

NZ Funds Income Generator

This fund update was first made publicly available on 29 July 2021

What is the purpose of this update?

This document tells you how the NZ Funds Income Generator 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 NZ Funds Income Generator is to provide a source of income by primarily investing in dividend paying shares, and derivatives including options. The fund is anticipated to primarily hold New Zealand and Australian shares, and derivatives including options.

Total value of the fund	\$31,893,621
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The date the fund started	22 October 2020
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What are the risks of investing?

Risk indicator for the NZ Funds Income Generator¹:



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 June 2021¹. 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?

	Past year
Annual return (after deductions for charges and tax)	not applicable
Annual return (after deductions for charges but before tax)	not applicable
Peer group index annual return (after deductions for charges but before tax)	26.86%

The Manager has used a peer group index to prepare the table, as there is no appropriate market index available for the fund. A peer group index may be a less reliable indicator of performance than an appropriate market index. The return for the peer group index reflected in the table is after the deduction of fund charges but before tax.

Additional information about the peer group index is available on the offer register at disclose-register.companiesoffice.govt.nz.

What fees are investors charged?

Investors in the NZ Funds Income Generator are charged fund charges. Based on the PDS dated 30 June 2021, these are estimated to be:

	% of net asset value
Total fund charges (estimated)²	1.65%
Which are made up of:	
Total management and administration charges (estimated)	1.52%
Including:	
Manager's basic fee	1.52%
Other management and administration charges	0.00%
Total performance-based fees (estimated)	0.13%

See the PDS for NZ Funds Income Generator for more information about the basis on which performance fees are charged.

Investors are not currently charged individual action fees (for example, withdrawing from or switching funds). See the PDS for more information about fees.

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

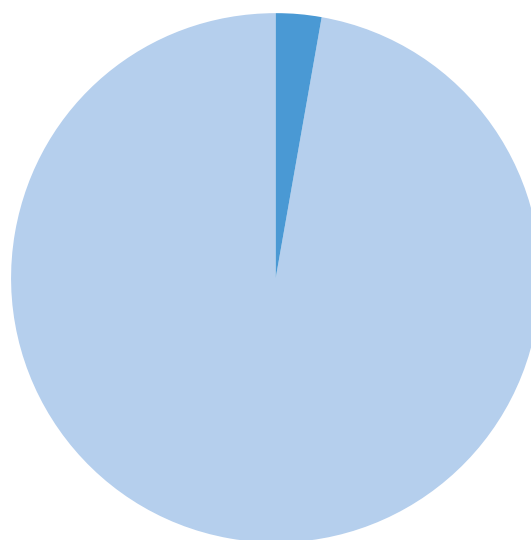
Example of how this applies to an investor

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 \$1,769 (that's 17.69%³ of his initial \$10,000). Liam did not pay any other charges. This gives Liam a total return after tax of \$1,769 for the year.

What does the fund invest in?

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

Actual investment mix⁴



Cash and cash equivalents	2.82%
International fixed interest	0.05%
Australasian equities	97.13%

Target investment mix⁵

Cash and cash equivalents	5%
New Zealand fixed interest	0%
International fixed interest	0%
Australasian equities	85%
International equities	0%
Listed property	10%
Unlisted property	0%
Commodities	0%
Other	0%

What does the fund invest in?

Top 10 investments

	Name	Percentage of fund net assets	Type	Country	Credit rating
1	Westpac current account	34.45%	Cash and cash equivalents	New Zealand	A-1+
2	Citibank New Zealand NZD current account	6.67%	Cash and cash equivalents	United States of America	A-1
3	Goldman Sachs NZD margin account	6.21%	Cash and cash equivalents	United Kingdom	A-1
4	Citibank Australia AUD current account	5.69%	Cash and cash equivalents	United States of America	A-1
5	Telstra	4.02%	Australasian equities	Australia	
6	Australia & New Zealand Banking Group	3.81%	Australasian equities	Australia	
7	Goldman Sachs AUD margin account	3.70%	Cash and cash equivalents	United Kingdom	A-1
8	Commonwealth Bank of Australia	3.64%	Australasian equities	Australia	
9	National Australia Bank Ltd	3.44%	Australasian equities	Australia	
10	Contact Energy	3.44%	Australasian equities	New Zealand	

The top 10 investments make up 75.07% of the fund.⁶

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 June 2021, the fund's foreign currency exposure was 2.51%.

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	2 years 9 months	Chief Investment Officer, New Zealand Funds Management Limited	10 years 1 month
James Grigor	Chief Investment Officer and a Principal	2 years 7 months	Senior Portfolio Manager, New Zealand Funds Management Limited	1 year 7 months
Mark Brooks	Head of Income and a Principal	13 years 7 months	Senior Portfolio Manager, Credaris	3 years 4 months
Andrew Curtayne	Senior Portfolio Manager	1 year 2 months	Senior Analyst, Melqart Asset Management	3 years 8 months
David Haslam	Senior Dealer	4 years 6 months	Equities Trader, UBS NZ	0 years 11 months

Further information

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

Notes

- 1 As the fund started on 22 October 2020, actual returns for the last five years are not available. To calculate the risk indicator, a combination of actual returns and returns on a peer group index over the five years to 30 June 2021 (as there is no appropriate market index), rather than the actual returns of the fund, have been used. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund.
- 2 As the fund started on 22 October 2020, historical fee information for the most recent fund year is not available. The total fund charges shown are based on our best estimate of the fees and costs that will be charged to the fund including fees and costs payable in respect of the underlying funds in which the fund invests (including performance fees). For more information on the basis of estimates, see the PDS and the NZ Funds Income Generator 'Other Material Information' document on the offer register at www.companiesoffice.govt.nz/disclose.
- 3 As the fund started on 22 October 2020, this calculation is based on the peer group index return for the past year, after deduction of estimated fees and tax of 28%. The actual return for the Income Generator since inception to 30 June 2021 is 9.04% after deduction of estimated fees and tax of 28%.
- 4 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 has been scaled to 100%.

Without scaling, the total economic exposure of the fund, as shown in the actual investment mix would be 100.05%, made up as follows: Cash and cash equivalents 2.82%; International fixed interest 0.05%; and Australasian equities 97.18%.

For more information on economic exposure, see the 'Other Material Information' document.
- 5 The target investment mix is anticipated only and the fund's actual asset allocation is expected to vary significantly over the course of an economic cycle.
- 6 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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