

Harbour Asset Management Limited

Harbour NZ

Core Fixed Interest Fund

Harbour NZ

Corporate Bond Fund

Harbour Australasian
Equity Income Fund

Harbour Australasian
Equity Fund

Investment Statement
20 December 2013

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 as at 20 December 2013.

Key Information

This table provides a snapshot of key information about the Funds offered in this Investment Statement. You should read it in conjunction with the detailed information set out elsewhere in this Investment Statement and the **prospectus** for the Funds.

Certain words or terms are defined in the Glossary on page 24. They appear in bold text the first time they are used in this Investment Statement.

What sort of investment is this?	<p>The Funds are unit trust funds managed by Harbour Asset Management Limited (we, our, us or Harbour). The trustee of the Funds is Trustees Executors Limited (Trustee).</p> <p>A unit trust is an investment that pools your money with other investors (unit holders). We apply the pooled money to buy investments in accordance with the Trust Deed and investment policy under the supervision of the Trustee. Your investment is the units of the Fund/s that you subscribe for or buy (your unit holding).</p> <p>The Funds are a form of Portfolio Investment Entity (PIE) known as multi-rate PIEs for tax purposes, meaning that if you are a New Zealand resident unit holder tax is usually paid on your behalf at a Prescribed Investor Rate or PIR. For more information see the taxation section under 'What returns will I get?' on page 14.</p>
What Funds can I invest in?	<p>The four Funds available for investment are:</p> <ul style="list-style-type: none">• the Harbour NZ Core Fixed Interest Fund;• the Harbour NZ Corporate Bond Fund;• the Harbour Australasian Equity Income Fund; and• the Harbour Australasian Equity Fund. <p>Further details on the objectives and investment policies of, and other information for, each of the Funds can be found on pages 6 - 9.</p>
How much do I have to pay?	<p>You determine the amount you wish to invest, subject to the minimum initial investment amount of \$25,000. Each unit in a Fund is issued at the unit selling price. 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 we determine (in our absolute discretion, and which at the date of this Investment Statement is nil) which would be incurred if the application monies were applied in securing investments for that Fund. The Funds are priced daily.</p> <p>You may make additional investments at any time, subject to a minimum additional investment amount of \$5,000 unless you have arranged for regular contributions.</p> <p>You can make regular contributions into any Fund monthly, subject to a minimum regular contribution amount of \$500 per month.</p> <p>See 'How much do I pay?' on page 11 for further information on buying units in the Funds.</p> <p>We may vary or waive these amounts for any investor at our discretion.</p>

<p>Can I withdraw my investment?</p>	<p>You may withdraw your units in a Fund by completing a written withdrawal request and providing it to the Registrar. The current minimum withdrawal amount is \$5,000.</p> <p>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 us (in our absolute discretion, and which at the date of this Investment Statement is nil) on account of the estimated costs which would be incurred if investments of the Fund sufficient to repay the withdrawal request were realised. The Funds are priced daily.</p> <p>If you do not maintain a minimum unit holding of \$25,000 in a Fund, we may redeem your units upon giving you 30 days' written notice.</p> <p>See 'What returns will I get?' on page 14 for further information on making withdrawals from the Funds.</p>
<p>What are the principal benefits of investing in the Funds?</p>	<p>We consider the principal benefits of investing in a Fund are:</p> <ul style="list-style-type: none"> • Diversification – your investment provides access to a widely diversified portfolio of securities in the relevant asset class. Funds provide diversification via the number of securities held, industries and sectors invested in and, for fixed interest funds, the number of different issuers' maturities. Diversification can assist with lowering the volatility and enhancing the potential returns of your investment in that asset class; • Professional investment management – your investment is managed by the experienced and proven Harbour investment team; • Taxation – at the date of this Investment Statement, a multi-rate PIE (that is not a foreign investment PIE) has a maximum tax rate of 28% (and for those who do not select a 0% tax rate, tax paid by the Fund in relation to a unit holder is generally a final tax); and • Independent governance of Fund assets – oversight of the Funds by an independent trustee and use of an independent custodian to hold the Fund assets separate from Harbour.
<p>What are the principal risks of investing in the Funds?</p>	<p>We consider that the principal risks you face when investing in the Funds are in the following three main areas:</p> <ol style="list-style-type: none"> 1. Manager specific risk Manager specific risk relates to us as a company and the risks around how we manage and operate our business, including the making of investment decisions. These risks will differ from other fund managers. 2. Fund specific risk Fund specific risk relates to each Fund's investment style (i.e. how we manage each Fund) and the risks the Funds face due to the underlying securities that each Fund invests in. As a result, each Fund has a different risk profile. 3. General risks General risks relate to the investment fund industry as a whole and the risks associated with us offering managed funds to the public. <p>In managing your investment, we are aware of these risks and believe the following factors can help manage potential risks you face as unit holder in our Funds:</p> <ul style="list-style-type: none"> • A well-resourced and experienced investment team • Sound investment philosophy • Consistency of investment process • Governance and controls <p>Further and more detailed information on these three risk categories and the factors that Harbour believes can help mitigate risks can be found under 'What are my risks?' on page 18.</p>

Is my investment in any of the Funds guaranteed?	No person guarantees or promises the repayment of, or any return on your investment in the Funds. See 'What returns will I get?' on page 14 for further information.
What are the charges?	<p>Entry, Exit and Switching</p> <p>At the date of this Investment Statement we do not charge any entry fee on initial and subsequent investments in the Funds. There are currently no exit fees for withdrawing from the Funds. We also do not charge a switching fee for issuing units as a result of a switch.</p> <p>Management and Performance fees</p> <p>We are currently paid a management fee for each of the Funds and may also be paid a performance fee in respect of the Harbour Australasian Equity Fund.</p> <p>The Trustee fee, custodial and certain other administration costs associated with operating each Fund (including registry and accounting functions) are paid from our management fee.</p> <p>Expenses</p> <p>All expenses incurred by us or the Trustee in connection with each Fund (including legal, audit, transaction costs, accounting fees and the cost of extraordinary matters such as unit holder meetings) are payable or reimbursable from the relevant Fund. These are in addition to our management fee.</p> <p>See 'What are the charges?' on page 12 for further information on fees and expenses payable.</p>
Who can I contact for further information on investing in the Funds?	Our client services personnel will be able to assist you with inquiries. However, we recommend you speak to your financial adviser in the first instance. See 'Who do I contact with inquiries about my investment?' on page 22 for further information.

