

# Aon KiwiSaver Scheme

## Risks

This document provides information on the risks associated with investing and risks relating to the Aon KiwiSaver Scheme.

This document should be read in conjunction with the Aon KiwiSaver Scheme ('Scheme') product disclosure statement dated 5 June 2018 ('PDS'). This document and other material information documents regarding the Aon KiwiSaver Scheme, including a glossary of terms used can be found at [aonkiwisaver.co.nz](http://aonkiwisaver.co.nz) or on the Disclose Register at [disclose-register.companiesoffice.govt.nz](http://disclose-register.companiesoffice.govt.nz).

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# Risks

This document gives you further information on any risks which may be associated with your investment in the Aon KiwiSaver Scheme

This information covers what we believe to be the most important risks. We recommend you seek advice from a financial adviser prior to investing in the Scheme.

## General investment risk

Every investment has some level of risk. Risk is the chance that what you receive from an investment is different from what you expected to receive. Sometimes the ups and downs will occur unpredictably and for irrational reasons. Investments generally are affected by movements in market demand and supply, economic conditions, market sentiment, political events, natural disasters, and consumer demand.

## Asset allocation risk

Investments are divided into asset classes – cash, fixed interest, property securities, shares, and alternative assets – which generally have differing levels of risk. There is generally a risk/return trade-off. That means that, when investing in higher risk investments, a higher return is expected on those investments to compensate for the additional risk. Lower risk investments are expected to generate a lower return on average over time. The amount of risk you are willing to accept will also vary because it will depend on your personal circumstances.

There are different types of risk relating to investment risk. The Manager aims to reduce investment risk by investing in a wide range of securities, asset classes and strategies.

## Cash

Suitable for short term requirements, but inflation can erode its value. In addition, where cash assets are placed on bank deposit there is a small risk of the bank defaulting, meaning that some or all of the cash may be lost.

## Fixed interest

The value of fixed interest investments is affected by changes in interest rates and there is the risk of the issuer not making the required interest payments and/or not repaying the investment.

## Shares

Listed shares offer the possibility of greater returns and tend to be more accessible and liquid than unlisted securities. The risk factor is relatively high, however, as the value very much depends on the performance of the company that issued them, as well as market opinion.

## Alternative investments

Assets that are those considered outside of the traditional assets classes of listed shares, property, fixed interest and cash. Examples include infrastructure and commodities. Infrastructure includes the basic services and facilities needed for an economy to function (roads, bridges, sewers, electricity networks etc). Commodities are tradable items that, generally, can be processed further and sold. They include energy and industrial and agricultural goods (gold, iron ore, timber, wool, electricity etc). These investments generally do not follow the typical market cycle and as such can provide a fund with alternative sources of growth when other markets are underperforming. Due to the non-traditional nature of these investments, exposure can usually only be obtained indirectly by investing in other managed funds. Lack of liquidity can be a risk for alternative assets.

## Other general risks

There are other general risks that may affect your investment as indicated below.

## Taxation and regulatory risks

There is a risk that changes in tax (including tax rates) and other legislation (including the KiwiSaver Act 2006) may impact on your investment.

## Employer contributions

Employers are responsible for collecting contributions from their employees who are members and passing them to Inland Revenue, together with employer contributions. There is a risk that an employer will fail to do so. If this occurs, it could adversely affect some or all of the members employed by that employer.

## Winding up of a fund

We may choose to close or wind up a fund at any time with the prior written approval of the supervisor (the supervisor is not permitted to unreasonably withhold or delay its approval).

## Closing the Scheme

We intend to operate the Scheme indefinitely, however, there is provision in the trust deed that would allow us to close the Scheme at any time. In certain circumstances set out in the Financial Markets Conduct Act, the Financial Markets Authority may also take steps for the Scheme to be wound up.

## Changing the investment of the Scheme's assets

We may review and alter the investment policy of a fund from time to time, with the consent in writing of the supervisor (which the supervisor must not unreasonably refuse or delay giving). We may (subject to complying with the investment policy for a fund) also appoint new or additional investment managers to invest some or part of the monies of a current fund.

We may (with the written approval of the supervisor, which the supervisor may not unreasonably refuse or delay giving) open new funds. You may be given the opportunity to invest in any new fund or on the next occasion you can switch funds. Alternatively, we may decide to only offer the new fund to new members applying to become members of the Scheme.

## Other specific risks

There are other risks that specifically apply in the Aon KiwiSaver Scheme.

## Underlying investment managers

Day-to-day investment management responsibilities are delegated to underlying investment managers. This strategy means there is a risk a selected investment manager underperforms compared to other investment managers. There is also the risk the investment manager may close an investment fund in which a fund is invested. We mitigate these risks with a thorough process for selecting and monitoring the underlying investment managers and underlying investment funds, as detailed in the statement of investment policy and objectives.

## Milford Active Growth Wholesale Fund

This fund invests 100% in a fund managed by the underlying investment manager. This underlying fund may borrow up to 25% of the net asset value of the fund and may short-sell securities.

## Russell funds

The target investment mix for each of the Russell funds does not include an allocation to cash and cash equivalents. This may result in periods of short term underperformance from these investment options relative to other similar KiwiSaver funds.

# Contact us

Our helpdesk staff are available to assist you with any queries. Please note that our contact centre staff are not able to provide you with financial advice.

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## About Aon

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Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

For further information on our capabilities and to learn how we empower results for clients, please visit <http://aon.mediaroom.com>.

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