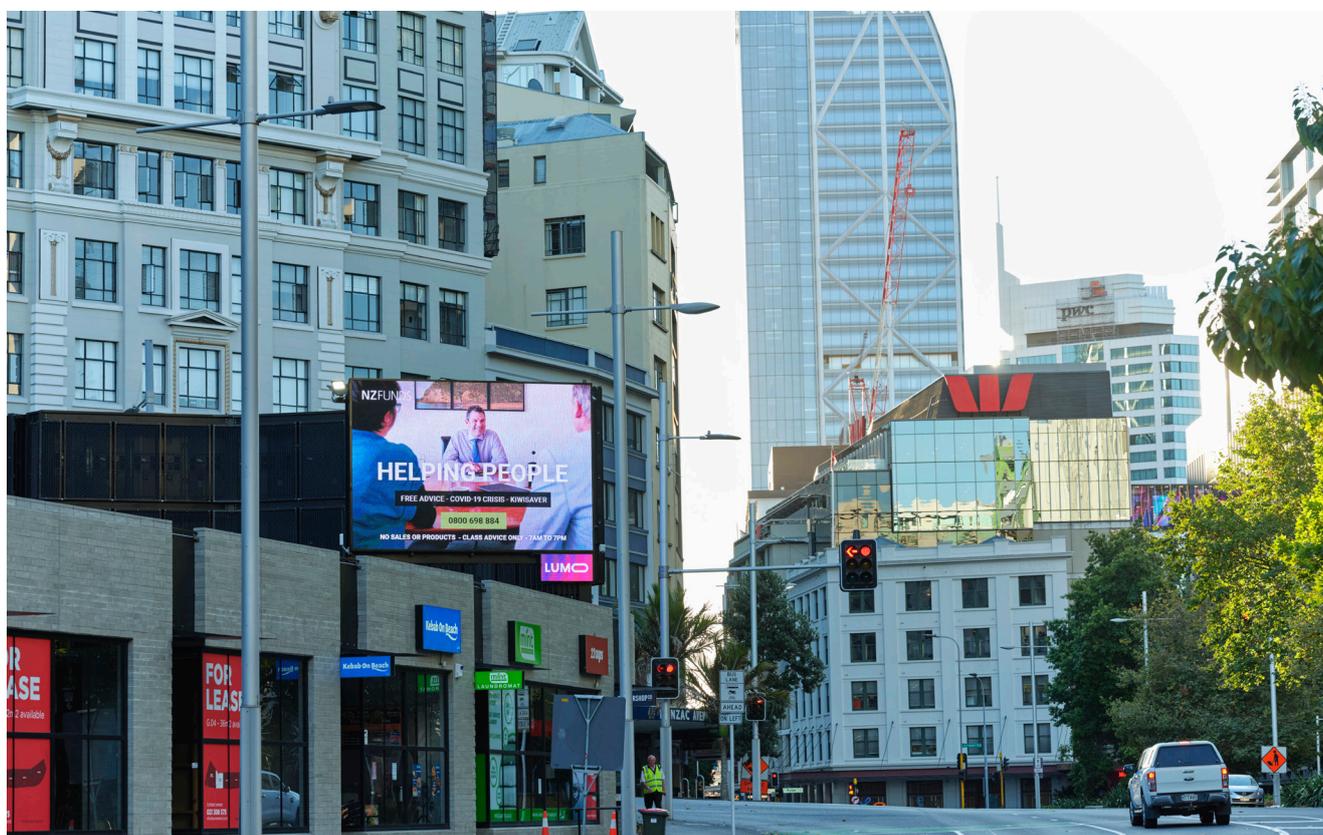


NZFUNDS

NZ Funds

Advised Portfolio Service



Audited financial statements

FOR THE YEAR ENDED 31 MARCH 2020

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Independent auditor's report to the Unitholders of each Portfolio within NZ Funds Advised Portfolio Service

Opinion

We have audited the financial statements of the portfolios comprising the NZ Funds Managed Portfolio Service, being:

Core Cash Portfolio;
Core Income Portfolio;
Global Income Portfolio;
Core Inflation Portfolio;
Property Inflation Portfolio;
Equity Inflation Portfolio;
Core Growth Portfolio;
Global Multi-Asset Growth Portfolio ("GMAGP");
Global Equity Growth Portfolio; and
Dividend and Growth Portfolio

(each a "Portfolio", collectively the "Portfolios") on pages 5 to 63, which comprise the balance sheet of each Portfolio as at 31 March 2020 (with the exception of GMAGP which is at 15 October 2019) (each referred to as "balance date"), and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of each Portfolio (with the exception of GMAGP which is for the period 1 April 2019 to 15 October 2019) (each referred to as "period"), and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 5 to 63 present fairly, in all material respects, the financial position of each Portfolio as at balance date and its financial performance and cash flows for the period then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to each Portfolio's unitholders, as separate bodies. Our audit has been undertaken so that we might state to each Portfolio's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than each Portfolio and each Portfolio's unitholders, as separate bodies, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Portfolios in accordance with Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Partners and employees of our firm may deal with the Portfolios on normal terms within the ordinary course of trading activities of the business of the Portfolios. We have no other relationship with, or interest in, the Portfolios.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the financial statements of the current period. These matters were addressed in the context of our audits of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audits addressed the matter is provided in that context.



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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audits included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Investments in Trading Portfolio Assets (including potential impact of COVID-19) - Key Audit Matter for all Portfolios other than GMAGP

Why significant

- ▶ Each Portfolio's trading portfolio assets represents in excess of 75% of its total assets.
- ▶ As disclosed in the Portfolios' accounting policies, detailed in Note 3 to the financial statements, these financial assets are recognised at fair value through profit or loss, in accordance with NZ IFRS 9 *Financial Instruments*.
- ▶ Market volatility can have a significant impact on the value of these financial assets and the financial statements, therefore the recognition and valuation of trading portfolio assets is considered a key area of audit focus. At and subsequent to 31 March 2020 financial markets were significantly impacted by the COVID-19 pandemic and during this period they have experienced greater than usual volatility.
- ▶ Disclosures regarding each Portfolio's trading portfolio assets at 31 March 2020 are included in Notes 8, 10 and 11 in the financial statements and regarding the impact of market volatility on investments subsequent to balance date are included in Note 22 to the financial statements.

How our audit addressed the key audit matter

Our audit procedures included:

- ▶ Gaining an understanding of the processes used to record investment transactions and the revaluation of the trading portfolio assets.
- ▶ For the Portfolios' investments in trading portfolio assets, we:
 - ▶ reconciled the total of the Portfolios' recorded value of each trading portfolio asset to the net asset value of that trading portfolio asset;
 - ▶ for a sample of investments held directly by each trading portfolio asset, obtained confirmation directly from the custodian or counterparty of the investment held and verified their exit prices at 31 March 2020 to independent sources to provide evidence of the trading portfolio assets' net asset value; and
 - ▶ tested a sample of applications and redemptions by the Portfolios to gain evidence of the appropriateness of the proportion of each trading portfolio asset held by each Portfolio.
- ▶ Assessing whether the disclosures in the financial statements appropriately reflect the Portfolios' exposure to financial instrument risk with reference to NZ IFRS 7 *Financial Instruments: Disclosures* and the COVID-19 related impacts on trading portfolio asset valuation.

Investment transactions - Key Audit Matter for GMAGP

Why significant

- ▶ GMAGP was wound up within the period. As a result a significant portion of our audit focused on the net trading losses incurred by GMAGP in relation to its trading portfolio assets during the period of its operations.
- ▶ As disclosed in the accounting policies, detailed in Note 3 to the financial statements, GMAGP measured trading portfolio assets at fair value. GMAGP derecognised these assets upon sale. Upon derecognition, the difference between the net settlement amount and their recorded fair value was recorded as net trading gains/losses in accordance with NZ IFRS 9 *Financial Instruments*.
- ▶ Disclosures regarding GMAGP's net trading losses for the period ended 15 October 2019 are included in Note 13 to the financial statements.