Welcome to Harbour Asset Management

Thank you for considering us as an option to help manage and grow your wealth. This is a responsibility that we take very seriously and we appreciate the trust you place in us when choosing us to manage your investment.

Why you can have confidence in Harbour

We are a well-resourced New Zealand based investment manager with extensive professional investment experience managing funds for large government institutions, corporate superannuation funds, charities, KiwiSaver Schemes and retail investors like you.

Experience matters

We offer a team of experienced and proven investment professionals that have extensive experience in managing money in global and Australasian markets.

The senior members in the equity team worked together for over 10 years at a global investment management firm prior to establishing Harbour. The fixed interest team offer a blend of over 20 years managing local fixed interest and 15 years of global analysis. Our portfolio managers who invest and manage the money have an average of over 20 years investment experience.

This individual and collective experience has navigated client portfolios through changing economic and market conditions. This enables us to focus on client outcomes and provide you with competitive long term returns.

See the prospectus or our website www.harbourasset.co.nz for details on our investment team and our directors.

Sound investment philosophy

We believe that quality research is the backbone of investment **outperformance**. **Fundamental research** drives investment decision making. Combining this fundamental research with the skill of analysts who have decades of experience provides the best opportunities to deliver long term growth in real wealth.

Consistent investment process

The years of experience and lessons learned over many **market cycles** has helped us craft a robust and disciplined investment process for **equities** and **fixed interest securities**. Our combination of quantitative, **macro-economic** and fundamental analysis across both equity and fixed interest markets is dedicated to producing superior investment results for our clients. Harbour manages each investment strategy within clearly defined investment parameters to provide you with transparency of how your investment portfolio is managed.

Proven Performance

The combination of an experienced team managing money within a well-researched, robust and disciplined investment process over time helps us deliver favourable investment outcomes for our clients. Please note that past performance is no guarantee of future performance.

See our website www.harbourasset.co.nz for details on our investment performance.

Governance & Controls

The Harbour business operates within a framework of strong governance that is overseen by an experienced Board which includes two independent directors.

See our website www.harbourasset.co.nz for details on our corporate governance and controls.

Independently reviewed and recognised

Our retail funds are reviewed by independent research houses to provide you with additional confidence and comfort that you are investing with well-resourced and experienced teams.

We are also pleased to announce that Harbour is the winner of the prestigious “Best Investment Management Company 2013, New Zealand” as awarded by World Finance Magazine.

See our website www.harbourasset.co.nz for details on our independent fund ratings and awards.

If you wish to invest in the Funds, please read this Investment Statement to ensure you fully understand the investment objective of each investment option we offer and the risks associated with investment. If you have any questions, please visit our website www.harbourasset.co.nz or e-mail us at contactus@harbourasset.co.nz.

Kind regards

The Harbour team

Harbour NZ Core Fixed Interest Fund

Investment Objective

The investment objective of the Fund is to outperform the **benchmark** by 100 **basis points** per annum over a rolling three year period. The Fund is an actively managed **investment grade** bond fund that invests predominantly in New Zealand government and corporate fixed income securities.

Benchmark

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

Investment Limits

Cash and NZ fixed interest securities 0 - 100%

Investor Suitability

This Fund may be suitable for investors with a medium to long-term investment horizon, seeking a low level of capital volatility and an income level similar to the **yield** on New Zealand **government bonds** and investment grade **corporate bonds**. We aim to deliver a low or low to medium risk profile.

In making investment decisions we recommend that you seek and obtain investment advice from your investment advisor.

Investment Style

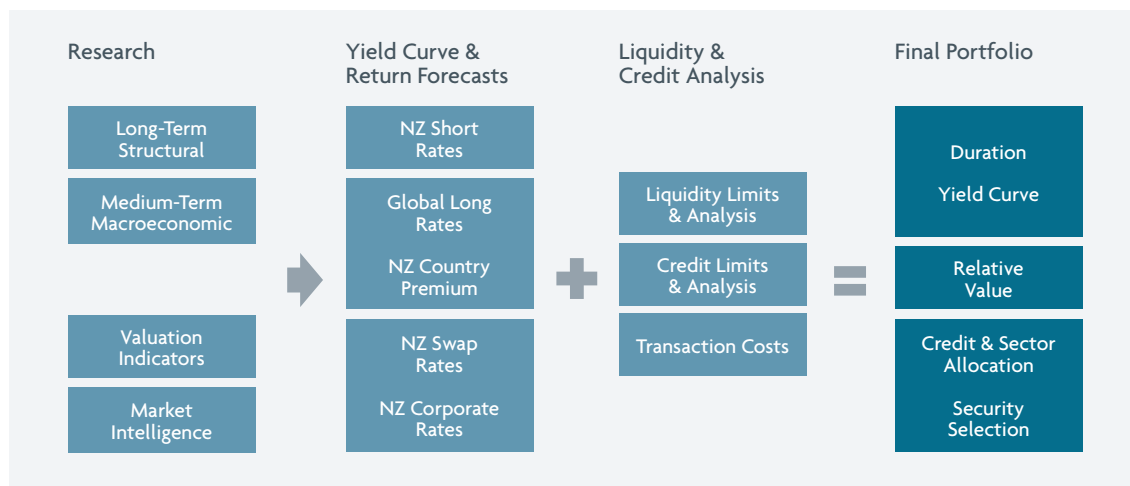
The Fund aims to generate returns from two activities. The majority of returns will come from investing in a diversified range of New Zealand government and corporate fixed income securities. This enables the Fund to capture the premium (return) above cash that medium to longer-term securities typically offer. Additional returns are targeted from research-driven and active investment decisions. This may include increasing the duration or credit exposure of the Fund when these are offering attractive returns.

We may add diversification to the Fund by investing in securities issued by Australian investment grade corporate entities. The Fund may use **hedging** instruments to efficiently manage interest rate risk and credit risk in the Fund. The Fund also has the ability to make allocations in the US and Australian rates markets when there are pricing discrepancies relative to New Zealand fixed interest. Non NZ dollar credit exposure is capped at 20% of the Fund's value. Any exposure to foreign currency is hedged back to NZ dollars.

