

Harbour Asset Management Limited

Harbour Australasian
Equity Fund

Harbour Australasian Equity
Income Fund

Harbour NZ Corporate
Bond Fund

Harbour NZ Core Fixed
Interest Fund

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.

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.

This document is an Investment Statement for the purposes of the Securities Act 1978. It is dated and prepared on 3 October 2011.

Harbour Australasian Equity Fund

Investment Strategy

Active investment in New Zealand and Australian listed equities.

Source of Expected Premium

Research driven stock selection, driven by a combination of fundamental, macro and quantitative research.

Fund Objective

To achieve a gross return of 5.0% per annum above the benchmark return over full market cycles, gross of fees and tax.

Benchmark

Russell/JB Were Tradeable Net Index™¹

Risk Tolerance

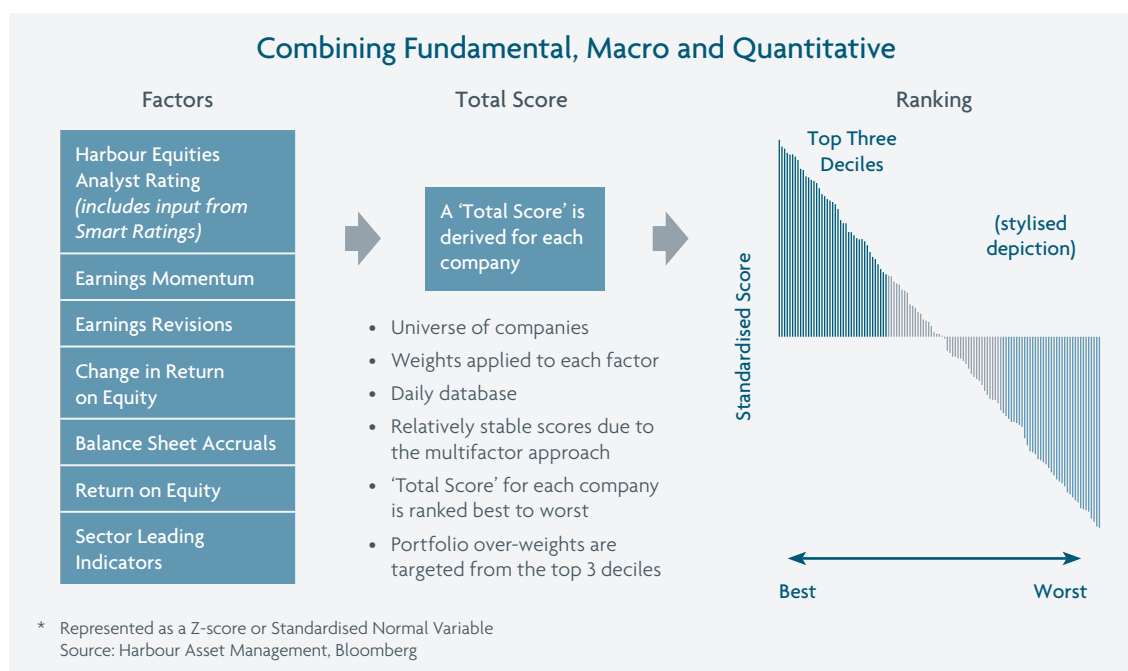
Expected ex-ante tracking error (expected deviation from benchmark) of 400-700 basis points (4-7%).

Investment Policy and Process

Harbour Asset Management Limited believes in a growth-orientated active investment management approach to generate alpha (return over the benchmark) for a client's portfolio. Harbour employs a combination of quantitative, macro-economic and fundamental research approaches when selecting New Zealand and Australian equities for inclusion in portfolios.

Harbour's investment process combines the talents of individual in-house analysts (fundamental ratings) with a largely quantitative based investment process that seeks to identify the key out-performance indicators for stocks. These indicators or factors comprise macro-economic, earnings, quality and balance sheet variables intended to identify stocks that will potentially grow earnings faster than the consensus expects.

The Harbour research team focuses research within the stocks that are ranked strongly in their investment process. Stocks that are highly ranked by the combination of the quantitative scores, are supported by macro-economic factors and are Buy rated by Harbour analysts are strong contenders for inclusion in the portfolio.



¹ The Index comprises New Zealand only companies as reflected by their primary listing and their tax domicile. The weight of each stock is determined by the full market capitalisation and is subject to a liquidity screen.

Harbour Australasian Equity Income Fund

Investment Strategy

The Fund is an actively managed strategy that invests predominately in New Zealand and Australasian listed equities that are expected to generate attractive dividend yields, as well as cash and fixed interest securities.

Source of Expected Premium

The investment process melds a strong quantitative selection process across Australasia with a quality and fundamental overlay.

Fund Objective

To generate attractive levels of income each quarter from a diversified portfolio of New Zealand and Australasian listed equities as well as cash and fixed interest securities. The Fund intends to pay distributions on a quarterly basis.

Investment Policy and Process

The investment process melds a strong quantitative selection process across Australasia with a quality

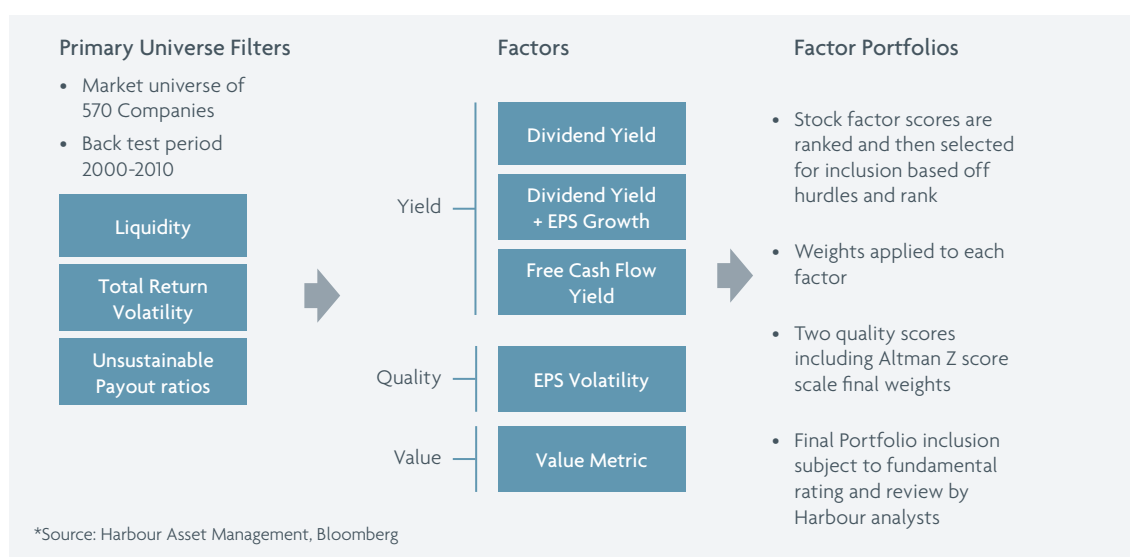
and fundamental overlay. The quantitative process begins with a liquidity and volatility screen which defines the range of potential investments taken from over 250 securities.

