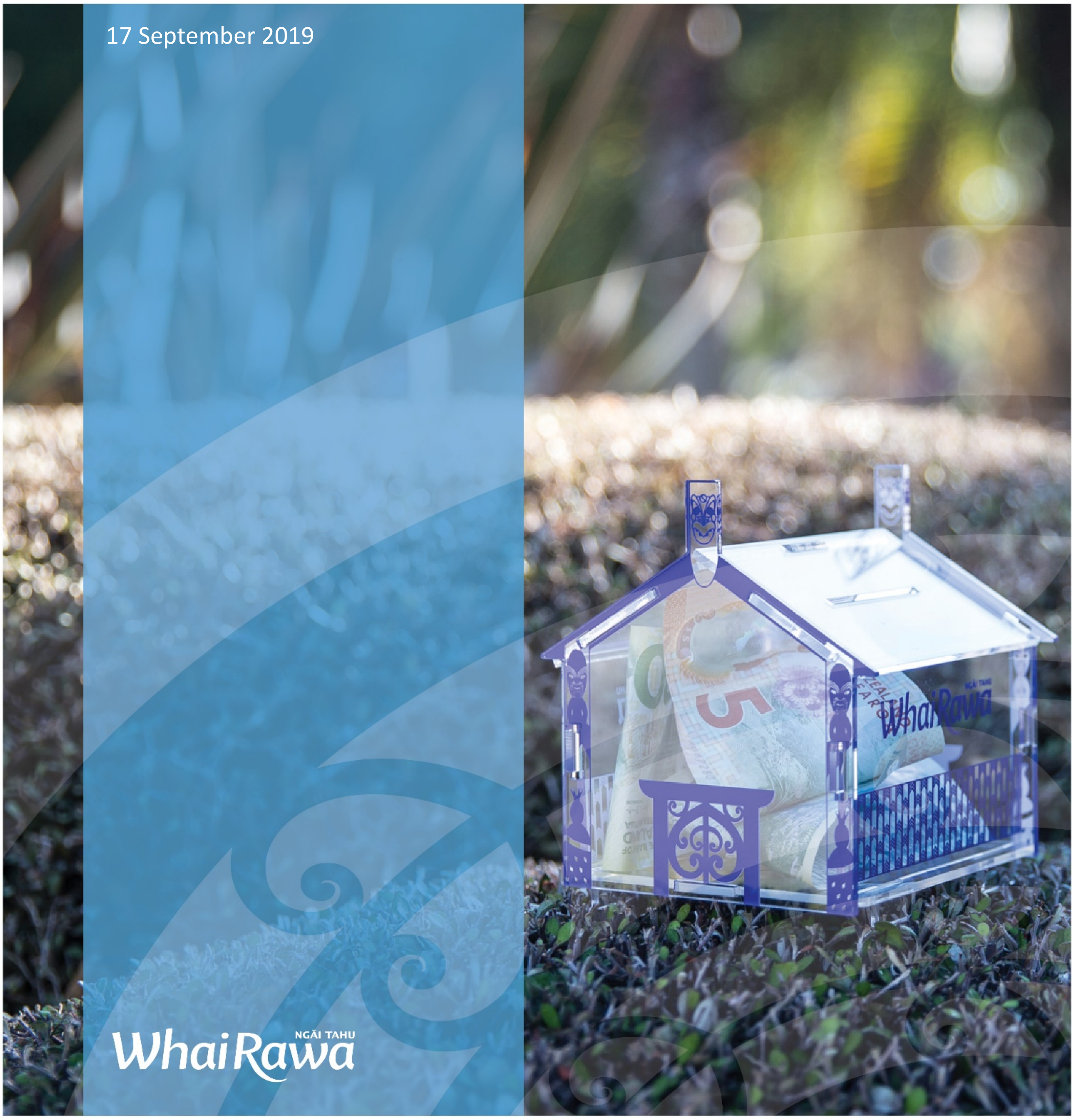
WHAI RAWA UNIT TRUST

UNIT PRICING POLICY

17 September 2019



Whai Rawa NGĀI TAHU

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1.0 Overview

1.1 Purpose

The purpose of this document is to set out the policies adopted by Whai Rawa Fund Limited ("the Manager") in respect of the Whai Rawa Unit Trust ("The Trust") for pricing units and allocating investment income in the Trust.

