

Part A - putting comments here as the OIO doc is locked for comments

Description of the transaction

- No comments

Investment background

- List of schemes does not match that on Disclose
- Would be good if we could include the FUM
 - o Can tell some of the investors, but not all

Scheme per Disclose	Schemes per OIO
Kiwi Wealth KiwiSaver Scheme	Kiwi Wealth KiwiSaver Scheme
Kiwi Wealth Managed Funds	Kiwi Wealth Managed Funds
Kiwi Wealth Super Scheme	Kiwi Wealth Super Scheme
	Private Portfolio Service

Schemes managed

Scheme	Scheme manager	FUM
Kiwi Wealth KiwiSaver Scheme	Kiwi Wealth Limited	\$6.18b
Kiwi Wealth Managed Funds	Kiwi Wealth Limited	\$0.31b
Kiwi Wealth Super Scheme	Kiwi Wealth Investments Limited Partnership	\$0.06b

Kiwi Wealth Investments General Partner Limited

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owns

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Kiwi Wealth Management Limited

Kiwi Wealth Investments General Partner Limited

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General partner of

|

Kiwi Wealth Investments Limited Partnership

Kiwi Wealth Investments Limited Partnership

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owns

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Kiwi Investment Management Limited AND Kiwi Wealth Limited

Investor background and plans

- Cannot confirm FUM as we do not have information on wholesale funds, DIMS products, etc., but can provide info on retail schemes and their FUM (and members in some cases)
 - o Will not have info on
 - listed funds (e.g., Barramundi)
 - wholesale clients and FUM
 - DIMS
- Note that this section has no info on “plans”
- In past Fisher has acquired
 - o First NZ Capital KiwiSaver Scheme
 - o Huljich KiwiSaver Scheme
 - o Credit Union KiwiSaver Scheme
 - o Law Retirement KiwiSaver Scheme
 - o Tower Investments
 - o AON KiwiSaver Scheme
- Fisher has been one of the most acquisitive in the market and the Kiwi Wealth acquisition will get them to second or third-largest KiwiSaver provider in the market.

Ownership and control of investor

- Suggest that your re[port note the Toi Foundation’s relationship to TSB. Fisher has noted Toi’s beneficiaries benefitting substantially from greater scale (and more revenue).

- [s 9(2)(b)(ii)]
[REDACTED]
[REDACTED]

Detail

[s 9(2)(b)(ii)] The NTA is our primary indicator of financial stability, but we note

- 1) A positive NTA is not a licensing requirement; and
- 2) The NTA is a very conservative accounting figure – it is useful as an early warning indicator, but often (as in the case of Fisher) the negative NTA is a function of balance sheet structuring and not an indication of financial weakness

[s 9(2)(b)(ii)]

[s 9(2)(b)(ii)]

[s 9(2)(b)(ii)]

- [s 9(2)(b)(ii)]
- [s 9(2)(b)(ii)]
- [s 9(2)(b)(ii)]
- [s 9(2)(b)(ii)]

Part B [s 9(2)(b)(ii)]

- [s 9(2)(a)]
- Licensed services
 - o Fisher Funds Management Limited
 - FAP Full Licence
 - MIS manager
 - DIMS provider
 - o Kiwi Wealth Investments Limited Partnership
 - FAP Transitional Licence
 - MIS manager
 - DIMS provider
 - o Kiwi Wealth Limited
 - Authorised body to Kiwi Wealth Investments Limited Partnership
 - o Kiwi Investment Management Limited
 - Authorised body to Kiwi Wealth Investments Limited Partnership

[s 9(2)(b)(ii)]

Part C

Likely positive impact of investment

- Creation/enhancement of scale - enhances potential for
 - o Scale behaviour – recognition by Fisher’s board and senior management that being one of the top 3 providers means there are greater expectations of their conduct.
 - Improved services
 - Fee reduction

Likely negative impact of investment

- Removal of large fund manager (and KiwiSaver provider) that is wholly NZ owned
- Increased concentration within the fund management and KiwiSaver provider sector
- Presumed change of scheme supervisors and administration systems creates some operational risk during the transition
- Increased risk of dividend demand from parent conflicting with investor interests and needs of the operating company
- Change from ownership with presumed strategic interest to one with more potential for financial interest

Comment on risk controls available

General

- Supervisors of fund managers (and KiwiSaver providers) are licensed and monitored by the FMA (though fund administrators are not)
 - o If the FMA believes any issues arising as the acquisition process progresses represent a significant new risk, or an increase in an existing risk, it can be regarded as a material change in circumstances potentially requiring licensing conditions, including suspension or termination of the licence itself

[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

KiwiSaver default

- Instrument of Appointment in place for KiwiSaver default providers – those terms are set by the Minister and can only be varied with Ministerial approval. In the event of substantial problems, the FMA can determine a provider’s conduct is such it merits a recommendation

to the Minister that the provider's default status is suspended or the provider is terminated as a default provider

- Any change of KiwiSaver default providers requires ministerial review and approval
- FMA's default monitoring panel – six monthly reviews of how each provider is performing relative to their Instrument of Appointment and additional FMA expectations.

Comment on mitigations available

- All of the tools and powers available under the FMC Act, KiwiSaver Act etc
- Ability to vary, suspend or terminate MIS licence
- FMA's value for money focus would encourage improvements in either or both of fees charged and services provided to managed fund (including KiwiSaver) investors

Additional comment

- Overall, the positive and negative impacts of the acquisition are relatively minor and are unlikely to have a material impact on New Zealand in either direction. To the extent there are any negative impacts, we believe we have sufficient controls and mitigants to manage that risk

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