



Asset Valuation and Pricing Policy

October 2020

Version: 1.4

Date of next review: October 2021

This is a controlled document. The electronic version of this document is the most up-to-date and in the case of conflict the electronic version prevails over any printed version. This document is for Kiwi Wealth use only and may not be accessed or relied upon by third parties for any purpose whatsoever.

1. Purpose

The purpose of this policy is to set out the principles used for asset valuation and pricing of the Kiwi Wealth* (**KW**) retail schemes and funds including the:

- Kiwi Wealth KiwiSaver Scheme (**KWKS**)
- Kiwi Wealth Super Scheme (**KWSS**); and the
- Kiwi Wealth Managed Funds (**KWMF**).

For the purposes of this document:

- asset valuation refers to the valuation of individual assets held within the KW retail schemes and funds; and
- pricing refers to valuation of each member's interests in the KWKS and KWSS schemes and the calculation of the unit price for the KWMF funds.

The KWMF funds are valued and priced independently by MMC Limited (**MMC**).

KWKS and KWSS are valued and priced by KW.

*'Kiwi Wealth' refers to Kiwi Wealth Investments Limited Partnership as manager of the KWSS and administration manager for all the KW retail schemes and funds and Kiwi Wealth Limited as manager for the KWKS and KWMF, as the context applies.

2. Asset Valuation

Background

The overarching principle of KW's asset valuation policy is that individual asset valuations should accurately reflect the value at which the asset could be realised as at a particular valuation day (assuming normal market trading, or in the case of a managed fund, any redemption conditions).

The asset valuation process for KWKS and KWSS is the responsibility of the KW Operations team. It is carried out independently from the Investment Management team to address any conflicts of interest. KW has outsourced the asset valuation of KWMF to MMC.

Each of the asset types held within the KW retail schemes and funds has documented processes by the entity responsible for the pricing and valuation to ensure valuations are applied consistently.

Sources and Frequency

Listed below are the current asset types held by the KW retail schemes and funds along with their valuation points and how often the valuations for the asset type are available.

KWKS

| Asset Type | Frequency | Valuation Point |
|--|--------------------------------------|---|
| Unlisted unit trusts and managed funds | Daily (where available from manager) | Published redemption price on valuation day |
| Cash | Daily | Market Price |
| Forward Foreign Currency | Daily | London 4pm spot and forward FX rates |
| Currency Swaps | Daily | London 4pm spot and forward FX rates |
| Deemed illiquid assets | Different per counterparty | Different per counterparty |

KWSS

| Asset Type | Frequency | Valuation Point |
|--|---|---|
| Unlisted unit trusts and managed funds | Daily/Weekly (where available from manager) | Published redemption price on valuation day |
| Cash | Daily | Market Price |
| Forward Foreign Currency | Daily | London 4pm spot and forward FX rates |

KWMF

| Asset Type | Frequency | Valuation Point |
|--|---|---|
| Unlisted unit trusts and managed funds | Daily/Weekly (where available from manager) | Published redemption price on valuation day |
| Cash | Daily | Market Price |
| Forward Foreign Currency | Daily | London 4pm spot and forward FX rates |

New Types of Assets

The asset valuation methodology for new types of assets that are not currently held by KWMF funds, KWKS or KWSS will be agreed to by the Asset Valuation and Pricing Committee.

The valuation methodology applied to new types of assets will be consistent with other asset types that share similar characteristics.

3. Pricing

Background

The pricing policy establishes the framework and guidelines by which KW can accurately represent to its customers and members the value of their interest in KW's respective schemes and funds.

KWKS and KWSS are not unitised and the valuation of members' interests does not include striking a unit price. Pricing in this sense refers to the process by which a member's interest in a scheme is determined and valued, including fees and tax. KWMF funds are unit trusts and pricing in respect of these funds refers to the production of a unit price.