For the purpose of this document individuals investing in the Trust are referred to as members.

1.2 Background

The Manager has formulated this unit pricing policy document with reference to:

#	Description
1	The governing documents of the Trust
2	Disclosure documents of the Trust
3	The Manager's general fiduciary duties and statutory obligations
4	Legislative requirements and guidelines, including the Financial Markets Conduct Act 2013, and relevant standards developed by the Financial Markets Authority
5	The Trust's operational framework for allocating investment earnings
6	Industry practice

Procedures supporting these policies are documented and maintained by the Manager and outsourced service providers.

1.3 Review and Revision

The Manager is responsible for reviewing this Unit Pricing Policy document and updating it as necessary. Specifically, the policy, including any amendments recommended, will be reviewed annually by the Manager or its designated representative to ensure it remains relevant, current and consistent with all applicable laws governing the operation of the Trust. Mercer will recommend revisions and updates of the policy to the Manager for approval.

1.3.1 *Approval*

This document will be approved by the Manager (or their delegate).

1.4 Acronyms & Glossary

Term	Description
Trust	Whai Rawa Unit Trust
Manager	Whai Rawa Fund Limited
MINZL	Mercer Investments (New Zealand)
MITNZ	Mercer Investment Trusts New Zealand
NAV	Net Asset Values

2.0 Framework for Unit Pricing and Allocating Investment Earnings

2.1 Background

The Trust is a registered managed investment scheme under the FMCA and is currently governed by a Trust Deed dated 1 October 2019.

Membership of the Trust is available to members as follows

Category	Eligibility
Category 1 - Participating Members	• A person who is a Registered Tribal Individual and has applied for registration can apply to become a Participating Member of the Fund if they comply with Te Rūnanga o Ngāi Tahu's terms of approval. • A Participating Member must be less than 65 years old at the date of entry as a Member.
Category 2 – Elective Members	• An Elective Member is a Member who has attained the age of 65 years. • A Participating Member who has attained the age of 65 years may elect to remain a Member as an Elective Member. • A person who has applied to join the Fund as an Elective Member.
Category 3 –Child Members	• A member who is under the age of 16 years.
Category 4 –Provisional Members	• A person who is not a Registered Tribal Individual who is approved as a Provisional Member by the Manager on the basis that it is reasonably anticipated that they will become a Registered Tribal Individual.
Category 5 – Corporate Members	• Te Rūnanga o Ngāi Tahu, and any related entity of Te Rūnanga o Ngāi Tahu, is eligible to join the Fund as a Corporate Member.

2.2 Service Providers

The Manager has outsourced operational functions associated with scheme administration, investment and unit pricing. The Manager acknowledges that ultimate responsibility for these functions cannot be outsourced. Services, terms and conditions are defined in contracts between the Manager and the service providers.

2.2.1 *Investment Arrangements*

The Manager invests the Trust's assets in the Mercer Investment Trusts New Zealand (MITNZ). Mercer (N.Z.) Limited manages the investments of MITNZ and Mercer Investments (New Zealand) Limited (MINZL) is the trustee of MITNZ.

Mercer manages cash flows, into and out of investments which are associated with the Trust, in line with the Trust's operational ranges.

MINZL has appointed BNP Paribas Fund Services Australasia Pty Ltd as the custodian ('Custodian') of MITNZ. The Custodian provides safekeeping, asset valuation reporting and transaction services to MITNZ.

2.2.2 *Fund Administrator*

The Manager has appointed Mercer (NZ) Limited (referred to as the "Fund Administrator" or "Mercer" in this document) to provide certain administration, unit pricing and financial reporting services for the Trust. Mercer maintains a register of the ownership of the Trust's assets across the underlying MITNZ Investments.

2.2.3 *Auditor*

The Manager has appointed an external auditor, currently Deloitte, as auditor to provide statutory audit services to the Trust.

The Manager can appoint other parties from time to time to undertake internal reviews or audits of specific areas of the unit pricing framework (as necessary).

2.3 Investment and Unit Pricing Structure

The Trust may offer members three investment options. The assets of each fund option may be invested in the MITNZ which invests directly into a number of underlying investment vehicles
In this context, the investment and unit pricing structure for the Trust consists of three layers –

- layer 1 being the Trust investment options offered to members,
- layer 2 being the investment vehicles into which the Trust options invest (MITNZ options)
- layer 3 being the underlying asset class investment vehicles.

