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## Diversified Wealth Management Balanced and Dynamic Funds

Prospectus



15 September 2011

This Prospectus is dated 15 September 2011. The information set out in this Prospectus is required by Schedule 4 of the Securities Regulations 2009 and is set out in the same order as that Schedule. Listing of the securities which are the subject of this Prospectus is not sought on any stock exchange.

All legislation referred to in this Prospectus can be viewed at [www.legislation.govt.nz](http://www.legislation.govt.nz).

A glossary of defined terms is set out on page 23 of this Prospectus.

## 1. Description of the Unit Trust

- (1) The Unit Trusts offered in this Prospectus is the Diversified Wealth Management Balanced Fund (the **Balanced Fund**) and the Diversified Wealth Management Dynamic Fund (the **Dynamic Fund** and, together with the Balanced Fund, the **Funds**).
  - (2) The Balanced Fund was established in Auckland on 19 March 2008 and the Dynamic Fund was established in Auckland on 2 November 2009.
  - (3) The period the Funds commenced on the date of establishment specified in (2) above and each Fund will terminate upon the earlier to occur of:
    - the date 80 years less 2 days from the date of the Master Trust Deed;
    - the date on which the relevant Unitholders resolve to terminate the Fund by Ordinary Resolution; and
    - the termination date notified by the Manager to the Trustee and the relevant Unitholders by at least 30 days notice in writing.
- Upon termination of a Fund, the Manager is obliged to sell all Investments of the Fund, to pay all liabilities, fees, costs and expenses of the Fund and to distribute the balance amongst the relevant Unitholders in proportion to the number of Units held by them in the Fund.
- (4) The Units offered in this Prospectus are Units in the Funds. The Funds are PIEs. The investment objectives and policies for the Funds are stated on pages 12 and 13. Each Fund is separate from the other. The assets of one Fund cannot be used to pay the liabilities of the other Fund.
  - (5) There is no maximum number or amount of Units which may be issued in the Funds.
  - (6) Units in each Fund are issued at the Issue Price and redeemed at the Redemption Price.

Units may be issued for cash or, with the consent of the Manager, by the transfer of securities to the Funds.

Issues and redemptions must take place on a Valuation Day. Valuation Days are the last business day of each month. Units will be issued on the

Valuation Day following receipt of application moneys or transfer of securities or, if application moneys are received or securities are transferred by 2pm on a Valuation Day, Units will be issued on that Valuation Day. Failure to make an application by 2pm on a Valuation Day will result in the application being processed on the next Valuation Day.

All application moneys will be held on trust for subscribers in the bank account of Diversified Nominees Limited until the Units are allotted. Any interest earned on application moneys pending issue of Units, less bank fees and charges, will be credited to the relevant Fund.

The Issue Price of a Unit is the Net Asset Value of that Unit on the Valuation Day on which the Unit is issued.

The Net Asset Value of a Unit is the Net Asset Value of the relevant Fund divided by the number of Units on issue for that Fund.

The minimum initial investment for each Fund is currently \$2000 with minimum subsequent investments of \$200. If a Unitholder makes regular periodic investments, the minimum amount for the first and subsequent investments is \$200. The Manager may set a minimum number or value of Units that can be held.

The Manager may vary such minimum amounts from time to time at its discretion, without prior notice. The Manager may also accept applications for amounts less than the minimum amounts.

The number of Units that a Unitholder will receive will be determined by dividing the Unitholder's investment amount or the market value of securities to be transferred (as agreed between the Manager and the relevant applicant) by the Issue Price on the Valuation Day on which the Units are issued.

The Redemption Price of a Unit is the Net Asset Value of that Unit on the Valuation Day on which the Unit is redeemed.

- (7) Currently no fees are charged for issuing or redeeming Units. However, if deemed appropriate, the Manager may introduce a fee for either or both Funds by giving the relevant Unitholders 3 months notice.
- (8) The offer of Units under this Prospectus opens on the date on which this Prospectus is delivered to the Registrar of Companies for registration.

## **2. Managers and Promoters**

- (1) The Manager of each Fund is Diversified Wealth Management Limited. Its registered office is at Level 14, 36 Kitchener Street, Auckland.

The directors of the Manager are:

Norman William Stacey of Auckland  
Dorothy Vicki Watson of Auckland

The above directors can be contacted c/- Diversified Wealth Management Limited at its registered office noted above.

The directors of the Manager may change from time to time.

- (2) The Manager is not a subsidiary of any company.
- (3) Other than the Funds, the Manager is not the manager of any other unit trusts.
- (4) There is no promoter of the Funds.
- (5) MMc Limited, Level 13, 23 Customs Street, Auckland is the administration manager of each Fund. There is no separate investment manager of the Funds. This function is carried out by the Manager.
- (6) Neither the Manager, the Administration Manager nor any director of the Manager or the Administration Manager has during the five years preceding the date of registration of this Prospectus been adjudged bankrupt or insolvent, convicted of any crime involving dishonesty, prohibited from acting as a director of a company or placed in statutory management, voluntary administration, liquidation or receivership.

### **3. Registrar, Custodian, Auditors, Advisors and Experts**

- (1) The names of the Registrar, Custodian and Auditor for the Funds are as follows:

Registrar: MMc Limited, Level 13, 23 Customs Street, Auckland.

Custodian: Public Trust, Level 10, 141 Willis Street, Wellington.

Auditor: HLB Mann Judd, Level 6, 57 Symonds Street, Auckland.

- (2) The names of the Solicitor for the Funds are as follows:

Solicitor for the Trustee and the Prospectus: Richard Hanna, PO Box 37-670 Parnell, Auckland.

- (3) There are no experts named in this Prospectus.

### **4. Independence of Unit Trustee and any Custodians**

The Trustee and the Custodian are independent of the Manager and the

Administration Manager.

## **5. Unit Trustee**

- (1) The name of the Trustee of each Fund is The New Zealand Guardian Trust Company Limited. Its registered office is at Level 7, Vero Centre, 48 Shortland Street, Auckland.

The directors of the Trustee are:

- John Richard Avery of Auckland
- John James Anthony Botica of Wellington
- Christopher Robert Darlow of Auckland
- Michael Privett Reed of Auckland
- Timothy James Shaw of Auckland
- John Atkin of Sydney

All of the above directors can be contacted c/- The New Zealand Guardian Trust Company Limited, Level 7, Vero Centre, 48 Shortland Street, Auckland.

The directors of the Trustee may change from time to time.

- (2) The Trustee was incorporated under the Companies Act 1955 on 7 September 1982 in New Zealand and was reregistered under the Companies Act 1993 on 23 April 1997.
- (3) The Trustee's ultimate holding company is The Trust Company Limited, a company incorporated in Australia.
- (4) The Trustee is indemnified out of each Fund for all liabilities the Trustee may suffer or incur in its capacity as trustee of the Fund except for liabilities arising from its wilful default or wilful breach of trust.
- (5) The Trustee does not guarantee repayment of the Units nor the payment of any earnings on the Units.

## **6. Description of Unit Trusts and Development**

- (1) The Master Trust Deed is dated 19 March 2008. The Establishment Deeds for the Balanced Fund is dated 19 March 2008 and the Establishment Deed for the Dynamic Fund is dated 2 November 2009. Each Deed is made between the Manager and the Trustee.
- (2) Following is a brief description of the principal terms of the Master Trust Deed and each Establishment Deeds which are not otherwise set out in this Prospectus. The terms of the two Establishment Deeds are the same for

both Funds in all material respects.

### **Applications, Issues of Units, Register and Certificates**

Units may be issued for cash or, with the consent of the Manager, by the transfer of securities to the relevant Fund. Investors wishing to apply for Units apply to the Manager who (for accepted applications) banks the application money on behalf of the Trustee or, in the case of Units subscribed by the transfer of securities, arranges transfer of the securities to the Trustee. The minimum number or value of Units that may be issued or held may be fixed by the Manager from time to time. The Manager may, in its absolute discretion, accept or refuse to accept in whole or in part any application and the Manager is not required to give any reason for such refusal. Where an application is declined, the application moneys will be returned to the subscriber without interest.