Investment Process

A disciplined approach is used to draw together our research into 6 month forecasts of key global and NZ **yield curves**. The investment team then undertakes detailed research on individual securities, including liquidity and credit analysis, and factors in the transaction costs from portfolio turnover. As an active strategy, the Fund draws on the full breadth of our fixed interest investment process.

Harbour Fixed Interest Investment Process (See Glossary for definitions)



Harbour NZ Corporate Bond Fund

Investment Objective

The investment objective of the Fund is to outperform the benchmark after fees on a rolling 12 month basis. The Fund is designed to provide access to favourable income yields through a diversified portfolio of primarily investment grade fixed income securities, denominated in New Zealand dollars.

Benchmark

ANZ A Grade Corporate Bond Index.

Investment limits

Cash and fixed interest securities 0 - 100%

Investor suitability

The Fund may be suitable for investors with a medium to long-term investment horizon, seeking a low level of capital volatility and an income level similar to the yield on corporate bonds. We aim to deliver a low to medium risk profile, maintaining an average **credit rating** of A- or better.

In making investment decisions we recommend that you seek and obtain investment advice from your investment advisor.

Investment style

The Fund aims to capture the credit and liquidity premium attached to corporate bonds, bank securities and **local authority stock**. This comes in the form of higher yields than are normally available from bank deposits or government stock.

The Fund aims to add value through a diversified selection of quality fixed interest securities.

We may apply interest rate and yield curve management, however, we will generally invest monies on a “laddered” basis with **maturity dates** relatively evenly spread. “Laddering” is an investment strategy where you invest in several securities with different maturities.

The Fund’s returns will be mainly derived from the credit risk premium, which is the margin earned above the risk free or government guaranteed rate.

The primary sources of risk management are diversification, credit research and constraints on exposures such as subordinate-ranking securities.

Investment Process

The Fund follows our fixed interest investment process (see page 6). As a lower-turnover corporate bond strategy, it draws most on the team’s detailed research on individual securities, including liquidity and credit analysis.

Harbour Australasian Equity Income Fund

Investment Objective

The investment objective of the Fund is to generate attractive levels of income each calendar quarter from a diversified portfolio of New Zealand and Australasian listed equities as well as cash and fixed interest securities. The Fund aims to target quarterly distributions of 120% of the average yield on the NZSE50 and ASX 200 indices over three year periods. The Fund intends to pay distributions on a quarterly basis. The Fund typically holds between 40 to 60 listed equities.

Benchmark

There is no benchmark for this Fund.

Investment limits

Cash and fixed interest	0 - 35%
New Zealand & Australian equities	35 - 100%

In making investment decisions we recommend that you seek and obtain investment advice from your investment advisor.

Investor suitability

This Fund is predominantly equity based so total returns may be volatile. This Fund may be suitable for investors with a long-term investment horizon seeking income with the potential for capital growth.

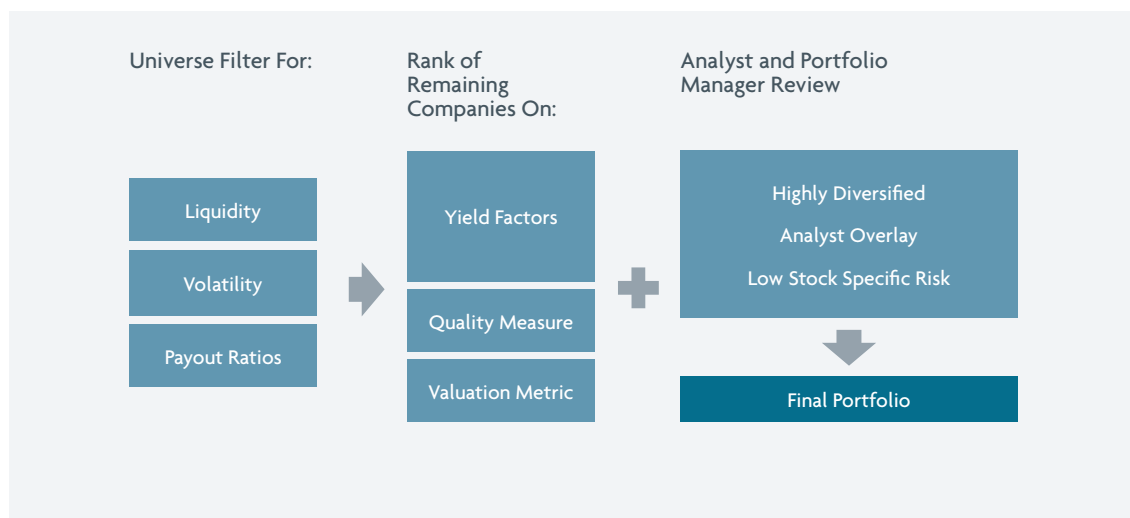
Investment style

The investment process blends a strong quantitative selection process across Australasia with a quality and fundamental overlay. Each potential investment is subject to five quantitative tests including **dividend yields** and cash flow yields, dividend growth potential, and relative valuation criteria. A final portfolio of about 40 to 60 names is then subject to two further quality tests and a fundamental analyst score to assist in refining the number of stocks prior to the final portfolio construction.

The Fund, by generally holding 40 to 60 securities, is expected to be more diversified than typical equity portfolios reflecting the intention to provide a more consistent yield for investors. However, Fund returns are expected to be highly correlated to the equity market.

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

Investment Process: Quantitative & Quality Filter and Ranking with a Fundamental Review (See Glossary for definitions)



Harbour Australasian Equity Fund

Investment Objective

The investment objective of the Fund is to achieve a gross return of 5.0% per annum above the benchmark return over full market cycles, after fees and tax. The Fund provides actively managed exposure to New Zealand and Australian listed equities. The Fund typically holds 25 to 35 listed equities and can hold up to 40% in Australian equities.

Benchmark

The Russell NZ Tradeable Net Index™.¹

Investment limits

Cash	0 - 10%
New Zealand equities	50 - 100%
Australian equities	0 - 40%

Investor suitability

This Fund actively invests in New Zealand and Australian listed equities and therefore total returns may be volatile. This Fund may be suitable for investors with a long-term investment horizon and those who are prepared to accept a higher degree of volatility.

