the scheme is not being operated in accordance with the Superannuation Schemes Act 1989 or that the financial position of the scheme, the security of the members' benefits or the management of the scheme is inadequate, and you are unable to resolve your complaint with the Trustee, you can complain to:

Financial Markets Authority  
Level 8, Unisys House  
56 The Terrace  
PO Box 1179  
Wellington 6140  
Wellington  
Telephone: 04 472 9830  
Facsimile: 04913 3652 472 8076

### **What other information can I obtain about this investment?**

Other information about the scheme is contained or referred to in a prospectus and in financial statements of or relating to the scheme.

All of the following documents can be inspected at the office of the Trustee at 198 Federal Street, Auckland between 9am and 12 noon on working days, or by writing to the manager of the scheme at P O Box 6831, Wellesley Street, Auckland 1141:

- (a) The Trust Deed for the scheme.
- (b) The latest prospectus for the scheme.
- (c) The latest financial statements for the scheme.
- (d) The latest annual report for the scheme prepared in accordance with the Superannuation Schemes Act 1989.

No fee is payable for inspection. Copies of the relevant documents may also be obtained (upon payment of any prescribed fee) from the Companies Office website [www.business.govt.nz/companies](http://www.business.govt.nz/companies) under "Search Other Registers" or by telephoning the Ministry of Economic Development Business Service Centre on 0508 266 726 or 0508 COMPANIES. The scheme's registration number is 1801899.

Each year a statement is sent to each contributor with the annual report and financial accounts. The statement sets out:

- 1. Balance of your member account at the beginning of the financial year.
- 2. Total contributions made by you during the financial year.
- 3. Your share of profit (or loss) for the financial year.
- 4. Balance of your member account at the end of the financial year.

On written request to the Trustee the following information relating to the scheme is available:

- |                         | <b><u>Charge</u></b> |
|-------------------------|----------------------|
| (a) Copy of application | nil                  |
| (b) Copy of Trust Deed  | nil                  |

|     |  |               |
|-----|--|---------------|
| (c) | Copy of latest financial accounts and report | nil           |
| (d) | Copy of previous year's accounts and reports | \$5 per year  |
| (e) | Copy of current contributors statement       | nil           |
| (f) | Copy of previous years' statement            | nil           |
| (g) | Copy of other year's statements              | \$10 per year |
| (h) | Copy of latest prospectus                    | nil           |
| (i) | Copy of investment adviser details           | nil           |
| (j) | Copy of latest investment statement          | nil           |