KWKS and KWMF diversified funds are priced weekly (and at month end) and KWSS is priced monthly. The KWMF single sector funds (once available) are priced daily.

Pricing frequency

The following table lists the pricing frequency for each KW retail scheme and fund:

| Fund | Pricing Frequency |
|---|---|
| KWKS | Weekly (using a Friday valuation point) and additionally at end of month, when the end of month is not a Friday |
| KWSS | Monthly |
| KWMF diversified funds | Weekly (using a Friday valuation point) and additionally at end of month, when the end of month is not a Friday |
| KWMF single sector funds (once available) | Daily |

Contributions and Withdrawals

Contributions, withdrawals and switches for a KW retail scheme and fund are processed at the next forward price. This ensures there is no opportunity for members or customers to arbitrage the pricing process.

Transaction Costs

KW charges a Transaction Offset Levy (**TOL**) on net fund flows into or out of KWKS. KW charges a Variable Buy/Sell Spread on net fund flows into and out of KWMF funds. The intent of these charges is to ensure transaction costs that are incurred by the scheme and funds due to member or customer fund flows are borne as much as possible by the members or customers who make up that fund flow. This broadly means that members or customers who have a charge applied to their inflows will buy into the fund at a slightly higher valuation, and members or customers who have the charge applied to their outflows will receive slightly less than what their investment is valued at.

Pricing Errors

The Pricing, Valuation and Trading Errors Policy establishes the policy and process to be followed in the event of a pricing error.

Suspension of asset valuation and unit pricing

If KW decides that circumstances have arisen whereby an asset valuation cannot be reasonably determined, KW may exercise its discretion under the trust deed for each scheme and fund, to suspend unit pricing and/or applications and redemptions for a period of time to ensure an equitable outcome for all members and customers.

The circumstances and processes for suspension, if allowable, are outlined in the relevant governing documents for the schemes. A decision to suspend unit pricing and/or applications and redemptions will be made in consultation with the Supervisor for the schemes and funds, and only if necessary.

4. Exception Management

Deemed Illiquid Assets

The normal frequency and valuation points may not apply in the case of an illiquid or impaired asset. The valuation of illiquid or impaired assets should be made so that future members or customers are not disadvantaged by the illiquid or impaired assets when they enter the scheme or fund, and that existing members or customers can't take advantage of the policy to exit at higher prices than the illiquid or impaired asset is actually worth. When determining the valuation of illiquid or impaired assets, KW must act reasonably and follow proper prudent principles of valuation. An independent third party may be consulted in the valuation process.

The valuation of impaired assets will be done in consultation with the Supervisor.

Assets in Default

The valuation of assets in default may not be impacted by liquidity and therefore may not be subject to the illiquid assets test. As long as a valuation is available on a daily basis and the asset does not meet the stale or illiquid test then a valuation is still able to be met and the valuation of the asset does not need to be considered by the Asset Valuation and Pricing Committee.

5. Asset Valuation and Pricing Committee

The purpose of the Committee is to:

- review the Asset Valuation and Pricing Policy on a minimum annual basis
- agree on the most appropriate approach for pricing illiquid/impaired assets and new asset classes
- review any reported pricing errors in the period, that fall under the Pricing, Valuation and Trading Errors Policy; and
- report to KW's Investment Governance Committee (**IGC**).

The Committee meets quarterly or as and when required.

6. Related Party Transactions

Related party transactions will follow the process outlined in the Related Party Policy and Related Party Procedures. The valuation of related party assets will follow the same methodology as apply to that particular asset type.

7. Financial Reporting

Financial statements are required to be prepared for KWKS, KWSS and KWMF funds. These financial statements comply with the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS), and are prepared on a historical cost basis, except for financial instruments held at fair value through profit or loss (FVTPL) measured at fair value. NZ IFRS defines fair value as the estimate of the price that would be received to sell an asset in an orderly transaction between market participants at measurement date. The asset valuation methodologies must be consistent with NZ IFRS.