Investment style

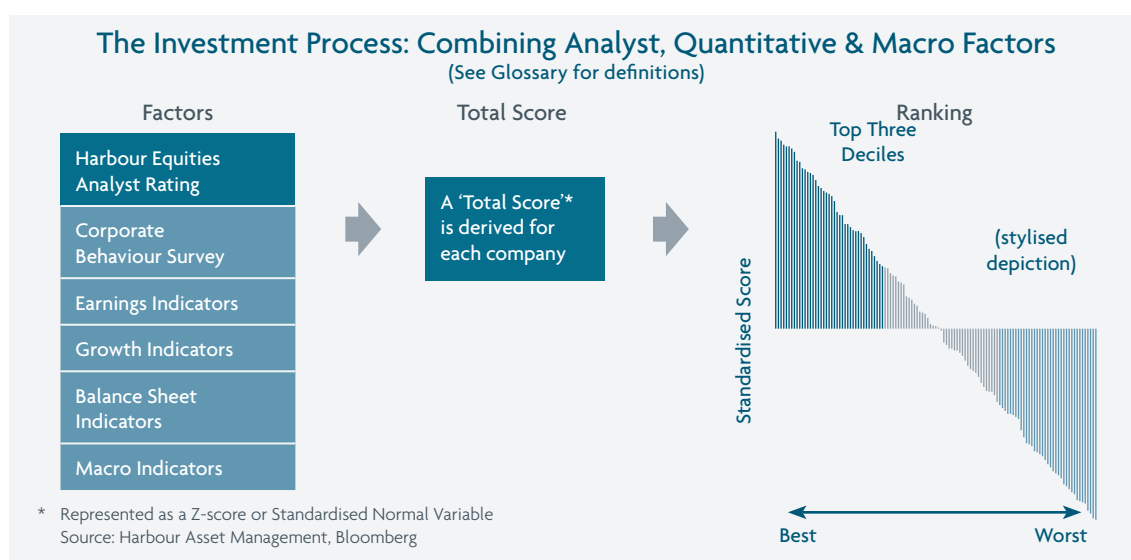
We believe in a growth-orientated active investment management approach to generate **alpha** (return over the benchmark) for investors. We employ a combination of quantitative, macro-economic and fundamental research approaches when selecting New Zealand and Australian equities for inclusion in the Fund.

Our investment process combines the talents of our individual in-house analysts (fundamental ratings) with a largely quantitative based investment process that seeks to identify the key outperformance 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.

Our investment 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 our analysts will generally be the largest overweight positions (relative to their benchmark weight) in the Fund.

We believe that the combination of bottom up company research with consistent screening across the market provides a disciplined approach to investing.

In making investment decisions we recommend that you seek and obtain investment advice from your investment advisor.



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.

What sort of investment is this?

This Investment Statement offers units in the Harbour NZ Core Fixed Interest Fund, the Harbour NZ Corporate Bond Fund (formerly the First NZ Capital Abacus NZ Bond Fund), the Harbour Australasian Equity Fund and the Harbour Australasian Equity Income Fund. 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, where each single unit represents an equal interest in a Fund and each unit is 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 each of the Funds at the date of this Investment Statement is set out on pages 6 to 9.

Who is involved in providing it for me?

The Harbour NZ Core Fixed Interest Fund was established on 3 May 2011 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 Australasian Equity Income Fund was established on 13 September 2011 (under conditions of establishment forming part of the Harbour Trust Deed).

The Harbour Australasian Equity Fund was established on 25 March 2010 (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. We are responsible for the investment management and administration of the Funds. We are 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 us 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 our directors are:

Graeme Wong (Chair)

Wellington, New Zealand

Wayne Stechman

Wellington, New Zealand

Bill Trotter

Wellington, New Zealand

Richard Bodman

Wellington, New Zealand

Andrew Bascand

Wellington, New Zealand

At the date of this Investment Statement we and our 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

Our directors and our contact details may change from time to time. Current details may be obtained from our website at

www.harbourasset.co.nz

Trustee

The independent trustee of the Funds is Trustees Executors Limited.

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 our corporate trust team" under Corporate Trust.

The Trustee is 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 24.

No person, including Harbour, 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?

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.

The minimum investment amounts for a Fund are:

Minimum initial investment \$25,000

Minimum additional investment amount \$5,000

Minimum regular investment amount \$500

We may vary or waive these amounts for any investor at our discretion.

You can also choose to make additional regular investments in a Fund on a 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, we will cancel relevant units issued to you. We 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, we may choose to effect the withdrawal of your units, after giving you not less than 30 days' written notice of our intention to do so.

Units in a Fund will generally be issued at the next unit selling price calculated after receipt by or on our behalf 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 we determine (in our absolute discretion, and which at the date of this Investment Statement is nil) 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 calculated before the Fund's portfolio investment entity tax liability (**PIE tax**). It is our intention that the Funds will be priced daily.

We 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. We are not required to give any reasons for a refusal or a postponement. Where we decline an application in whole, or in part, we will repay the declined investment to you, without interest.

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 us from time to time. If accepted, we will effect a switch as soon as possible after we receive the application for a switch. We will notify you of any rejection within seven days of receipt of the application.

You should also note that you indemnify the Trustee and us in respect of any taxation amount paid or payable by us or the Trustee which cannot be recovered by way of adjustment of your 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 16 to 17 of this Investment Statement.

What are the charges?

Entry and exit fees

At the date of this Investment Statement we do not charge any entry fee on initial and subsequent investments in the Funds.

We may introduce entry, exit or other fees in the future on written notice to you 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 we do not charge any switching fee for issuing units as a result of a switch from one Fund to another.

We may introduce a switching fee in the future on written notice to you 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 our management fee, we may also pay an annual trail fee commission to your financial adviser. At the date of this Investment Statement the management fee payable to us for each Fund is as follows:

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

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

Our 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.

The Harbour NZ Core Fixed Interest Fund, Harbour Australasian Equity Income Fund and the Harbour Australasian Equity Fund currently invest directly into wholesale funds managed by us (**Harbour Wholesale Funds**). These Harbour Wholesale Funds also charge fund administration and trustee expenses separately within each wholesale fund. The investment management fees charged by these underlying Harbour Wholesale Funds are fully rebated back to each retail Fund to ensure that you are only charged once for investment management fees.

