

What fees are investors charged?

Investors in the Global Income Portfolio are charged fund charges. In the year to 31 March 2016 these were:

	% of net asset value
Total fund charges	1.60%
Which are made up of:	
Total management and administration charges	1.60%
Including:	
Manager's basic fee	0.80%
Other management and administration charges*	0.80% (estimate) ²
Total performance-based fees	0.00%

*Note: Included within 'Other management and administration charges' are performance-based fees charged by external managers of underlying funds that the fund invests into which totalled 0.05%. 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.

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 Managed Portfolio Service for more information about those fees.

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

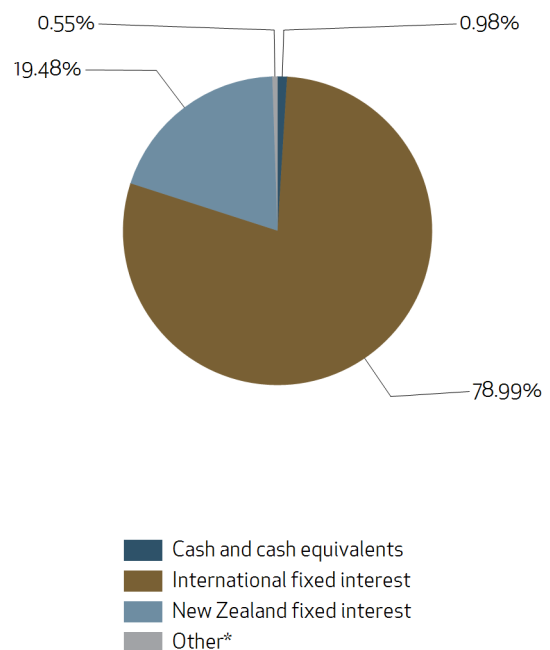
Example of how this applies to an investor

Liam had \$10,000 in the fund 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 \$384 (that's 3.84% of his initial \$10,000). Liam did not pay any other charges. This gives Liam a total return after tax of \$384 for the year.

What does the fund invest in?

This shows the types of assets that the fund invests in.

Actual investment mix³



Target investment mix⁴

Cash and cash equivalents	1%
New Zealand fixed interest	20%
International fixed interest	79%
Other*	0%

*'Other' includes foreign currency.

What does the fund invest in? (continued)

Top 10 investments

	Name	Percentage of fund net assets	Type	Country	Credit Rating
1	Wellington Global Credit Plus Portfolio	10.27%	International fixed interest	Ireland	
2	Flex 5% 15/02/2023	6.97%	International fixed interest	Singapore	BBB-
3	Oracle 2.95% 15/05/2025	6.46%	International fixed interest	United States of America	AA-
4	Verizon Communications 2.625% 15/08/2026	6.46%	International fixed interest	United States of America	BBB+
5	Westpac 32 day term deposit	6.10%	Cash and cash equivalents	New Zealand	A-1+
6	BlueScope Steel Finance USA 6.5% 15/05/2021	5.61%	International fixed interest	Australia	BB+
7	First Data 5% 15/01/2024	5.41%	International fixed interest	United States of America	BB
8	Infratil 5.5% 15/06/2024	5.29%	New Zealand fixed interest	New Zealand	Unrated
9	Valeant Pharmaceuticals 6.125% 04/15/25	4.95%	International fixed interest	Canada	B-
10	Mighty River Power 6.9% 11/07/2044	4.88%	New Zealand fixed interest	New Zealand	BB+

The top 10 investments make up 62.40% of the fund.⁵

Key personnel

This shows the directors and employees who have the most impact on the investment decisions of the fund.

Name	Current position	Time in current position	Previous or other position	Time in previous or other position
Richard James	Chief Executive, Chair of the Investment Committee and a Director	7 years 10 months	Chief Operating Officer, New Zealand Funds Management Limited	6 years 1 month
Michael Lang	Chief Investment Officer and a Director	8 years 4 months	Partner, Eclectica Asset Management	1 years 8 months
David Wilson	Investment Strategist and a Principal	20 years	Chief Economist, JB Were	3 years 5 months
Mark Brooks	Head of Income and a Principal	9 years 1 month	Senior Portfolio Manager, Credaris	3 years 4 months

Further information

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

Notes

1. The bar graph shows fund 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 fund; and
 - (b) annual management fees, performance-based fees and operating costs incurred by underlying funds the fund invests into.

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

Fund	Information and assumptions used to make estimates
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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.

3. NZ Funds uses derivatives as part of its active investment management approach. The use of derivatives can result in the total economic exposure of the fund exceeding 100% which means the fund is leveraged. Where economic exposure exceeds 100%, the actual investment mix pie graph and the target investment mix table have been scaled to 100%. Without scaling, the total economic exposure of the fund, as shown in the actual investment mix and the target investment mix, would be 101.22% and 101.00% respectively. For more information on economic exposure, see the NZ Funds Managed Portfolio Service 'Other Material Information' document on the offer register at www.companiesoffice.govt.nz/disclose/.
4. The fund is able to invest in a wide range of assets and does not have a target investment mix. For the purposes of this update, the target investment mix has been compiled using the actual investment mix. NZ Funds is an active investment manager and as a result the actual investment mix and target investment mix will change in the future and changes may be material.
5. The top 10 investments have been compiled using a balance sheet approach. This differs from the approach used in compiling the actual and target investment mixes, which include the impact of derivatives.

Manager

New Zealand Funds Management Limited
Level 16, Zurich House
21 Queen Street
Private Bag 92163
Auckland 1142
Attention: Head of Client Services
Phone 09 377 2277 or 0508 733 337
info@nzfunds.co.nz