

For the quarter ended 30 September 2019

NZ Funds Managed Portfolio Service Equity Inflation Portfolio

This fund update was first made publicly available on 29 October 2019

What is the purpose of this update?

This document tells you how the Equity Inflation Portfolio has performed and what fees were charged. The document will help you to compare the fund with other funds. 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 fund

The objective of the Equity Inflation Portfolio is to mitigate the impact of inflation on your investment over the medium and/or long term by investing in your income and growth assets using an active management approach. It is anticipated that the fund will mainly hold inflation-sensitive assets including cash and cash equivalents, Australasian and international bonds, and international shares. It may also invest in other permitted assets.

Total value of the fund \$83,697,091

The date the fund started 26 August 2000

What are the risks of investing?

Risk indicator for the Equity Inflation Portfolio:



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund'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 a fund's future performance. The risk indicator is based on the returns data for the five years to 30 September 2019. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

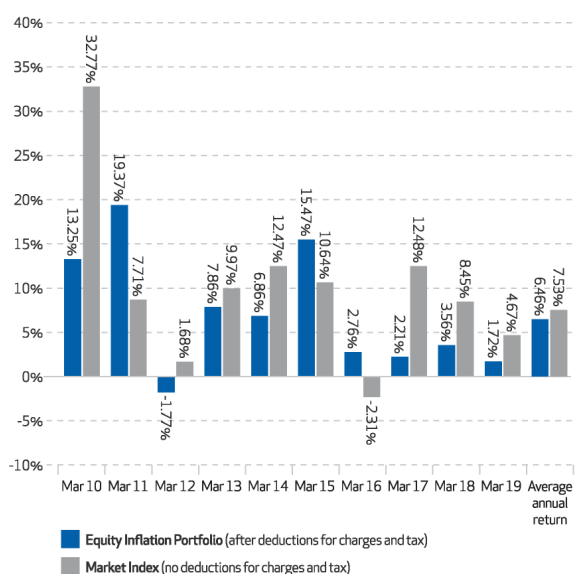
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

	Average over past 5 years	Past year
Annual return (after deductions for charges and tax)	4.11%	0.52%
Annual return (after deductions for charges but before tax)	3.51%	0.61%
Market index annual return (reflects no deduction for charges and tax)	6.47%	2.51%

The market index annual return is based on a composite index calculated using the market indices and weightings set out in the Statement of Investment Policy and Objectives (SIPO). 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 of the last 10 years ending 31 March. The last bar shows the average annual return for the last 10 years, up to 30 September 2019.

Important: This does not tell you how the fund 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 Equity Inflation Portfolio are charged fund charges. In the year to 31 March 2019 these were:

	% of net asset value
Total fund charges	2.77%
Which are made up of:	
Total management and administration charges	2.77%
Including:	
Manager's basic fee	1.75%
Other management and administration charges	1.02% (estimate) ²
Total performance-based fees	n/a [†]

[†]From 1 April 2019, a performance-based fee may be charged in certain related underlying funds. For more information, see the PDS.

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.

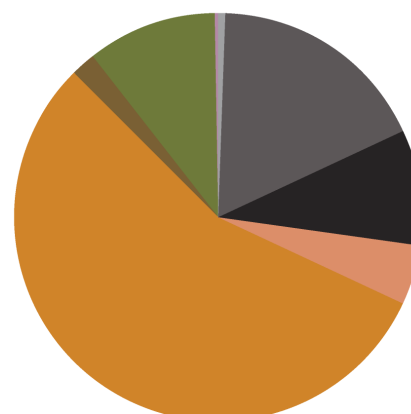
Example of how this applies to an investor

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 \$52 (that's 0.52% of his initial \$10,000). Liam did not pay any other charges. This gives Liam a total return after tax of \$52 for the year.

What does the fund invest in?

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

Actual investment mix³



Cash and cash equivalents	0.73%
New Zealand fixed interest	17.04%
International fixed interest	9.63%
Australasian equities	4.47%
International equities	55.59%
Listed property	1.97%
Commodities	10.21%
Other*	0.27%

Target investment mix⁴

Cash and cash equivalents	1%
New Zealand fixed interest	17%
International fixed interest	9%
Australasian equities	5%
International equities	55%
Listed property	2%
Unlisted property	0%
Commodities	10%
Other*	1%

*'Other' comprises alternative securities (investment in total return and/or downside-orientated hedge funds)

What does the fund invest in? (continued)

Top 10 investments

	Name	Percentage of fund net assets	Type	Country	Credit Rating
1	BNZ bank bill 29/06/2020	18.45%	New Zealand fixed interest	New Zealand	A-1+
2	Goldman Sachs NZD margin account	8.30%	Cash and cash equivalents	United Kingdom	A-1
3	Suvretta Offshore Fund	6.69%	International equities	Cayman Islands	
4	National Australia Bank Income Securities perpetual	6.14%	Australasian equities	Australia	BBB-
5	Precinct Properties New Zealand 4.8% 27/09/2021	5.42%	New Zealand fixed interest	New Zealand	Not rated
6	US Treasury 2.25% 15/08/2049	5.08%	International fixed interest	United States of America	AA+
7	Emerson Point Capital Partners LP	4.82%	International equities	United States of America	
8	First Quantum Minerals 6.875% 01/03/2026	4.06%	International fixed interest	Canada	B
9	Westpac current account	3.42%	Cash and cash equivalents	New Zealand	A-1+
10	Westpac 32 day term deposit	3.17%	Cash and cash equivalents	New Zealand	A-1+

The top 10 investments make up 65.55% of the fund.⁵

NZ Funds actively manages the foreign currency exposure of the fund. Where the fund holds assets denominated in a foreign currency, NZ Funds has the choice of whether to hedge back to the NZ dollar or retain a foreign currency exposure. The fund may also take active foreign currency positions by holding non-NZD cash and/or foreign currency derivatives. As at 30 September 2019, the fund's foreign currency exposure was 6.15%.

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
Michael Lang	Chief Executive and a Director	1 year	Chief Investment Officer, New Zealand Funds Management Limited	10 years 1 month
James Grigor	Chief Investment Officer and a Principal	0 years 10 months	Senior Portfolio Manager, New Zealand Funds Management Limited	1 year 7 months
David Wilson	Chief Operating Officer - Investments and a Principal	0 years 10 months	Investment Strategist, New Zealand Funds Management Limited	21 years 11 months
Mark Brooks	Head of Income and a Principal	11 years 10 months	Senior Portfolio Manager, Credaris	3 years 4 months
David Haslam	Senior Dealer	2 years 9 months	Equities Trader, UBS NZ	0 years 11 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 invested into.

Fund	Information and assumptions used to make estimates
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Impala Resource Fund	Fee and operating cost amounts are estimated using fee targets provided by the manager of the fund for the year to 31 December 2018. Performance fee amounts are estimated using the same criteria used by the administrator of the fund.
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3. NZ Funds uses derivatives as part of its active 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 137.44% and 140.00% respectively. For more information on economic exposure, see the PDS.
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

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