



## What fees are investors charged?

Investors in the LifeCycle Process - age 0-54 are charged fund charges. In the year to 31 March 2018 these were:

	% of net asset value
<b>Total fund charges</b>	2.24%
Which are made up of:	
<b>Total management and administration charges</b>	2.24%
Including:	
Manager's basic fee	1.27%
Other management and administration charges*	0.97% (estimate) <sup>3</sup>
<b>Total performance-based fees</b>	n/a
<b>Other charges</b>	\$ amount per investor
Administration fee <sup>4</sup>	\$36

\*Note: Included within 'Other management and administration charges' are performance-based fees charged by external managers of underlying funds that the investment option invested into which totalled 0.78%. 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 2018. For the 12 months to 30 September 2018, external manager performance fees totalled 0.47%. As a result, 'Total fund charges' for that period totalled 1.93%.

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.

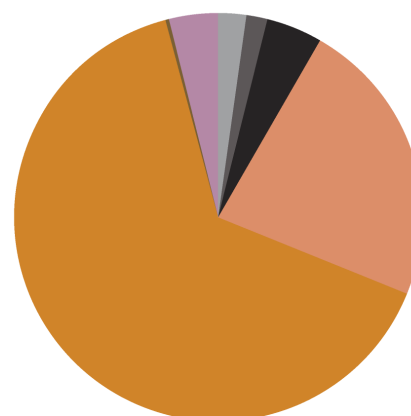
## Example of how this applies to an investor

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 \$1,259 (that's 12.59% of his initial \$10,000). Liam also paid \$36 in other charges. This gives Liam a total return after tax of \$1,223 for the year.

## What does the investment option invest in?

This shows the types of assets that the investment option invests in.

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



Cash and cash equivalents	2.34%
New Zealand fixed interest	1.76%
International fixed interest	4.34%
Australasian equities	22.94%
International equities	64.56%
Listed property	0.30%
Other*	3.76%

### Target investment mix<sup>6</sup>

Cash and cash equivalents	3%
New Zealand fixed interest	2%
International fixed interest	5%
Australasian equities	23%
International equities	64%
Listed property	0%
Unlisted property	0%
Commodities	0%
Other*	3%

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

## What does the investment option invest in? (continued)

### Top 10 investments

	Name	Percentage of investment option net assets	Type	Country	Credit Rating
1	Suvretta Offshore Fund	11.90%	International equities	Cayman Islands	
2	Westpac 32 day term deposit	11.85%	Cash and cash equivalents	New Zealand	A-1+
3	Impala Resource Fund	5.12%	International equities	Cayman Islands	
4	Westpac current account	4.85%	Cash and cash equivalents	New Zealand	A-1+
5	Fletcher Building	4.33%	Australasian equities	New Zealand	
6	Rio Tinto PLC ADR	4.23%	International equities	United States of America	
7	Meridian Energy	2.84%	Australasian equities	New Zealand	
8	Societe Generale International USD margin account	2.66%	Cash and cash equivalents	United Kingdom	A-1
9	Goldman Sachs NZD margin account	2.62%	Cash and cash equivalents	United Kingdom	A-1
10	Metlifecare	2.13%	Australasian equities	New Zealand	

The top 10 investments make up 52.53% of the investment option.<sup>7</sup>

NZ Funds actively manages the foreign currency exposure of the investment option. Where the investment option 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 investment option may also take active foreign currency positions by holding non-NZD cash and/or foreign currency derivatives. As at 30 September 2018, the investment option's foreign currency exposure was 31.10%.

## Key personnel

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

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	9 years 7 months	Chief Operating Officer, New Zealand Funds Management Limited	6 years 1 month
Michael Lang	Chief Investment Officer and a Director	10 years 1 month	Partner, Eclectica Asset Management	1 years 8 months
David Wilson	Investment Strategist and a Principal	21 years 9 months	Chief Economist, JB Were	3 years 5 months
James Grigor	Senior Portfolio Manager and a Principal	1 years 5 months	Head of Portfolio Strategy Group, Macquarie Private Wealth (now Hobson Wealth Partners)	2 years 4 months
Mark Brooks	Head of Income and a Principal	10 years 10 months	Senior Portfolio Manager, Credaris	3 years 4 months

## Notes

1. The total value and number of investors in the NZ Funds Kiwisaver Scheme Lifecycle Process overall is \$206,828,761 and 7092 respectively.
2. 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.
3. 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 invested into.

<b>Fund</b>	<b>Information and assumptions used to make estimates</b>
Kuvari Focus Fund	Fee and operating cost amounts are estimated using fee targets provided by the manager of the Kuvari Focus Fund.
Paulson International Fund	The fee and operating cost amount obtained from the administrator of the Paulson International Fund was for the period to 30 September 2017.
Suvretta Offshore Fund	The fee and operating cost amount obtained from the manager of the Suvretta Offshore Fund was for the year to 31 December 2017. Performance fee amounts are estimated using the same criteria used by the manager of the Suvretta Offshore Fund.
Impala Resource Fund	Fee and operating cost amounts are estimated using fee targets provided by the manager of the Impala Resource Fund was for the year to 31 December 2017. Performance fee amounts are estimated using the same criteria used by the manager of the Impala Resource Fund.

4. The NZ Funds KiwiSaver Scheme has an administration fee of \$3.00 per investor per month.
5. NZ Funds uses derivatives as part of its active management approach. The use of derivatives can result in the total economic exposure of the investment option exceeding 100% which means the investment option is leveraged. Where economic exposure exceeds 100%, the actual investment mix and the target investment mix table have been scaled to 100%. Without scaling, the total economic exposure of the investment option, as shown in the actual investment mix and the target investment mix, would be 118.07% and 118.00% respectively. For more information on economic exposure, see the PDS.
6. The investment option 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.
7. 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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