

For the quarter ended 30 June 2018

## NZ Funds Managed Portfolio Service Dividend and Growth Portfolio

This fund update was first made publicly available on 27 July 2018

### What is the purpose of this update?

This document tells you how the Dividend and Growth Portfolio 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 Dividend and Growth Portfolio is to grow your investment over the long term by investing in income and growth assets using an active management approach. It is anticipated that the fund will mainly hold Australasian shares. It may also invest in other permitted assets.

Total value of the fund	\$98,959,388
The date the fund started	31 October 2008

### What are the risks of investing?

Risk indicator for the Dividend and Growth Portfolio:



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/](http://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 30 June 2018. 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.

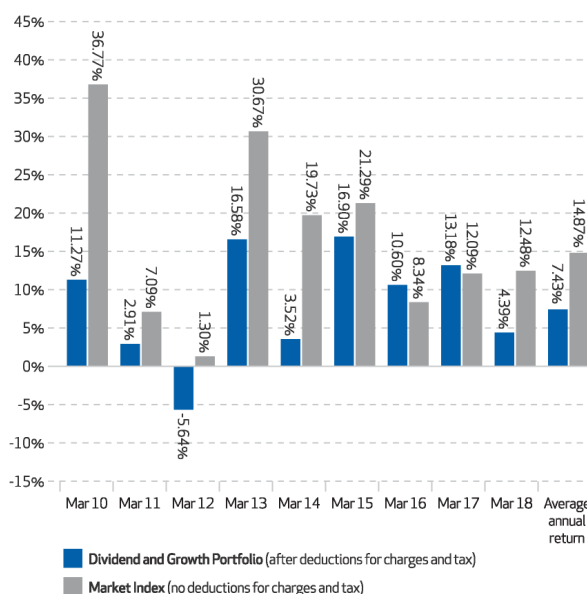
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

### How has the fund performed?

	Average over past 5 years	Past year
<b>Annual return</b> (after deductions for charges and tax)	12.30%	11.20%
<b>Annual return</b> (after deductions for charges but before tax)	13.19%	11.58%
<b>Market index annual return</b> (reflects no deduction for charges and tax)	16.36%	17.36%

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](http://www.companiesoffice.govt.nz/disclose).

#### Annual return graph<sup>1</sup>



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 30 June 2018.

**Important:** This does not tell you how the fund 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 Dividend and Growth Portfolio are charged fund charges. In the year to 31 March 2018 these were:

	% of net asset value
<b>Total fund charges</b>	2.52%
Which are made up of:	
<b>Total management and administration charges</b>	2.94%
Including:	
Manager's basic fee	1.75%
Other management and administration charges*	1.19%
<b>Total performance-based fees</b>	-0.41% <sup>2</sup>

\*Note: 'Total performance-based fees' is the performance fee charged by NZ Funds based on the performance of the fund. 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 2018. For the 12 months to 30 June 2018, NZ Funds' performance fee was 0.28%. As a result, 'Total fund charges' for that period totalled 3.21%.

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, 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.

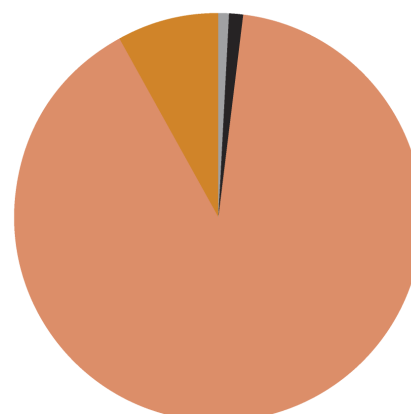
## Example of how this applies to an investor

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 \$1,120 (that's 11.20% of his initial \$10,000). Liam did not pay any other charges. This gives Liam a total return after tax of \$1,120 for the year.

## What does the fund invest in?

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

### Actual investment mix<sup>3</sup>



Cash and cash equivalents	0.96%
International fixed interest	1.06%
Australasian equities	90.07%
International equities	7.91%

### Target investment mix<sup>4</sup>

Cash and cash equivalents	1%
New Zealand fixed interest	0%
International fixed interest	1%
Australasian equities	90%
International equities	8%
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	Type	Country	Credit Rating
1	Fletcher Building	13.78%	Australasian equities	New Zealand	
2	Metlifecare	9.80%	Australasian equities	New Zealand	
3	Meridian Energy	9.76%	Australasian equities	New Zealand	
4	Chorus	8.86%	Australasian equities	New Zealand	
5	Rio Tinto PLC ADR	8.29%	International equities	United States of America	
6	Trade Me	6.67%	Australasian equities	New Zealand	
7	Woodside Petroleum	6.45%	Australasian equities	Australia	
8	Z Energy	4.91%	Australasian equities	New Zealand	
9	Nufarm	4.79%	Australasian equities	Australia	
10	Tower	4.10%	Australasian equities	New Zealand	

The top 10 investments make up 77.41% of the fund.<sup>5</sup>

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 June 2018, the fund's foreign currency exposure was 11.29%.

## 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	9 years 4 months	Chief Operating Officer, New Zealand Funds Management Limited	6 years 1 month
Michael Lang	Chief Investment Officer and a Director	9 years 10 months	Partner, Eclectica Asset Management	1 years 8 months
David Wilson	Investment Strategist and a Principal	21 years 6 months	Chief Economist, JB Were	3 years 5 months
Mark Brooks	Head of Income and a Principal	10 years 7 months	Senior Portfolio Manager, Credaris	3 years 4 months
Josh Wilson	Portfolio Manager	7 years 1 month	Equity Analyst, Collins Stewart	4 years

## Further information

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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/](http://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. In the year to 31 March 2018, a performance fee rebate was applied (that is, where all or a proportion of the NZ Funds performance fee incurred by the fund in the previous scheme year is refunded to the fund). See the PDS for more information about the basis on which the performance fee and rebate are calculated.
3. NZ Funds uses derivatives as part of its active 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 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 104.75% and 104.00% respectively. For more information on economic exposure, see the PDS.
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**

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