How our audit addressed the key audit matter

Our audit procedures included:

- ▶ Gaining an understanding of the process used to record investment transactions.
- ▶ Testing the gains and losses recorded on trading portfolio assets during the period by testing a sample of applications into and redemptions of the trading portfolio assets.
- ▶ Assessing whether the disclosures in the financial statements appropriately reflect the requirements of NZ IFRS 9 *Financial Instruments*.



Emphasis of Matter for GMAGP only - Basis of Preparation of the Financial Statements

The financial statements for GMAGP have been prepared on a realisation basis as described in Note 2 Basis of Preparation. This basis differs from the normal convention in that financial statements are usually prepared on the basis that the Portfolio will carry on business as a going concern. Under the cessation basis, the financial statements include adjustments to the net book value of assets, reducing them to the amounts expected to be realised, together with additional provisions and liabilities which will arise as a result of the Portfolio ceasing to trade. There were no adjustments required to the carrying values of assets and liabilities as a result of the Portfolio ceasing to trade.

Our opinion is not qualified in this respect.

Information other than the financial statements and auditor's report

The Manager of the Portfolios is responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Manager's responsibilities for the financial statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing on behalf of each Portfolio the Portfolio's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate a Portfolio or cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements of Global Multi-Asset Growth Portfolio

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (New Zealand), the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- ▶ Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



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- ▶ Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- ▶ Concludes on the appropriateness of the Manager's use of the going concern basis of accounting. When such use is inappropriate and the Manager uses an alternative basis of accounting, we conclude on the appropriateness of the Manager's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- ▶ Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Auditor's responsibilities for the audit of the financial statements except for Global Multi-Asset Growth Portfolio

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Emma Winsloe.

The signature 'Ernst & Young' is written in a black, cursive script.

Chartered Accountants
Auckland
10 July 2020

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

	NOTE	CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
		YEARENDED 31 MARCH 2020	YEARENDED 31 MARCH 2019	YEARENDED 31 MARCH 2020	YEARENDED 31 MARCH 2019
		\$000	\$000	\$000	\$000
REVENUE					
Interest Revenue		5	10	6	5
Dividend Revenue		-	-	-	-
Net Trading Gains/(Losses)	13	651	966	(467)	7,672
TOTAL REVENUE		656	976	(461)	7,677
EXPENSES					
Audit Fees	14	4	6	13	13
Fees and Reimbursable Expenses	15	243	98	1,868	1,260
Sundry Expenses		-	-	-	-
TOTAL EXPENSES		247	104	1,881	1,273
NET PROFIT/(LOSS) BEFORE TAXATION		409	872	(2,342)	6,404
Taxation Expense	17	-	-	-	-
NET PROFIT/(LOSS) AFTER TAXATION		409	872	(2,342)	6,404
Other Comprehensive Income		-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		409	872	(2,342)	6,404

The accompanying notes form part of these financial statements.

GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO	
YEAR ENDED 31 MARCH 2020	YEAR ENDED 31 MARCH 2019	YEAR ENDED 31 MARCH 2020	YEAR ENDED 31 MARCH 2019	YEAR ENDED 31 MARCH 2020	YEAR ENDED 31 MARCH 2019	YEAR ENDED 31 MARCH 2020	YEAR ENDED 31 MARCH 2019
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
8	6	5	10	9	6	12	33
-	-	-	-	-	-	-	10,284
(2,315)	4,707	(2,351)	9,322	(4,450)	11,540	(1,825)	(6,809)
(2,307)	4,713	(2,346)	9,332	(4,441)	11,546	(1,813)	3,508
13	12	11	12	9	8	8	8
1,762	1,157	2,847	2,020	2,402	1,580	2,136	1,655
-	-	-	-	-	-	-	-
1,775	1,169	2,858	2,032	2,411	1,588	2,144	1,663
(4,082)	3,544	(5,204)	7,300	(6,852)	9,958	(3,957)	1,845
-	-	-	-	-	-	-	-
(4,082)	3,544	(5,204)	7,300	(6,852)	9,958	(3,957)	1,845
-	-	-	-	-	-	-	-
(4,082)	3,544	(5,204)	7,300	(6,852)	9,958	(3,957)	1,845