Where investment is made into the Funds by institutional or wholesale investors, we may rebate fees payable by wholesale investors from our management fee and/or any other fees, at our discretion. We will agree any rebates with such investors from time to time at our discretion.

As management fees are payable from each of the Funds, this will affect your returns.

Performance fee

We may be paid a performance fee in respect of the Harbour Australasian Equity Fund. This is in addition to our management fee.

Performance fee methodology:

A performance fee will only be paid if; 'outperformance' is achieved and the 'high-water-mark' (HWM) unit price is exceeded.

Outperformance is achieved if the Fund's unit price return is greater than the return of the Russell NZ Tradeable Net Index™, adjusted higher each day to reflect a 1% per annum performance hurdle, and accrued daily within the unit price.

The HWM unit price is exceeded if the Fund's unit price, on 31 December of any year, is greater than the HWM. The first HWM was the unit price on 31 December 2011. Subsequently, the HWM is perpetual and will only ever be reset to a higher unit price if a performance fee is payable to us, in which case the new HWM will be the Fund's unit price on the day the performance fee is calculated as being payable to us.

The performance fee comprises 10% of the outperformance. For the purposes of the performance fee calculation, outperformance is capped at 10%.

As the performance fee is payable from the Harbour Australasian Equity Fund, this will affect your returns from the Fund.

Hypothetical 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% of (8% – 6%)
= 10% of 2%
= 0.2%

Result: a performance fee of 0.2% is 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.

We may with the Trustee's prior approval (not to be unreasonably withheld), alter the basis for charging our management fees for the Funds and performance fee in respect of the Harbour Australasian Equity Fund on giving written notice to you 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, from our management fee.

Expenses

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

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 you.

In calculating the net asset value of a Fund (and accordingly unit pricing), we may deduct the amount of any expenses that are payable or reimbursable from that Fund which, in our opinion, should be deducted for the purposes of making an equitable and reasonable determination of the net asset value of the Fund. It is our current intention that up to 0.05% per annum of the gross asset value of each Fund will be accrued towards the payment of audit, legal, accounting and other like expenses.

We 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

We and the Trustee may increase or impose new fees for a Fund on giving written notice to you 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 (GST)

All fees are stated on a GST exclusive basis unless otherwise stated. GST (currently at 15%) is charged on 10% of our 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 our fees and the Trustee's fees. Full GST is paid on all other goods and services.

What returns will I get?

Your returns are reflected in movements in a Fund's unit price (which will be realised only when you cash in your investment), and any distributions made. Deductions of fees and expenses are reflected in the unit price and will affect your investment returns.

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

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.

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

We reserve the right to amend this policy and to distribute income.

Before the determination of income entitlements at the end of a distribution period, we 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, we must determine the amount of income available for distribution for that distribution period. Your total income entitlements for a distribution period are 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 you held at the end of the last day of the distribution period. The Fund may elect to deduct from your distribution an amount equal to the PIE tax (if any) paid by the Fund in respect of your holding. In such a case, unit holders may receive differing net distributions. Currently however the Funds intend to reflect PIE tax by adjusting your units held and not by making deductions from distributions.

Our investment decisions and the performance of a 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 our control. This means that the unit price may rise or fall and performance may vary, altering the value of your investment.

You 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 us.

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), we 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 us (in our absolute discretion, and which at the date of this Investment Statement is nil) 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 calculated before PIE tax. It is currently intended that units will be priced daily for this purpose.

While the Funds are 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 16 to 17 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 us. 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 we may request the Trustee, after giving more than 30 days' written notice of our intention to do so, to withdraw your holding.

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, we are 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 in total to more than 2.5% of the number of units on issue in that Fund at the time of the request or the last request, and we consider it is in the general interests of all unit holders in that Fund to do so in accordance with the Trust Deeds, we may defer the immediate withdrawal of the total units requested and withdraw those units by instalments over a period determined by us or in total at the expiration of a period determined by us. There is no limit to the period that we 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, we may, on notifying the Trustee, suspend the right of unit holders in that Fund to make withdrawal requests.

We may also suspend withdrawal requests in respect of a Fund where we determine the withdrawal is not practicable, would or may be materially prejudicial to the general interests of unit holders in the relevant Fund, or is not desirable for the protection of a Fund (for example, if it would threaten the Fund's eligibility for PIE status) and we give a repayment suspension notice to the relevant unit holders and the Trustee. 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 income tax regime as it applies to the Funds as at the date this Investment Statement was prepared. It is intended as a general guide only and you should seek your own tax advice prior to investing. Tax law changes frequently and you should not assume that this treatment will continue to apply throughout the time that you may hold units in the Funds. In this Taxation section, references to 'resident' or 'residency' mean to 'tax resident' or 'tax residency' (and non-resident means not tax resident).

Portfolio Investment Entities

Returns to unit holders will be affected by tax laws.

The Funds are multi-rate PIEs (a form of Portfolio Investment Entities referred to as PIEs) as defined in the Income Tax Act 2007. If the Funds fail to keep the multi-rate PIE status, the tax treatment will differ from that set out below (and the result may be adverse to a unit holder). The Funds have not elected to be foreign investment PIEs.

The tax regime applicable to a multi-rate PIE provides that all taxable income, losses and tax credits related to a Fund's investments must be allocated to you in proportion to your daily unit holdings in a Fund, with tax payable at your prescribed investor rate or PIR on your proportionate share.

The Funds will calculate and pay tax on the net income allocated to unit holders at the following rates:

An individual unit holder who is a New Zealand resident will have a PIR of 10.5%, 17.5% or 28%. To qualify for a 10.5% or 17.5% PIR, a unit holder must be a New Zealand resident for tax purposes, must supply a valid IRD number and meet the relevant criteria (set out below) in relation to either of the previous two income 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%

*Income years generally commence on 1 April in any year and end on 31 March in the following year, but some people may have non-standard income years.

** PIE income is your attributed PIE income less any attributable PIE loss.

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 PIR and other details to us (care of the Registrar) on your Application Form. You will be asked each year to confirm your PIR.

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 PIR. A Fund will cancel units (or may adjust a distribution) to account for a tax liability paid in relation to a unit holder and may issue additional units to account for any excess tax credits the Fund receives in relation to a unit holder.

