Squirrel

An introduction to saving & investing with Squirrel

What you need to know, in a nutshell.



Contents

Maybe you've heard good things about Squirrel investments and wanted to see what the fuss was all about.

Or maybe you're like us and feel that surely there must be something better out there than what traditional investing and savings options offer.

However you got here, if you're hoping to find out a bit more about Squirrel's investing platform, you're in the right place.

The next few pages cover off the basics you need to know before diving into your saving and investing journey with us.

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There's a fair bit of regulatory t-crossing and i-dotting we need to go over, too — but we won't get into that here. You can find all the gritty detail over in our Investor Agreement and associated investment documentation.

Who are we, and why are we here?

We — Squirrel, that is — were founded in 2008 by John Bolton, or JB, as he's better known round here.

After being part of the big bank world for over a decade, JB was pretty fed up with the big bank way of doing business, so he set out on a mission to shake up New Zealand's mortgage industry.

From our early days as a one-man-band, we've grown to a mighty team of more than 150 all over Aotearoa, and all working towards our shared goal of creating a fairer financial system in New Zealand.

Mortgage broking has been our bread and butter from the get-go, and these days our advisers are responsible for arranging around NZD$3 billion in home loans and over $1 billion in property finance loans every year.

It was in 2015 that we launched our lending and term investment business, complementary to our mortgage brokering arm, letting us design and fund a bunch of unique, innovative loan solutions for borrowers who don't tick traditional lending boxes. Just as importantly, we're also giving Kiwi investors access to investments they can't easily get hold of elsewhere through our Term Investments.

In late 2021, we bolstered our investment offering with the Squirrel Monthly Income Fund, as an option for those who'd rather sit back, relax and let someone else take care of their money—while also enjoying the potential tax benefits a PIE fund provides.

So far, we've...

Had over $3.5 billion invested across our term investment classes

Paid out over $100 million in interest

And with the help of our Reserve Funds, we're proud to say we haven't lost a single cent of investors' money to date

Oh, and did we mention we are FMA licensed and regulated? We operate under a full P2P licence. As part of our duties under that licence, each year KPMG audits our financial statements and reviews our custodial controls. This is all part of the processes we use to look after your money.

We also have an independent Board of Directors that governs what we do, and how we do it. Between them, our Board and Senior Leadership Team have 150+ years of financial services experience — so there's not a lot we haven't seen or done!

By the numbers:

On the advisory side...

- **2008**
  The year Squirrel was founded. Yep, right in the middle of the GFC.
- **Over 150-strong**
  The size of the Squirrel team – all working towards a shared mission of levelling the playing field for Kiwi homeowners and savers.
- **150+ years**
  Collective senior banking and financial sector experience across our executive team. In other words, when it comes to the world of mortgages and finance, it's not our first rodeo.
- **NZD $4 billion**
  In home loans and property finance loans originated by our broker team every year (approx.). That's about 4.2% of the total market.

On the lending and term investment side...

- **2015**
  The year our term investment platform first launched.
- **$100**
  All you need to get started as a Squirrel investor.
- **$3.5 billion**
  Invested through our P2P platform so far.
- **$0**
  In missed payments to our investors to date*.
- **$100+ million**
  The amount we've paid out in interest.

*Disclaimer: We've got Reserve Funds to help cover expected credit losses and insurance to protect against acts of cyber-crime and fraud. Although we work really hard to look after your money, we can't guarantee your investment will be entirely protected in the event of one or more unforeseen events. Past performance is no guarantee of future performance.

What sort of people invest with Squirrel today?

Squirrel investors take all different forms.

We've got everyday investors – like mums and dads looking to build their retirement nest egg; and aspiring homeowners wanting to save and grow their house deposit.

We've got people who invest as individuals. And those who choose to invest via a registered company or trust.

We also cater to wholesale investors, high net worth individuals, and fund managers—tailoring bespoke solutions to fit their specific needs and situation.

If this is you, have a read of our website to find out a bit more about the different options available, and then get in touch with Doug Thomson (our wholesale investment expert) for a chat about what's possible.

Email Doug on doug@squirrel.co.nz or click here to book a call.

The moral of the story? Wherever you're at in your investing journey, and whatever your investing goals, chances are Squirrel has an investment option that may suit your needs.

What options are there for investing with Squirrel?

Right now, there are three ways for you to invest your money with us.

