

What fees are investors charged?

Investors in the Equity Inflation Portfolio are charged fund charges. In the year to 31 March 2017 these were:

	% of net asset value
Total fund charges	2.90%
Which are made up of:	
Total management and administration charges	2.90%
Including:	
Manager's basic fee	1.75%
Other management and administration charges*	1.15% (estimate) ²
Total performance-based fees	n/a

*Note: Included within 'Other management and administration charges' are performance-based fees charged by external managers of underlying funds that the fund invested into which totalled 0.05%. Performance-based fees are subject to market movements and manager performance and the amount of these fees for any given period may materially differ from those disclosed for the year to 31 March 2017. For the 12 months to 31 December 2017, external manager performance fees totalled 0.31%. As a result, 'Total fund charges' for that period totalled 3.16%.

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.

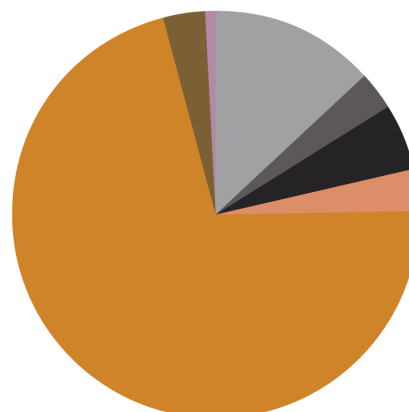
Example of how this applies to an investor

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 \$583 (that's 5.83% of his initial \$10,000). Liam did not pay any other charges. This gives Liam a total return after tax of \$583 for the year.

What does the fund invest in?

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

Actual investment mix



Cash and cash equivalents	13.28%
New Zealand fixed interest	2.87%
International fixed interest	5.29%
Australasian equities	3.33%
International equities	71.26%
Listed property	3.37%
Other*	0.60%

Target investment mix³

Cash and cash equivalents	13%
New Zealand fixed interest	3%
International fixed interest	5%
Australasian equities	3%
International equities	72%
Listed property	3%
Unlisted property	0%
Commodities	0%
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	Westpac 32 day term deposit	26.85%	Cash and cash equivalents	New Zealand	A-1+
2	Amount receivable from sale of underlying fund	9.32%	Cash and cash equivalents	Cayman Islands	
3	Impala Resource Fund	6.79%	International equities	Cayman Islands	
4	MFA Financial	3.37%	Listed property	United States of America	
5	Citibank New Zealand NZD current account	2.96%	Cash and cash equivalents	United States of America	A-1
6	Precinct Properties New Zealand 4.8% 27/09/2021	2.86%	New Zealand fixed interest	New Zealand	Not rated
7	Citibank Hong Kong USD current account	2.73%	Cash and cash equivalents	United States of America	A-1
8	Westpac current account	2.67%	Cash and cash equivalents	New Zealand	A-1+
9	Banco Santander 6.25%	2.61%	International equities	Spain	Ba1
10	Barclays 6.625% perpetual	2.35%	International equities	United Kingdom	B+

The top 10 investments make up 62.51% of the fund.⁴

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 31 December 2017, the fund's foreign currency exposure was 8.10%.

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	8 years 10 months	Chief Operating Officer, New Zealand Funds Management Limited	6 years 1 month
Michael Lang	Chief Investment Officer and a Director	9 years 4 months	Partner, Eclectica Asset Management	1 years 8 months
David Wilson	Investment Strategist and a Principal	21 years	Chief Economist, JB Were	3 years 5 months
James Grigor	Senior Portfolio Manager	0 years 8 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 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 invested into.

Fund	Information and assumptions used to make estimates
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Paulson International Fund	The fee and operating cost amount obtained from the administrator of the Paulson International Fund was for the period to 30 November 2016.
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Impala Resource Fund	Fee and operating cost amounts are estimated using fee targets provided by the manager of the Impala Resource Fund.
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3. 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.
4. 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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