Each potential investment is then subject to five further quantitative tests including dividend and cash flow yields, dividend growth potential, and relative valuation criteria. A final portfolio of about 40-60 names is then subject to two further quality tests and a fundamental analyst score to assist in refining both the number of stocks and portfolio construction.

The portfolio, by generally holding 40-60 securities, is expected to be more diversified than typical equity portfolios reflecting the intention to provide a more consistent yield for investors. Therefore portfolio returns may not always be highly correlated to the equity market. The Fund is predominately equity based so total returns may be volatile. The Fund may be suitable for investors with a long-term investment horizon seeking income with the potential for capital growth.

The portfolio has the capacity to defensively invest up to 35% in cash, government and corporate bonds. It is intended that cash, government and corporate bonds will be utilised after taking into account economic and sector risk characteristics, and where yields may diverge from expected equity yields.

Process: Quantitative with Quality and Fundamental Review



*EPS = Earnings per share

** Altman Z score = a predictive model that combines five different financial ratios to determine a company's likelihood of bankruptcy.

Harbour NZ Corporate Bond Fund

Investment Strategy

Diversified investment in what the Manager considers to be quality New Zealand fixed interest securities.

Fund Objective

The Harbour NZ Corporate Bond Fund is designed to provide access to favourable income yields over the medium term through prudent investment in New Zealand securities of investment grade quality (Investment grade is generally where a security is rated BBB- or better).

The investment of the Fund is designed to create a portfolio with a low or low to medium risk profile, through the Manager employing best industry management practices and seeking to maintain an average credit rating of A – or better.

Benchmark

ANZ A-Grade Corporate Index (previously known as the NZX Corporate A-Grade Bond Index).

Investment Policy and Process

The Harbour NZ Corporate Bond Fund primarily invests in investment grade fixed interest securities denominated in New Zealand dollars. The Fund may include a small exposure to unrated fixed interest securities that the Manager determines to be of investment grade quality. Eligible securities include fixed rate bonds, preference shares and other securities deemed to be of a fixed income nature.

The portfolio is structured to add value through the selection of quality fixed interest securities. The Manager may apply interest rate management yield curve positioning and credit selection to the portfolio.

The Fund will generally be invested on a “laddered” basis with maturities relatively evenly spread.

Harbour NZ Corporate Bond Fund returns are intended to, in the main be derived from the credit risk premium, which is the margin earned above the risk free or government bond rate.

Corporate Credit Framework

Strategy	Method	Inputs
Credit allocation	Top-down research	Macroeconomic research Structural research Market pricing tools
Risk management	Hard-coded rules	Limits on: <ul style="list-style-type: none"> • Issuers • Sectors • Ratings • Security types • Seniority
Monitoring	Security research	Company and sector analysis Bond documentation Capital structure Market monitoring Harbour Australasian Equities Team

Harbour NZ Core Fixed Interest Fund

Investment Strategy

The Harbour NZ Core Fixed Interest Fund is an actively managed investment grade bond strategy that invests predominantly in New Zealand government and corporate fixed income securities.

Fund Objective

The Fund objective is to outperform the benchmark of the portfolio by 0.75% per annum over a rolling three year period and to deliver an ex-post tracking error of less than 1.0% per annum over a rolling three year period.

Benchmark

50:50 weighted average of the NZ Government Stock Index and ANZ A-Grade Corporate Index.

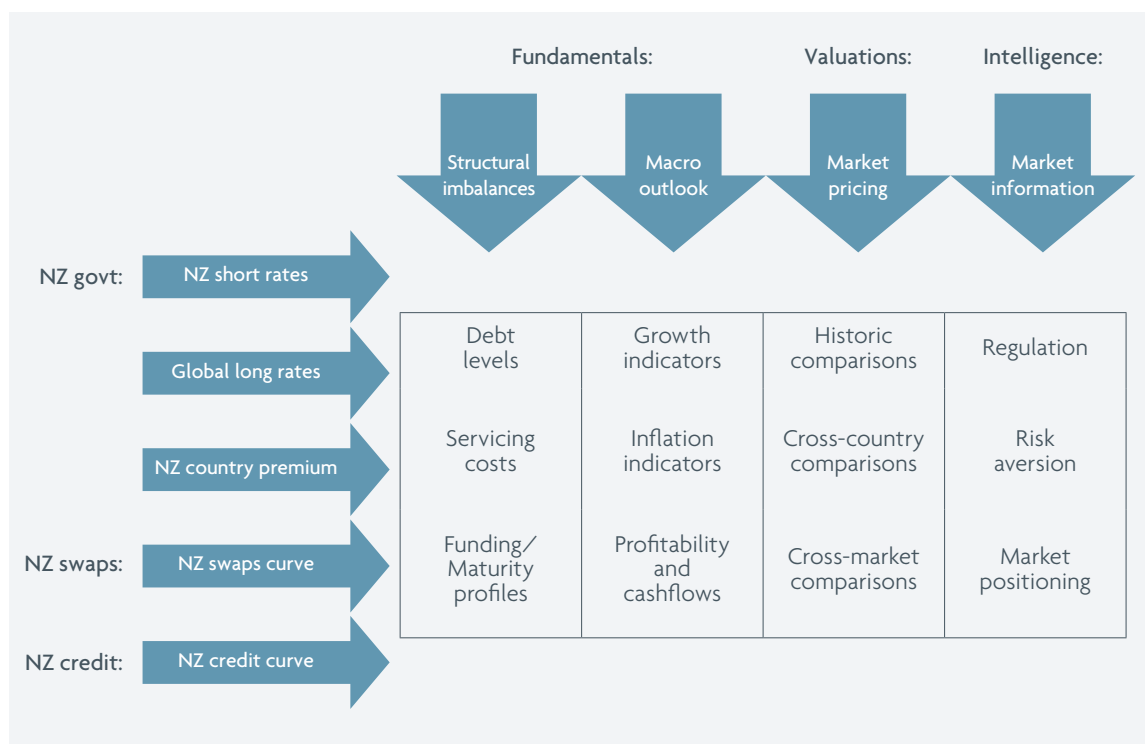
Investment Policy and Process

The Harbour NZ Core Fixed Interest Fund is an actively traded investment grade portfolio that predominantly holds New Zealand government and corporate bonds.

Additional diversification may be gained through holdings of securities issued by Australian investment grade entities, where research of those firms is covered by the Harbour Australasian Equities Team.

The Fund also uses hedging instruments to efficiently manage interest rate and credit risk in the portfolio, and has the ability to make marginal allocations in the US and Australian government bond markets when there are pricing discrepancies relative to New Zealand fixed interest. Foreign currency exposures are hedged back to NZ dollars.

Fixed Interest Research Signals



What sort of investment is this?