All application money is held by the Trustee for investment on behalf of investors. All investors are entered on the respective Unit Registers which are kept by the Registrar. On issue of a Unit to a Unitholder, the Unitholder receives an initial statement which sets out the number of Units issued and in which Fund. Unitholders then receive periodic statements detailing the number of Units held, the current Unit price and the amount of distributions paid (if any).

Where a PIE Rebate is due to a Unitholder, the Manager may issue Units to the Unitholder on account of that PIE Rebate on such date as the Manager determines and in all cases at the Issue Price applicable on the date of issue of such Units.

### **Redemptions**

Investors can invest for any period although Units are only redeemable on a Valuation Day. Valuation Days are the last Business Day of each month.

A Unitholder wishing to withdraw from either of the Funds must give written notice of the Unitholder's wish to withdraw (a **Redemption Request**). The Redemption Request, which is irrevocable, will be actioned with effect from the first Valuation Day following the day which is at least 5 days after the Redemption Request is received. The Manager may in its sole discretion redeem Units on an earlier Valuation Day.

If the Manager accepts the Redemption Request, the Manager must pay to the Unitholder the Redemption Price of the Units to be sold by the Unitholder within 14 Business Days after the relevant Valuation Day. Redemptions will only be paid to the Unitholder's bank account or other account nominated on their application form or as advised subsequently to the Manager in writing.

All withdrawals will be made by way of redemption of Units. Each Fund

has elected to become a Portfolio Investment Entity (PIE). Accordingly redemption gains on Units will not be taxable to the investor and any redemption losses on Units will not be deductible.

The Manager may compulsorily redeem a Unitholder's Units on account of any PIE Tax attributable to income allocated to that Unitholder on such date as the Manager determines and in all cases at the Redemption Price applicable on the date of redemption of such Units.

### **Suspension of Redemptions**

If by reason of:

- the suspension of trading on any securities exchange; or
- financial, political or economic conditions applying in respect of any financial market; or
- the nature of any Investment; or
- a Redemption Request is received or a series of Redemption Requests have been received within a period of 3 months that in aggregate relate to more than 5% (or such other percentage as the Manager specifies from time to time by not less than 30 days prior notice to the relevant Unitholders) of the number of Units on issue a Funds; or
- the occurrence or existence of any other circumstance or event relating to a Fund or generally,

the Manager shall form the opinion that it is not practicable, or would be materially prejudicial to the interests of any Unitholders, for the Manager to give effect to Redemption Requests in respect of the relevant Fund, then the Manager may suspend the operation of all Redemption Requests for that Fund. The Manager may determine that such Units may be progressively redeemed by instalments with effect from one or more Valuation Days falling in a period determined by the Manager or in total at the expiration of a period determined by the Manager and in any such case the Redemption Price is to be calculated at the Valuation Day or Days on which Units are redeemed.

If a Redemption Request is received or a series of Redemption Requests have been received in respect of a Fund within a period of 3 months that in aggregate relate to more than 20% of the number of Units on issue in that Fund, the Manager may suspend the right of the Unitholders in that Fund to make Redemption Requests on the following conditions:

- the Manager must notify the Trustee of its intention to suspend the right of those Unitholders to make Redemption Requests; and
- the Manager must immediately call a meeting of those Unitholders to consider the winding up of the Fund or such other action as the Unitholders deem appropriate.

In the above circumstances, there is no express limit on the period of deferral or suspension.

### **Distributions**

Distributions from the Funds are made at the discretion of the Manager and may be from income the Funds have earned or from capital. The Manager does not intend to pay distributions, however this policy will be reviewed periodically. Distributions (if any) would be paid in June. No prior notice to Unitholders is required of the Manager's decision.

While no distribution are paid, Unitholders' returns will be reflected in the Unit Price, which may go up or down.

The Manager may make a deduction from any distribution to a Unitholder on account of PIE Tax attributable to income allocated to that Unitholder.

### **Transfers of Units**

Units may be transferred by transfer in the form approved by the Manager. Every transfer must be registered in the relevant Unit Register and for this purpose the transfer, together with the transfer fee (if any), must be sent to the office of the Registrar, MMc Limited, Level 13, 23 Customs Street, Auckland. A transferor will remain the Unitholder until the transfer is registered in the Unit Register. The Registrar may charge a fee to process transfers of an amount agreed with the Manager. There is no limit on this fee. At the date of this Prospectus, the Registrar does not intend charging a transfer fee.

The Unit Register will only be open for the purpose of registering transfers on Business Days provided that the Manager may decline to register transfers of Units for up to 28 days in each year.

The Manager may specify from time to time the minimum number or value of Units which may be transferred and may decline to transfer a parcel of Units which is less than this minimum number or value. At the date of this Prospectus, the minimum value of Units which a Unitholder can transfer is \$2000.

A transfer of Units will be treated as a withdrawal for PIE tax purposes.

Any transfer may result in the Manager redeeming Units to pay any PIE tax liability in respect of a Unitholder. The Manager also has the right to decline a transfer if it would result in the loss of PIE status for the relevant Fund.

### **Manager**

The Manager is responsible for the day-to-day management and administration of the Funds subject to the provisions of the Trust Deed. For example, the Manager is responsible for:

- all investment decisions including the purchase and sale of Investments

- and exercising voting rights attached to Investments;
- distributions;
- valuing the Funds;
- calculating the relevant Issue and Redemption Prices;
- processing transactions including issuing, redeeming, repurchasing and transferring Units (and suspending redemption in certain circumstances);
- reporting on all Investments to the Trustee at regular intervals;
- maintaining the Unit Registers;
- keeping records and accounts of all Investments of the Funds;
- all borrowing decisions; and
- appointing outside advisers (as required).

The Manager may delegate any of its functions but will remain responsible for the acts and omissions of its delegate whether or not the delegate is acting within the terms of its delegated authority. The Manager has delegated various administrative functions to the Administration Manager and the Registrar.

The Manager has undertaken to ensure that the business of the Funds is carried on in a proper and efficient manner and to give the Trustee or Auditor such oral or written information as may be required relating to the Funds.

The Manager may retire from one or both Funds upon giving 90 days' prior notice to the Trustee subject to the appointment of a new manager. The Manager may be removed from office by:

- the High Court on the application of the Trustee, any Unitholder or the Minister of Justice;
- the Trustee on liquidation, receivership or winding up of the Manager or if the Trustee certifies that it is in the interest of Unitholders that the Manager should cease to hold office; or
- Unitholders, by a resolution under Section 18 of the Act.

The power of appointing a temporary new Manager is vested in the Trustee. A permanent new Manager must either be appointed by Unitholders or appointed by the Trustee and ratified by Unitholders, in either case by a resolution of Unitholders under Section 18 of the Act.

### **Trustee**

The investments will be held by the Trustee or its duly appointed nominee or such custodian as appointed from time to time by the Trustee, for the benefit of Unitholders.

The Trustee may retire upon giving 90 days' notice to the Manager, subject to the appointment of a new trustee. In addition, the Trustee may be removed from office by:

- the High Court on the application of the Minister of Justice or the Manager; or
- Unitholders of either Fund by an Extraordinary Resolution.

The power of appointing a new trustee is vested in the Manager but if the Manager fails or refuses to exercise this power then a new trustee may be appointed by an Extraordinary Resolution of the Unitholders. The Manager in itself has no power to remove the Trustee.

The responsibilities of the Trustee are set out in detail in the Trust Deed. In particular the Trustee undertakes to:

- exercise due diligence in carrying out its functions;
- ensure that any documents of title for Investments are held in safe custody;
- maintain the Fund and the Investments separate from any other property held by the Trustee; and
- duly perform its statutory duties.

The Trustee and directors of the Trustee accept no responsibility for any statement made in this Prospectus.

