NZ Funds Wealth Builder - Income Strategy

This fund update was first made publicly available on 15 February 2021

What is the purpose of this update?

This document tells you how the NZ Funds Wealth Builder -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 NZ Funds Wealth Builder - Income Strategy is to provide exposure to income assets. The fund is anticipated to mainly hold New Zealand, Australian and international bonds.

| Total value of the fund | \$1,882,406 |
|---------------------------|------------------|
| The date the fund started | 27 February 2020 |

What are the risks of investing?

Risk indicator for the NZ Funds Wealth Builder - 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 2020¹. 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) | not applicable |
| Annual return (after deductions for charges but before tax) | not applicable |
| Market index annual return (reflects no deduction for charges and tax) | 6.88% |

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 NZ Funds Wealth Builder - Income Strategy are charged fund charges. Based on the PDS dated 21 October 2020, these are estimated to be:

| | % of net asset value |
|---|---------------------------|
| Total fund charges (estimated) ² | 1.12% |
| Which are made up of: | |
| Total management and administration charges (estimated) | 1.09% |
| Including: | |
| Manager's basic fee | 1.04% |
| Other management and administration charges | 0.05% |
| Total performance-based fees (estimated) | 0.03% |
| Other charges | \$ amount per investor |
| Administration fee ³ | \$36 |

See the PDS for NZ Funds Wealth Builder for more information about the basis on which performance fees are charged.

Investors are not currently charged individual action fees (for example, withdrawing from or switching funds). See the PDS for more information about fees.

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

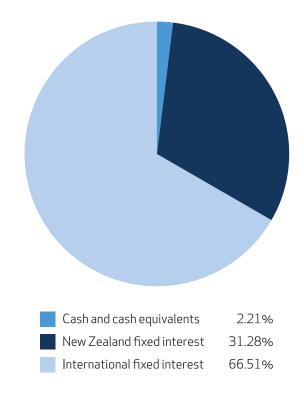
Example of how this applies to an investor

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 \$415 (that's 4.15%⁴ of his initial \$10,000). Liam also paid \$36 in other charges. This gives Liam a total return after tax of \$379 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 mix⁵

| Cash and cash equivalents | 8% |
|------------------------------|-----|
| New Zealand fixed interest | 45% |
| International fixed interest | 47% |
| Australasian equities | 0% |
| International equities | 0% |
| Listed property | 0% |
| Unlisted property | 0% |
| Commodities | 0% |
| Other | 0% |

What does the fund invest in?

Top 10 investments

| | Name | Percentage of fund net assets | Туре | Country | Credit rating |
|----|--|-------------------------------|------------------------------|-----------------------------|---------------|
| 1 | Westpac current account | 10.78% | Cash and cash equivalents | New Zealand | A-1+ |
| 2 | National Australia Bank Income Securities perpetual | 8.55% | International fixed interest | Australia | BBB |
| 3 | Citibank Hong Kong USD current account | 7.50% | Cash and cash equivalents | United States of America | A-1 |
| 4 | Citibank New Zealand NZD current account | 7.14% | Cash and cash equivalents | United States of America | A-1 |
| 5 | Vector Ltd 4.996% 14/03/2024 | 4.03% | New Zealand fixed interest | New Zealand | BBB |
| 6 | Westpac Banking 4.695% 01/09/2026 | 2.53% | New Zealand fixed interest | New Zealand | BBB+ |
| 7 | JPMorgan Chase 3.625% 01/12/2027 | 2.40% | International fixed interest | United States of America | BBB+ |
| 8 | Kiwibank Ltd 2.36% 11/12/2030 | 2.27% | New Zealand fixed interest | New Zealand | BBB- |
| 9 | Goldman Sachs Group 3.5% 01/04/2025 | 2.10% | International fixed interest | United States of America | BBB+ |
| 10 | Citigroup Inc 4.125% 25/07/2028 | 2.05% | International fixed interest | United States of America | BBB |

The top 10 investments make up 49.35% of the fund.⁶

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 2020, the fund's foreign currency exposure was 26.99%.

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 3 months | Chief Investment Officer, New Zealand Funds Management Limited | 10 years 1 month |
| James Grigor | Chief Investment Officer and a Principal | 2 years 1 month | Senior Portfolio Manager, New Zealand Funds Management Limited | 1 year 7 months |
| Mark Brooks | Head of Income and a Principal | 13 years 1 month | Senior Portfolio Manager, Credaris | 3 years 4 months |
| Andrew Curtayne* | Senior Portfolio Manager | 0 years 8 months | Senior Analyst, Melqart Asset Management | 3 years 8 months |
| David Haslam | Senior Dealer | 4 years | Equities Trader, UBS NZ | 0 years 11 months |

* Key personnel not named in previous fund update for the fund.

Further information

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

Notes

- 1 As the fund started on 27 February 2020, 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 27 February 2020. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund.
- 2 As the fund started on 27 February 2020, historical fee information for the most recent scheme year is not available. The total fund charges shown are based on our best estimate of the fees and costs that will be charged to the fund including fees and costs payable in respect of the underlying funds in which the fund invests (including performance fees). For more information on the basis of estimates, see the PDS and the NZ Funds Wealth Builder 'Other Material Information' document on the offer register at www.companiesoffice.govt.nz/disclose.
- 3 For investors aged 18 or over, NZ Funds charges an administration fee of \$3 per month.
- 4 As the fund started on 27 February 2020, this calculation is based on the market index return for the past year, after deduction of estimated fees and tax of 28%.
- 5 The target investment mix is anticipated only and the Strategy's actual asset allocation is expected to vary significantly over the course of an economic cycle.
- 6 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 21 Queen Street Private Bag 92163, Auckland 1142

New Zealand T. 09 377 2277 or 0508 733 337

E. info@nzfunds.co.nz www.nzfunds.co.nz