This Investment Statement offers units in the Harbour Australasian Equity Fund, the Harbour Australasian Equity Income Fund, the Harbour NZ Corporate Bond Fund (formerly the First NZ Capital Abacus NZ Bond Fund) and the Harbour NZ Core Fixed Interest Fund (each a Fund and together the "Funds"). The Funds are unit trusts under the Unit Trusts Act 1960. A unit trust is an investment that enables unit holders to pool their funds with those of others. The interests of all unit holders are represented by units, which confer an equal interest in a Fund and are of equal value. Pooling resources can enable access to a wider variety of assets and provide greater diversity than unit holders may achieve on their own.

The value of units in a Fund fluctuates according to the changing value of the assets in which the Fund has invested. It is intended that the Funds will be priced daily.

The principal investment policy of the Funds at the date of this Investment Statement is set out on pages 2 to 5.

Who is involved in providing it for me?

The Harbour Australasian Equity Fund was established on 25 March 2010 (under conditions of establishment forming part of the Trust Deed for the Harbour Asset Management Unit Trusts dated 25 March 2010 (Harbour Trust Deed)).

The Harbour NZ Corporate Bond Fund was established on 22 January 2009 under a supplemental deed to the Trust Deed for the First NZ Capital Abacus Unit Trusts dated 5 July 2005, as amended by a deed of amendment dated 18 September 2007 (FNZC Trust Deed).

The Harbour NZ Core Fixed Interest Fund was established on 3 May 2011 (under conditions of

establishment forming part of the Harbour Trust Deed).

The Harbour Australasian Equity Income Fund was established on 13 September 2011 (under conditions of establishment forming part of the Harbour Trust Deed).

While the Harbour Trust Deed and the FNZC Trust Deed (**Trust Deeds**) are separate deeds, they are materially the same in respect of their principal terms.

The Manager of the Funds is Harbour Asset Management Limited (Manager). The Manager is responsible for the investment management and administration of the Funds. The Manager is also the promoter of the Funds.

Management of the Harbour NZ Corporate Bond Fund was transferred from the former manager, First NZ Capital Investment Management Limited, to Harbour Asset Management Limited on 31 December 2010. The name of the Fund was changed from the First NZ Capital Abacus NZ Bond Fund to the Harbour NZ Corporate Bond Fund on that date.

At the date of this Investment Statement the directors of the Manager are:

Graeme Wong (Chair)
Wellington, New Zealand

Wayne Stechman
Wellington, New Zealand

William Trotter
Wellington, New Zealand

Richard Bodman
Wellington, New Zealand

Andrew Bascand
Wellington, New Zealand

At the date of this Investment Statement the Manager and its directors can be contacted at:

Harbour Asset Management Limited
Level 12
171 Featherston Street
PO Box 3363 WELLINGTON 6140
Telephone: 04 460 8300
Facsimile: 04 460 8301
Website: www.harbourasset.co.nz

The directors and contact details of the Manager may change from time to time. Current details may be obtained from the Manager's website at www.harbourasset.co.nz

Trustee

The independent trustee of the Funds is Trustees Executors Limited (Trustee).

The Trustee and its directors can be contacted at:

Trustees Executors Limited
Level 5
10 Customhouse Quay
PO Box 3222
WELLINGTON 6011

Telephone: 04 495 0999
Facsimile: 04 496 2952

The Trustee's contact details may change from time to time. Current details may be obtained at www.trustees.co.nz under "contact us" under Corporate Trust Enquiries.

From 1 October 2011 the Trustee is required to be licenced under the Securities Trustees and Statutory Supervisors Act 2011.

Custodian

T.E.A. Custodians Limited is the custodian of the Funds' assets.

Registrar

Trustees Executors Limited is the registrar of the Funds.

Contact details for the registrar and custodian and details of the auditor of the Funds and the solicitors involved in preparing this Investment Statement are listed in the directory on page 20.

No person, including the Manager, First NZ Capital Group Limited, or the Trustee guarantees the repayment of units in the Funds or the payment of any earnings or returns on any unit in the Funds.

How much do I pay?

The minimum investment amounts for a Fund are:

Minimum initial investment	\$25,000
Minimum regular investment amount	\$500
Minimum additional investment amount	\$5,000

The Manager may vary or waive these amounts for any investor at its discretion.

The minimum initial investment that must be paid into a Fund is \$25,000. The minimum amount for additional investments into a Fund is \$5,000.

You can also choose to make additional regular investments in a Fund on a regular monthly basis. The minimum monthly investment amount is \$500. Subject to the minimum amount required, you may change the amount of your regular investment at any time. If you fail to make a regular payment, no units will be issued to you in respect of that non-payment. Should a direct credit from your bank account fail for any reason, or if your cheque is dishonoured, the Manager will cancel relevant units issued to you. The Manager may charge an administration fee if costs are incurred.

A minimum investment balance of \$25,000 must be maintained in a Fund. If your investment balance in a Fund falls below this minimum, the Manager may choose to effect the withdrawal of your units, after giving you not less than 30 days' written notice of its intention to do so.

Investments can be made at a level you select, subject to the required minimums, by completing the Application Form for the relevant platform you are accessing the investment through.

Units in a Fund will generally be issued at the next unit selling price calculated after receipt by or on behalf of the Manager of a completed application form and application monies.

The unit selling price is calculated by dividing the net asset value of a Fund by the number of units on issue, and adding any amount determined by the Manager (in its absolute discretion, and which may be nil if the Manager so decides) which would be incurred if the application monies were applied in

securing investments for that Fund. The unit selling price is calculated to four decimal places and is before the Fund's portfolio investment entity tax liability (PIE tax). It is the Manager's intention that the Funds will be priced daily.

The Manager, at its discretion, may accept or refuse to accept in whole or in part any application or postpone the processing of the application pending receipt of cleared funds. The Manager is not required to give any reasons for a refusal or a postponement. Where the Manager declines an application in whole, or in part, the Manager will repay the declined investment to the applicant, without interest.

Investors should also note that each unit holder indemnifies the Trustee and the Manager in respect of any taxation amount paid or payable by the Manager or the Trustee in respect of that unit holder which cannot be recovered by way of adjustment of their unit holding or distribution entitlements. A brief summary of the taxation regime as it applies to the Funds at the date of this Investment Statement is set out on pages 12 to 13 of this Investment Statement.

What are the charges?

Entry and exit fees

At the date of this Investment Statement the Manager does not charge any entry fee on initial and subsequent investments in the Funds. Accordingly, there is currently no entry fee for investments made directly with the Manager.

There are currently no exit fees for withdrawing from the Funds.

The Manager may introduce entry, exit or other fees in the future on written notice to unit holders and in accordance with the Trust Deeds.

If you invest through your financial adviser, they may deduct an entry fee. Any such entry fee would be agreed between you and your financial adviser, and would be paid by you to your adviser as commission prior to making your investment in the Fund.