#### **Financial statements and Auditor**

Both the Trustee and the Manager are required to account to Unitholders for all money received and expended having regard to their respective functions. At the end of each financial year for the Funds, the financial statements of the Funds must be prepared by the Manager, audited and sent to Unitholders and the Trustee.

The Auditor is selected by the Manager and approved by the Trustee. The Auditor may retire from one or both Funds upon giving 30 days' notice to the Manager. The Auditor may at any time be removed by the Manager with the approval of the Trustee or by the Manager on the instructions of the Trustee if the Trustee believes that removal is in the best interests of the Funds and/or the relevant Unitholders. A replacement Auditor will be appointed by the Manager with the approval of the Trustee.

#### **Borrowing Powers**

The Trustee has the power to borrow money and enter into such agreements and securities over the Funds' property as are necessary for such purpose. In certain circumstances the Manager can direct the Trustee to borrow money. The aggregate of the principal money borrowed and outstanding in respect of a Fund or secured against the investments of the

Fund may not exceed 20% of the Gross Asset Value of the Fund.

Unitholders are not liable in any way beyond their initial application money, for borrowings made by the Funds.

### **Expenses**

The Manager and the Trustee are entitled to be reimbursed out of each Fund for costs incurred by them in performing their duties under the Trust Deed in respect of that Fund including:

- all costs incurred with the purchase of any Investments;
- the fees and expenses of the Auditor;
- all taxes and duties paid;
- all interest and other costs associated with any borrowing;
- all costs of convening and holding meetings;
- any costs of third parties engaged by the Manager or Trustee;
- all costs of preparing, printing and distributing financial statements, statements, cheques, offer documents and any other communications to Unitholders;
- costs incurred in running the Unit Register; and
- any other expenses reasonably incurred by the Trustee, Manager or any delegate of the Manager in carrying out their duties under the Trust Deed.

### **Meetings of Unitholders**

The Manager is required to summon a meeting of Unitholders of a Fund upon the request in writing of the Trustee, or of one tenth in number of the relevant Unitholders, or of a Unitholder or Holders holding not less than one tenth of the number of Units on issue in the relevant Fund at the date of the request. The Manager may also convene a meeting of Unitholders.

Before convening a meeting of Unitholders of a Fund, the Manager shall give at least 14 days' notice of the meeting to the Unitholders and the Trustee. The notice of meeting shall specify the place, day and hour of the meeting and general nature of the business to be transacted but it shall not be necessary to specify in the notice the terms of the resolutions to be proposed.

The quorum for a meeting is Unitholders present in person or by proxy or by attorney or by authorised representative holding not less than 10% of the number of Units on issue in the Fund.

Resolutions are determined by a show of hands unless a poll is demanded. On a poll every Unitholder has one vote for each Unit held.

Where a meeting of Unitholders is convened at the request of Unitholders or the Trustee, the Manager is required to lay before the meeting copies of

the last financial statements of the Funds filed in accordance with Section 20 of the Act.

#### **Amendments to Trust Deed**

The Trustee and the Manager may at any time make any amendment to the Trust Deed affecting a Fund if:

- it is of a formal or technical nature or is made to correct a manifest error;
- it is necessary or desirable for the more convenient, economical or advantageous working, management or administration of the relevant Fund or safeguarding or enhancing the interests of the Fund and is not or not likely to become materially prejudicial to the relevant Unitholders;
- it is necessary to make any provision of the Trust Deed consistent with any change in the law affecting unit trusts; or
- it is authorised by an Extraordinary Resolution of the relevant Unitholders.

An Extraordinary Resolution can only be passed by a 75% majority of the relevant Unitholders voting at a meeting. In addition, the Trustee and the Manager can amend the definition of "Authorised Investments" a Fund if, after notifying the relevant Unitholders of the proposed amendment, less than 10% of those Unitholders give notice that they disapprove of the proposed amendment.

If Unitholders holding 10% or more of the total Units on issue in the relevant Fund disapprove the proposed amendment and require a meeting, no amendment shall be made and the Manager may convene a meeting of those Unitholders to consider the amendment, which will only be made if it is authorised by an Extraordinary Resolution of those Unitholders.

#### **Authorised Investments**

Each Fund may only be invested in the Authorised Investments described in the Establishment Deed for the Fund. Authorised Investments for each Fund are interests of any nature in any real or personal property, and includes derivatives and other treasury products and any right or option to acquire any such interests.

- (3) There are no restrictions on investment of the Funds. It is intended however, that the Funds will comply with the investment limitations of the PIE regime.
- (4) Since each of the Funds commenced business, the Funds have invested in

assets in accordance with the investment objectives and policies as set out below.

- (5) The investment objectives and policy for the Funds are as follows:

#### **The Balanced Fund**

The objective of the Fund is to provide medium and long-term investors with a competitive rate of return, while also aiming to protect Unitholders capital over the longer-term, including increasing the purchasing power of that capital at least equal to the rate of inflation.

The Fund will generally hold a broad array of investments including some or all of cash, fixed interest, property, equities and Alternative Assets - the latter may include hedge funds, derivatives, commodities and precious metals. Investments may be domiciled in New Zealand or anywhere internationally and with earnings or valuations denominated in various currencies. Investments may be directly held securities, or held via managed funds. Equities or indices may be sold short in anticipation of gains when bought back at a lower price, or to reduce perceived risk in broad markets in which specific shares are held.

The benchmark and range as at the date of this Prospectus is:

<b>Asset Class</b>	<b>Benchmark</b>	<b>Range</b>
Cash & Fixed Interest	30%	0% to 100%
Listed Property	10%	0% to 30%
NZ & Australian Equities	30%	0% to +60%
Global Equities	30%	0% to +80%
Alternative Assets	0%	0% to 40%

The benchmark and range may be changed by the Manager from time to time without prior notification to investors.

All investments will meet a range of criteria covering issues such as volatility, investment return, credit risk and duration to ensure diversification with the objective of achieving capital growth and protecting the capital sum invested over the medium or longer-term. The Manager may also undertake currency hedging if deemed appropriate.

It is intended that the Fund will be a medium risk investment that will suit investors with a medium or long-term investment horizon and those accepting some volatility in pursuit of investment returns in excess of the risk-free rate, over the longer-term. Returns will vary and may be low or negative at times.

#### **The Dynamic Fund**

The objective of the Fund is to provide greater capital growth over the long-term, while accepting a higher degree of sharemarket volatility in the short and medium term, compared with typical "balanced" funds.

The Fund will generally be dominated by equities and Alternative Assets, but in a variety of investments including some or all of cash, fixed interest, property, equities and potentially also including hedge funds, commodities, precious metals or derivatives. Investments may be domiciled in New Zealand or anywhere internationally and with earnings or valuations denominated in various currencies. Investments may be directly held securities, managed funds or derivatives of any sort. Securities may be sold short in anticipation of gains when bought back at a lower price, or to reduce perceived risk in broad markets or to effect tactical or trading positions.

The benchmark and range as at the date of this prospectus is:

<b>Asset Class</b>	<b>Benchmark</b>	<b>Range</b>
Cash & Fixed Interest	15%	0 to 100%
Listed Property	5%	0 to 40%
NZ & Australian Equities	30%	0% to 60%
Global Equities	50%	0% to 100%
Alternative Assets	0	0 to 60%

The benchmark and range may be changed by the Manager from time to time without prior notification to investors.

All investments are selected for a range of criteria including ensuring a spread of industry, issuer, and geographical risks, the likely interaction of each holding with others in the portfolio, and their potential to respond to anticipated macroeconomic trends. The portfolio pursues capital growth through an allocation generally dominated by investments characterized by potential for capital growth, and a minority position to traditional fixed income investments. The Manager may also undertake currency hedging if deemed appropriate.

It is intended that the Fund will be a medium to high-risk investment, suited to investors with a long-term investment horizon, and who are willing to accept a high degree of volatility related to sharemarkets. Returns may vary by more than 10% from quarter to quarter, and may be negative for periods exceeding one year.

