Disclosure Statement

Diversified Investment Strategies Limited

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Introduction

In accordance with the provisions of the Securities Markets Act 1988 and the Securities Markets (Investment Advisers and Brokers) Regulations 2007, this Disclosure Statement provides you with information and answers to questions about *Diversified* Investment Strategies Limited (*Diversified*) and also provides details about how *Diversified* operates, the services offered, and how we are paid.

Details of the Company

Diversified was formed in 1994 to provide Investment Advice with the primary responsibility of preserving value while achieving a competitive rate of return. Subsequently, *Diversified* merged with Legal & Professional Investment Services Ltd and Milton Macy & Co Ltd. In 2006 *Diversified* merged with Aspen Financial Management Ltd.

Diversified works via its Directors/Principals and via a number of contracted independent Advisers who use *Diversified's* proprietary investment strategy research and administrative systems in order to deliver a comprehensive investment service to clients.

Experience & Qualifications

All advisers follow the investment Asset Allocation and indicative portfolios of *Diversified*. Deviations from the models may occur within allowable percentages but any major moves away from *Diversified's* recommendations must be approved by a Director of the company. All transactions are approved by a Director of *Diversified.* Advisers hold various qualifications and each Adviser's Disclosure Statement states these and can be viewed by downloading from *Diversified's* web site – www.diversified.co.nz - or contacting *Diversified to* request a copy at no cost.

No Criminal Convictions

Diversified, its directors and any other principal officers, have not been convicted of any offence against the Act or the Securities Act 1978 or of a crime involving dishonesty, nor been a director or principal officer of a body corporate at the time the body corporate committed any such crime or offence, nor been adjudged bankrupt, nor prohibited by law or a Court from taking part in the management of a company or business, nor been the subject of an adverse finding by a court in any proceeding taken against them in their respective professional capacities, nor been expelled from or prohibited from being a member of a professional body and are not otherwise affected by any other matter, that is required to be disclosed to you prior to giving you investment advice or receiving from you any investment money or property.

How we Operate

After gathering information we formulate a written investment plan to meet the goals and objectives of our clients. Upon agreement this plan is implemented and then regularly reviewed on a quarterly basis. We utilise independent statutory custodial services for the efficiency and protection of our clients' assets.

Investment Advice

Diversified may recommend investments via the Independent Custodian with any investment provider and has no tied arrangements or 'quota' arrangements for levels of business with any product or service supplier. The field of our investment alternatives is not limited and may include:

- Direct Shares – Domestic and International
- UK Listed Investment Trusts
- Unit Trusts[i] – Listed and Unlisted
- Group Investment Funds,
- Term Deposits
- Bonds
- Alternative Assets – hedge funds, precious metals
- KiwiSaver[ii]
- Superannuation[iii]

How your investments are managed

The *Diversified* Portfolio Service (DPS) involves the researched selection of various investments both locally and internationally and are held in a variety of currencies. This service involves formal mark-to-market valuation, regularly benchmarking portfolios against research models in appropriate risk categories and against the investor's objectives, safe-keeping of securities; receiving, checking and accounting for distributions; accounting for tax; monitoring changes to structure or investments; and making or recommending changes as appropriate.

There are three parties working for the benefit of the investor in order to seek superior investment returns while limiting risks:

> **The Custodian** - New Zealand Guardian Trust Co Ltd (NZGT) and/or Investment Custodial Services Ltd (Aegis) acts as the custodial trustee. All investment funds are directly paid to the Custodian and withdrawals are paid by them - no other parties have access to the funds.
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> **The Adviser** follows the recognised six step process of: gathering information, helps to define a client's goals and objectives, makes recommendations to meet those objectives, implements the agreed investment strategy, monitors portfolios quarterly and reviews the client's objectives regularly.
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> ***Diversified*** provides the research to develop the investment strategies, provides the portfolio reports, administration and information, and acts as a central point of reference, resource and coordination.

Other Information we Provide

- Various reports are provided on a quarterly basis and include portfolio valuations and performance reports.
- When completing a transaction in relation to the acquisition of any particular security a full description of the security will be provided along with a copy of the current investment statement, product description or prospectus published by the security issuer.

- *"Diversified's* View" is published and provided to clients monthly.
- Comprehensive Tax reports.

Taxation & Estate Planning

We do not provide advice on Taxation, Wills, or Trusts except in general terms in relation to investments. Such advice should be obtained and/or confirmed from a qualified specialist.

