

## Quarterly Disclosure Statement for 1 July 2015 to 30 June 2016

# NZ Funds KiwiSaver Scheme Income Strategy

### What is the purpose of this statement?

This statement provides key information about the NZ Funds KiwiSaver Scheme Income Strategy. It tells you how the fund has performed and what fees it charged, and will help you to compare it with other funds. We prepared this statement in accordance with the KiwiSaver (Periodic Disclosure) Regulations 2013. This information is not audited and may be updated.

### Description of the fund

The objective of the Income Strategy is to provide exposure to income-orientated assets using an active investment management approach.

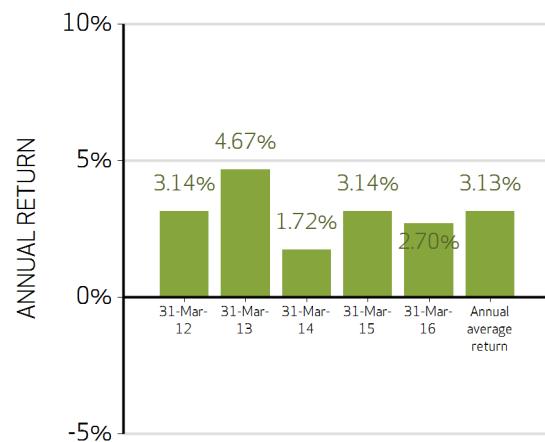
Total value of the fund	\$16,198,556
Number of members in the fund	6,671
Date the fund started	1 November 2010

### How has the fund performed?

<b>ANNUAL RETURN</b>	Past year
(after deductions for fund fees and tax <sup>1</sup> )	<b>4.59%</b>

### How has the fund performed in the past?

This shows the return after fund fees and tax for each tax year since the fund started and the average annual return since the fund started. It's important to note that this doesn't tell you how the fund will perform in the future.



## What fees were members charged?

The returns above are after deductions for **fund fees**<sup>2</sup>.

These fees were last totalled up for the year to 31 March 2016 and were:

Total fund fees	1.18% of members' investments
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*Which are made up of:*

Annual management fee	0.94%
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Performance-based fees	0.00%
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Other fees and costs <sup>3</sup>	0.24%
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Members were also charged **membership fees**<sup>4</sup> of **\$36.00** over the year to 31 March 2016.

Members may also be charged fees for specific actions or decisions (e.g. transferring funds). See [www.nzfunds.co.nz/kiwisaver\\_policies.html](http://www.nzfunds.co.nz/kiwisaver_policies.html) for more information about these fees.

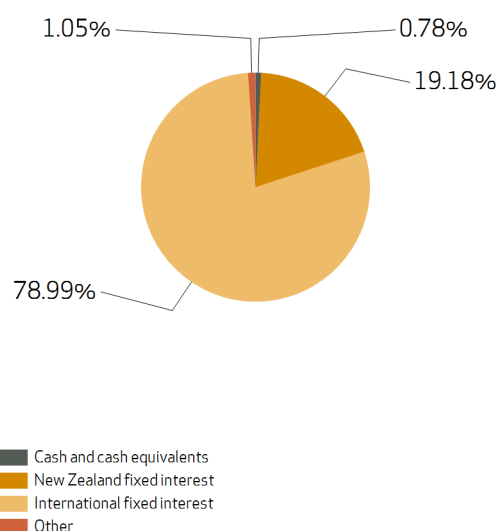
### Example of how this applies to a member

Lucy had \$10,000 in the fund at the start of the year and didn't make any further contributions. At the end of the year, Lucy received a return after fund fees and tax were deducted of \$459.00 (that's 4.59% of her initial \$10,000). Lucy also paid \$36.00 in membership fees. This gives Lucy a total return of \$423.00 for the year.

## What does the fund invest in?

### Actual investment mix<sup>5</sup>

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



### Target investment mix

This shows the mix of assets that the fund generally intends to invest in.

Cash and cash equivalents	1%
New Zealand fixed interest	20%
International fixed interest	79%
Australasian equities	0%
International equities	0%
Listed property	0%
Unlisted property	0%
Other	0%

<sup>5</sup>'Other' includes foreign currency.