#### **Manager chooses Investments**

The Manager may direct the Trustee to deal in any way and take any action required in respect of the Investments of a Fund. The Trustee is not obliged to act on a direction to invest by the Manager if this would be contrary to the provisions of the Trust Deed or any other provision of law or would

manifestly not be in the interests of the relevant Unitholders.

The Manager is not obliged to invest any particular percentage of the assets in a Fund in a particular type of Investment.

The objectives and policies of a Fund may be changed by the Manager with the Trustee's agreement provided that the Fund remains invested in Authorised Investments.

(6) The Balanced Fund commenced business on 1 May 2008. The performance returns of the Fund for the periods since inception are as follows:

- for the 12 months ending on 31 March 2011 +7.83%.
- for the 12 months ending on 31 March 2010 +14.77%
- for the 11 months ending on 31 March 2009 -3.55%

The Dynamic Fund commenced business on 2<sup>nd</sup> December 2009. The performance returns of the Fund for the periods since inception are as follows:

- for the 12 months ending on 31 March 2011 +9.08%.
- for the 4 months to 31 March 2010 +2.07%

The returns are calculated on the change in Unit Price over the relevant period, after deducting management fees, audit fees and Trustee's fees but before the deduction of PIE tax.

(7) The Manager may make distributions for a Fund on a Distribution Date in accordance with the Trust Deed. The Manager does not intend to pay distributions, however this policy will be reviewed periodically. If Distributions were paid, they would be likely to be paid in June.

(8) No undertakings are given to Unitholders about the return of capital.

## **7. Unitholder liability**

Unitholders do not incur any liabilities (including contingent liabilities) from holding Units in a Fund, other than the liability to pay the Issue Price and in relation to their personal tax obligations as described below.

Every Unitholder indemnifies the Trustee, the Manager and the relevant Fund on account of any PIE Tax attributable to income allocated to that Unitholder and related penalties or interest which has not been satisfied by redeeming Units of, or by deduction from monies paid to, that Unitholder. Unitholders also have adjustments made to their Units (and distributions if required) to reflect tax paid or payable on their behalf by the Fund.

## **8. Summary of financial statements**

The summary financial statements for the Funds are set out as an appendix.

**9. Minimum subscription**

There is no minimum amount which must be raised for either Fund under this Prospectus.

**10. Guarantors**

Neither the Trustee, nor the Manager nor any other person guarantees the payment of any money payable from the Funds.

**11. Acquisition of business or equity securities**

No business or equity securities have been acquired for the purposes of the Funds other than equity securities listed on a stock exchange.

**12. Options and units paid up otherwise than in cash**

- (1) No options to subscribe for Units have been made or are to be issued.
- (2) No Units have been or are to be issued for a consideration other than cash or contributed securities acceptable to the Manager and Trustee.

**13. Interested persons**

- (1) The fees payable to the Manager out of each Fund for management of the Fund in accordance with the Trust Deed are a monthly management fee of 0.16667% of the Gross Asset Value of the Fund.

The fee payable to the Administration Manager for carrying out its administrative functions will be paid by the Manager out of its own money.

The fee payable to the Custodian and the Registrar for carrying out their functions will be paid by the Manager out of its own money.

The Trustee's remuneration for carrying out the Trustee's functions for each Fund as specified in the Trust Deed is an annual fee of up to 0.07% of the Gross Asset Value of the relevant Fund, subject to minimum annual fees of \$10,000 for the Balanced Fund and \$5,000 for the Dynamic Fund. In addition the Trustee is entitled to charge special fees for services of an unusual or onerous nature outside the Trustee's regular services. The Trustee's fee is payable out of the relevant Fund.

GST, if applicable, will be added to any fees. GST is currently payable at 15.0% on 75% of the Trustee's fee and on 10% of the Manager's fee.

The management fee and the Trustee's fee is calculated on each Valuation Day and paid monthly in arrears.

The Manager and the Trustee are also entitled to recover from the Funds expenses incurred by them in performing their duties. A description of some of these expenses is set out in clause 4(2) above under "Expenses". There is no limit on the amount of expenses that are recoverable by the Manager and the Trustee.

In addition, the Registrar is paid fees for providing custodial and registry services respectively. These fees are paid by the Manager out of its own money.

- (2) Neither the Manager, the Administration Manager nor the Trustee has a material interest in the Funds or any contract or arrangement entered into on behalf of the Funds as at the date of this Prospectus. Two directors of the Manager hold Units.

**Balanced Fund**

Norman William Stacey holds Units via Stacey B13 Joint Venture, also as a trustee of the Stacey Family Trust and the Mafia Family Trust. His wife Anne Serra is also a Unitholder. Dorothy Vicki Watson is a Unitholder.

**Dynamic Fund**

Norman William Stacey, holds Units in his capacity as a trustee of the Stacey Family Trust.

**14. Material contracts**

No material contracts have been entered into on behalf of the Balanced Fund during the two years preceding the date of registration of this Prospectus except for contracts entered into in the ordinary course of business of the Balanced Fund.

The only material contracts (other than contracts entered into in the ordinary course of business) which have been entered into on behalf of the Dynamic Fund during the two years preceding the date of registration of this Prospectus are:

- the Establishment Deed for the Dynamic Fund.
- the Services Agreement dated 1 October 2009 between MMc Limited and the Manager under which MMc Limited agrees to provide certain administrative services to the Manager.
- the Custodial Services Agreement dated 2 November 2009 between the Trustee and Public Trust under which Public Trust agrees to provide custodial services for the Dynamic Fund.

**15 Pending proceedings**

There are no legal proceedings or arbitrations that are pending at the date of registration of this Prospectus that may have a material adverse effect on the Funds.

**16. Issue expenses**

Issue expenses, including legal, accounting and audit fees are estimated to be \$5,000. The Manager will pay these issue expenses from its own funds. The Manager does not pay brokerage and no commissions are payable by anyone.

**17. Other terms of offer and units**

All terms of the offer and all terms of the Funds being offered, are set out in this Prospectus except for those implied by law and those contained in the Trust Deeds.

**18. Financial statements and Auditor's report**

The audited financial statements for the 12 months ended 31 March 2011 were registered under the Financial Reporting Act on 15 July 2011. The Auditor's report on those statements is dated 29 June 2011 and is not qualified in any respect nor does the report refer to any fundamental uncertainty.

**19. Inspection and obtaining copies of documents**

Copies of the Trust Deed and each material contract may be inspected during normal business hours without payment of any fee at the office of the Manager at Level 14, 36 Kitchener Street, Auckland. They can also be viewed on the Manager's file on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz). Where relevant documents are not available on the website, a request for the documents can be made by telephoning the Ministry of Economic Development Services Centre on 0508 266 726 (toll-free).

**20. Other material matters**

**Taxation**

**The following statements in relation to taxation are of a general nature only and are based on current tax legislation which may change. The impact of taxation will vary depending upon each person's individual circumstance. Unitholders are encouraged to seek professional tax advice. The Manager and the Trustee do not take any responsibility for the taxation liabilities of investors. Returns to Unitholders are likely to be affected by taxation.**

The taxation rules applying to each Fund are set out below. The explanation is based on relevant Fund being and remaining a Portfolio Investment Entity (PIE). Should a Fund cease to be a PIE, the taxation rules applying to that Fund will alter.

As a PIE, each Fund will allocate all its taxable income (or losses) between its Unitholders based on the number of Units held by them. The Manager will then calculate tax payable on such income allocated to each Unitholder at their nominated Prescribed Investor Rate. Tax is then paid as described under the "Tax-paying investors" heading below.

Each Unitholder must notify the Manager of their IRD number and applicable

Prescribed Investor Rate when they join the Fund, and when these details change. Investors who do not notify both their IRD number and Prescribed Investor Rate will be taxed on income allocated to them by the Fund at the default rate of 28%. The Manager will seek reconfirmation of these details annually.