Option 1: Squirrel On-Call Account

Option 2: Squirrel Term Investments

Option 3: Squirrel Monthly Income Fund

Option 1: Squirrel high-interest On-Call Account

At a glance

- One of the leading savings interest rates in Aotearoa
- No strings attached
- Funds held as cash, on trust with major NZ banks
- Money back in your account in as little as two hours
- Manage your money 24/7 via the Squirrel platform

One of the leading savings interest rates in Aotearoa

Our On-Call Account offers one of the leading interest rates of any no strings attached savings account in New Zealand.

When you deposit funds with us they'll land in your Squirrel On-Call account, where they'll start earning interest right away. Interest is accrued daily, then paid straight into your account on a monthly basis – and we'll manage the Resident Withholding Tax for you.

No strings attached

We won't make you jump through hoops to earn our On-Call account interest rate. You don't have to be making regular deposits, and you can make as many withdrawals as you like in any given month. Plus, there are no transaction or account fees.

Funds held on trust with major New Zealand banks

Funds are held as cash in a trust account with New Zealand's largest retail banks. Basically, that means it's just like having your money in a regular savings account – just with way better returns and no niggly conditions. Because your money is held at banks covered under the Depositor Compensation Scheme, your money is also covered under those rules. You can find out more here.

Money on-call

You're free to withdraw funds from your Squirrel On-Call account at any time. And as long as it's between 9:00am – 10:00pm, seven days a week, the funds will typically be back in your nominated bank account within as little as two hours.

Manage your money 24/7 via the Squirrel platform

Check in on your account at any time, day or night – including making withdrawals (and investments) – via the Squirrel desktop and mobile apps on Apple or Android.

Option 2: Squirrel Term Investments

At a glance

- Quality returns
- Funds invested direct into loans to Kiwi homeowners, property investors, builders and property developers, managed by you
- Your money stays right here in New Zealand
- Squirrel Reserve Fund protection
- Ability to sell to get your money out, with no fees
- Other nifty features that make it even easier to manage your money
- View and manage your investments 24/7 via the Squirrel platform
- Resident Withholding Tax applies to your returns

If you're the more hands-on type of investor, this could be the way to go. With Squirrel term investments, you have complete control over how your money is invested with us.

Quality returns

There are two different term investment types available to invest in via the Squirrel platform – Home and Construction loans – with different risk levels and returns, depending on your risk appetite.

Check here for the latest returns across our different term investment classes. Interest is paid directly into your Squirrel On-Call account monthly, and we'll manage the Resident Withholding Tax for you.

You have complete control over how your money is invested, so you can decide exactly what works for you, based on your desired returns and risk appetite.

Funds invested direct into loans to Kiwi homeowners, property investors, builders and property developers, managed by you

When you invest in a Squirrel term investment class, your money is helping to fund the unique loan solutions we've designed for credit-worthy borrowers.

That means your investment could be helping someone buy or build. It all depends on the type of term investment you go with.

Here's a detailed breakdown of our different term investment types:

	Investment Class 1: Home Loans	Investment Class 2: Construction Loans
Borrower type	A mix of homeowners and property investors with at least 20% equity. First mortgage security in place over a house or houses.	No cowboys, just seasoned property gurus looking to fund smaller-scale developments. We fund construction loans for business purposes only.
Returns	Variable, and differ by investment class. You can check out our interest rates page for our current rates.	
Term	Up to 7 years	Up to 2 years
Loan value	Max. loan amount = $2m (Average loan amount = $800k)	Max. loan amount = $2m (Average loan amount = $900k)
Secured?	Yep – through a first-mortgage over the property.	Yep – through a first-mortgage over the property. In some situations, we support builders terms and have the right to place the first mortgage agreed with the land developer.
Risk rating	2 / 7 Lower risk As far as the borrowers and security go, these guys are almost as solid as they come.	3/7 Moderate risk Because they're not owner-occupiers these guys are a little bit more exposed to things happening out in the market.

Squirrel term investments are one of the only ways for everyday Kiwi investors to get direct investment access to New Zealand's largest asset class – residential mortgage debt.

It's a market that, at last count, is worth over $400 billion, most of which has been locked up tight by the banks. And although they've always given Kiwi the option to invest indirectly, of course (e.g. bank term investments), it won't get you anywhere near the same sort of returns.

We also only lend with security. That's because, after being at the mortgages game as long as we have, we know a thing or two about making sure loans pay back. And so why not put that knowledge to work to deliver better outcomes for mortgage borrowers, and savers and investors alike?