## Top 10 investments

	Name	Percentage of fund net assets	Type	Country	Credit rating (if applicable)
1	Wellington Global Credit Plus Portfolio	11.43%	Fund	Ireland	
2	Semper Midas Fund Class B	7.62%	Fund	Cayman Islands	
3	BlackRock US Mortgage Portfolio	4.78%	Fund	United States	
4	Mighty River Power 6.9% 11/07/2044	4.76%	New Zealand fixed interest	New Zealand	BB+
5	Verizon Communications 3.5% 01/11/2024	4.17%	International fixed interest	United States	BBB+
6	Oracle 2.95% 15/05/2025	4.08%	International fixed interest	United States	AA-
7	Flextronics International 5% 15/02/2023	4.00%	International fixed interest	Singapore	BBB-
8	NRG Energy 7.25% 15/05/2026	3.91%	International fixed interest	United States	BB-
9	Symantec 3.95% 15/06/2022	3.84%	International fixed interest	United States	BBB-
10	Quest Diagnostics 3.45% 01/06/2026	3.81%	International fixed interest	United States	BBB+

The top 10 investments make up 52.4% of the fund.<sup>6</sup>

## Key personnel

This shows the directors and employees who have the most influence 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 4 months	Chief Operating Officer, New Zealand Funds Management Limited	6 years 1 month
Michael Lang	Chief Investment Officer and a Director	7 years 10 months	Partner, Eclectica Asset Management	1 year 8 months
David Wilson	Investment Strategist and a Principal	19 years 6 months	Chief Economist, JB Were	3 years 5 months
Mark Brooks	Head of Income and a Principal	8 years 7 months	Senior Portfolio Manager, Credaris	3 years 4 months

## Further information

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### Information about conflicts of interest

There have not been changes to the nature, or increases in the scale of, the fund's related-party transactions compared with the last quarter. See the NZ Funds KiwiSaver Scheme annual financial statements for more information about the Scheme's related-party transactions; available at [www.nzfunds.co.nz/kiwisaver\\_annual-reports.html](http://www.nzfunds.co.nz/kiwisaver_annual-reports.html)

### Changes to trade allocation, execution and proxy voting policies

There have not been changes to the fund's trade allocation, execution and proxy voting policies in the past three months. See [www.nzfunds.co.nz/kiwisaver\\_policies.html](http://www.nzfunds.co.nz/kiwisaver_policies.html) for more information about these policies.

### Changes to valuation methods

There have not been changes to the fund's valuation methods in the past three months.

### Electronic disclosure of this information

Most of the information contained in this statement, including some additional information, is available in a spreadsheet at [www.nzfunds.co.nz/Assets/Documents/kiwisaver/disclosure-statements/2016/quarterly-jun2016-kiwisaver-income-strategy.csv](http://www.nzfunds.co.nz/Assets/Documents/kiwisaver/disclosure-statements/2016/quarterly-jun2016-kiwisaver-income-strategy.csv)

## Notes

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- <sup>1</sup> Returns in this statement are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax rate may be lower.
- <sup>2</sup> Fund fees are fees charged as a percentage of a member's interest in the fund (i.e. as a percentage of their KiwiSaver account balance).
- <sup>3</sup> Other fees and costs 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.

Included within other fees and costs are performance-based fees, which totalled 0.05% per annum, that were charged by the underlying external funds the fund invests into. Performance-based fees are subject to market movements and external manager performance. The amount of these performance-based fees for any given period may materially differ from the performance-based fees being disclosed for the year to 31 March 2016.

Estimates were used when deriving annual management fees, performance-based fees and operating costs incurred by certain underlying funds that the fund invests into. A list of underlying funds where estimates were used follows.

<b>Fund</b>	<b>Information and assumptions used to make estimates</b>
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.

- <sup>4</sup> Membership fees are the fixed dollar charges for membership in the KiwiSaver scheme. For members who invested in more than one fund in the NZ Funds KiwiSaver Scheme, \$36.00 was the maximum membership fee charged over the year to 31 March 2016.

- <sup>5</sup> NZ Funds uses derivatives as part of its active investment management approach. The use of derivatives can result in the fund being leveraged. Leverage occurs when the total economic exposure exceeds 100%. Where leverage exists the actual investment mix pie chart and the target investment mix table have been scaled to total 100%. Removing the effect of scaling, the total economic exposure of the fund as shown in the actual investment mix and the target investment mix, would be 128.61% and 130.00% respectively. See the latest NZ Funds KiwiSaver Strategy Profiles for more details on the economic exposure for this fund; available at [www.nzfunds.co.nz/kiwisaver\\_portfolio\\_information.html](http://www.nzfunds.co.nz/kiwisaver_portfolio_information.html).

NZ Funds uses an active investment management approach and as a result the target investment mix may change from time to time.

- <sup>6</sup> 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's certificate

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New Zealand Funds Management Limited as manager of the NZ Funds KiwiSaver Scheme Income Strategy certifies in accordance with regulation 41 of the KiwiSaver (Periodic Disclosure) Regulations 2013 that:

- the disclosure statement has been prepared for the purposes of these regulations; and
- to the best of the manager's knowledge after making reasonably inquiry, all information required by the regulations has been disclosed in accordance with these regulations and the information presented is accurate; and
- the disclosure statement does not contain any matter that is likely to deceive or mislead with regard to any particular that would be material to an offer of an interest in the NZ Funds KiwiSaver Scheme.



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Glenn Wright  
Director



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Richard James  
Director

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Date: 21 July 2016

**Manager**

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