The Custodian provides asset valuations and unit prices for the layer 2 MITNZ options net of investment fees to MINZL as trustee of the MITNZ.

Mercer determines unit prices for each of the Trust investment options (layer 1) by taking into account the information provided by the Custodian, the number of units issued in respect of each investment option (as recorded in Mercer's systems) and by allowing for expenses in line with the product disclosure statement issued to members.

Managing the rebalancing of the MITNZ options is the responsibility of MINZL as trustee of the MITNZ. The Investment Operations area of MINZL will maintain the asset allocation of each MITNZ option in line within the operational asset allocation ranges approved by MINZL. These ranges would reflect instructions provided to MINZL by the Manager.

3.0 Guiding principles and obligations for unit pricing

3.1 Background

The Manager's obligations to members form the basis upon which to develop policies in relation to unit pricing. These obligations reflect the Manager's general fiduciary duties, statutory obligations and the requirement to adhere to the governing documents of the Trust. Obligations can also arise from provisions contained in contracts with service providers.

The following sets out the key issues and obligations considered by the Manager in forming its policies.

3.1.1 *Adherence to Governing Documents*

The Trust is governed by a Trust Deed as amended from time to time. The Manager issues product disclosure statement for the Trust to prospective members.

This document takes account of the governing documents and outlines the unit pricing and the investment allocation process more broadly. The Manager is obliged to adhere to the Trust Deed so that, to the extent necessary, the provisions in this document will be read subject to the Trust Deed.

3.1.2 *Consistency with industry standards and regulatory guidelines*

Any robust unit pricing framework requires systems that can cope with complexity and tailoring (e.g. tax law, complex investment arrangements, systems used by other parties, etc.) and the volume of daily transactions. Also, processes need to be tailored for the products and systems involved. As a result, every unit pricing framework is different and underlying processes vary accordingly.

An important consideration for the Manager is that the overall unit pricing framework adheres to industry standards and regulatory guidelines.

3.1.3 *Application of Equity*

The key obligation in allocating investment income is to ensure that members are treated equitably, both at a particular point in time and over time. This is particularly relevant given that there are different groups of members over time (new, exiting and ongoing) with different investment timeframes.

A key aspect of equity is to apply an accurate, consistent and fair investment allocation methodology which is reviewed regularly. In practice such methodology needs to balance a number of issues including requirements from regulations or governing documents, cost constraints, the ability to effectively disclose and communicate the methodology as well as situations where members may be able to "select" against the interests of others (e.g. in times of stress or rapid changes). It is worth noting that another common practical consideration is materiality – i.e. the benefit of increasing accuracy relative to the costs required to achieve it.

3.1.4 *Group considerations*

The management of investment funds involves pooling of assets on behalf of a number of members who invest in different investment options but with common underlying investment vehicles. Some members may undertake frequent transactions while others will not. Accordingly, there is a need to balance the interests of individual members against groups of members or the investor pool as a whole.

As a consequence of this, situations can arise where the process of allocating investment income may not be optimal for a particular member's circumstances or a particular sub-group of members. In practice, a common area where this occurs is with assumptions and methodologies used in setting transaction costs and allowing for the expected level of fees.

The Manager supports the 'group' principle in setting the process for allocating investment income and accepts that the methodology adopted may not be optimal for any particular member or a sub-group of members.

3.1.5 *Assumptions and Estimates*

The Manager accepts that it is not practical or possible to always obtain current information required to undertake daily unit pricing within the required timeframes. Accordingly, the Manager accepts the use of latest information available within the accepted timeframes and, where necessary, assumptions and estimates.

The Manager's view is that any assumptions and estimates used should seek equity, be based on a reasonable and sound basis and not be biased. Where up-to-date or actual information becomes available, the Manager's view is that it should be used as soon as practicable without any smoothing.

The Manager notes that adjustments arising from a consistent and appropriate application of policy, including the updating of estimates, are not errors requiring compensation.

3.1.6 *Documentation and Disclosure*

The Manager supports the need for documentation of policies and procedures as this promotes efficiency, consistency and transparency of the overall process across all parties involved. Documentation makes the overall process capable of being independently verified and also acts as a key means by which to mitigate risk.