Switching fees

At the date of this Investment Statement the Manager does not charge any switching fee for issuing units as a result of a switch from one Fund to another.

The Manager may introduce a switching fee in the future on written notice to unit holders and in accordance with the Trust Deeds.

Management fee

The Trustee fee, custodial and other administration costs associated with operating each Fund (including registry and accounting functions) are paid from the management fee.

From its management fee, the Manager may also pay an annual trail fee commission to your financial adviser. At the date of this Investment Statement the management fee for each Fund is as follows:

Harbour Australasian Equity Fund	1.0% per annum of the gross asset value of the Fund.
Harbour Australasian Equity Income Fund	0.90% per annum of the gross asset value of the Fund.
Harbour NZ Corporate Bond Fund	0.60% per annum of the gross asset value of the Fund.
Harbour NZ Core Fixed Interest Fund	0.60% per annum of the gross asset value of the Fund.

The Manager's fee is accrued on the daily value of each Fund's assets and is paid quarterly in arrears.

The Manager's fee (which includes the Trustee fee together with custodial fees and charges) is deducted from each Fund and details of fees charged will be included each year in the financial statements for the Funds.

Where investment is made into the Funds by institutional or wholesale investors, the Manager may rebate fees payable by wholesale investors from its management fee and or any other fees, at the Manager's discretion. The Manager will agree any rebates with such investors from time to time at the Manager's discretion.

Harbour Australasian Equity Fund Performance fee methodology: current through to 31 December 2011

The Manager may also be paid a performance fee in respect of the Harbour Australasian Equity Fund. The performance fee will not be paid if the unit price at the end of the current performance period is lower than the unit price at the beginning of that performance period and/or the Alpha for the performance period is negative (the High Water Mark). The performance fee comprises 10% of the Alpha, only where the alpha is positive, for that performance period. Alpha is defined by the unit price return for the Fund (net of management fee) less the benchmark return. The benchmark for the Fund is the New Zealand Equity Market return as defined by the Russell / JBWere Tradeable Net Index™. The first performance period was from 1 April 2010 to 30 June 2010, and thereafter the performance fee will be calculated at six monthly intervals, being six months ended 30 June and 31 December. The performance fee is accrued on a daily basis and paid in arrears.

Performance fee methodology: 1 January 2012 onwards

On 1 January 2012 a new methodology for calculation of the performance fee will apply. The performance fee will be subject to a perpetual High Water Mark (HWM). A perpetual HWM is only ever reset higher when a performance fee is paid. The first HWM will be the unit price on 31 December 2011. A performance fee will only be paid if the unit price at the end of a performance period (31 December each year) is higher than the current HWM and the Fund return is greater than the benchmark return plus a 1% per annum performance hurdle. The Fund return is defined as the unit price return for the Fund (net of the management fee). The benchmark for the Fund is the New Zealand Equity Market return as defined by the Russell / JBWere Tradeable Net Index™.

The performance fee comprises 10% of the Fund return less the benchmark return plus the 1% per annum performance hurdle. The performance fee is capped at 10%. That is, the Manager will not take the performance fee increment above 10% of the outperformance. The performance fee is accrued and adjusted on a daily basis and paid in arrears at the end of each calendar year.

Example:

As at 31 December 2012:

The 31 December 2011 HWM was a unit price of \$1.00.

The 31 December 2012 unit price was \$1.08.

The Fund return for the performance period was 8%

The benchmark return for the performance period was 5%

A performance fee is payable as the unit price at the end of the performance period (\$1.08) is higher than the existing HWM of \$1.00 **and** the Fund return is greater than the benchmark return plus the 1% performance hurdle.

The performance fee: $10\% \text{ of } [8\% - (5\% + 1\%)]$
 $= 10\% \text{ of } (8\% - 6\%)$

Result: a performance fee of 0.2% payable for the period, resulting in a total combined management and performance fee of 1.2% per annum.

A new HWM of \$1.08 is now in place for the next performance period.

The Manager may with the Trustee's prior approval (not to be unreasonably withheld), alter the basis for charging its management fees for the Funds and performance fee in respect of the Harbour Australasian Equity Fund on giving written notice to unit holders in accordance with the Trust Deeds.

Trustee fee

The Trustee is paid a fee of up to 0.05% per annum of the gross asset value of each Fund (subject to a minimum fee of \$7,500 per annum) accrued daily, and paid monthly in arrears.

Expenses

All expenses incurred by the Trustee or the Manager in connection with the Funds (including legal, audit, transaction costs and accounting fees and the cost of extraordinary matters such as unit holder meetings) are payable or reimbursable from the Funds.

The actual amount of these expenses cannot be ascertained until they are incurred or realised. There is no maximum amount of reimbursable expenses.

The financial statements for the Funds will incorporate all the costs borne by the Funds in the

most recent financial year. The costs borne by the Funds will affect returns to unit holders.

In calculating the net asset value of a Fund (and accordingly unit pricing), the Manager may deduct the amount of any expenses that are payable or reimbursable from that Fund which, in the opinion of the Manager, should be deducted for the purposes of making an equitable and reasonable determination of the net asset value of the Fund. It is the current intention of the Manager that up to 0.10% per annum of the gross asset value of each Fund will be accrued towards the payment of audit, legal, accounting and other like expenses.

The Manager and the Trustee are entitled to receive a reasonable fee based on time spent on matters relating to the termination of a Fund if that Fund terminates. There is no limit to this fee.

General

The Trustee and Manager may increase or impose new fees for a Fund on giving written notice to unit holders and in accordance with the Trust Deeds. There is no limit to the amount to which a fee can be amended.

Goods and Services Tax

All fees are stated on a GST exclusive basis unless otherwise stated. GST (currently at 15%) is charged on 10% of the Manager's fees (being an effective rate of 1.5%) and 75% of the Trustee's fee (being an effective rate of 11.25%). GST may be payable in the future at a greater rate on the Manager's and Trustee's fees. Full GST is paid on all other goods and services.

What returns will I get?

Returns to unit holders are reflected in movements in a Fund's unit price (which will be realised only when you cash in your investment), and any distributions to unit holders.

At the date of this Investment Statement the Manager's distribution policy for each Fund is set out below:

Harbour Australasian Equity Fund: The intention is not to distribute income from the Fund.

The Manager reserves the right to amend this policy and to distribute income.

Harbour NZ Corporate Bond Fund, the Harbour NZ Core Fixed Interest Fund and the Harbour Australasian Equity Income Fund:

The intention is to pay distributions quarterly for the distribution periods ending March, June, September and December.

Before the determination of income entitlements at the end of a distribution period, the Manager may capitalise and retain as an asset of a Fund the whole or any part of the income of that Fund.