The Prescribed Investor Rates are as follows:

**10.5% and 17.5%:** New Zealand resident individual investors have the following Prescribed Investor Rates dependent on their taxable and PIE income in one of the two previous income years:

<b>Taxable income</b>	<b>Taxable + PIE income</b>	<b>Prescribed Investor Rate</b>
\$0 – \$14,000	\$0 – \$48,000	10.5%
\$0 – \$14,000	\$48,000 – \$70,000	17.5%
\$14,001 – \$48,000	\$0 – \$70,000	17.5%

New Zealand resident trusts (excluding unit trusts) can elect to be taxed at 17.5%. Some New Zealand resident trusts (i.e. testamentary trusts other than charitable trusts) can elect to be taxed at 10.5%.

**28%:** This rate applies for all other New Zealand individuals, all non-residents and all New Zealand resident trusts (excluding unit trusts and charitable trusts) who have elected to be taxed at this rate. In March 2011, changes were proposed to introduce a multi-tiered rate approach for non-residents.

**0% (or “zero-rated”):** This rate applies to New Zealand resident entities such as companies, unit trusts, other PIEs, charities, superannuation funds trusts that have not elected the 17.5% or 28% rates, and nominees and wrap providers that elect to become PIE proxies (such as Custodial Services).

The Manager is required to provide every investor in a PIE with an annual tax certificate, which will include the PIE income allocated to each investor and the amount of tax paid at their Prescribed Investor Rate. This information will be necessary when determining the rate which can be selected in future.

*Tax-paying investors*

Investors with a Prescribed Investor Rate of either 10.5%, 17.5% or 28% are referred to as “tax-paying investors”. The Fund’s tax liability on PIE income allocated to its tax-paying investors will be deducted at the earliest of the following times:

- At the end of the income year (following 31 March);
- Upon any full or partial withdrawal or transfer.

Tax will be deducted by cancelling Units (but the Manager reserves the right to

also deduct from distributions if need be) equal to the value of the tax liability.

A refund of tax will be provided to a Fund to compensate for any PIE tax losses or excess tax credits relating to tax-paying investors, which is then allocated to such investors by issuing additional Units.

If the correct tax rate has been elected, the tax paid on income allocated to tax-paying investors will be a final tax and no obligation to file a tax return (in respect of this investment) will arise as a consequence. Nor will it impact on family assistance eligibility, student loan repayment obligations or child support payment obligations.

Tax-paying investors must advise the Manager if their Prescribed Investor Rate increases. Failure to advise, or providing a lower rate than that applicable, will mean the investor is personally liable to pay any resulting tax shortfall including penalties and interest and may be required to file a tax return. The Manager can not retrospectively change a Unitholder's Prescribed Investor rate.

Similarly, tax-paying investors should advise the Manager if their Prescribed Investor Rate decreases. PIE tax is a final tax and no credit or refund is available if too much tax has been paid.

Where the value of a tax-paying investor's Units is not regarded as sufficient, or likely to be sufficient, to fund the PIE tax liability on income allocated to that investor, the Units will be redeemed to fund that liability.

If a Unitholder transfers Units prior to April in any year, the transferor will bear the cost of PIE tax on income allocated to those units from the beginning of the income year to the date of transfer.

#### *Zero-rated investors*

Investors with a Prescribed Investor Rate of 0% are referred to as "zero-rated investors". These entities must return the PIE income/(loss) and pay tax themselves. These entities will have a tax liability in respect of the PIE income allocated to them, regardless of whether the Fund makes any distributions to them. The Fund will not cancel any Units or otherwise adjust the interests of its zero-rated investors for PIE tax, as the Fund does not pay tax on the income allocated to such investors. Zero-rated investors will be entitled to claim their share of excess credits or PIE tax losses directly. They may also claim as a credit any PIE tax paid by the Fund on income allocated to them at the default rate of 28%.

#### *Joint investors*

For joint investors, income is allocated based on their notification to the first named person in the register only. Any joint investor can be selected if the Prescribed Investor Rates are the same, but if they are different joint investors must select the investor with the highest Prescribed Investor Rate. If no notice of election is received income will be allocated to the first named person at the

default rate of 28%.

Redemption gains and distributions (if any) from a Fund will not be taxable to the investor. Withdrawals will be made by way of redemption of Units.

#### *Calculation of income*

Gains or losses made by a Fund on New Zealand resident companies or Australian resident listed companies (aside from stapled securities - equity and debt securities which are sold as a combined security) on an Australian Stock Exchange approved index with franking accounts will not be taxable or deductible. The PIE regime is designed to 'pass through' these benefits where funds invest in entities that are also PIEs. Foreign equities (including units in offshore funds but excluding the Australian listed equities described above) held by the Fund will generally be taxed under the Fair Dividend Rate method.

Under this method, the Fund is deemed to derive taxable income equal to 5% of the average daily opening market value of its offshore equity investments for the relevant income year. Dividends are not taxed separately. Losses on foreign equities are not deductible but foreign tax credits may be available for offset against tax payable.

Foreign equities offering guaranteed or fixed rate returns; or which are non-redeemable preference shares; or interests in a foreign entity that has assets of 80% or more invested in financial arrangements or fixed rate shares either denominated in or hedged to New Zealand dollars (including where the hedging is undertaken by the Fund<sup>i</sup>); or determined by Inland Revenue to be debt in economic terms, are taxed under the comparative value method, i.e. annual change in market value plus distributions.

Debt securities, derivatives, foreign exchange contracts, CFD's (contracts between two parties, typically described as "buyer" and "seller", stipulating that the seller will pay to the buyer the difference between the current value of an asset and its value at contract time), swaps and energy contracts held directly are taxed under the financial arrangement rules.

PIEs have restrictions on the percentage of Units any one investor, and associated parties holding interests of 5% or more can hold. The Manager may redeem or void Units exceeding the permitted threshold so as to ensure PIE status can be maintained. If Units are voided the Unitholder will receive a refund of subscription moneys but any additional compensation is at the discretion of the Trustee in consultation with the Manager.

#### **Risks**

**Each Fund systematically diversifies investments across different Asset Classes. When a majority of asset classes decline in unison for a period, the probability is the overall Unit Price will also decline for that period. Over longer periods, the majority of asset classes should gain in value.**

All investments carry risk. There are risks associated with the Funds which could affect Unitholders' ability to recover the amount of their investments or impact on the level of return or distributions (if any) payable from the Funds as described elsewhere in this Prospectus.

The principal risks applying to the Funds that could affect returns (and which are risks applying to most unit trusts generally) are:

- **Investment risk:** The risk of a result of negative returns on a Fund's investments, or that the returns for the Fund are insufficient to meet the applicable expenses.
- **Liquidity risk:** The risk associated with an inability on the part of a Fund to meet monetary obligations in a timely manner. In particular if a number of Unitholders requested redemption at the same time, it is possible that the Fund would not have sufficient cash to pay all of the redemptions. To mitigate this risk, the majority of each Fund's investment can be cashed up at short notice. Also the Manager can suspend the operation of all Redemption Requests in certain circumstances including where the Fund has insufficient cash to meet all Redemption Requests (see page 6 under "Suspension of Redemptions").
- **Regulatory risk:** The risk of future changes to legislation or applicable regulations which could affect the operation of the Funds or Unitholders' distributions or the level or nature of returns from the Funds.
- **Administrative risk:** The risk of technological or other failure impacting on the Funds or financial markets in which the Fund invests.
- **Tax Risks:** If PIE status for a Fund is lost due to an event such as the number of Unitholders reducing to below 20, the Fund would be taxed as a widely held unit trust at 30% rather than at an investor's Prescribed Investor Rate. Refer to the Taxation section on page 16 for details of the risk of a full withdrawal being required where the value of your remaining Units is not regarded as sufficient to fund your tax liability.

