

What fees are investors charged?

Investors in the Inflation Strategy are charged fund charges. In the year to 31 March 2020 these were:

	% of net asset value
Total fund charges	1.89%
Which are made up of:	
Total management and administration charges	1.47%
Including:	
Manager's basic fee	1.15%
Other management and administration charges*	0.32% (estimate) ³
Total performance-based fees	0.42%

*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 0.11%. 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 2020.

See the PDS for more information about the basis on which performance-based fees are charged.

Investors may also be charged individual action fees for specific actions or decisions (for example, if an investor has a financial adviser and has agreed to pay a fee to the adviser for providing financial advice). NZ Funds does not currently charge any establishment, contribution, termination, withdrawal or switch fees. See the PDS for the NZ Funds Managed Superannuation Service for more information about fees.

Small differences in fees and charges can have a big impact on your investment over the long term.

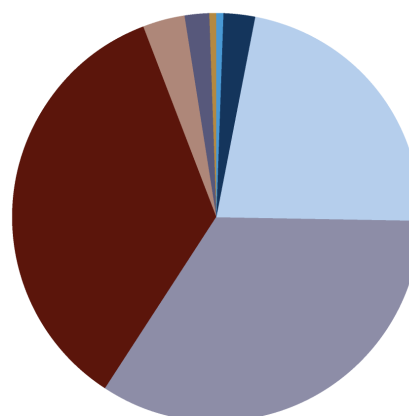
Example of how this applies to an investor

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 \$370 (that's 3.70% of his initial \$10,000). Liam did not pay any other charges. This gives Liam a total return after tax of \$370 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	0.83%
New Zealand fixed interest	2.27%
International fixed interest	22.42%
Australasian equities	33.90%
International equities	34.79%
Listed property	3.44%
Commodities	1.90%
Other*	0.45%

Target investment mix⁴

Cash and cash equivalents	5%
New Zealand fixed interest	12%
International fixed interest	13%
Australasian equities	30%
International equities	35%
Listed property	5%
Unlisted property	0%
Commodities	0%
Other	0%

*'Other' includes cryptocurrencies (which comprises actual cryptocurrencies and cryptocurrency futures) and 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	Citibank New Zealand NZD current account	11.32%	Cash and cash equivalents	United States of America	A-1
2	Westpac current account	7.34%	Cash and cash equivalents	New Zealand	A-1+
3	Goldman Sachs NZD margin account	6.06%	Cash and cash equivalents	United Kingdom	A-1
4	Citibank Hong Kong USD current account	4.65%	Cash and cash equivalents	United States of America	A-1
5	Suvretta Offshore Fund	4.43%	International equities	Cayman Islands	
6	Goldman Sachs USD margin account	4.31%	Cash and cash equivalents	United Kingdom	A-1
7	Meridian Energy	3.07%	Australasian equities	New Zealand	
8	Summerset Group Holdings Ltd	3.07%	Australasian equities	New Zealand	
9	Chorus	2.92%	Australasian equities	New Zealand	
10	GrandVision NV	2.58%	International equities	Netherlands	

The top 10 investments make up 49.75% of the fund.⁵

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 30 September 2020, the fund's foreign currency exposure was 9.48%.

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	2 years	Chief Investment Officer, New Zealand Funds Management Limited	10 years 1 month
James Grigor	Chief Investment Officer and a Principal	1 year 10 months	Senior Portfolio Manager, New Zealand Funds Management Limited	1 year 7 months
David Wilson	Chief Operating Officer - Investments and a Principal	1 year 10 months	Investment Strategist, New Zealand Funds Management Limited	21 years 11 months
Andrew Curtayne	Senior Portfolio Manager	0 years 5 months	Senior Analyst, Melqart Asset Management	3 years 8 months
David Haslam	Senior Dealer	3 years 9 months	Portfolio Manager, New Zealand Funds Management Limited	0 years 11 months

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 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.
2. 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.
3. 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
Suvretta Offshore Fund	The fee and operating cost amount obtained from the manager of the fund was for the year to 31 December 2019. Performance fee amounts are estimated using the same criteria used by the administrator of the fund.
Emerson Point Capital Partners LP	The fee and operating cost amount obtained from the manager of the fund was for the year to 31 December 2019. Performance fee amounts are estimated using the same criteria used by the administrator of the fund.

4. Targets indicate what are expected to apply over the course of an economic cycle and should be considered as general guidance only. NZ Funds is an active manager and may use investment strategies that differ materially from the targets.
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

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