4.0 Unit Pricing Operational Policies

The section below articulates the policies the Manager adopts with respect to the Trust's daily unit prices.

In practice, unit prices will be determined by adopting those struck by the MITNZ (being the underlying investment vehicle) and making an adjustment in respect of investment fee rebates.

4.1 Frequency of Determining Unit Prices

Unit prices are to be determined for each New Zealand business day.

Authorised Delegations	Mercer's Head of Unit Pricing (or their delegate) has the delegated authority to decide if a unit price is not to be struck in respect of a New Zealand business day. The Manager must be advised if no price is to be struck (after allowing for the delay in striking prices under the policy on Contingency Arrangements).

4.2 Precision of Unit Prices

Unit prices are to be struck in a manner consistent with the Trust's governing rules and will be calculated to the nearest four decimal places.

Authorised Delegations	No delegated authority to change the precision of unit prices.

4.3 Checking of unit prices

As trustee of the MITNZ, MINZL has responsibility for the validity of the MITNZ prices. The Manager understands that MINZL compares unit price movements relative to market indices within tolerance ranges determined by MINZL. Where necessary, MITNZ unit prices that may need to be reviewed are identified and advised to Mercer before Trust option prices are issued.

Checks will be carried out on the prices by checking the consistency of the option price movement with the related MITNZ option price movement. For example, if an MITNZ option price moves by 1% the related Trust option price would be expected to also move by 1%.

Where asset valuations or unit price movements breach tolerance ranges without a satisfactory understanding of the reason, Mercer will not accept the asset valuation and instead use the latest accepted valuation or adjust it thereafter in line with the asset valuation policy (see later).

4.4 Buy-Sell Spreads

The Manager has decided to determine all Trust option unit prices using Net Asset Values (NAVs) of underlying assets with no allowance for buy-sell spreads for the purposes of processing member transactions and investment performance.

In future the Manager may decide to apply sell unit prices to any withdrawals by members (equal to NAV unit prices less a sell spread which reflects the estimated costs of redeeming interests in underlying investments) where deemed applicable. Further, the Manager may also decide to apply buy unit prices to any new cash flow from members (equal to NAV unit prices plus a buy spread equal to the estimated costs of acquiring interest in underlying investments) where deemed applicable.

The Manager (or their delegate) will be responsible for reviewing the approach adopted in regards to buy and sell spreads in the Trust option unit prices.

Details covering the calculation and ongoing review and updating of any buy-sell spreads are documented and maintained by the Fund Administrator.

Authorised Delegations	No delegated authority to change the methodology for determining and applying any buy-sell spreads.

4.5 Application of unit prices to transactions

4.5.1 *Background*

Transactions arising from member instructions are typically processed within timeframes agreed between the Manager and the Fund Administrator.

The unit prices used for specific transactions are set out below. To ensure equity amongst members, the unit price for a particular transaction can be changed in line with the Manager’s Discretions Policy (see later).

4.5.2 *General Policy*

The unit price applying to an application is the buy unit price determined for the day the instruction was processed – this price is typically determined the day after the process date of the transaction.

Benefit payments requests are normally processed two days after the request is received. The unit price applying to the redemption is the sell unit price prevailing at the time the instruction is processed – the prevailing unit price is typically that which applies for two days prior i.e. the day the benefit request was received. This approach means that benefit payments are effectively processed using a forward price.

In relation to requests to switch investment options, the unit prices applying are generally those determined for the day the instructions were received unless a request is received after 4pm. If an investment option switch request is received after 4pm, the unit prices to apply to the transactions involved with the investment switch request are generally those applying for the following business day

4.5.3 *Backdating*

Backdating transactions that result in any impact to unit prices (other than the below) is not permitted unless the Manager approves this in advance.

Authorised Delegations	Mercer's Head of Unit Pricing (or his delegate) has the delegated authority to vary the process set out above for applying unit prices to specific transactions, except in relation to backdating, in line with the Discretions Policy (refer 4.10).

4.6 Valuation of Assets

The Trust invests in the MITNZ for which the valuation of assets is the responsibility of MINZL.

The Manager understands that assets are valued by MINZL at market value on a 'going concern' basis in a manner consistent with New Zealand accounting standards and generally accepted accounting principles. Further, it acknowledges that MINZL reserves the right to not accept or amend valuations provided by its Custodian in certain circumstances.

