

SECURITY MUTUAL FUND

INVESTMENT STATEMENT

IMPORTANT INFORMATION

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

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

Choosing an investment

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

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

Engaging an investment adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including –

- relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- what types of investments the adviser gives advice about; and
- whether the advice is limited to investments offered by 1 or more particular financial institutions; and
- information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving advice about an investment. The information about fees and remuneration must include –

- the nature and level of the fees you will be charged for receiving the advice; and
- whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

For the purposes of the Securities Act 1978 this Investment Statement was prepared at 15 December 2009.

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?

Name of the scheme - **Security Mutual Fund**

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

Mutual Superannuation Fund Limited
198 Federal Street, Auckland
P O Box 6831
Auckland

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 \$1000. 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, P O Box 6831. 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.

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 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.

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 (30th 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 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**'). Currently the highest PIR is 30%.

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.

Before you withdraw contributions from the scheme, you should seek further information from the Trustee or obtain independent advice about how this fund withdrawal tax applies to you.

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, international and local 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 return 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. This will directly impact on the rental returns received from and the value of the scheme's properties.
- 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.
- *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.
- *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 their interest in the scheme.
- *Administration risk:* The risk of a technological or other failure impacting on the scheme or financial markets in general.
- *Foreign exchange and currency movement risk:* The risk of movements in foreign exchange rates which affect the value of the scheme's overseas investments.
- *Maintaining PIE status:* If the scheme was not able to retain PIE status the scheme would revert to being taxed at 30% on all income.
- *PIR risk:* The risk of you providing an incorrect Portfolio 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 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 are in respect of your Benefit Amount (if any) and 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.
4. Payment of part of the Benefit Amount to you in cash and the balance for the purchase of a life annuity.
5. Payment of Benefit Amount by the Trustee to a reputable life insurance company to purchase a life annuity for you during your lifetime.
6. Payment of the Benefit Amount by the Trustee to a reputable life insurance company 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.

Who do I contact with enquiries about my investment?

The Office Manager

Mutual Superannuation Fund Limited
198 Federal Street
Auckland
P O Box 6831
Telephone: (09) 379 8052

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

Complaints should be reported in the first instance to:

The Executive Director

Mutual Superannuation Fund Limited
198 Federal Street
Auckland
PO Box 6831
Telephone: (09) 379 8052

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, you can complain to:

The Government Actuary
Insurance & Superannuation Unit
Ministry of Economic Development
Level 9, 86-90 Lambton Quay
PO Box 10867
The Terrace
Wellington
Telephone: (04) 913-3651
Facsimile: (04) 913 3652

Any dispute arising out of or in connection with the trust deed can be resolved by arbitration under the Arbitration Act 1996.

There is no Ombudsman to whom complaints about the scheme can be made.

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.

A copy of the latest prospectus and financial statements can be obtained free of charge at the offices of the Trustee - 198 Federal Street, Auckland, P O Box 6831, telephone: 379 8052.

These are also filed on a public register at the Companies Office of the Ministry of Economic Development and are available for public inspection.

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

The statement sets out:

1. Balance at beginning of financial year.
2. Total contributions made during the financial year.
3. Share of profit (or loss) for the year.
4. Balance at the end of the financial year.

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

	<u>Charge</u>
(a) Copy of application	nil
(b) Copy of Trust Deed	nil
(c) Copy of latest financial accounts and report	nil
(d) Copy of previous years accounts and reports	\$5 per year
(e) Copy of current contributors statement	nil
(f) Copy of previous years statement	nil
(g) Copy of other years statements	\$10 per year
(h) Copy of latest prospectus	nil
(i) Copy of investment adviser details	nil
(j) Copy of latest investment statement	nil