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

	NOTE	CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
		YEAR ENDED 31 MARCH 2020	YEAR ENDED 31 MARCH 2019	198 DAYS TO 15 OCTOBER 2019	YEAR ENDED 31 MARCH 2019
		€000	€000	€000	€000
REVENUE					
Interest Revenue		177	150	19	18
Dividend Revenue		-	3,509	-	2,084
Net Trading Gains/(Losses)	13	(9,347)	(2,103)	(1,439)	(2,577)
TOTAL REVENUE		(9,170)	1,556	(1,420)	(475)
EXPENSES					
Audit Fees	14	10	11	3	4
Fees and Reimbursable Expenses	15	2,299	1,540	376	487
Sundry Expenses		54	64	11	1
TOTAL EXPENSES		2,363	1,615	390	492
NET PROFIT/(LOSS) BEFORE TAXATION		(11,533)	(59)	(1,810)	(967)
Taxation Expense	17	-	-	-	-
NET PROFIT/(LOSS) AFTER TAXATION		(11,533)	(59)	(1,810)	(967)
Other Comprehensive Income		-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		(11,533)	(59)	(1,810)	(967)

The accompanying notes form part of these financial statements.

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
YEAR ENDED 31 MARCH 2020	YEAR ENDED 31 MARCH 2019	YEAR ENDED 31 MARCH 2020	YEAR ENDED 31 MARCH 2019
\$000	\$000	\$000	\$000
80	78	8	12
-	2,769	-	-
(6,182)	(1,784)	(3,623)	9,788
(6,102)	1,063	(3,615)	9,800
9	6	15	8
2,162	1,140	3,591	2,053
28	28	-	-
2,199	1,174	3,606	2,061
(8,301)	(111)	(7,221)	7,739
-	-	-	-
(8,301)	(111)	(7,221)	7,739
-	-	-	-
(8,301)	(111)	(7,221)	7,739

Balance Sheet

AS AT 31 MARCH 2020 AND 15 OCTOBER 2019

	NOTE	CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
		AS AT 31 MARCH 2020 \$000	AS AT 31 MARCH 2019 \$000	AS AT 31 MARCH 2020 \$000	AS AT 31 MARCH 2019 \$000
UNITHOLDERS' FUNDS	12	39,033	45,250	124,112	124,049
Represented by:					
ASSETS					
Cash and Cash Equivalents		2,306	853	992	223
Receivables	7	10	33	1,046	381
Margin Accounts		-	-	-	-
Trading Portfolio Assets	8, 11	36,957	44,766	123,379	124,046
Derivative Instruments	9, 11	-	-	-	-
TOTAL ASSETS		39,273	45,652	125,417	124,650
LIABILITIES					
Payables	16	240	402	1,305	601
Derivative Instruments	9, 11	-	-	-	-
TOTAL LIABILITIES		240	402	1,305	601
NET ASSETS		39,033	45,250	124,112	124,049

For and on behalf of the Manager, New Zealand Funds Management Limited, who authorised the issue of these financial statements on 10 July 2020.



Director



Director

The accompanying notes form part of these financial statements.

GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO	
AS AT 31 MARCH 2020	AS AT 31 MARCH 2019	AS AT 31 MARCH 2020	AS AT 31 MARCH 2019	AS AT 31 MARCH 2020	AS AT 31 MARCH 2019	AS AT 31 MARCH 2020	AS AT 31 MARCH 2019
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
113,944	114,820	89,652	101,601	75,829	86,320	78,009	82,723
819	358	1,084	421	1,012	1,825	661	593
1,972	896	1,237	623	484	101	1,574	2,204
-	-	-	-	-	-	-	-
113,350	114,664	88,838	101,500	74,669	84,774	77,092	82,292
-	-	-	-	-	-	122	134
116,141	115,918	91,159	102,544	76,165	86,700	79,449	85,223
2,197	1,098	1,507	943	336	380	1,431	2,482
-	-	-	-	-	-	9	18
2,197	1,098	1,507	943	336	380	1,440	2,500
113,944	114,820	89,652	101,601	75,829	86,320	78,009	82,723