As soon as practicable after the end of every distribution period, the Manager must determine the amount of income available for distribution for that distribution period. The total income entitlements of a unit holder for a distribution period is calculated by taking the income available for distribution, dividing that figure by the number of units on issue at the end of the last day of that distribution period and multiplying that number by the number of units held by the unit holder at the end of the last day of the distribution period. The Fund may elect to deduct from a unit holder's distribution an amount equal to the PIE tax (if any) paid by the Fund in respect of that unit holder. In such a case, unit holders may receive differing net distributions. Currently however the Funds intend to reflect PIE tax by adjusting the units held by unit holders and not by making deductions from distributions.

The Manager's investment decisions and the performance of the Fund's investments are key factors in determining returns. Other factors may include the applicable rate of taxation, deduction of fees (including any performance fees) charged, New Zealand or international economic events, interest rate movements, currency movements, or the performance of individual companies or countries within a Fund, many of which are outside a manager's control. This means that the unit price may rise or fall and performance may vary, altering the value of unit holders' investment and, where paid, the amount of any income available to unit holders.

Investors should be aware that no amount of investment or income returns has been promised or guaranteed for any Fund.

Withdrawals of Units

Subject to the minimum investment balance requirement, you may withdraw all or part of your investment at any time by writing to the registrar, detailing your withdrawal instruction. Withdrawals will be processed as direct redemptions unless otherwise agreed with the Manager.

The current minimum withdrawal that may be made under a withdrawal request is units to the value of \$5,000 (unless the withdrawal request relates to all units held by you in a Fund).

If a withdrawal request would result in you holding units in a Fund with a value of less than the minimum investment balance (currently \$25,000), the Manager may request the Trustee to withdraw all of your units in that Fund.

Units will generally be withdrawn at the unit withdrawal price. The unit withdrawal price is calculated by dividing the net asset value of a Fund by the number of units on issue, and deducting any amount determined by the Manager (in its absolute discretion, and which may be nil if the Manager so decides) on account of the estimated costs which would be incurred if investments of the Fund sufficient to repay the withdrawal request were realised. The unit withdrawal price is calculated to four decimal places and is before PIE tax. It is currently intended that units will be priced daily for this purpose.

While the Funds are portfolio investment entities (PIEs), you will not be subject to any tax on withdrawals. However, an adjustment may be made to your units or withdrawal proceeds upon withdrawal to reflect any PIE tax paid by a Fund in respect of you (see the tax summary set out on pages 12 to 13 of this Investment Statement for more information).

A withdrawal request is only effective on a business day and must be made in a form and manner that is acceptable to the Manager. A withdrawal request is irrevocable once given.

A minimum investment balance of \$25,000 in a Fund must be maintained. If your investment balance falls below this minimum the Manager may request the Trustee, after giving not less than 30 days' written notice of its intention to do so, to withdraw your holding with effect as at the date of expiry of the Manager's notice as if a withdrawal request had then been received from you.

While it is intended that withdrawals will be processed at the next available unit price after they are received, the Trustee may require up to five days' notice of a withdrawal. Where units have been paid for by cheque or electronic payment, the Manager shall be under no obligation to withdraw those units until the proceeds of that cheque or electronic payment have been cleared.

Suspending withdrawals

If a withdrawal request, or a series of withdrawal requests, in respect of a Fund are received within a period of three months that relate to more in total than 2.5% of the number of units on issue at the time of the request or the last request, and the Manager considers it is in the general interests of all unit holders in that Fund to defer immediate withdrawal of the total units requested in accordance with the Trust Deeds, the Manager may defer immediate withdrawal of the total units requested, and withdraw those units by instalments over a period determined by the Manager or in total at the expiration of a period determined by the Manager. There is no limit to the period the Manager may determine.

Where such requests, within a three month period, relate to more than 10% of the number of units on

issue in a Fund at the time of request or last request, the Manager may, on notifying the Trustee, suspend the right of unit holders in that Fund to make withdrawal requests.

The Manager may also suspend withdrawal requests where the Manager determines the withdrawal is not practicable, would or may be materially prejudicial to the general interests of unit holders in a Fund, or is not desirable for the protection of a Fund (for example, if it would threaten the Fund's eligibility for PIE status). A suspension period may last for up to 90 days or such longer period as agreed to by the Trustee. There is no limit to the period the Trustee may agree to.

If units are withdrawn, Trustees Executors Limited, as Trustee of the Funds, is the person legally liable to pay any returns.

Taxation

This section briefly summarises the taxation regime as it applies to the Funds at the date of this Investment Statement. It is intended as a general guide only, it is not taxation advice and investors should seek their own tax advice prior to investing.

Portfolio Investment Entities

The Funds are Portfolio Investment Entities (**PIEs**) and multi-rate PIEs as defined in the Income Tax Act 2007. The tax regime applicable to a PIE provides that all taxable income, losses and tax credits related to a Fund's investments must be allocated to unit holders in proportion to their daily unit holdings in a Fund, with tax payable at each unit holder's prescribed investor tax rate.

Under the PIE tax legislation, a Fund will calculate and pay tax on the net income it allocates to unit holders at the following rates (referred to as the prescribed investor rate or PIR).

At the date of this Investment Statement an individual unit holder who is a New Zealand resident will either have a PIR of 10.5%, 17.5% or 28%. To qualify for a 10.5% or 17.5% PIR, an investor must be a New Zealand resident for tax purposes, must supply a valid IRD number and meet the following criteria in relation to either of the previous two tax years:

If the taxable income is:	And taxable income plus PIE income of:	Then the PIR rate that applies is:
\$0 – \$14,000	\$0 – \$48,000	10.5%
\$0 – \$14,000	\$48,001 – \$70,000	17.5%
\$14,001 – \$48,000	\$0 – \$70,000	17.5%
\$48,001 and over	Any	28%
Any	\$70,001 and over	28%

Individual unit holders who do not qualify for a 10.5% or 17.5% PIR (including non-residents) will have a PIR of 28%.

Other unit holders will have the following PIRs:

28%: for all non-residents;

0% for all New Zealand residents that are not individuals, such as companies, unit trusts, and charities;

New Zealand resident trustees (excluding unit trusts and charitable trusts) may elect a rate of 0%, 17.5% or 28%; and

New Zealand resident trustees of testamentary trusts may elect a rate of 0%, 10.5%, 17.5% or 28%.

You must provide your IRD number, your applicable prescribed investor rate and other details to the Manager on your Application Form. Each year you will be asked to confirm your PIR to remind you to notify the Manager if your PIR changes. If you do not notify a change the PIR your existing PIR as initially notified will continue to be applied.

The tax payable by a Fund on the net income allocated to you for any given period will depend on the net income allocated to you for that period and your prescribed investor rate (0%, 10.5%, 17.5% or 28%). The Fund will cancel units to address the difference in prescribed investor rates between unit holders. If there are excess tax credits for a period, or a Fund has a loss rather than net income for a period, the relevant Fund should receive a tax rebate and will be able to issue additional units to unit holders on account of that rebate.