Your money stays right here in New Zealand

At Squirrel, we only invest in *Kiwi* residential housing debt, so you know your money's going to stay put, right here in Aotearoa.

Reserve Fund protection

Squirrel's Term Investment classes and the Monthly Income Fund are available to retail investors and have the protection offered by their own Reserve Fund.

Squirrel lends out investor money to borrowers for things like Home Loans and Construction Loans. A small portion of the interest paid by all our borrowers goes into the Reserve Fund which builds up over time.

Even if a borrower misses a repayment or defaults on their loan, investors still get paid by the Reserve Fund.* This model is unique to NZ and whilst we can't guarantee the future, so far no investor interest or principal repayments have ever been missed by Squirrel.

We have lots of information about our Reserve Funds available on our website. You can check out our current reserve levels here.

Ability to sell to get your money out, with no fees

If you want to access your money, you have the ability to list your term investments for sale at any time, free of charge, on our Secondary Market. You also keep earning interest at the prescribed rate right up until the day your investment has sold. There's no guarantee another investor will be willing to buy your investment, and you may need to hold your investment to term.

The average timeframe to sell and get your money out, for each investment class, can be found on our website.

Other nifty features that make it even easier to manage your money

Our Auto-Invest and Auto-Withdrawal features have been designed to help you get your money working exactly how you want it to.

View and manage your investments 24/7 via the Squirrel platform

Just like with the Squirrel On-Call account, you can check on, make, or sell an investment any time, day or night, via the Squirrel desktop and mobile apps on Apple or Android.

*To the extent that the reserve fund has sufficient funds available to cover the default.

Option 3: Squirrel Monthly Income Fund

At a glance

- A great single rate of return
- Money invested into a diversified portfolio of loans, managed on your behalf
- Invest in loans protected by Squirrel's Reserve Funds
- Ability to get your money out with 30 days' notice
- Access your investments online 24/7
- PIE Tax applies to your returns

The Squirrel Monthly Income Fund (or SMIF) is a great option for those who'd rather have someone manage their investments on their behalf.

Choose the way you invest

You can invest in the Squirrel Monthly Income Fund either direct via the Squirrel platform, or with our partners over at InvestNow.

Investing via the Squirrel platform means you get the Squirrel experience the whole way through, including easy access to all our other great saving and investment options—like the Squirrel On-Call account and different Squirrel Term Investments.

If you're already an InvestNow customer, it's easy as adding the SMIF into your mix of investments.

A great single rate of return

Returns on your SMIF investment are paid monthly. You have the choice of either reinvesting (and compounding) those returns or having them paid out into either your Squirrel On-Call or InvestNow account—depending on how you've chosen to invest.

PIE tax is managed for you.

Check here for the latest return and performance, or here for the Product Disclosure Statement.

Money invested into a diversified portfolio of loans, managed on your behalf

When you invest in the SMIF, your money's still helping to fund loans for Kiwi homeowners, property investors, builders and property developers.

The difference here is that you're investing in a diversified portfolio of loans, which includes both our Home Loan term investments and Construction Loan term investments.

Squirrel has partnered with FundRock and Public Trust to deliver the SMIF:

- Squirrel is the Fund's investment manager.
- FundRock is the issuer and manager.
- Public Trust is the independent supervisor.

FundRock, together with Squirrel, determine the makeup of the fund across those different loan types (and therefore the Fund's risk profile) on your behalf.

As far as managed funds go, the SMIF is at the more conservative end of the spectrum. It invests with a 2/7 risk rating in Squirrel home and construction loan term investments, and you also get the protection of our Reserve Funds.

Reserve Fund protection

Just like with Squirrel Term Investments, the SMIF invests in loans that have the protection of our Reserve Funds.

That means in the event a borrower misses a repayment or defaults on their loan, the associated Reserve Fund will step in to cover the payment. To date, no investor has ever lost a cent (although, again, past performance is no guarantee of future performance).

Check out our website for more information on our Reserve Funds, or to find out our current reserve levels.

Get your money out with 30 days' notice

Should you want to access liquidity, you can also get your money out with 30 days' notice, at no charge.

Access to your investments online, 24/7

Both Squirrel and InvestNow give you the ability to check in on and manage your investments 24/7, via our online platforms.

Other nuts & bolts of the Squirrel platform

The platform has a bunch of other unique (and pretty nifty) features that we've designed to provide a great experience for you and to get your money working as hard as possible.

