

For the quarter ended 30 June 2019

NZ Funds Managed Superannuation Service LifeCycle Process - age 75

This fund update was first made publicly available on 26 July 2019

What is the purpose of this update?

This document tells you how the LifeCycle Process - age 75 investment option has performed and what fees were charged. The document will help you to compare the investment option with other investment options. 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 investment option

The objective of the LifeCycle Process is to allocate your investment across the three funds (Income Strategy, Inflation Strategy and Growth Strategy) based on your age to ensure that your investment is allocated in a manner that is consistent with your investment timeframe. At age 75, your investment will be allocated as follows: 35% to the Income Strategy; 34% to the Inflation Strategy; and 31% to the Growth Strategy.

Total value of the investment option ¹	\$79,095
Number of investors in the investment option ¹	1
The date the investment option started	25 January 2017

What are the risks of investing?

Risk indicator for the LifeCycle Process - age 75:²



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the investment option'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 an investment option's future performance. The risk indicator is based on the returns data for the five years to 30 June 2019². While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future investment updates.

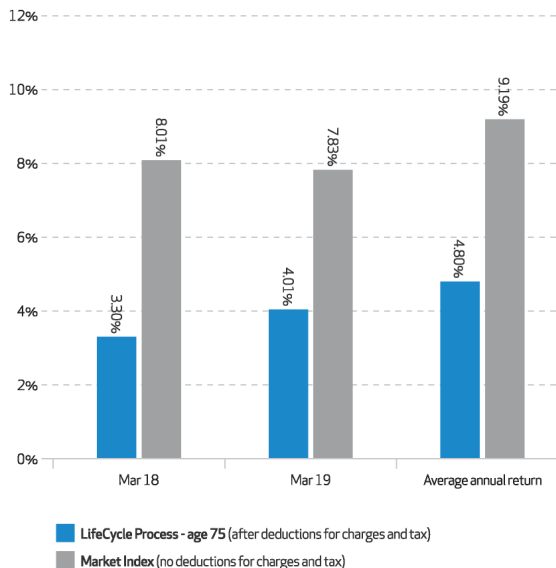
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this investment option.

How has the investment option performed?

	Past year
Annual return (after deductions for charges and tax)	3.80%
Annual return (after deductions for charges but before tax)	5.42%
Market index annual return (reflects no deduction for charges and tax)	8.78%

The market index annual return is based on a composite of the market indices for each Strategy weighted to reflect the investment option's allocation to each Strategy. The relevant market indices and weighting are set out in the Statement of Investment Policy and Objectives. Additional information about the market index is available on the offer register at www.companiesoffice.govt.nz/disclose.

Annual return graph³



This shows the return after fund charges and tax for each year ending 31 March since the investment option started. The last bar shows the average annual return since the investment option started, up to 30 June 2019.

Important: This does not tell you how the investment option will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

What fees are investors charged?

Investors in the LifeCycle Process - age 75 are charged fund charges. In the year to 31 March 2019 these were:

	% of net asset value
Total fund charges	1.38%
Which are made up of:	
Total management and administration charges	1.38%
Including:	
Manager's basic fee	1.29%
Other management and administration charges*	0.09% (estimate) ⁴
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 investment option invested into which totalled -0.01%.⁵ 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 2019.

[†]From 1 April 2019, a performance-based fee may be charged in certain related underlying funds. For more information, see the PDS.

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.

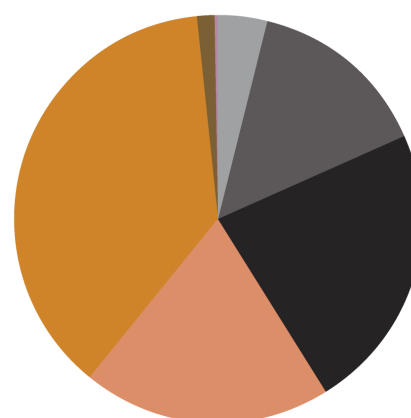
Example of how this applies to an investor

Liam had \$10,000 in the 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 \$380 (that's 3.80% of his initial \$10,000). Liam did not pay any other charges. This gives Liam a total return after tax of \$380 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



Cash and cash equivalents	3.95%
New Zealand fixed interest	14.48%
International fixed interest	22.92%
Australasian equities	19.66%
International equities	37.34%
Listed property	1.46%
Other*	0.19%

Target investment mix⁶

Cash and cash equivalents	4%
New Zealand fixed interest	15%
International fixed interest	23%
Australasian equities	20%
International equities	37%
Listed property	1%
Unlisted property	0%
Commodities	0%
Other	0%

*'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	Westpac 32 day term deposit	16.18%	Cash and cash equivalents	New Zealand	A-1+
2	Westpac current account	4.88%	Cash and cash equivalents	New Zealand	A-1+
3	Suvretta Offshore Fund	4.52%	International equities	Cayman Islands	
4	Goldman Sachs NZD margin account	3.36%	Cash and cash equivalents	United Kingdom	A-1
5	Vector 4.996% 14/03/2024	1.98%	New Zealand fixed interest	New Zealand	BBB
6	Emerson Point Capital Partners LP	1.81%	International equities	United States of America	
7	Bausch Health 4.5% 15/05/2023	1.75%	International fixed interest	Canada	B-
8	Microsoft 3.3% 06/02/2027	1.68%	International fixed interest	United States of America	AAA
9	United States Treasury Note/Bond 2.875% 15/05/2049	1.63%	International fixed interest	United States of America	AA+
10	Insurance Australia Group 5.15% 15/06/2043	1.62%	New Zealand fixed interest	New Zealand	BBB

The top 10 investments make up 39.41% of the investment option.⁷

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 June 2019, the investment option's foreign currency exposure was 9.54%.

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
Michael Lang	Chief Executive and a Director	0 years 9 months	Chief Investment Officer, New Zealand Funds Management Limited	10 years 1 month
James Grigor	Chief Investment Officer and a Principal	0 years 7 months	Senior Portfolio Manager, New Zealand Funds Management Limited	1 years 7 months
David Wilson	Chief Operating Officer - Investments and a Principal	0 years 7 months	Investment Strategist, New Zealand Funds Management Limited	21 years 11 months
Mark Brooks	Head of Income and a Principal	11 years 7 months	Senior Portfolio Manager, Credaris	3 years 4 months
David Haslam	Senior Dealer	2 years 6 months	Equities Trader, UBS NZ	0 years 11 months

Notes

1. The total value and number of investors in the NZ Funds Managed Superannuation Service LifeCycle Process overall is \$16,464,907 and 151 respectively.
2. As the investment option started on 25 January 2017, actual returns for the last 5 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 25 January 2017. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund.
3. 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.
4. 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 fund invested into.

Fund	Information and assumptions used to make estimates
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Suvretta Offshore Fund	The fee and operating cost amount obtained from the manager of the fund was for the year to 31 December 2018. Performance fee amounts are estimated using the same criteria used by the administrator of the fund.
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Impala Resource Fund	Fee and operating cost amounts are estimated using fee targets provided by the manager of the fund for the year to 31 December 2018. Performance fee amounts are estimated using the same criteria used by the administrator of the fund.
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5. In the 12 month period to 31 March 2019, there was a reversal of external manager performance fees that had been accrued in the previous year.
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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