4.7 Contingency arrangements

In the event that a fair value of assets cannot be determined or a unit price cannot be determined (e.g. investment markets close, systems failure, etc.), the Manager will accept a delay of up to 48 hours before it issues unit prices.

However, if unit prices are not calculated within this timeframe its policy is to adopt soft unit pricing by indexing the latest unit prices using the change in value of underlying assets or the change in indices used for checking unit prices provided this approach remains fair and equitable.

The Manager's policy is to continue soft pricing provided it is fair and equitable and that it can be reasonably expected that hard unit pricing will be able to re-commence within a period of no more than one week. Where it is not possible to reliably determine when hard unit pricing can commence, the Manager (or its delegate) will resolve whether to continue soft pricing or to suspend processing. In this regard, it will give consideration to whether soft pricing is no longer deemed fair and equitable in making this resolution.

If the Manager suspends processing, members will be advised of the relevant details (e.g. via website). Instructions received during the period over which transactions have been suspended will be processed once the suspension period ends.

Authorised Delegations	Mercer's Head of Finance Operations (or his delegate) has the delegated authority to apply soft pricing in line with this policy, however they need to advise the Manager of any decision to do so. The Manager (or their delegate) needs to approve any decision to suspend processing in line with this policy.

4.8 Provision for asset based fees and expense allowance

4.8.1 *General*

Unit prices will be determined net of investment management, investment related performance fees, expenses and other accruals that may be determined at the Manager's discretion and applied from time-to-time.

MITNZ prices determined by MINZL are generally net of investment manager fees and investment related performance fees. MITNZ may provide fee rebates where investment manager fees applicable to the Trust are discounted from the fees deducted from MITNZ prices.

4.8.2 *Expense allowance*

A provision for expenses in respect of investment related expenses (net of any investment fee rebates) is made in the Trust unit prices.

Specific details on the process of allowing for provisions, including how provisions are determined, are documented in the Fund's Unit Pricing Business Rules.

Delegated Authority	No delegated authority. Alterations to the methodology for determining fee provisions or assumed expense rates can only be made in line with the Manager's operational change management policy.

4.9 Provision for investment tax

The Trust is a Portfolio Investment Entity (PIE). Investment tax is determined under PIE tax rules. Investment tax is not provisioned for in unit prices. PIE tax paid by the Trust is deducted from members' accounts through redemption of units in the investment option(s) held by the member.

Mercer will be responsible for managing the methodology used to determine PIE tax applicable to a member in respect of assets managed within the unit pricing structure.
Tax in relation to the earnings on any assets held outside the unit pricing structure will be managed by the Manager.

4.10 Discretions Policy

The Manager has the discretion to make adjustments to the unit pricing process in specific circumstances in order to ensure equity and fairness amongst members.

Adjustments may be necessary to overcome inappropriate impacts to unit prices which may arise for a number of reasons including inherent operational lags, stale prices, large transactions, liquidity constraints, offsetting cash flows, the receipt of a significant amount of assets in-specie, etc.

Delegated Authority	Mercer's Head of Unit pricing (or their delegate) has the delegated power to exercise a discretion under particular circumstances provided it is applied consistently with this policy and the trust deed.

4.11 Operational Change Management Policy

There are a number of instances which may result in a significant change to the unit pricing operational framework. These include product changes (e.g. changes to investment options or underlying investment vehicles), changes to benchmarks and/or indices, changes to service providers, changes to rates at which provisions are made, changes resulting from legislation or disclosures made to members.

The Manager expects the Fund Administrator to identify the implication of any changes proposed to existing policies, systems and processes and advise it if any of these raise significant issues that require resolution before the change is made.

Also, it is the Manager's policy that the Fund Administrator will confirm to it when a new policy or a change to an existing policy, as approved by it, has been implemented. Any changes to existing policies must only be made via authorised instructions by the relevant Manager delegate and will take effect as soon as it is practicably possible or as otherwise agreed.

5.0 Incident and Error Management

5.1 Management of incidents and errors identified

Unit pricing incidents, including errors, may be identified by various sources including, but not limited to, service providers, control mechanisms, internal and external audits and member queries or complaints. Once an incident is identified, management and escalation of the incident occurs via the Manager's Incident Reporting Process (as set out below).