PIEs have restrictions on the percentage of Units any one investor and associated parties holding interests of 5% or more can hold. Generally no investor, together with such associates can hold more than 20% of the Fund (although this restriction does not apply to investors who are other PIEs or fall within a narrow class of other specified entities). The Manager may redeem or void Units exceeding the permitted threshold so as to ensure PIE status can be maintained. If your Units are voided you will receive a refund of your subscription moneys, but any additional compensation is at the discretion of the Trustee in consultation with the Manager.

An investor advising a lower Prescribed Investor Rate than that applicable or not advising a change to a higher rate, is obliged to pay the tax shortfall plus any

interest and penalties, and may be required to file a tax return. If an investor advises a higher rate than that applying the excess tax paid cannot be claimed back as PIE tax is a final tax. Zero-rated investors may however obtain a credit for any PIE tax paid on income allocated to them.

A trust that elects a PIR of 28% will be unable to provide the PIE income to beneficiaries at rates lower than 28%.

Refer to the Taxation section on page 19 for details of the manner in which joint investors are allocated income to one investor only, which may impact on that investor's ability to retain a 10.5% or 17.5% Prescribed Investor Rate.

Any future change in taxation legislation could impact on the Funds' returns

Except as set out above, there are no other material matters relating to the Funds other than those set out elsewhere in the Prospectus.

**21. Manager's statement**

By signing this Prospectus, the directors of the Manager state that, in their opinion, after due enquiry by them, the value of each Fund's assets relative to its liabilities (including contingent liabilities) and the ability of each Fund to pay its debts as they become due in the normal course of business has not materially and adversely changed during the period from 31 March 2011 to the date that this Prospectus is delivered to the Registrar of Companies for registration.

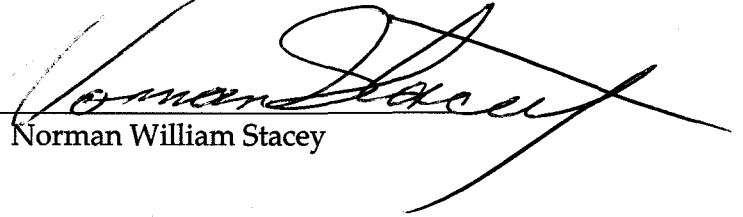
**22. Unit Trustee's statement**

The Trustee's statement is attached as an appendix.

Signed by all the directors of Diversified Wealth Management Limited:



Dorothy Vicki Watson



Norman William Stacey

## GLOSSARY

The following capitalised terms used in this Prospectus have the following meanings. Some of these terms are summaries of definitions in the Trust Deed. For complete definitions, reference should be made to the Trust Deed.

Act	The Unit Trusts Act 1960.
Administration Manager	MMc Limited.
Alternative Assets	Assets other than conventional equities, debt securities and property; such as hedge funds, commodities, commodity producers, precious metals and derivatives.
Auditor	The auditor of the Fund.
Authorised Investments	The category of investments which may be held by the Fund.
Balanced Fund	The Diversified Wealth Management Balanced Fund.
Business Day	Any day on which banks are open in Auckland for business.
Custodian	Public Trust.
Dynamic Fund	The Diversified Wealth Management Dynamic Fund.
Establishment Deeds	The Establishment Deed dated 19 March 2008 for the Balanced Fund and The Establishment Deed dated 2 November 2009 for the Dynamic Fund, both between the Manager and the Trustee.
Extraordinary Resolution	A resolution passed by Unitholders by a majority of 75% or more.
Funds	The Balanced Fund and the Dynamic Fund.
Gross Asset Value	In respect of a Fund, the aggregate of the market value of the Investments of the Fund, any income accrued or payable in respect of the Fund but not included in such market value and, if the Manager so determines, any deferred tax assets of the Fund.
Investment	In respect of a Fund, each investment or other asset held by the Fund.
Issue Price	In respect of a Fund, the price at which Units in the

	Fund are issued, being the Net Asset Value of the Fund divided by the number of Units on issue.
Manager	Diversified Wealth Management Limited
Master Trust Deed	The Master Trust Deed dated 19 March 2008 between the Manager and the Trustee.
Net Asset Value	In respect of a Fund, the Gross Asset Value of the Fund less all liabilities of the Fund determined on an accruals basis and such other provisions as the Manager or the Trustee thinks necessary or desirable for accrued or contingent liabilities or losses, including a provision for the costs of realisation of any Investments and redemption or repurchase of Units.
Ordinary Resolution	A resolution of Unitholders passed by a majority of more than 50%.
PIE	A portfolio investment entity as defined in the Income Tax Act 2007.
PIE Rebate	Tax rebates paid or payable to a Fund which are determined by the Trustee or Manager to be attributable to income/losses allocated to Unitholders and other amounts determined by the Trustee or Manager to be equivalent to PIE Rebates.
PIE tax	Tax payable by a Fund, the Trustee, or the Manager (whether deferred or current) which is determined by reference to Prescribed Investor Rates of the relevant Unitholders or is otherwise determined by the Trustee or the Manager to be attributable to income allocated to those Unitholders.
Prescribed Investor Rate	The rate a Unitholder has or may elect under the Income Tax Act 2007 in relation to income allocated to them by a PIE.
Redemption Price	In respect of a Fund, the price at which Units in the Fund are redeemed, being the Net Asset Value of the Fund divided by the number of Units on issue.
Registrar	MMc Limited.
Trust Deed	In respect of a Fund, together the Master Trust Deed

and the relevant Establishment Deed.

Trustee	The New Zealand Guardian Trust Company Limited.
Unit	A unit in one of the Funds.
Unitholder	The registered holder of a Unit.
Unit Price	The price at which Units are issued or redeemed, being the Net Asset Value of the Fund divided by the number of Units on issue in that Fund at the date of valuation
Unit Register	In respect of a Fund, the register of Unitholders of that Fund.
Valuation Day	The last Business Day of each month

**SUMMARY FINANCIAL STATEMENTS**

**Diversified Wealth Management Unit Trusts  
Summary Financial Statements**

The following information has been extracted from the audited Financial Statements of the Diversified Wealth Management Balanced Fund and the Diversified Wealth Management Dynamic Fund. The full Financial Statements for the Funds including the associated notes can be viewed on/requested from the "Diversified" Website [www.diversified.co.nz](http://www.diversified.co.nz) or on request 0800 55 88 11

**Diversified Wealth Management Unit Trusts  
Summary Statement of Comprehensive Income**

	Balanced Fund			Dynamic Fund	
	Year ended 31 March 2011	Year ended 31 March 2010	11 mths ended 31 March 2009	Year Ended 31 March 2011	4 mths Ended 31 March 2010
<b>Income</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>		
Interest income	125,796	50,806	34,464	7,128	567
Dividends and distributions	472,696	164,525	61,874	71,218	6,266
Net foreign currency gains on cash and cash equivalents	(46,857)	2,741	6,629	(6,589)	1,891
Other net changes in fair value on financial assets at fair value through profit or loss	1,515,359	1,142,342	(61,641)	379,945	62,977
<b>Total income</b>	<b>2,066,994</b>	<b>1,360,414</b>	<b>41,326</b>	<b>451,702</b>	<b>71,701</b>
<b>Expenses</b>					
Management fees	367,686	168,084	43,144	63,924	12,723
Trustee fees	14,018	6,355	1,631	2,438	481
Audit fees	18,929	9,450	-	7,086	5,400
Transaction costs	70,199	34,230	11,163	20,222	3,528
Interest expense	11	85	-	-	-
Other expenses	5,423	4,310	1,345	1,334	485
<b>Total operating expenses</b>	<b>476,266</b>	<b>222,514</b>	<b>57,283</b>	<b>95,004</b>	<b>22,617</b>
<b>Profit/(loss) for the period</b>	<b>1,590,728</b>	<b>1,137,900</b>	<b>(15,957)</b>	<b>356,698</b>	<b>49,084</b>
<b>Total comprehensive income/(loss) for the period attributable to Unitholders</b>	<b>1,590,728</b>	<b>1,137,900</b>	<b>(15,957)</b>	<b>356,698</b>	<b>49,084</b>

