Fund update

For the quarter ended 31 December 2018

NZ Funds Managed Superannuation Service ROPS GBP Income Strategy

This fund update was first made publicly available on 13 February 2019

What is the purpose of this update?

This document tells you how the ROPS GBP Income Strategy 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 ROPS GBP Income Strategy is to provide exposure to income assets and to the UK currency using an active management approach. It is anticipated that the fund will mainly hold cash and cash equivalents, and Australasian and international bonds. It may also invest in other permitted assets. The fund will have a UK currency overlay.

| Total value of the fund | \$2,018,407 |
|--|----------------|
| Number of investors in the fund | 33 |
| The date the fund started ¹ | 11 August 2017 |

What are the risks of investing?

Risk indicator for the ROPS GBP Income Strategy¹:



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 31 December 2018^1 . 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) | -0.47% |
| Annual return (after deductions for charges but before tax) | -0.98% |
| Market index annual return (reflects no deduction for charges and tax) | 1.47% |

The market index annual return is based on a composite index calculated using the market indices and weightings set out in the Statement of Investment Policy and Objectives (SIPO). Additional information about the market index is available on the offer register at www.companiesoffice.govt.nz/disclose/.

What fees are investors charged?

Investors in the ROPS GBP Income Strategy are charged fund charges. In the year to 31 March 2018 these were:

| % of net sset value |
|------------------------|
| 1.20% |
| |
| 1.20% |
| |
| 1.10% |
| 0.10% |
| n/a |
| |

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 Superannuation 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.

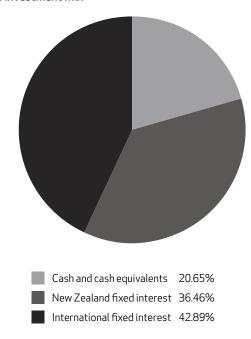
Example of how this applies to an investor

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 incurred a loss after fund charges were deducted of -\$47 (that's -0.47% of his initial \$10,000). Liam did not pay any other charges. This gives Liam a total loss after tax of -\$47 for the year.

What does the fund invest in?

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

Actual investment mix



Target investment mix²

| Cash and cash equivalents | 21% |
|------------------------------|-----|
| New Zealand fixed interest | 36% |
| International fixed interest | 43% |
| Australasian equities | 0% |
| International equities | 0% |
| Listed property | 0% |
| Unlisted property | 0% |
| Commodities | 0% |
| Other | 0% |

What does the fund invest in? (continued)

Top 10 investments

| | Name | Percentage of fund net assets | Туре | Country | Credit rating (if applicable) |
|----|-------------------------------------|-------------------------------|------------------------------|--------------------------|-------------------------------|
| 1 | Westpac 32 day term deposit | 12.88% | Cash and cash equivalents | New Zealand | A-1+ |
| 2 | Goldman Sachs NZD margin account | 5.55% | Cash and cash equivalents | United Kingdom | A-1 |
| 3 | Suvretta Offshore Fund | 4.24% | International equities | Cayman Islands | |
| 4 | Westpac current account | 3.60% | Cash and cash equivalents | New Zealand | A-1+ |
| 5 | Fletcher Building | 3.02% | Australasian equities | New Zealand | |
| 6 | Impala Resource Fund | 2.67% | International equities | Cayman Islands | |
| 7 | Rio Tinto PLC ADR | 2.37% | International equities | United States of America | |
| 8 | Meridian Energy | 2.25% | Australasian equities | New Zealand | |
| 9 | Vector 4.996% 14/03/2024 | 2.06% | New Zealand fixed interest | New Zealand | BBB |
| 10 | Crown Subordinated Notes 23/04/2075 | 1.84% | International fixed interest | Australia | |

The top 10 investments make up 47.55% of the fund4.

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. The fund targets 100% exposure to the UK currency. As at 31 December 2018, the fund's total foreign currency exposure was 103.36%.

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 | 0 years 3 months | Chief Investment Officer, New Zealand Funds Management Limited | 10 years 1 month |
| David Haslam | Senior Dealer | 2 years 0 month | Equities Trader, UBS NZ | 0 years 11 months |
| David Wilson | Chief Operating Officer - Investments and a Principal | 0 years 1 month | Investment Strategist, New Zealand Funds Management Limited | 21 years 11 months |
| James Grigor | Chief Investment Officer and a Principal | 0 years 1 month | Senior Portfolio Manager, New Zealand Funds Management Limited | 1 years 7 months |
| Mark Brooks* | Head of Income and a Principal | 11 years 1 month | Senior Portfolio Manager, Credaris | 3 years 4 months |

^{*} Key personnel not named in previous fund updates for the fund.

Further information

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

Notes

- 1 As the fund started on 11 August 2017, actual returns for the last five years are not available. To calculate the risk indicator, a combination of actual returns and market index returns have been used. Market index returns were used for the period prior to 11 August 2017. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund.
- 2 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.
- 3 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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