Taxable income is attributed annually to 31 March or at any time you make a withdrawal from a Fund. If you make a full withdrawal or transfer from a

Fund, any tax liability on the Fund's net income attributable to your investment will be deducted from the balance withdrawn or transferred. If you withdraw a portion of your investment during the year, this results in tax being attributed to you in proportion to the amount you have withdrawn.

For individuals, if you have provided the Manager with the correct prescribed investor rate, the tax paid on income allocated to unit holders by the Fund will be a final tax. You will not need to include the income allocated to you in a tax return. There will also be no impact on family assistance eligibility, student loan repayment obligations or child support payment obligations. You must notify the Manager if your prescribed investor rate changes or if you cease to be a New Zealand resident. If you don't, you will be personally liable to pay any resulting tax shortfall and must file a tax return. If you have provided the Manager with a prescribed investor rate that is higher than your correct prescribed investor tax rate the IRD will not refund you the difference.

A trust investor with a 0%, 10.5% or 17.5% PIR must include the allocated income in its own tax return. If a trust has a 28% PIR, the Manager will pay tax at the 28% rate and that is a final tax; the income does not need to be included in the trust's tax return.

Other non-individual investors (eg a company, charity or unit trust) with a PIR of 0% must account for tax on their allocated income in their own tax return.

The IRD can instruct the Manager to apply a different PIR to the one notified by the investor.

Distributions to investors are not taxable, nor is there a tax liability on the withdrawal of units in a Fund, even where the investor receives an amount in excess of the original cost of the units (however a withdrawal potentially triggers an attribution of taxable income for the current year).

Taxation legislation and rates of tax change. You should always seek independent professional tax advice on your own personal circumstances.

For more information on PIRs please refer to the IRD website: www.ird.govt.nz.

Investors should note that the Manager and Trustee have broad powers to act at their discretion to ensure that the Funds remain eligible to be a PIE.

This includes, for example, the ability to refuse investment or to compulsorily withdraw all or part of a unit holding of a unit holder whose continued investment may prejudice a Fund's PIE eligibility.

Taxation of share investments

Provided that a Fund is a PIE, any capital gains made by that Fund in respect to shares in New Zealand resident companies and certain Australian resident listed companies will be excluded from the calculation of taxable income. Dividends received in relation to these shares will be taxable and a Fund will pay tax on these dividends.

Australian resident listed companies that are not excluded from taxable income will be taxed pursuant to the fair dividend rate (FDR) calculation method. Under FDR, the security within a Fund will be deemed to have derived income equal to 5% of the average daily market value of the relevant overseas shares for an income year. Any dividends or other distributions flowing from Australian shares will not be separately taxed in New Zealand under FDR. Any losses in respect of holdings in overseas shares to which FDR applies are not deductible by a Fund for tax purposes.

Foreign equities offering guaranteed or fixed rate returns will be taxed under the comparative value method (ie annual change in market value plus distributions).

Other income of a Fund will be subject to the relevant normal tax rules. Tax may be imposed in overseas jurisdictions in relation to overseas investments (although this may give rise to a tax credit in New Zealand).

What are my risks?

Risk factors

Before investing, prospective investors should carefully consider the following risk factors which may adversely affect investment returns, and an investor's ability to recover money invested in a Fund:

- investment returns will be affected by the performance of the investments chosen by the Manager for a Fund which may be affected by the performance of the investment markets generally (Market risk). Market risk includes movements in the general price level, demand and supply in the market in which the relevant investments are made, the sector(s) in which the investments are made, and economic and regulatory conditions, including market sentiment, inflation, interest rates, foreign exchange rates, employment, political events, environmental and technological issues, and consumer demand internationally and in New Zealand and Australia;
- as a portion of the underlying investments of the Harbour Australasian Equity Fund, the Harbour Australasian Equity Income Fund and the Harbour NZ Core Fixed Interest Fund may be invested in Australia, their returns may be affected by changes in the rate of exchange between the Australian and New Zealand dollar;
- because the Manager may use currency hedging arrangements and other derivative instruments to manage the Harbour Australasian Equity Fund, the Harbour Australasian Equity Income Fund and the Harbour NZ Core Fixed Interest Fund, the investment movements may be more volatile than if that Fund invested solely in domestic securities;
- because the Manager of the Harbour NZ Core Fixed Interest Fund may make marginal allocations in the United States and Australian government bond markets, investment movements may be more volatile than if that Fund invested solely in domestic fixed income;
- the Manager may use interest rate and credit derivative instruments to manage the Harbour NZ Corporate Bond Fund and the Harbour NZ Core Fixed Interest Fund, therefore the investment movements may be more volatile than if either Fund invested solely in fixed interest securities;
- returns may be affected by any adverse regulatory changes in New Zealand, Australia and internationally, which could have an impact on relevant investments;
- an underlying investment of a Fund in a company may be affected by unexpected changes in that company's operations, performance, business environment, or the company may become insolvent;
- some investments may not be readily realisable and converted into cash with little or no loss of capital and minimum delay, because of either inadequate market depth for the trading of the investment in the secondary market or disruptions in the market place for the investment. Securities of small companies in particular may, from time to time and especially in falling markets, become less liquid and the investment may not be realised;
- there is always a risk of loss arising from the failure of a debtor or other party to a contract to meet their obligations. This potentially arises with various securities including derivatives and fixed interest;
- the performance of investments will depend to some extent on the quality of management of a Fund and its assets. The ability of the Manager to provide investment management services to a Fund is linked to key professionals whose departure could negatively impact on the performance of the Fund;
- the Harbour NZ Corporate Bond Fund was established on 22 January 2009, the Harbour Australasian Equity Fund was established on 25 March 2010 and the Harbour NZ Core Fixed Interest Fund was established on 3 May 2011. Accordingly there is limited historical performance information available for these three Funds. The Harbour Australasian Equity Income Fund is newly established. Accordingly there is no historical performance information available for the Fund;
- if PIE status is lost a Fund would be taxed as a company rather than under the PIE regime (and you would be taxed on any distributions or redemptions accordingly);
- changes in taxation rates or tax rules may impact on your investment returns. The taxation

assumptions used in this Investment Statement are based on existing New Zealand tax legislation. Any changes to such legislation may materially impact the returns of a Fund. It is recommended that investors seek advice from a tax advisor before making an investment into a Fund.

For these reasons, it is reasonably foreseeable that unit holders may not receive, in full, the value of their initial or, where made, subsequent, capital investment or any returns either on withdrawal of their investment or on termination of a Fund.

Consequences of Insolvency

Subject to any payment that is required to be made under the indemnity by unit holders described at the end of the section headed “How much do I pay?” on page 7 of this Investment Statement, unit holders will not be required to pay any money in addition to the amount they have invested and have no liability to any person should a Fund or the Manager become insolvent.

If a Fund is wound up, the secured and general creditors of that Fund will rank ahead of unit holders for repayment. Unit holders will receive a proportionate share of assets of the Fund after all creditors' expenses including, without limitation, the expenses of any agents, solicitors, auditors or persons employed in connection with the winding up of the Fund and any outstanding fees (including remuneration payable to the Manager and Trustee) have been paid. The claims of unit holders will rank equally (subject to any adjustment for PIE tax paid by the Fund in respect of particular unit holders).

