Portfolio Investment Entities

What is a Portfolio Investment Entity (PIE)?

A Portfolio Investment Entity is any managed fund which meets the IRD's qualifying criteria for the benefits of the PIE tax regime. Individual funds need to elect to become a PIE. Investors in a PIE are taxed at their Prescribed Investor Rate (PIR).

What are the advantages of the PIE regime?

Tax advantages

- Capital gains made on investments in New Zealand shares and most Australian shares will not be taxable, irrespective of the level of trading undertaken.
- Investors choose the marginal tax rate applicable to their circumstances, but with the maximum tax rate paid on income received by a PIE fund set at 30%. No other tax is payable by individual fund investors on PIE income. This presents significant tax advantages to investors on the highest marginal tax rate of 38%.
- New Zealand resident individual investors can elect a 19.5% rate on PIE income allocated to them, provided both of the following conditions can be met in either of the two immediately preceding Income years:
  1) their taxable income (excluding PIE income) did not exceed $38,000; and
  2) their combined taxable and PIE income did not exceed $60,000.

This means an additional $22,000 of income can be earned in a PIE fund at a marginal tax rate of 19.5% (refer to Example One below).

Diversification

Smaller portfolio investors or regular savers can access a diversified equity portfolio at low cost by investing in a PIE fund.

Active Management

Active management of investments by a professional fund manager, with no tax on trading New Zealand and most Australian shares.

Example One: this shows the tax benefit of investing in a PIE fund vs. investing directly where you were eligible for a 19.5% rate in a PIE but had you invested directly your taxable income would have exceeded $48,000.

	Sum Invested	Investment Income at 8% yield	Marginal Tax Rate on Investments	Tax on Investment Income	Net Income
Investing in a PIE fund	$200,000	$16,000	19.5%	$3,120	$12,880
Investing directly	$200,000	$16,000	33%	$5,280	$ 10,720

Example Two: this shows the tax benefit of investing in a PIE fund vs. investing directly if your taxable income exceeds $70,000.

	Sum Invested	Investment Income at 8% yield	Marginal Tax Rate on Investments	Tax on Investment Income	Net Income
Investing in a PIE fund	$200,000	$16,000	30%	$4,800	$11,200
Investing directly	$200,000	$16,000	38%	$6,080	$9,920

Forsyth Barr Investment Funds

Forsyth Barr offers a range of PIE-compliant Investment Funds

New Zealand Equities

The Forsyth Barr New Zealand Equities Fund aims to maximise the capital returns available from investing in New Zealand listed shares by targeting absolute returns. Stock selection will be influenced by the research screens developed by Forsyth Barr Research with portfolio stock selections revolving around securities the Manager chooses to own, rather than what is prescribed by any particular index.

Australian Equities

The Forsyth Barr Australian Equities Fund aims to maximise the capital returns available from investing in Australian listed shares by targeting absolute returns. Stock selection will be influenced by the research screens adopted by the Manager with portfolio stock selections revolving around securities the Manager chooses to own, rather than what is prescribed by any particular index.

Trans–Tasman Equities

The Forsyth Barr Trans-Tasman Fund aims to maximise the capital returns available from investing in a blended portfolio of New Zealand and Australian equities. Whilst the Manager will be mindful of the relevant benchmark compositions, this Fund will be "benchmark unrestricted" in terms of stock selection.

Global Equities

The Forsyth Barr Global Equities Fund aims to maximise the capital returns available from investing in internationally listed shares. The Fund will typically invest via a number of international equity managers, with stock selection influenced by the proprietary research capabilities of each of the selected international equity managers. The Fund will be partially hedged back into New Zealand dollars with a benchmark of 50% hedging.

NZ Fixed Interest

The Forsyth Barr NZ Fixed Interest Fund aims to provide a gross return above the NZX Government Stock Index return, on a rolling 12 month basis, by investing into quality New Zealand fixed rate investments and securities. Duration, yield curve and credit strategies are employed to achieve this objective.

Local Authority Fund

The Forsyth Barr Local Authority Fund aims to provide a gross return of 0.50% above the NZX Local Authorities Index return, on a rolling 12 month basis. Duration, yield curve and credit strategies will be employed to achieve this objective.

Premium Yield

The Forsyth Barr Premium Yield Fund aims to provide a gross return 1.5% above the NZX 90 Day Bank Bill Return on a long-run compound average basis by investing into a diversified portfolio of higher performing global fixed interest securities. The Fund employs a disciplined investment approach, capturing attractive credit margins in supportive global credit conditions and adopting more defensive positioning in periods of increased risk and volatility.

Listed Property

The Forsyth Barr Listed Property Fund aims to provide long-term capital growth through investing in a diversified portfolio of listed New Zealand and Australian property securities. Stock selection will be influenced by the research screens adopted by the Manager with portfolio stock selections revolving around securities the Manager chooses to own rather, than what is prescribed by any particular index.

Socially Responsible Investment

The Forsyth Barr Socially Responsible Investment Fund aims to maximise the capital returns available from investing in international and domestic equity securities of entities that operate in accordance with socially responsible principles and social values. The Manager can elect to invest the Fund's assets and will be responsible for selection of country or individual market exposures, and for investments into New Zealand and Australian equity securities. The Fund will typically invest with a number of international equity managers, each of whom will have an established track record of applying a socially responsible approach to screening and selecting stocks for investment portfolios. The Fund's socially responsible investment guidelines constrain the Fund's investments to entities that operate in accordance with socially responsible principles.

Cash Management

The Forsyth Barr Cash Management Trust aims to provide a competitive at call return by capitalising on credit margins, duration and yield curve opportunities. The Trust currently has an AAm credit rating from Standard & Poor's.

Forsyth Barr Investment Funds provide the following:

- the Funds seek to maximise returns from investing in quality portfolios of equities, property and interest rate securities
- research-driven investment decisions
- active management of your investment by a professional fund manager selected by the Manager
- PIE regime compliant Funds providing tax advantages to investors relative to direct individual investing
- the ability to invest lump sums or make regular contributions
- quick and convenient access to your investment if your circumstances change, subject to prevailing market conditions
- standing redemptions for investors seeking regular cashflows
- the assurance of an independent Trustee

For more information and a copy of the Prospectus and Investment Statement for any of the Forsyth Barr Investment Funds or the Forsyth Barr Cash Management Trust, **please call us on 0800 Forbar (0800 367 227).**

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