

SOVEREIGN QFE GROUP (SOVEREIGN QFE)

DISCLOSURE STATEMENT

CLOSED SOVEREIGN INVESTMENT PRODUCTS

ABOUT THIS DISCLOSURE STATEMENT

This Disclosure Statement was prepared on 20 June 2011.

IT IS IMPORTANT THAT YOU READ THIS DISCLOSURE STATEMENT

The information provided in this Disclosure Statement is important. It describes the financial adviser services that the Sovereign QFE provides and will help you choose a financial adviser who best suits your needs.

SOVEREIGN QFE GROUP

Sovereign House
74 Taharoto Road
Takapuna
Auckland 0622

Freephone: 0800 500 103
Email: enquire@sovereign.co.nz

WHO REGULATES THE SOVEREIGN QFE GROUP?

Sovereign QFE is a Qualifying Financial Entity. This means that Sovereign QFE takes responsibility for the financial adviser services provided by its QFE advisers.

It also means that because of its QFE status, Sovereign's QFE advisers do not have to be individually registered or authorised in order to provide the financial adviser services described below.

Sovereign QFE is licensed and regulated by the Financial Markets Authority (**FMA**) for its financial adviser services.

You can obtain information about financial advisers from the FMA and can report information about Sovereign QFE or its advisers to the FMA. The FMA's contact details are as follows:

Financial Markets Authority

PO Box 1179
Wellington 6140

Telephone: 04 472 9830 or Freephone: 0800 434 567
Website: www.fma.govt.nz

You can check the status of Sovereign QFE and whether other companies are members of the Sovereign QFE Group on the register at www.fspr.govt.nz

Each of Sovereign's QFE advisers is either an employee or a Nominated Representative of Sovereign QFE. Nominated Representatives are not employees of the Sovereign QFE but are appointed by Sovereign QFE (either directly or through their own employer) to provide financial services.

If you do not know whether your QFE adviser is an employee or a Nominated Representative, please ask your QFE adviser.

HOW CAN WE HELP YOU?

You have been provided with this Disclosure Statement because you hold an existing Sovereign investment product which has closed (**Closed Investment Product**).

Sovereign's QFE advisers are able to give financial advice in relation to Closed Investment Products as these products were provided (i.e. created) by a member company of the Sovereign QFE. This means that the Sovereign QFE takes responsibility both for the advice and the product.

However, our QFE advisers cannot advise in relation to investment products that are not provided by the Sovereign QFE.

As at the date on which this Disclosure Statement was prepared, the Sovereign QFE does not provide its own new investment products, although it does offer some third-party products and may provide its own investment products again in the future. Accordingly, if you require advice in relation to a replacement for a closed investment product (including in relation to a third-party investment product offered by Sovereign), please ask your QFE adviser to refer you to an adviser authorised to give such advice. If at the time of your request the Sovereign QFE has started to again offer its own investment products your QFE adviser will notify you of this.

REMUNERATION AND INFLUENCES

The following is a description of how employees and Nominated Representatives are remunerated and the factors that may materially influence the advice they provide to you.

EMPLOYEES Our employees are remunerated by way of salary (including an annual bonus). They do not receive commission. Employees' bonuses are calculated by reference to various factors including Sovereign QFE's overall financial performance and customer service and satisfaction. However, the amount of any bonus will not be directly affected by the nature of any advice given in relation to a Closed Investment Product.

NOMINATED REPRESENTATIVES Sovereign QFE remunerates its Nominated Representatives by way of commission. This commission may be paid either to the Nominated Representative or to, or shared with, another person (such as the Nominated Representative's employer or the person who referred you to the Nominated Representative).

Commission is normally paid both when the product is sold and on a regular basis during the life of the product.

The commission currently payable in relation to a Closed Investment Product may be affected by the action you choose to take in respect of that product.

If you choose to cancel the product, then the commission will stop, and the recipient of that commission may also be required to return some commission previously paid.

If you choose to do nothing or (where applicable) retain the Closed Investment Product but change how your investment is allocated within that product, the amount of commission payable will not be affected.

Any change to the commission payable will usually affect the person who originally advised you in relation to the Closed Investment Product (or their employer). This may or may not be the Nominated Representative currently advising you.

Where the Nominated Representative is employed by another person or entity, that Nominated Representative may receive salary and incentives from their employer in addition to, or in substitution for, a share of the commission paid by Sovereign QFE. This remuneration may be a fixed salary or it may be calculated by reference to performance. If you are

being advised by a Nominated Representative and the amount of remuneration that they receive may be affected by the advice that they give you in relation to a Closed Investment Product, they will provide you with details as soon as practicable.

From time to time, a Nominated Representative may refer you to another adviser or professional for specialist advice. In this instance, the Nominated Representative may receive a referral fee from such referral and, if applicable, will provide you with details as soon as possible.

SOVEREIGN QFE'S REMUNERATION

The Sovereign QFE is remunerated by the premium payments made by clients who purchase Sovereign products. If you close your existing Closed Investment Product, the remuneration payable in respect of that product will end. But you may need to pay termination charges if you close your product before maturity. Your QFE adviser will tell you if any termination charges apply.

There are no other factors that could have a material influence on the Sovereign QFE and Sovereign QFE advisers in providing financial advice with respect to a Closed Investment Product.

COMPLAINTS PROCEDURE

If you have a concern or complaint in relation to any service we provide, you can choose to initiate our internal complaints procedure by contacting us by phone, email or post at the address given for the Sovereign QFE on page 1 of this Disclosure Statement.

DISPUTE RESOLUTION SCHEME

If we cannot resolve the issue, or if you decide not to use the internal complaints scheme, you can contact the Insurance & Savings Ombudsman Scheme.

This service will cost you nothing, and helps us resolve any disagreements. You can contact the Insurance & Savings Ombudsman Scheme at:

Insurance & Savings Ombudsman Scheme

PO Box 10-845
Wellington 6143
New Zealand

Telephone: 04 499 7612 or Freephone: 0800 888 202

Email: info@iombudsman.org.nz

LICENSED SERVICES (OTHER THAN AS QFE)

The Sovereign QFE also provides financial adviser services through authorised financial advisers. Authorised financial advisers are registered by the Registrar of Financial Services Providers and authorised by the Financial Markets Authority.