Research

Diversified formulates leading and independent investment strategies, based on our gauging of economic trends and tempered by a proprietary view of market valuations. The company makes a major commitment to investment research, and gathers fundamental information utilising internationally recognised research providers. *Diversified* is a proponent of *Tactical Asset Allocation* to add value and reduce risk by adjusting investment levels to the various sectors in response to changing economic indicators, in a context of systematic diversification in accordance with Modern Portfolio Theory. Positions are formulated with a one-year to 18 month horizon and are formally reviewed quarterly. Our *Diversified* Portfolio Service ("*DPS*") facilitates efficient application of our *Tactical* Asset Allocation advice.

Remuneration

All professional fees to clients are paid to *Diversified* and are based on the portfolio management and advice provided – and these can vary according to each client's situation. Along with the investment plan we will provide a full breakdown of the fees involved and no fees will become payable unless agreed beforehand. Directors of *Diversified* are on a fixed salary and receive distributions from the company. Contracted Advisers receive a share of the fees.

All entry and exit fees payable on account of recommended investments are rebated, i.e. commissions received (if any) are directly rebated back to the investor. All fees charged are detailed in the clients cash account held within their portfolio and a statement of the cash account is provided quarterly or more frequently upon request. *Indicative* rates for the establishment and management of a *Diversified* portfolio are:

Type of Fee	**Maximum fee payable**
Investment Entry Fees	Nil (Rebated to client if applicable)
Plan Implementation	$500 minimum or by arrangement
Monitoring Fee per quarter Plus GST as applicable	0.5% (on first $250,000) 0.4% (on the next $250,000) 0.3% (on the next $500,000) 0.2% (on the balance)

Commissions & Other Benefits

Diversified may in rare instances receive "trail commissions" from the managers of "retail" Unlisted Unit Trusts in which clients have invested. Such investments do not often feature in *Diversified* portfolios unless there is a perceived investment advantage for their inclusion. Such trail commissions are generally small in value and where they apply they will be fully rebated if possible or disclosed to clients at the time of recommending such investments.

Directors and other Advisers contracted to *Diversified* may at times attend briefings, courses, and seminars conducted by investment product providers. Such functions are generally aimed at the exchange of information; but meals and other items of negligible value might be provided and accepted.

Professional Indemnity

Diversified and all *Diversified's* advisers are covered under a Professional Indemnity insurance policy. This insurance provides for: errors or omissions; defamation; employee dishonesty; and includes full "prior acts" protection. Our cover exceeds the minimum level of cover required by the Institute of Financial Adviser's Membership By-laws. The underwriter is **QBE** Insurance.

Agencies, Powers of Attorney, Custodial Services

Specific details with regard to arrangements relating to the provision of custodial services or agency or powers of attorney including any disclaimers relative to the services will be provided to you in writing if applicable.

Disputes Resolution

In the first instance, any dispute should be discussed with your Adviser. If that course is not felt to be desirable, a client should next contact a director of *Diversified* Investment Strategies Limited by contacting the company at the address shown herein. If a client does not consider that process to lead to a satisfactory resolution, the client should obtain independent legal advice. Following that a choice may be made as to appropriate course to pursue a remedy if any.

Declaration

To the best of our knowledge and belief we are not aware of any other existing or potential conflicts of interest, which could impair our objectivity as advisers or providers of professional services.

This document incorporates the standards of disclosure required in terms of the Securities Markets Act 1988 and the Securities Markets (Investment Advisers and Brokers) Regulations 2007 when accompanied by the fee schedule for the investment advisory services to be provided.

***Diversified* Investment Strategies Limited**

Interests Register

Diversified, its employees and associated persons of *Diversified* may invest or have an interest in securities (or related securities) that *Diversified* may recommend.

Legal & Professional Investment Services Limited (L&P)is a wholly owned subsidiary of *Diversified.* L&P is the Promoter of The Law Retirement Plan and the Law Retirement Kiwisaver Scheme and receives payment from them for administrative services.

Aspen Financial Management Limited is a wholly owned subsidiary of *Diversified* Investment Strategies Limited.

Diversified Investment Strategies Limited is a shareholder of *Diversified* Wealth Management Limited.

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[i] *Diversified* Wealth Management Limited manages the *Diversified* Balanced Investment Fund and may recommend this fund to clients.

[ii] *Diversified* provides investment advice to the Law Retirement KiwiSaver Scheme.

[iii] *Diversified* provides investment advice to the Law Retirement Plan.