**Diversified Wealth Management Unit Trusts**  
**Summary Statement of Changes in Net Assets Attributable to Unitholders**

	Balanced Fund			Dynamic Fund	
	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$	11 months ended 31 March 2009 \$	Year Ended 31 March 2011 \$	4 mths ended 31 March 2010 \$
<b>Net assets attributable to Unitholders at the beginning of the period</b>	15,034,811	3,450,992	-	2,054,449	
Proceeds from units issued	7,181,603	11,085,479	3,832,452	2,309,600	2,006,209
Redemption of units	(1,209,464)	(601,391)	(353,459)	(99,745)	-
Unitholder tax liabilities	(90,915)	(38,169)	(12,044)	(9,250)	(844)
<b>Net increase/(decrease) from transactions in units</b>	5,881,224	10,445,919	3,466,949	2,200,605	2,005,365
Total comprehensive income/(loss) for the period attributable to Unitholders	1,590,728	1,137,900	(15,957)	356,698	49,084
<b>Net assets attributable to Unitholders at the end of the period</b>	22,506,763	15,034,811	3,450,992	4,611,752	2,054,449
	Year Ended 31 March 2011 Units	Year Ended 31 March 2010 Units	11 month s Ended 31 March 2009 Units	Year Ended 31 March 2011 Units	4 mths ended 31 March 2010 Units
<b>Units on issue</b>					
Balance at the beginning of the period	13,581,045	3,577,780	-	2,006,811	-
Units issued	6,431,252	10,586,489	3,950,025	2,230,697	2,006,842
Units redeemed	(1,157,325)	(583,224)	(372,245)	(97,075)	(31)
<b>Balance at the end of the period</b>	18,854,972	13,581,045	3,577,780	4,140,433	2,006,811

**Diversified Wealth Management Unit Trusts  
Summary Statement of Financial Position**

	Balanced Fund			Dynamic Fund	
	31 March 2011	31 March 2010	31 March 2009	31 March 2011	31 March 2010
	\$	\$	\$	\$	\$
<b>Current assets</b>					
Financial assets held at fair value through profit and loss	21,163,750	14,733,644	3,097,382	3,861,971	2,032,556
Accrued income	109	5,739	4,667	-	-
Other receivables	318,809	30,145	211,170	69,344	1,851
Cash and cash equivalents	1,149,946	365,495	171,180	693,362	35,485
<b>Total assets</b>	<b>22,632,614</b>	<b>15,135,023</b>	<b>3,484,399</b>	<b>4,624,677</b>	<b>2,069,892</b>
<b>Current liabilities</b>					
Related party payables	40,681	76,315	32,907	7,196	10,011
Unitholder tax liabilities payable	19,093	12,447	-	1,895	32
Other payables	66,077	11,450	500	3,834	5,400
<b>Total liabilities</b>	<b>125,851</b>	<b>100,212</b>	<b>33,407</b>	<b>12,925</b>	<b>15,443</b>
<b>Net assets attributable to Unitholders</b>	<b>22,506,763</b>	<b>15,034,811</b>	<b>3,450,992</b>	<b>4,611,752</b>	<b>2,054,449</b>

**Diversified Wealth Management Unit Trusts**  
**Summary Statement of Cash Flows**

	Year ended 31 March 2011 \$	Balanced Fund		Dynamic Funds	
		Year ended 31 March 2010 \$	11 months Ended 31 March 2009 \$	Year ended 31 March 2011 \$	4 mths ended 31 March 2010 \$
<b>Cash flows from operating activities</b>					
Proceeds from sale of financial instruments held at fair value through profit or loss	6,045,540	1,829,593	734,472	1,473,747	465,491
Dividends and distributions	464,737	149,097	60,313	68,977	4,415
Interest income	131,426	49,758	29,797	7,128	567
Purchase of financial instruments held at fair value through profit or loss	(10,960,287)	(12,323,513)	(3,893,495)	(2,923,217)	(2,435,070)
Transaction costs on purchases and sales of financial instruments held at fair value through the profit or loss	(70,199)	(34,230)	(11,163)	(20,222)	(3,528)
Operating expenses	(440,374)	(135,426)	(13,213)	(79,163)	(3,678)
<b>Net cash outflow from operating activities</b>	<b>(4,829,157)</b>	<b>(10,464,721)</b>	<b>(3,093,289)</b>	<b>(1,472,750)</b>	<b>(1,971,803)</b>
<b>Cash flows from financing activities</b>					
Applications	6,986,912	11,247,854	3,626,183	2,244,348	2,006,209
Withdrawals	(1,242,178)	(569,177)	(352,959)	(99,745)	-
Unitholder tax liabilities	(84,269)	(22,382)	(15,384)	(7,387)	(812)
<b>Net cash inflow from financing activities</b>	<b>5,660,465</b>	<b>10,656,295</b>	<b>3,257,840</b>	<b>2,137,216</b>	<b>2,005,397</b>
<b>Net increase in cash and cash equivalents</b>	<b>831,308</b>	<b>191,574</b>	<b>164,551</b>	<b>664,466</b>	<b>33,594</b>
Cash and cash equivalents at the beginning of the financial period	365,495	171,180	-	35,485	-
Foreign exchange gains on cash and cash equivalents denominated in foreign currencies	(46,857)	2,741	6,629	(6,589)	1,891
<b>Cash and cash equivalents at the end of the financial period</b>	<b>1,149,946</b>	<b>365,495</b>	<b>171,180</b>	<b>693,362</b>	<b>35,485</b>

## **Diversified Wealth Management Unit Trusts Notes to the Summary Financial Statements**

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### **Notes to the Summary Financial Statements**

The Summary Financial Statements are for the Diversified Wealth Management Balanced Fund and the Diversified Wealth Management Dynamic Fund (the "Funds").

The Summary Financial Statements have been extracted from the following audited full Financial Statements:

- Balanced Fund for 11 months ended 31 March 2009 which were authorised for issue on 7 August 2009 and audited by Staples Rodway who issued an unqualified opinion on 7 August 2009
- Balanced Fund for year ended 31 March 2010 which were authorised for issue on 17 June 2010 and audited by Staples Rodway who issued an unqualified opinion on 17 June 2010
- Balanced Fund for year ended 31 March 2011 which were authorised for issue on 29 June 2011 and audited by HLB Mann Judd who issued an unqualified opinion on 29 June 2011
- Dynamic Fund for 4 months ended 31 March 2010 which were authorised for issue on 17 June 2010 and audited by Staples Rodway who issued an unqualified opinion on 17 June 2010
- Dynamic Fund year ended 31 March 2011 which were authorised for issue on 29 June 2011 and audited by HLB Mann Judd who issued an unqualified opinion on 29 June 2011

None of the auditor's opinions stated above referred to any fundamental uncertainty or emphasis of matter.

Each of the full Financial Statements are presented in New Zealand dollars which is the Funds' functional and presentation currency. All values are rounded to the nearest dollar. The Summary Financial Statements have been prepared in accordance with FRS 43 subject to the Securities Regulations 2009.

The Summary Financial Statements have been authorised for issue by a resolution of the directors of the Manager dated 1 July 2011.

The Funds invest mostly in fixed interest securities, exchange traded equity instruments and unit trusts and unlisted equity instruments and unit trusts.

The Funds are Unit Trusts as defined by the Unit Trusts Act 1960 and are subject to the provisions of that Act.

The Summary Financial Statements cannot be expected to provide as complete an understanding as provided by the full Financial Statements. A copy of the full Financial Statements can be obtained from [www.diversified.co.nz](http://www.diversified.co.nz) or by phoning 0800 55 88 11.

Each Fund qualifies as, and has elected to be, a Portfolio Investment Entity (PIE) for tax purposes. Under the PIE regime income is effectively taxed in the hand of the Unitholders and therefore the Funds have no income tax expense.

There have been no changes to accounting policies and these policies have been consistently applied throughout the periods presented.