1. The Reserve Funds

We're pretty proud of our Reserve Fund model. You won't find anything like it across other Kiwi investing platforms – and it's a big part of why we can proudly say,

> **Our investors haven't lost a single cent to date. And we intend to keep it that way*.**

Each investment class has its own Reserve Fund. Here's how it works...

Every time a borrower makes a repayment on their loan, a part of that repayment goes to the Reserve Fund associated with that loan type.

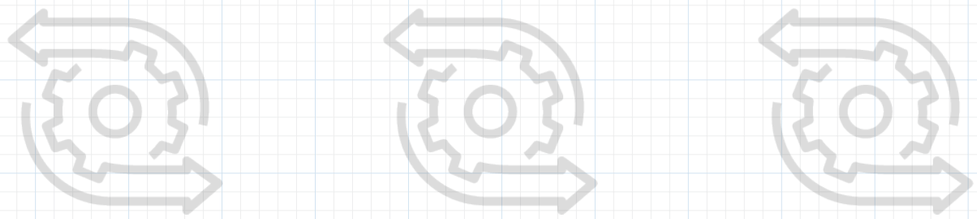
Reserves build up over time to act like a shock absorber in the event something goes wrong, like a borrower missing a payment or defaulting on their loan. In the event something like that does happen, the Reserve Fund steps in to cover any scheduled investor payments – so you, the investor, get paid as usual.

Basically, the idea is the Reserve Funds wear any losses, so investors don't have to. And it's been working well for us and our investors since 2015.

It's important to note that past performance is not a guarantee of the future. It hasn't happened yet, but if the Reserve Funds ever did run out, future interest payments on active investments for that particular investment class can be diverted to the Reserve Fund until it's looking healthy again.

That's just interest returns, mind you. It would take a complete disaster scenario for investors' principal to be affected. If you're interested in more detail on what it would take for this to play out, watch this video where we've modelled it for you (you'll want to skip ahead to about 15 minutes in).

* Please note, past performance is no guarantee of future performance.



2. The Secondary Market

One of the not-so-awesome things about traditional term investments is how tough (and expensive – yikes) it can be to get your money out before your investment matures.

But not with Squirrel.

> **We've designed our secondary market specifically to give investors easier access to liquidity*.**

The secondary market is available to those who have invested in any of our term investment classes directly via the Squirrel platform.

And how it works is... say you put your money in a two-year term investment, but a few months pass and it turns out you need your money back a little sooner than expected – so you just tick a box next to your current investments to put them up for sale on Squirrel's secondary market, where it can be snatched up by other investors.

* We cannot guarantee that another investor will be willing to take your investment off your hands, and you may need to hold it to term.

> **We're constantly tracking how long it takes investors to get their money out – and we make that info available to you in real-time.**

You can check the current numbers out on our website.

How long it takes to get your money our varies a bit depending on the term investment type. As a general rule, it's anywhere from a few hours to a week – although it can take longer. If there's a specific date you need your funds by, we recommend selling up to four weeks in advance.

Unlike other secondary markets, there are no fees involved, no matter which side of the buying and selling equation you're on. Term investment returns are the same for the seller and buyer.

3. And a few other handy little features of the Squirrel platform

24/7 online access: the Squirrel platform is totally online, so you've got the convenience of being able to access your portfolio, make and sell investments, and schedule withdrawals, 24/7.

Auto-reinvest: if you want to make sure your money's always working as hard as possible, auto-reinvest is the easiest way to do it. Turn it on, and we'll check at 9:00pm every night to see whether you've got $100 or more in your call account. As soon as you do, we'll automatically place a term investment order for you.

Auto-withdrawal: If you want to withdraw funds automatically, that's super simple too. Set your withdrawal amount, and select either weekly, fortnightly, or monthly withdrawals. Once the balance in your call account hits your chosen withdrawal amount, at the next scheduled withdrawal date, those funds will be paid straight in your bank account.

Transparency: we've got a bunch of market performance stats on our website to help you make informed decisions about investing with us – including risk grade distribution, rates of default and arrears across our loan book, Reserve Fund balances, and secondary market performance.

What are the risks? And how do we manage them?

Squirrel term investments have a lot less risk to them than many other options out there, but no investment is 100% risk free. What you do get with Squirrel is full transparency, so you can make an informed decision for yourself.

Here's a rundown of the key risks involved – and how we do our best to mitigate those to help protect your money.