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 who have provided us with the correct PIR, the tax paid on income allocated to you by the Fund will be a final tax and you will not need to include the income allocated to you in a tax return. You must notify us if your PIR changes or if you cease to be a New Zealand resident. If you don't, and you have provided us with a lower PIR than is correct, you will be personally liable to pay any resulting tax shortfall (and may be exposed to penalties and interest) and must file a tax return. If you have provided us with a PIR that is higher than your correct PIR the IRD will not refund 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, we 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 unit holders (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 us to apply a different PIR to the one notified by you.

Distributions to you are not separately taxable, nor is there a tax liability on the withdrawal of units in a Fund, even where you receive 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 that is specific to your own personal circumstances.

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

You should note that both we and Trustee have broad powers to act at our discretion to ensure that the Funds remain eligible to be multi-rate PIEs. This includes, for example, the ability to refuse investment or to compulsorily withdraw all or part of your unit holding where continued investment may prejudice a Fund's multi-rate PIE eligibility.

Taxation of share investments

Provided that the Funds are PIEs, any capital gains made by the Funds 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 as income.

Shares in Australian resident listed companies that are taxed on the dividends basis described above and most other shares in foreign companies will be taxed pursuant to the fair dividend rate (**FDR**) calculation method. Under FDR, the Funds will be deemed to have derived income equal to 5% of the average daily market value of the relevant shares for a tax year. Any dividends or other distributions flowing from those shares will not be separately taxed in New Zealand under FDR.

Any losses in respect of those overseas shares to which FDR applies will not give rise to a deduction, for income tax purposes, for the Fund.

Foreign shares offering guaranteed or fixed rate returns generally will be taxed under the comparative value method (i.e. (closing value + gains) - (opening value + costs)).

Other income of the Funds 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, you should carefully consider the following risk factors which may adversely affect investment returns and your ability to recover money invested in a Fund.

The main risks that you face are that you may not receive the returns that you expect, that the capital value of your investment may end up less than originally invested (or may be lost in full), or that you may be unable to get your money back or fully realise your investment in the Fund when you need it.

We believe that the circumstances which produce these risks can be classified into three main areas:

- 1 Manager specific risk
- 2 Fund specific risk
- 3 General risks

We outline these in further detail below

1 Manager specific risk

Manager specific risk relates to us as a company and the risks around how we manage and operate our business, including the making of investment decisions. These risks which are outlined below will differ from other fund managers.

Company specific risk

Your investment in a Fund may be affected by unexpected changes in our operations, ownership structure, business environment or if we become insolvent.

Key personnel

The performance of investments will depend to some extent on the quality of management of a Fund and its assets. Our ability to provide investment management services for a Fund is linked to key professionals whose departure could negatively impact on the performance of the Fund.

Service provider risk

You could be adversely affected if any of the parties involved in the operation of a Fund, including the Trustee, us, or the underlying administration managers and/or auditors fail to perform their obligations.

2 Fund specific risk

Fund specific risk relates to each Fund's investment style (i.e. how we manage each Fund) and the risks the Funds face due to the underlying securities that each Fund invests in. As a result, each Fund has a different risk profile.

Market risk

Investment returns will be affected by the performance of the investments chosen for that 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.

Interest rate risk

The market value of the securities in the Harbour NZ Core Fixed Interest Fund and the Harbour NZ Corporate Bond Fund can change due to changes in interest rates. The market value of fixed interest securities can fluctuate with relatively small changes in interest rates. This sensitivity depends on the starting level of interest rates, the maturity date of the security and the level of coupon or dividend paid.

Currency risk	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.
Derivative risk	Because we 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. As the Harbour NZ Core Fixed Interest Fund may make marginal allocations in the United States and Australian rate markets, investment movements may be more volatile than if that Fund invested solely in domestic fixed interest. As we may use interest rate and credit derivative instruments to manage the Harbour NZ Corporate Bond Fund and the Harbour NZ Core Fixed Interest Fund, the investment movements may be more volatile than if either Fund invested solely in fixed interest securities.
Counterparty and default risk	A counterparty to a contract may fail to meet their obligations under it, causing loss to any of the Funds. This potentially arises with various securities including derivatives and fixed interest.
Liquidity risk	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 market capitalisation companies in particular may, from time to time and especially in falling markets, become less liquid and the investment may not be able to be realised.
PIE Status risk	If PIE status is lost a Fund would be taxed as a company rather than under the multi-rate PIE regime (and you would be taxed on any distributions or redemptions accordingly).
3 General risks	
General risks relate to the investment fund industry as a whole and the risks associated with us offering managed funds to the public.	
Performance risk	Past performance is no guarantee of future performance. There is a risk that in the future a Fund will not achieve its investment objectives.
Limited performance track record	The Harbour NZ Corporate Bond Fund was established on 22 January 2009, the Harbour Australasian Equity Fund was established on 25 March 2010, the Harbour NZ Core Fixed Interest Fund was established on 3 May 2011 and the Harbour Australasian Equity Income Fund was established on 13 September 2011. Accordingly, there is limited historical performance information available for these four Funds.
Regulatory risk	Returns may be affected by any adverse regulatory changes in New Zealand, Australia and internationally, which could have an impact on investments.
Taxation risk	Changes in taxation rates or tax rules may impact on your investment returns. The taxation assumptions used in this Investment Statement are based on New Zealand tax legislation as at the date this Investment Statement was prepared. Any changes to such legislation may materially impact the returns of a Fund. It is recommended that you seek advice from a tax advisor before making an investment into a Fund. The tax treatment of the Fund and investments in it will alter from that set out in the 'Taxation' section if it ceases to maintain its status as a multi-rate PIE. Unit holders face tax risk if they advise the wrong PIR.

The risks that apply to the Funds are not exhaustive.

Because of the risks set out, it is reasonably foreseeable that you may receive back less than you invested into a Fund. In any event, you will not be required to pay more money than the amount you invest into a Fund.

How we manage (mitigate) risks

The risks you face as an investor into managed funds will vary from Fund to Fund, depending on the investment objective and underlying investments of each Fund. Generally, to earn a higher return in the long term, an investor is required to accept a higher degree of risk to generate that desired return.

Each of our Funds offers a different risk profile. You and your financial advisor can determine the most appropriate Fund or mix of Funds to help achieve your investment objectives, with respect to the risk factors mentioned in the previous section.

In managing your investment, we are aware of these risks and believe the following factors can help manage some of these potential risks you face as a unit holder in our Funds.

