

1 September 2025

## **Notice to investors of upcoming changes to the Foundation Series Balanced Fund**

Dear investors,

We wish to inform you of upcoming changes to the Foundation Series Balanced Fund ("Fund"), designed to maintain cost efficiency, improve alignment with market standards, and refine the Fund's investment approach.

Following a strategic review of the Fund, it has been decided to replace the Fund's current underlying Australasian Equities, International Equities and International Fixed Interest solutions with new underlying funds managed by Harbour Asset Management, Vanguard and BlackRock respectively.

The new underlying funds each incorporate responsible investment considerations as part of their investment strategies, and the Fund's underlying asset class benchmark indices will also change to align with the new underlying funds.

In addition, the Fund's target asset allocation towards Australasian Equities will be reduced by 3%, alongside a 3% increase in the target asset allocation towards International Equities.

These changes were made to reflect various factors, including to:

- Maintain the cost-effective fee structure of the Fund, following material fee increases within the current underlying funds;
- Better align the target asset allocation between Australasian Equities and International Equities with the broader Foundation Series Funds range and comparable market offerings;
- Incorporate a responsible investment strategy to the Fund, which is perceived to provide additional long-term value for end-investors.

Further detail on these changes is described below:

### Changes to the Fund's Investment Strategy

The Fund's investment strategy will be amended to incorporate certain responsible investment considerations. This will be achieved through exposure to a revised range of underlying funds which feature investment strategies that express certain environmental, social and governance ("ESG") considerations, predominantly through specific negative screens.

Based on certain business involvement criteria and revenue thresholds, these negative screens seek to limit exposure to companies involved with specific business practices, including: anti-personnel landmines; chemical and biological weapons; cluster munitions; nuclear weapons; tobacco; thermal coal; military weapons; civilian automatic or semi-automatic firearms; alcohol; gambling; & pornography.

The Fund's new responsible investment lens reflects a recognition that ESG factors can materially impact long-term investment performance whilst still aiming to maintain the Fund's risk/return profile and diversification.

The Fund's investment objective will remain the same: to perform broadly in line with the return of its investment benchmark before fees and tax over the long-term. The Fund's investment benchmark is the weighted average return of the asset class benchmark indices. However, the revised range of underlying funds will result in a change to certain asset class benchmark indices, as described further below.

The changes to the investment strategy of the Fund are not expected to alter the risk profile of the Fund. The risk indicator of the Fund is expected to remain the same at 4.

### Changes to the Fund's Underlying Asset Class Benchmark Indices

The Fund's Australasian Equities' asset class benchmark index will change from the S&P/NZX 50 Index (gross and including imputation credits) to the S&P/NZX 50 Portfolio Index (gross and including imputation credits).

The Fund's International Equities' asset class benchmark index will change from the MSCI World Net Index (50% Hedged to the NZD) to a composite index consisting of 67% FTSE USA All cap Choice Index and 33% FTSE Global All Cap ex USA Choice Index, with this composite index being 50% Hedged to the NZD.

These changes to the asset class benchmark indices have been made to align with the benchmark's used by the go-forward Australasian Equities and International Equities solutions. The go-forward asset class benchmark indices continue to align with the Fund's targeted investment exposure, being to achieve broad, diversified exposure to the New Zealand and global share markets.

### Fees and Costs

The Fund's current annual management fee of 0.37% will remain unchanged.

The go-forward underlying funds will see the Fund's estimated buy/sell spreads reduce from the current 0.08%/0.11% to 0.00%/0.00%.

As a maximum, the cost of the transition to investors is estimated to be around 0.09%.

### Next Steps

These changes will be reflected in amendments to the Foundation Series Funds' Product Disclosure Statement ("PDS"), Statement of Investment Policy and Objectives ("SIPO") and Other Material Information ("OMI") (collectively, the "Offering Documents"), which is expected to occur on or around 1 October 2025.

At that point, the Fund will begin to transition towards its go-forward underlying funds in multiple tranches, in order to maintain substantive investment exposure to its targeted asset classes. The transition to the go-forward underlying solutions is expected to be completed before the end of the year.

Applications into, and redemptions out of, the Fund will not be impacted as a result of the proposed changes, and investors remain free to apply or redeem in accordance with the terms of the Offering Documents.

If you are an investor into the Fund through the InvestNow KiwiSaver Scheme, then the changes above will also flow through at the same time, alongside updates to the InvestNow KiwiSaver Scheme' Offering Documents.

In addition to the Offering Document updates being made to reflect the fund repositioning, there will also be a number of other minor changes to the Offering Documents. Please refer [here](#) for a summary of the key upcoming PDS changes.

Copies of the updated Offering Documents will be provided to you on the day the changes come into effect, and can also be downloaded [here](#).

Should you have any questions please do not hesitate to contact us on 0800 499 466 or at [contact@investnow.co.nz](mailto:contact@investnow.co.nz).