

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.

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.

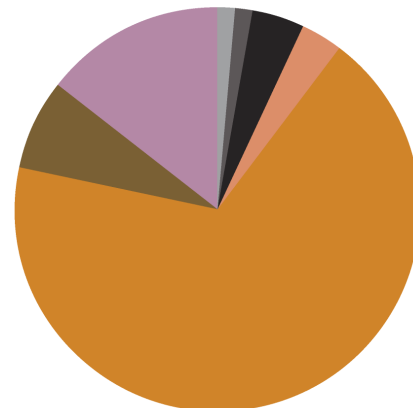
Example of how this applies to an investor

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 \$21 (that's 0.21% of his initial \$10,000). Liam did not pay any other charges. This gives Liam a total return after tax of \$21 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	1.48%
New Zealand fixed interest	1.34%
International fixed interest	4.34%
Australasian equities	3.32%
International equities	67.88%
Listed property	7.33%
Other*	14.31%

Target investment mix⁴

Cash and cash equivalents	2%
New Zealand fixed interest	1%
International fixed interest	5%
Australasian equities	3%
International equities	67%
Listed property	8%
Unlisted property	0%
Commodities	0%
Other*	14%

*'Other' includes foreign currency (which comprises active currency positions implemented by either holding non-NZD cash or foreign currency derivatives) and alternative securities (investment in hedge funds)

What does the fund invest in? (continued)

Top 10 investments

	Name	Percentage of fund net assets	Type	Country	Credit Rating
1	Westpac current account	26.93%	Cash and cash equivalents	New Zealand	A-1+
2	Paulson International Fund	9.73%	Other*	Cayman Islands	
3	Citibank Hong Kong NZD current account	9.26%	Cash and cash equivalents	United States of America	A-1
4	Westpac 32 day term deposit	8.62%	Cash and cash equivalents	New Zealand	A-1+
5	Impala Resource Fund	6.22%	International equities	Cayman Islands	
6	MFA Financial	3.88%	Listed property	United States of America	
7	Banco Santander 6.25%	2.64%	International equities	Spain	Ba1
8	Citibank NZD margin account	2.55%	Cash and cash equivalents	United Kingdom	A-1
9	Barclays 6.625% perpetual	2.44%	International equities	United Kingdom	B+
10	Crown Subordinated Notes 23/04/2075	1.97%	International fixed interest	Australia	Not rated

*Alternative security fund

The top 10 investments make up 74.24% of the fund.⁵

NZ Funds uses an active investment management approach. As part of this approach, all assets denominated in a foreign currency are initially fully hedged back to the NZ dollar. The fund may then take active foreign currency positions.

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 7 months	Chief Operating Officer, New Zealand Funds Management Limited	6 years 1 month
Michael Lang	Chief Investment Officer and a Director	9 years 1 month	Partner, Eclectica Asset Management	1 years 8 months
David Wilson	Investment Strategist and a Principal	20 years 9 months	Chief Economist, JB Were	3 years 5 months
James Grigor	Senior Portfolio Manager	0 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	9 years 10 months	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. NZ Funds uses derivatives as part of its active investment 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 102.83% and 104.00% respectively. For more information on economic exposure, see the NZ Funds Managed Portfolio Service 'Other Material Information' document on the offer register at www.companiesoffice.govt.nz/disclose.
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

New Zealand Funds Management Limited
Level 16, Zurich House
21 Queen Street
Private Bag 92163
Auckland 1142
Attention: Head of Client Services
Phone 09 377 2277 or 0508 733 337
info@nzfunds.co.nz