A well-resourced and experienced team

We offer a team of experienced and proven investment professionals that have extensive experience in managing money in global and Australasian markets. The senior members in the equity team worked together for over 10 years at a global investment management firm prior to establishing Harbour. The fixed interest team offers a blend of over 20 years managing local fixed interest and 15 years of global analysis. Our portfolio managers who invest and manage the money have an average of over 20 years investment experience. This individual and collective experience has navigated client portfolios through changing economic and market conditions. This enables us to focus on client outcomes and provide you with competitive long term returns.

Refer to the prospectus or our website for further information on our directors and portfolio managers.

Sound investment philosophy

Our investment philosophy is focused on consistency – in combining fundamental analysis with the skill of experienced people.

Consistent investment process

The years of experience and lessons learned over many market cycles has helped us craft a robust and disciplined investment process for equities and fixed interest securities. Our combination of quantitative macro-economic and fundamental analysis across both equity and fixed interest markets is dedicated to producing superior investment results for you. We manage each investment strategy within clearly defined investment parameters to provide you with transparency of how your investment portfolio is managed.

Governance & Controls

The Harbour business operates within a framework of strong governance that is overseen by an experienced Board which includes two independent directors. This oversight along with what we believe is a world leading back office administration and compliance system, helps mitigate company specific risks and investment operation risks.

Further information on our corporate governance and controls can be found on our website at www.harbourasset.co.nz.

Outsourced fund administration

We outsource the fund administration operations of registry, custody, unit pricing and investment accounting to one of the largest specialist providers in the New Zealand market place. This means that fund administration functions are overseen by an independent and a well-resourced and experienced team of administration specialists.

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 11 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 Harbour become insolvent.

If we are put into liquidation or 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 us and the 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?

The Trust Deeds (including the Conditions of Establishment for each Fund) can be altered by either the Trustee or us 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 any Act or any other relevant legislation or where, in our reasonable opinion, such amendment is necessary or desirable to maintain the status of a Fund as a multi-rate PIE;
- 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.

We and the Trustee may vary the Conditions of Establishment in respect of a Fund if we give notice to you in a form approved by the Trustee, 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 withdrawal price (without deduction of any exit fee) before the variation takes effect.

See 'How much do I pay?' on page 11 for how you can alter your investment in the Funds, and 'What returns will I get?' on page 14 on how to withdraw your investment from the Funds.

We may alter investment minimums at any time, accept amounts less than the required minimums and determine that no further units will be issued at our discretion.

With the approval of the Trustee, we may increase or impose new fees or charges to those stated under the heading 'What are the charges?' (on page 12). At the date of this Investment Statement we have no intention to do so. Three month's written notice must be given to you before any fees are increased.

The investment objectives and investment styles of the Funds as set out on pages 6 to 9 are current as at the date of this Investment Statement and can be varied from time to time by us, in accordance with their respective Trust Deed by agreement with the Trustee.

Payment of withdrawal requests may be suspended or deferred. Details of when this may occur are provided under the heading "What returns will I get?" (on page 14).

We may resolve to wind up a Fund. In this instance, 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).

How do I cash in my investment?

Withdrawals

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 us.

Withdrawal payments will only be made to a New Zealand domiciled bank account that we consider (acting reasonably) to be the account of the relevant unit holder in the Fund.

A withdrawal of units is not itself liable to tax. However, a withdrawal may give rise to a liability for tax on the underlying taxable income of a Fund (see pages 16 and 17 for more information).

See the 'Withdrawals of Units' under 'What returns will I get?' on page 14 for further information on making a withdrawal from the Funds.

We may in certain circumstances suspend payment of withdrawal requests – see 'Withdrawals of Units' in the 'What returns will I get?' section on page 15.

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

Right to sell units

You may sell or transfer all or part of your unit holding to another person, subject to the terms of the Trust Deeds. The instrument of transfer must be in writing in any usual or common form which we approve and be signed by both the transferor and transferee.

In our opinion, there is no established market for such sales. We can decline to register a transfer if the conditions for withdrawal detailed above are not met.

We may suspend the registration of any transfers at such times and for such periods as we may from time to time determine (but not exceeding 30 days in aggregate each year).

Termination of a Fund

A Fund will terminate upon whichever is the earlier of:

- The date of termination (if any) notified by us to the Trustee and to you, being a date not earlier than three months after the date of such notice;
- If an extraordinary resolution is passed by unit holders resolving to terminate a Fund; or
- The expiration of a period of 80 years, less two days, from the date of establishment of a Fund.

Who do I contact with inquiries about my investment?

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

Attention: Client Relations Associate
Harbour Asset Management Limited
Level 12
171 Featherston Street
PO Box 3363
WELLINGTON 6140

Telephone: 04 460 8300
Email: contactus@harbourasset.co.nz
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 our client services personnel and copied to the Compliance Manager at:

Attention: Client Relations Associate
cc: Compliance Manager
Harbour Asset Management Limited
Level 12
171 Featherston Street
PO Box 3363
WELLINGTON 6140

Telephone: 04 460 8300
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

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

4th Floor, 101 Lambton Quay, Wellington
PO Box 5967, Lambton Quay Wellington 6145

(Call Free) 0800 347 257
(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, ourselves and the Trustee is contained in the Trust Deeds, the conditions of establishment of each Fund, the prospectus for the Funds, and the financial statements of the Funds. 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
Email: contactus@harbourasset.co.nz
Website: www.harbourasset.co.nz

You can also obtain copies of the prospectus for the Funds and most recent financial statements the Funds free of charge on request in writing, or by telephone, to us.

The Trust Deeds, conditions of establishment for each Fund, prospectus for the Funds and financial statements of the Funds and other documents of, or relating to the Funds, are filed (in accordance with the statutory requirements as to time frames) on the public register at the Companies Office. Copies of certain documents may be viewed (if available) on the Companies Office website at www.companies.govt.nz

Additional information

We will also provide to you any other material you are entitled to receive by law, including a copy of the financial statements for the Fund/s you are invested in.

