

Investment update

For the quarter ended 31 December 2016

NZ Funds KiwiSaver Scheme LifeCycle Process - example: age 55

This fund update was first made publicly available on 13 February 2017

What is the purpose of this update ?

This document tells you how the LifeCycle Process - example: age 55 investment option has performed and what fees were charged. The document will help you to compare the investment option with other investment options. New Zealand Funds Management Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this investment option

The objective of the LifeCycle Process is to allocate your investment across the three funds (Strategies) in the Scheme based on your age to ensure that your investment is allocated in a manner that is consistent with your investment timeframe. At age 55, your investment will be allocated as follows: 5% to the Income Strategy; 63% to the Inflation Strategy; and 32% to the Growth Strategy.

Total value of the investment option	\$62,313,389
Number of investors in the investment option	6,703
The date the investment option started	1 November 2010

What are the risks of investing?

Risk indicator for the LifeCycle Process - example: age 55:



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the investment option's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.nzfunds.co.nz/AdviceSolutions/RiskProfile/

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

The risk indicator is not a guarantee of an investment option's future performance. The risk indicator is based on the returns data for the five years to 31 December 2016. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future investment updates.

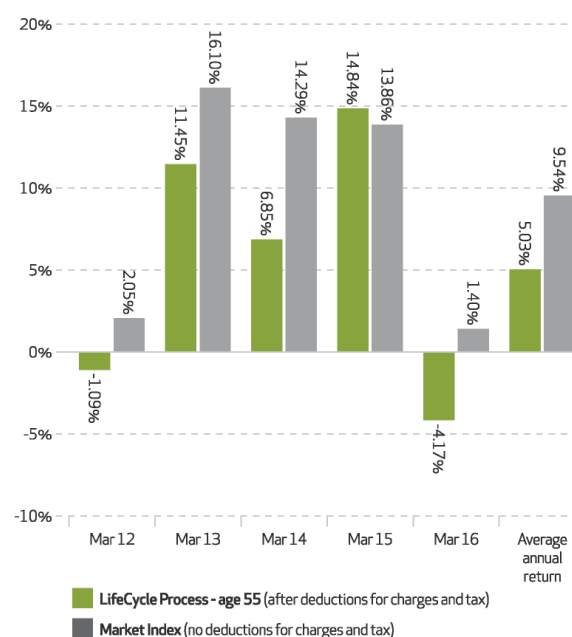
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this investment option.

How has the investment option performed?

	Average over past 5 years	Past year
Annual return (after deductions for charges and tax)	6.95%	0.73%
Annual return (after deductions for charges but before tax)	7.71%	0.65%
Market index annual return (reflects no deduction for charges and tax)	12.07%	8.10%

The market index annual return is based on a composite index calculated using the market indices for each Strategy weighted to reflect the investment option's allocation to each Strategy, as set out in the Statement of Investment Policy and Objectives. Additional information about the market index is available on the offer register at www.companiesoffice.govt.nz/disclose.

Annual return graph¹



This shows the return after fund charges and tax for each year ending 31 March since the investment option started. The last bar shows the average annual return since the investment option started, up to 31 December 2016.

Important: This does not tell you how the investment option will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

What fees are investors charged?

Investors in the LifeCycle Process - example: age 55 are charged fund charges. In the year to 31 March 2016 these were:

	% of net asset value
Total fund charges	2.01%
Which are made up of:	
Total management and administration charges	2.01%
Including:	
Manager's basic fee	1.19%
Other management and administration charges*	0.82% (estimate) ²
Total performance-based fees	0.00%
Other charges	\$ amount per investor
Administration fee ³	\$36

*Note: Included within 'Other management and administration charges' are performance-based fees charged by external managers of underlying funds that the investment option invests into which totalled 0.63%. Performance-based fees are subject to market movements and external manager performance and the amount of these fees for any given period may materially differ from those disclosed for the year to 31 March 2016. For the 12 months to 31 December 2016, external manager performance fees totalled 0.51%. As a result, 'Total fund charges' for that period totalled 1.88%.

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the PDS for the NZ Funds KiwiSaver Scheme for more information about those fees.

Small differences in fees and charges can have a big impact on your investment over the long term.

Example of how this applies to an investor

Liam had \$10,000 in the investment option at the start of the year and did not make any further contributions. At the end of the year, Liam received a return after fund charges were deducted of \$73 (that's 0.73% of his initial \$10,000). Liam also paid \$36 in other charges. This gives Liam a total return after tax of \$37 for the year.

What does the investment option invest in?

For information on the types of assets that each Strategy invests in and the top 10 investments for each Strategy, see the separate fund update for each Strategy for the quarter ending 31 December 2016. Copies of these fund updates are available at www.nzfunds.co.nz.

Key personnel

For information on the directors and employees who have the most impact on the investment decisions of each Strategy, see the separate fund update for each Strategy for the quarter ending 31 December 2016. Copies of these fund updates are available at www.nzfunds.co.nz.

Further information

You can also obtain this information, the PDS for the NZ Funds KiwiSaver Scheme, and some additional information from the offer register at www.companiesoffice.govt.nz/disclose.

Notes

1. The bar graph shows investment option returns after the deduction of fees and tax; however, the market index returns are shown before any fees or tax are deducted.
2. Other management and administration charges comprise:
 - (a) operating costs directly incurred by the investment option; and
 - (b) annual management fees, performance-based fees and operating costs incurred by underlying funds the investment option invests into.

Estimates were used when deriving annual management fees, performance-based fees and operating costs incurred by the following underlying funds the investment option invests into.

Fund	Information and assumptions used to make estimates
Civic Capital Currency Offshore	Fee and operating cost amount and performance-based fee amount are estimated using the same performance criteria as that is used by the administrator of Civic Capital Currency Offshore.
Nordea 1 - US Total Return Bond Fund	Fee and operating cost information obtained from the administrator of the Nordea 1 - US Total Return Bond Fund was for the year to 31 December 2015.
Paulson International Fund	The fee and operating cost amount obtained from the administrator of the Paulson International Fund was for the year to 31 December 2015.
Astenbeck Offshore Commodities Fund II	The fee and operating cost amount obtained from the manager of Astenbeck Offshore Commodities Fund II was for the year to 31 December 2015.
Magellan Global Fund	The performance-based fee is confirmed biannually each June and December by the administrator of the Magellan Global Fund. Outside of these dates, an estimate of this fee is calculated using the same performance criteria as that used by the administrator of the Magellan Global Fund.
OEI Mac	Fee and operating cost information obtained from the administrator of OEI Mac was for the year to 31 December 2015.

3. The NZ Funds KiwiSaver Scheme has an administration fee of \$3.00 per investor per month.

Manager

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