The Incident Reporting Process incorporates a way of dealing with unit pricing incidents consistent with regulatory guides. A key requirement is that service providers maintain an incident register noting details regarding the incident which include how the incident was resolved and what steps were taken to prevent such future incidents.

The first step to assessing an incident after it is logged, is whether it is an error or if it represents the outcome of a consistent application of business rules and policies. Where an incident is deemed to be an error, the following steps are to be followed to manage the error:

- Limit the impact of the error (e.g. eliminate the impact of the error on future transactions) and manage any arbitrage risks that arise until the error is remediated;
- Identify an appropriate approved methodology to assess the impact of the error, particularly where there are multiple errors involved, allowing for loss of opportunity;
- Assess the impact and extent of the error (i.e. whether the error is material) including number of members affected, which members are disadvantaged and which have gained and by how much;
- Identify all regulatory and legal obligations arising from such an error and ensure that all requirements of the Financial Markets Authority supervisor and the Financial Markets Authority Act have been complied with (including any required notifications);
- Evaluate the case for compensation or claw back (see below) and quantify the value for affected members, both current and exited if applicable;
- Liaise with service providers regarding their role and responsibility for the error; and
- Determine a strategy to communicate with affected members on:
    - The steps required to fix the error;
    - The timing of such steps;
    - If compensation is payable, how and when such payments will be made; and
    - Payment of compensation (if required).

Once all of the above issues have been resolved and the Manager receives legal and compliance confirmation of the suitability of the proposed compensation methodology, and in the case of a significant breach the Manager has approved the compensation methodology, then compensation can then be made to the relevant members as set out below. Furthermore, the Manager will consider what changes or process improvements should be made to prevent the issue from recurring.

5.2 Compensation

Compensation issues will arise when unit pricing errors occur that are material and adversely impact on the benefits of members. The amount and method of any compensation will depend on the specifics of each particular case but will be determined with regard to many factors including:

- Legal requirements;
- Provisions of governing rules and guidance notes issued by regulators;
- Relevant member disclosure;
- Equity and fair treatment of members;

- Provisions of relevant agreements with service providers; and
- Whether members impacted are ongoing or have exited.

The Manager expects the party responsible for an error to finance any compensation deemed payable to affected members (i.e. regardless of whether compensation is actually made to members). This can be done by contributing the relevant monies to the Trust which are then allocated to relevant members' account balances.

Where an error benefits some members, the Manager will assess and decide whether to seek reimbursement of windfall gains in light of likely costs and the implications of doing so.

5.3 Materiality

The Manager's aim with regard to compensation is to return each affected member to the financial position that would have existed if the error had not occurred.

However, and having regard to its legal and regulatory obligations, the Manager considers that in some cases there should be a threshold below which it is not practical to consider compensation given the significant costs involved in investigating and correcting unit pricing errors. Further, the Manager is of the view that below a certain threshold it is not possible to demonstrate loss due to inherent variability arising from assumptions and estimations.

Accordingly, the Manager has adopted a materiality threshold of 30bps in assessing if members have been materially impacted. Where the impact relates to cash type portfolios, a threshold of 5bps will apply. Further, the Manager has adopted a general $20 secondary threshold in relation to exited members.

The Manager reserves the right to change thresholds depending on circumstances (e.g. in line with regulatory requirements). Where an error relates to overpayment of fees there will be no materiality threshold applied.

5.4 Approval and payment of compensation

Once the case for compensation has been established, each payment will be approved by the Manager (or its delegate) prior to payment to affected members.

Where proposed amounts are material in nature, as determined by the Manager or its delegate, the calculations may be subject to review and sign-off by an independent appointed third party advisor, depending on the magnitude of each case.

The Manager may seek a review of any decision made as to payment or otherwise of compensation.

Compensation may take various forms, depending on the nature of the unit pricing error and the loss suffered by affected members. Notwithstanding, compensation payments will take one or more of the following forms:

- Additional amounts added to assets of the portfolio (thus boosting the unit price);
- Allocation of additional units in the portfolio for some members; and
- Additional cash benefit payment to exited members.

Any compensation paid will be adjusted for the time value of money.

6.0 Other policies relevant to allocation of investment earning

There are a number of additional policies to those set out above that are indirectly relevant to the unit pricing framework. These include:

- Statement of Investment Policy and Objectives;
- Liquidity Policy; and
- Any policies covering outsourcing to service providers.