How to Invest

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

Ring Bay Financial Partners Ltd on 07 578 3863
or visit our website www.bayfinancialpartners.co.nz

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
50-64 Customhouse Quay
WELLINGTON 6011

Glossary

alpha	means the actual unit price return (net of management fee) less the benchmark return.
balance sheet indicators	measures the change in accruals and provisioning in a company's balance sheet over time.
basis points	means one hundredth of a percent.
benchmark	means the standard against which the performance of a Fund is measured.
business day	means a weekday when registered banks are open for business in Wellington and Auckland between the hours of 9am and 5pm.
buy rated	means that our research analysts regard a particular equity as potentially worthy of inclusion in one of our Funds and that buy rated stocks will generally be the largest overweight positions (relative to their benchmark weight) in a Fund.
corporate bond	means a debt security issued by a company.
credit limits and analysis	means establishing exposure limits to specific bond issuers based on their credit ratings and analysing the creditworthiness of those bond issuers.
credit rating	means an assessment of credit worthiness - based upon the history of borrowing and repayments, as well as the availability of assets and the extent of liability.
diversification	means investing in a variety of assets.
dividend yield	means how much a company pays out in dividends each year relative to its share price.
duration	is the sensitivity of the value of a fixed interest security or portfolio to changes in market interest rates.
earnings indicators	measures of prospective earnings forecasts for a company.
equities	means a share representing an ownership interest in an entity (generally companies).
FDR	means fair dividend rate.
fixed interest securities	means debt instruments such as a bond that investors use to lend in exchange for interest payments. A fixed interest security pays a specified rate of interest that does not generally change over the life of the instrument. The face value is scheduled to be returned at the end payment date.
FNZC Trust Deed	means 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.
FSCL	means Financial Services Complaints Limited.
fundamental research	means where the Harbour analysts research specific companies through financial analysis and visiting company management, suppliers and competitors.
government bond	means a debt security issued by a national government.

gross asset value	means, in respect of each Fund, the aggregate value of the investments and other assets of that Fund determined by us in accordance with the FNZC Trust Deed and the Harbour Trust Deed before deducting the liabilities and other charges as set out in the relevant Trust Deed.
growth indicators	reflects measures of growth in value of the company. Examples include return on equity (ROE) (profit of the company as a percentage of equity in the company), and return on equity growth, (forecast growth in the ROE of a company over several years).
GST	means Goods and Services Tax.
Harbour Wholesale Funds	means wholesale funds managed by us.
Harbour Trust Deed	means the Trust Deed for the Harbour Asset Management Unit Trusts dated 25 March 2010.
hedging	means making an investment to reduce the risk of adverse price movements in an asset.
HWM	means high water mark. A high water mark is the base position/mark used to measure performance and to calculate if a performance fee needs to be paid. Performance needs to beat the respective performance hurdles and be higher than the current high water mark for a performance fee to be paid. The performance fee in respect of the Harbour Australasian Equity Fund is subject to a high water mark. A perpetual high water mark is only ever reset higher when a performance fee is paid.
investment grade	means assessed as being able to repay debt in a timely manner.
liquid	means investments that can be sold readily.
liquidity limits and analysis	means analysing whether a security can be sold readily in varying market conditions, and ensuring a portfolio has a minimum holding of highly liquid instruments.
local authority stock	means a debt security issued by a local authority and represents a claim on part of the local authority's assets and earnings.
long-term structural research	means the analysis of household sector, corporate sector and government sector balance sheets and cash flows.
macro indicators	are leading indicators of sectors and companies performance based on the historical relationship and correlation of current and forward looking economic factors.
macro-economic market cycle	refers to the study of the behaviour of an economy as a whole, rather than looking a specific sectors or groups. a market cycle is generally a period over which price movements rise, fall and return to their point of origin (at which point the cycle is complete).
market intelligence	is the information gathered through the observations of market behavior and discussions with other market participants.
maturity or maturity date	means the final payment date of a loan or other financial instrument at which date the principal (and all remaining interest) is due to be paid.
net asset value	means, in relation to each Fund, the net asset value of the fund as determined from time to time in accordance with the FNZC Trust Deed and the Harbour Trust Deed.
NZ country premium	is the additional yield required to compensate for country specific risks.
NZ swap rates	are commonly used as an indicator of fixed term interest rates in the wholesale market. The swap rate is the fixed rate leg of a financial agreement to exchange fixed rate payments with floating rate payments over a given time period. means to exceed the set benchmark.
outperformance	
payout ratios	a measure of how much of a company's earnings or cash flow in a certain time period is paid out to shareholders.
PIE	means a portfolio investment entity of which a multi-rate PIE is a specific type as defined in the Income Tax Act 2007.
PIE tax	income tax paid by a PIE on the income of unit holders according to their respective PIRs.
platform	means investing via a Portfolio Investor Proxy which is a consolidated custodial account. For example, Aegis or OneAnswer.
prescribed investor rate or PIR	means the tax rate that applies to your investment in a multi-rate PIE.
prospectus	means the current registered prospectus for the Funds.
Registrar	means the person who maintains the register for the Fund, Trustees Executors Limited.
relative value	means identifying securities that are priced attractively compared with other securities with similar maturities or similar credit worthiness.
Trustee	means Trustees Executors Limited.
unit	means a unit in a Fund. A unit entitles an investor to an equal interest in the Fund.
unit holder, you or your	means you or another investor.
unit holding	means the unit of the Fund/s that you subscribe for or buy.
unit price	means the price for a unit in the Fund calculated in accordance with the unit selling price.
unit selling price	means the unit selling price for a Fund which is calculated by dividing the net asset value of a Fund by the number of units on issue, and adding any amount determined by us (in our absolute discretion, and which at the date of this Investment Statement is nil) on account of the estimated costs which would be incurred if investments of the Fund sufficient to repay the withdrawal request were realised.
unit withdrawal price	means the unit withdrawal price for a Fund which is calculated by dividing the net asset value of a Fund by the number of units on issue, and deducting any amount determined by us (in our absolute discretion, and which at the date of this Investment Statement is nil) on account of the estimated costs which would be incurred if investments of the Fund sufficient to repay the withdrawal request were realised.
valuation indicators	are models that help identify the whether a security is attractively priced relative to fundamental or market factors.
volatility	is a measure of the price variation of a financial instrument over time.
we, us or our	means Harbour Asset Management Limited.
yield	means the income return on an investment i.e. the interest or dividends received. Yield is usually expressed as a percentage.
yield curve	means a line that plots the interest rates, at a set point in time, of bonds that have equal credit quality, but different maturity dates.