The full Financial Statements, from which these Summary Financial Statements have been extracted, have been prepared in accordance with the requirements of the Unit Trusts Act 1960, the Financial Reporting Act 1993, the Trust Deed, and Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). The full Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards

("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit orientated entities. The full Financial Statements also comply with International Financial Reporting Standards ("IFRS"). The full Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

#### Events occurring after the balance sheet date

No significant events other than market movements have occurred between the balance date and the date of the authorisation of the full Financial Statements or between the date of the authorisation of the full Financial Statements and the date of the authorisation of the summary Financial Statements which would impact on the financial position of the Funds disclosed in the Summary Statement of Financial Position as at 31 March 2011 or on the results and cash flows of the Funds for the year ended on that date.

#### Related Parties

##### General

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Diversified Wealth Management Limited is the Manager of the Funds and The New Zealand Guardian Trust Company is the Trustee of the Fund.

##### Related party fees

The Fund has incurred the following fees to the related parties.

		Balanced Fund		Dynamic Fund	
		Year ended 31 March 2011	Year ended 31 March 2010	Year ended31 March 2011	Year ended 31 March 2010
Diversified Wealth Management Limited	Management fees	367,686	168,084	63,924	12,723
The New Zealand Guardian Trust Company	Trustee fees	14,018	6,355	2,438	481
		<b>381,704</b>	<b>174,439</b>	<b>66,362</b>	<b>13,204</b>

The Fund owed the following amounts to related parties at balance date.

		Balanced Fund		Dynamic Fund	
		Year ended 31 March 2011	Year ended 31 March 2010	Year ended31 March 2011	Year ended 31 March 2010
Diversified Wealth Management Limited	Management fees	37,790	73,535	6,930	9,646
The New Zealand Guardian Trust Company	Trustee fees	2,891	2,780	266	365
		<b>40,681</b>	<b>76,315</b>	<b>7,196</b>	<b>10,011</b>

Under the Trust Deed the management fees payable to Diversified Wealth Management Limited are payable monthly in arrears. The trustee fees payable to The New Zealand Guardian Trust Company are payable quarterly in arrears.

**Unit Trustee's Statement**

15 September 2011

The Directors  
Diversified Wealth Management Limited  
Level 14  
356 Kitchener Street  
Auckland 1010

Dear Sirs

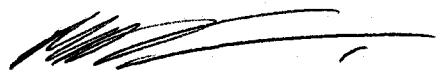
**Prospectus dated 15 September 2011 ("Prospectus") in respect of units ("Units") in the Diversified Wealth Management Balanced Fund and the Diversified Wealth Management Dynamic Fund (together the "Funds").**

In accordance with clause 22 of Schedule 4 to the Securities Regulations 2009 in respect of the year ended 31 March 2011, in the Trustee's opinion, Diversified Wealth Management Limited (the "Manager") has managed the Funds during that period in accordance with the provisions of the Master Trust Deed dated 19 March 2008, the Establishment Deeds dated 19 March 2008 and 2 November 2009 and the offer of Units set out in the Prospectus.

In forming and giving this opinion:

- We have disregarded any matter which we consider to be immaterial to investors in Units; and
- As the auditor of the Funds has reported on the financial information in the Prospectus, we have not separately considered that financial information; and
- We have assumed that factual information contained in the Prospectus and any given to us by the Manager is correct and we have not carried out any independent check of that information.

Signed for and on behalf of the Trustee



M P Jephson  
**Relationship Manager - Corporate Client Services**

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**Corporate Client Services**

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15 September 2011

The Directors  
Diversified Wealth Management Limited  
Level 14,  
36 Kitchener Street  
Auckland 1010

Dear Manager

**AUDITOR'S REPORT FOR INCLUSION IN PROSPECTUS**

As auditor of Diversified Wealth Management Balanced Fund (the "Balanced Fund") and the Diversified Wealth Management Dynamic Fund (the "Dynamic Fund" and together with the Balanced Fund, the "Funds"), we have prepared this report pursuant to the Securities Act 1978 and clause 18 of Schedule 4 of the Securities Regulations 2009 for inclusion in the Prospectus dated 15 September 2011.

This report is made solely to the directors of the Manager, in accordance with clause 18(4) of Schedule 4 to the Securities Regulations 2009. Our audit has been undertaken so that we might state to the directors of the Manager those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to Section 61 of the Securities Act 1978, we do not accept or assume responsibility to anyone other than the Funds and the Funds' Unitholders as a body, for our audit work, for this report, or for the opinion we have formed.

**MANAGER'S RESPONSIBILITIES**

The Manager is responsible for the preparation and presentation of:

- (a) The financial statements of the Balanced Fund for the years ended 31 March 2010 and 2011 and the financial statements of the Dynamic Fund for the 4 months ended 31 March 2010 and the year ended 31 March 2011 that comply with generally accepted accounting practice and give a true and fair view of the state of affairs of the relevant Fund as at 31 March 2010 and 2011 and its financial performance for the periods ended on those dates; and
- (b) The summary financial statements of the Balanced Fund for the 11 months ended 31 March 2009 and the years ended 31 March 2010 and 2011 and the summary financial statements of the Dynamic Fund for the 4 months ended 31 March 2010 and the year ended 31 March 2011 as required by clause 8 of Schedule 4 of the Securities Regulations 2009.

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## **AUDITOR'S RESPONSIBILITIES**

We are responsible for:

- (a) Expressing an independent opinion on the financial statements of each Fund as at 31 March 2010 and 2011 and for the periods ended on those dates, prepared by the Manager and reporting our opinion; and
- (b) Reporting in accordance with clause 18(4) of the Schedule 4 of the Securities Regulations 2009, on the amounts included in the summary financial statements of the Balanced Fund for the 11 months ended 31 March 2009 and the years ended 31 March 2010 and 2011 and the summary financial statements of the Dynamic Fund for the 4 months ended 31 March 2010 and the year ended 31 March 2011 as presented by the Manager.

This report has been prepared for inclusion in the Prospectus dated 15 September 2011 for the purpose of meeting the requirements of the Securities Act 1978 and clause 18(4) of Schedule 4 of the Securities Regulations 2009. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the financial statements and the summary financial statements for any other purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the Prospectus not mentioned in this report.

Our firm carries out no other assignments for the Funds. The firm has no other interests in the Funds.

## **BASIS OF OPINION ON THE FINANCIAL STATEMENTS**

Our audit of the financial statements included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also included assessing:

- (a) the significant estimates and judgements made by the manager in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Funds and are consistently applied and adequately disclosed.

We have conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

### **BASIS OF OPINION ON THE SUMMARY FINANCIAL STATEMENTS**

We have undertaken procedures to provide reasonable assurance that the amounts set out in the summary of financial statements pursuant to clause 8 of Schedule 4 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Balanced Fund for the 11 months ended 31 March 2009 and the years ended 31 March 2010 and 2011 and the audited financial statements of the Dynamic Fund for the 4 months ended 31 March 2010 and the year ended 31 March 2011. For a better understanding of the financial position and results of the Funds operations for the above financial period the summary financial statements should be read in conjunction with the related full financial statements.

We have not undertaken any additional audit procedures from the date of completion of our audit.

### **UNQUALIFIED OPINION ON THE SUMMARY FINANCIAL STATEMENTS**

In our opinion the amounts set out in the summary financial statements pursuant to clauses 8 of Schedule 4 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Balanced Fund for the 11 months ended 31 March 2009 and the years ended 31 March 2010 and 2011 and the financial statements of the Dynamic Fund for the 4 months ended 31 March 2010 and the year ended 31 March 2011 from which they were extracted.

### **STATEMENT OF CONSENT**

In terms of Regulation 18(1)(c)(ii) of the Securities Regulations 2009 we hereby give our consent to the inclusion in the Prospectus dated 15 September 2011 of our audit report in the form in which it appears.

Yours faithfully



**HLB Mann Judd**  
Auckland