The risk	The detail
A borrower ends up unable to repay their loan. (a.k.a. credit risk)	A borrower might default because they've fallen on hard times, or they might've used fraudulent tactics to get loan approval in the first place – but (thanks to our credit decisioning process) that latter scenario is extremely rare. And even if the worst does happen, our Reserve Fund is designed to help cover any losses.
We're unable to recover the full loan amount when a borrower defaults. (a.k.a. debt recovery risk)	If it comes down to it, we've got a few ways to try and recover outstanding funds – claiming against loan security, using an external collections agency, or taking legal action through the courts. But there's no guarantee we'll be able to recover enough to cover the total loan balance, as well as any costs incurred in the recovery process. Again, this is where the Reserve Fund steps in.
There's not enough in the Reserve Fund to cover any losses.	Our Reserve Funds are designed to help protect invested money, so that if a borrower defaults, the Reserve Funds wear the impact – not our investors. It would take something pretty major for investors' principal to be affected and we've done the sums to model various scenarios, but we can't guarantee there will always be enough in the Reserve Funds to make sure investors are fully compensated, in all instances. Where a Reserve Fund does become depleted, Squirrel can call Active Management, which means some or all of the interest on your investment can be diverted to the associated Reserve Fund to bring it back to a healthy position.
You need to get your money out, but no one wants to buy your investment/s. (a.k.a. liquidity risk)	Our secondary market gives you the flexibility to list your investments for sale at any time, if you need to access funds – but it relies on another investor being willing to buy. It hasn't happened yet, but in the event there are no willing investors, you'll need to stick out the full investment term. Make sure you can afford to do so, before investing.

The risk	The detail
You want to invest in a certain loan type, but there's a waiting list. (a.k.a. loan availability risk)	Matching demand between investors and borrowers is a bit of a balancing act. If there are others ahead of you in the queue for a certain investment type, and not enough approved borrowers, it might take time for your funds to be invested. In the meantime, the good news is that money's still earning you interest via your Squirrel On-Call account, accrued daily and paid monthly.
A borrower repays a loan early. (a.k.a. early repayment risk)	One of the big upsides for Squirrel borrowers is that there's no penalty for early repayment – but, as an investor, it can impact how much interest you earn. Your principal (plus accrued interest) goes back into your On-Call account as soon as a loan is repaid, and having our Auto-Reinvest option switched on will get it back into an investment (or the investor queue) ASAP.
The Squirrel platform is targeted in a cyber-attack. (a.k.a. cyber risk)	This is one of the unfortunate dangers of being an online platform, and we have plenty of measures in place to stop attackers from getting in or from accessing funds if they do. We've got world-leading cyber-security firm, InPhySec, monitoring our platform for threats 24/7, and they audit us regularly to make sure our cyber-security measures are in tip-top shape. And, should the worst happen, we've also got insurance in place to help support financial losses. We also offer Multi Factor Authentication (MFA), which can help prevent fraud on your side of the equation – so we strongly recommend that you have MFA switched on.
New regulatory requirements impact our operations. (a.k.a. new regulation risks)	New Zealand's peer-to-peer industry is pretty well established these days, but there's always a risk the legislation may evolve. We seek regular legal advice to stay on top of what's happening, if (or how) it could impact our operations, and any action we need to take. Transparency is key for us, and we'll always communicate any changes that will affect you.
Squirrel ceases operating for other reasons. (a.k.a. regulatory or operational risk).	There are lots of conditions we need to satisfy to maintain our licence as a P2P lender – failure to do so could see our licence removed or its conditions changed. We've got a strong governance framework in place and are regularly audited to make sure this doesn't happen. If we were placed into receivership, we have funds set aside for the appointment of a third party to manage the collection of borrower repayments and payments to investors until the loan book has run off.

How do I get started?

- It's easy as to register for a Squirrel investor account, via our website or mobile apps (available on Apple or Android).
- It only takes a few minutes, and all you need is a valid form of ID (NZ Driver's Licence or NZ Passport).
- As soon as you've made your first deposit into your Squirrel On-Call account, and received a deposit notification from us, you'll be ready to invest.

From there, the choice is yours — and the right investment for you will depend on your circumstances and money goals:

- Squirrel Term Investments (great if you're the more hands-on type)
- Squirrel Monthly Income Fund (for those who prefer to be a little more hands-off with their investments)
- Or a mix of both, if you're that way inclined.

Got more questions? Or fancy a chat with a human?

You can find out more information about the Squirrel saving and investing platform on our website – **www.squirrel.co.nz/invest**. Or you can **book a chat with one of our investing team** who can answer any further questions.

Squirrel.co.nz

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