Can the investment be altered?

You can add to your initial investment, or increase or decrease the amount of your regular investment amount (if applicable), at any time subject to the minimum additional investment amount (see ‘How much do I pay?’ on page 7).

Subject to the Manager's right to suspend withdrawals referred to in the ‘What returns will I get?’ section, you can withdraw all or part of your investment at any time. For more information see ‘What returns will I get?’ on page 10.

You can transfer your investment at any time. For more information on transferring, see ‘How do I cash in my investment?’ on page 17.

You can also switch your investment between the Funds at any time. An application to switch must be in a form approved by the Manager and will be effected as if it were both a withdrawal request and an application for units.

The switching price is determined by calculating the unit withdrawal price and applying it (less any adjustment to be made for PIE tax paid by a Fund in respect of the unit holder) to the purchase of units in the specified Fund.

At the date of this Investment Statement the minimum value of units which may be switched between the Funds as a single switch is \$5,000. The minimum switch value may be changed by the Manager from time to time.

If accepted, a switch will be effected as soon as practicable following receipt of an application to switch by the Manager. The Manager may reject any application for a switch. The Manager will notify the unit holder of any rejection within seven days of receipt of the application.

At the date of this Investment Statement the Manager does not charge a switching fee for issuing units as a result of a switch. See page 8 for further information.

A minimum investment balance of \$25,000 in a Fund must be maintained. If your investment balance falls below this minimum the Manager may request the

Trustee, after giving not less than 30 days' written notice of its intention to do so, to withdraw your holding with effect as at the date of expiry of the Manager's notice as if a withdrawal request had then been received from you.

The Manager may also withdraw your units on the non-disclosure of Relevant Interests in units. See 'How do I cash in my investment?' on page 17.

The Manager will adjust your units to reflect any PIE tax a Fund pays or any tax rebates payable to that Fund in respect of you (see the tax summary set out on pages 12 to 13 of this Investment Statement for more information).

The Trust Deeds (including the Conditions of Establishment for each Fund) can be altered by the Manager and the Trustee in certain circumstances. These circumstances include when amendments are:

- in the opinion of the Trustee, required to correct a manifest error or are of a formal, administrative or technical nature;
- in the opinion of the Trustee, necessary or desirable for the more convenient economical or advantageous working management or administration of the Funds or for safeguarding or enhancing the interests of the Funds or unit holders and are not or not likely to become prejudicial to the interests of the unit holders generally;
- required by or in consequence of any amendment or repeal and/or replacement of the Unit Trusts Act 1960 (Unit Trusts Act) or any other relevant legislation or where, in the reasonable opinion of the Manager, such amendment is necessary or desirable to maintain the status of a Fund as a PIE under the PIE legislation or other relevant legislation or to permit and to operate more efficiently under such legislation;
- required to enable the units to be listed on an exchange (there is no current intention to list the units);
- authorised under the Trust Deeds in relation to varying the definition of 'authorised investments';
- made to alter an investment policy;
- authorised by an extraordinary resolution of unit holders; or on giving 30 days' notice to unit holders.

The Trustee and the Manager may vary the Conditions of Establishment in respect of a Fund if the Manager gives notice to the unit holders setting out the details of the proposed variation and either:

- unit holders holding not less than 10% of the number of units on issue at the date of the notice do not, within 30 days of the sending of the notice, give notice of their intention to call a meeting of unit holders regarding the proposed variation or having given such notice that unit holders at such meeting do not reject by extraordinary resolution the proposed variation; or
- unit holders who oppose the proposed variation are offered the opportunity to sell or redeem all their units at the then current unit repurchase price (without deduction of any exit fee) before the variation takes effect.

Following any material variation to any Conditions of Establishment, the Manager will notify the relevant unit holders in writing in summary form of all material amendments made by forwarding notification to the unit holders at the time the Manager next mails information to the unit holders and in any event no later than three months after the date the changes were made, and otherwise in accordance with the Unit Trusts Act.

The Manager, and the Trustee, may increase or impose new fees or charges to those stated under the heading 'What are the charges?' in accordance with the Trust Deeds. Written notice must be given to unit holders before any fees are increased. Unit holders or the Fund (as the case may be) will be required to pay any such altered fees and charges.

The investment strategy, policy and objectives of the Funds as set out on pages 2 to 5 are current as at the date of this Investment Statement and can be varied from time to time by the Manager, in accordance with their respective Trust Deed. If the Manager proposes to alter the investment policy of a Fund in a manner which materially affects existing unit holders, the Manager shall, prior to effecting any such alteration, give written notice to unit holders. Subject to that, the Manager must invest a Fund in accordance with its investment policy. Also, a Fund will have to meet certain investment restrictions in order to remain qualified as a PIE

(although these are not expected to impact on the Fund's investment strategy).

The Manager may alter the amount of the investment minimums at any time, and may accept amounts less than the required minimums at its discretion.

If you withdraw your investment in a Fund in full, the Manager will cancel your regular investment plan (if applicable). If you fail to make a regular payment (if applicable), no units will be issued to you in respect of that non-payment. Your regular investment plan will be deemed to be cancelled if three or more of your payments are rejected by your bank.

The Manager may determine at any time in its discretion that no further units in a Fund will be issued.

The Manager may resolve to wind up a Fund. In that case, all assets of the Fund will be realised and after the deduction of liabilities permitted in the Trust Deeds, each unit holder will be paid out their share of the Fund proportionate to their unit holding (subject to any adjustment for PIE tax paid by the Fund in respect of particular unit holders).

The Manager reserves the right to review and change its practices described in this Investment Statement without further notice within the terms of the Trust Deeds.

How do I cash in my investment?

Withdrawals

Subject to the minimum investment balance requirements, you may withdraw all or part of your investment at any time by written instruction and by delivering it to the registrar. Withdrawals will be processed as direct redemptions, unless otherwise agreed with the Manager.

The current minimum withdrawal that may be made under a withdrawal request is units to the value of \$5,000 (unless the withdrawal request relates to all units held by you). If a withdrawal request would result in you holding units in a Fund with a value of less than the minimum investment balance (currently

\$25,000), the Manager may request the Trustee to withdraw all of your units in that Fund.

Units will generally be withdrawn at the unit withdrawal price. The unit withdrawal price is calculated by dividing the net asset value of a Fund by the number of units on issue, and deducting any amount determined by the Manager (in its absolute discretion, and which may be nil if the Manager so decides) on account of the estimated costs which would be incurred if investments of the Fund sufficient to repay the withdrawal request were realised. The unit withdrawal price is calculated to four decimal places and is before PIE tax. It is currently intended that units will be priced daily.

A minimum investment balance of \$25,000 must be maintained. If a unit holder's investment balance falls below this minimum the Manager may request the Trustee, after giving not less than 30 days' written notice of its intention to do so, to withdraw that unit holder's holding with effect as at the date of expiry of the Manager's notice as if a withdrawal request had then been received from the unit holder.

A withdrawal request is only effective on a business day and must be made in a form and manner that is acceptable to the Manager. A withdrawal request is irrevocable once given.

While the Funds are portfolio investment entities (PIEs), you will not be subject to any tax on withdrawals. However, an adjustment may be made to your units or withdrawal proceeds upon withdrawal to reflect any PIE tax paid by a Fund in respect of you (see the tax summary set out on pages 12 to 13 of this Investment Statement for more information). Withdrawal payments will either be paid by cheque that is crossed '*not transferable account payee only*' and made payable to you or your agent or other authorised person or deposited to your bank account, as detailed on your withdrawal request.

While it is intended that withdrawals will be processed at the next available unit price after they are received, the Trustee may require up to five days' notice of a withdrawal. Where units have been paid for by cheque or electronic payment, the Manager shall be under no obligation to withdraw those units until the proceeds of that cheque or electronic payment have been cleared.

The Manager may in certain circumstances suspend payment of withdrawal requests – see ‘Withdrawals of Units’ in the ‘What returns will I get?’ section.

Withdrawal payments will be deposited to the unit holder’s bank account, as detailed on the written withdrawal request.

At the date of this Investment Statement, there are no exit fees payable on withdrawal.

Transfers

You may sell or transfer all or part of your unit holding to another person, subject to the terms of the Trust Deeds. The registrar may decline to register any transfer for reasons of non-compliance with any law or the terms of a Trust Deeds. Transfers are subject to any PIE tax liability being met. See the tax summary set out on pages 12 to 13 of this Investment Statement for a description of the tax related consequences that can arise on a transfer.

In the Manager’s opinion there is no established market for such sales.

Disclosure of Relevant Interests in units

The Manager may, by notice in writing to a unit holder, require the unit holder, to give the Manager (within 14 days of that notice) notice of full particulars of that unit holders’ ‘Relevant Interest’ in units, the circumstances by reason of which they have that Relevant Interest, and certain details regarding other persons who, within the unit holder’s knowledge, also hold a Relevant Interest in the units.

A person will have a Relevant Interest in units if they are the beneficial owner of units, have any other beneficial interest therein (whether present or future or vested or contingent), have the power (whether direct or indirect) to exercise or control the exercise of the right to vote in respect of units, or have the power to dispose of or to control the exercise of the right to dispose of units.

Where the Manager is satisfied that a unit holder has failed to comply with any such request, the Manager may, by written notice to the unit holder, require the disposal of the units or any part thereof within such time as is specified in the notice. If the units are not disposed of in accordance with the notice, the Manager may withdraw those units at the unit

withdrawal price on a date or dates nominated by the Manager and approved by the Trustee.

Termination of a Fund

A Fund can be terminated:

- on the date the Manager is removed, if the Manager does not approve the Fund continuing, or at such other date that the Manager decides;
- if the Manager gives the Trustee three months’ written notice that the Fund is to terminate (unless the Manager and the Trustee agree otherwise).

Who do I contact with inquiries about my investment?

The Manager’s client services personnel will be able to assist you with inquiries. However, we recommend you speak to your financial adviser in the first instance. The Manager’s client services personnel can be contacted at:

Harbour Asset Management Limited
Level 12
171 Featherston Street
PO Box 3363
WELLINGTON 6140

Telephone: 04 460 8300

Facsimile: 04 460 8301

Website: www.harbourasset.co.nz

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

In the first instance, please direct any complaints to the Manager's client services personnel and copied to the Compliance Manager at:

Harbour Asset Management Limited
Level 12
171 Featherston Street
PO Box 3363
WELLINGTON 6140

Telephone: 04 460 8300
Facsimile: 04 460 8301
Website: www.harbourasset.co.nz
Email: contactus@harbourasset.co.nz

If we are unable to resolve your complaint, you may choose to contact the Trustee at:

Trustees Executors Limited
Level 5
10 Customhouse Quay
PO Box 3222
WELLINGTON 6011

Telephone: 04 495 0999
Facsimile: 04 496 2952

The Manager and the Trustee are both members of Financial Services Complaints Ltd (**FSCL**) an independent dispute resolution scheme approved by the Ministry of Consumer Affairs. If your complaint is not resolved within 40 days after contacting the Manager or the Trustee, or if you are dissatisfied with the proposed resolution, you can refer it to FSCL at:

13th Floor
45 Johnston Street
Wellington
PO Box 5967
Lambton Quay
Wellington 6145

(Call Free) 0800 347257
(Wellington) (04) 472FSCL (472 3725)

Further information about referring a complaint to FSCL can be found at www.fscl.org.nz.

What other information can I obtain about this investment?

Further information about the units, the Funds and the Manager is contained or referred to in the Trust Deeds, the Conditions of Establishment of each Fund, the registered prospectuses for the Funds, and the financial statements of the Manager and the Funds (once available). These documents are available for inspection, without fee during normal business hours, at:

Harbour Asset Management Limited
Level 12
171 Featherston Street
PO Box 3363
WELLINGTON 6140

Telephone: 04 460 8300
Facsimile: 04 460 8301
Website: www.harbourasset.co.nz

You can also obtain copies of the prospectus for the Funds and most recent financial statements of the Manager and the Funds (once available) free of charge on request in writing, or by telephone, to the Manager. A copying fee (currently 20 cents per page) will be charged for copies of the Trust Deeds. The documents will be forwarded within five business days from receipt of the request.

The Trust Deeds, prospectus for the Funds and financial statements of the Manager and the Funds and other documents of, or relating to the Manager and the Funds, are filed on a public register at the Companies Office. Copies of certain documents may be viewed (if available) on the Companies Office website at www.business.govt.nz/companies

Unit holders of a Fund will be sent annually a copy of the financial statements (once available) for that Fund, together with such other information as is required to be sent to unit holders in accordance with the Securities Act 1978.

How to Invest

These Funds can only be accessed via approved platforms or upon application to the Manager.

Directory

Manager

Harbour Asset Management Limited
Level 12
171 Featherston Street
PO Box 3363
WELLINGTON 6140

Telephone: 04 460 8300
Facsimile: 04 460 8301
Website: www.harbourasset.co.nz

Trustee

Trustees Executors Limited
Level 5
10 Customhouse Quay
PO Box 3222
WELLINGTON 6011

Registrar

Trustees Executors Limited
Level 5
10 Customhouse Quay
PO Box 409
WELLINGTON 6011

Custodian

T.E.A. Custodians Limited
Level 5
10 Customhouse Quay
PO Box 409
WELLINGTON 6011

Auditor

PricewaterhouseCoopers
113-119 The Terrace
WELLINGTON 6011

Solicitor

DLA Phillips Fox
TOWER Centre
50-64 Customhouse Quay
WELLINGTON 6011