Balance Sheet

AS AT 31 MARCH 2020 AND 15 OCTOBER 2019

	NOTE	CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
		AS AT 31 MARCH 2020	AS AT 31 MARCH 2019	AS AT 15 OCTOBER 2019	AS AT 31 MARCH 2019
		\$000	\$000	\$000	\$000
UNITHOLDERS' FUNDS	12	94,131	84,195	-	27,517
Represented by:					
ASSETS					
Cash and Cash Equivalents		5,709	4,323	-	3,645
Receivables	7	4,295	3,405	-	58
Margin Accounts		7,185	14,369	-	51
Trading Portfolio Assets	8, 11	75,152	64,698	-	23,885
Derivative Instruments	9, 11	7,565	1,361	-	40
TOTAL ASSETS		99,906	88,156	-	27,679
LIABILITIES					
Payables	16	3,095	3,655	-	123
Derivative Instruments	9, 11	2,680	306	-	39
TOTAL LIABILITIES		5,775	3,961	-	162
NET ASSETS		94,131	84,195	-	27,517

The accompanying notes form part of these financial statements.

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
AS AT 31 MARCH 2020	AS AT 31 MARCH 2019	AS AT 31 MARCH 2020	AS AT 31 MARCH 2019
\$000	\$000	\$000	\$000
85,520	70,972	115,957	113,025
1,854	1,388	988	678
3,914	781	1,529	256
7,362	6,769	-	-
71,151	62,717	115,287	112,610
5,562	453	-	-
89,843	72,108	117,804	113,544
1,659	928	1,847	519
2,664	208	-	-
4,323	1,136	1,847	519
85,520	70,972	115,957	113,025

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

	NOTE	CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
		YEARENDED 31 MARCH 2020 \$000	YEARENDED 31 MARCH 2019 \$000	YEARENDED 31 MARCH 2020 \$000	YEARENDED 31 MARCH 2019 \$000
RETAINED EARNINGS					
Opening Retained Earnings/(Deficit)		9,827	8,955	36,497	30,093
Total Comprehensive Income/(Loss)		409	872	(2,342)	6,404
Closing Retained Earnings/(Deficit)		10,236	9,827	34,155	36,497
UNITS ISSUED					
Opening Units Issued		35,423	39,580	87,552	95,475
Units Issued		41,296	42,618	22,320	17,722
Units Redeemed		(47,922)	(46,775)	(19,915)	(25,645)
Closing Units Issued		28,797	35,423	89,957	87,552
TOTAL UNITHOLDERS' FUNDS	12	39,033	45,250	124,112	124,049
Comprises:					
Retained Earnings/(Deficit)		10,236	9,827	34,155	36,497
Units Issued		28,797	35,423	89,957	87,552
		39,033	45,250	124,112	124,049

The accompanying notes form part of these financial statements.

GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO	
YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED
31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH
2020	2019	2020	2019	2020	2019	2020	2019
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
20,769	17,225	22,223	14,923	28,802	18,844	(27,988)	(29,833)
(4,082)	3,544	(5,204)	7,300	(6,852)	9,958	(3,957)	1,845
16,687	20,769	17,019	22,223	21,950	28,802	(31,945)	(27,988)
94,051	98,519	79,379	94,820	57,518	67,832	110,711	120,026
22,086	17,765	10,028	8,835	9,689	8,402	11,339	8,974
(18,880)	(22,233)	(16,774)	(24,276)	(13,328)	(18,716)	(12,096)	(18,289)
97,257	94,051	72,633	79,379	53,879	57,518	109,954	110,711
113,944	114,820	89,652	101,601	75,829	86,320	78,009	82,723
16,687	20,769	17,019	22,223	21,950	28,802	(31,945)	(27,988)
97,257	94,051	72,633	79,379	53,879	57,518	109,954	110,711
113,944	114,820	89,652	101,601	75,829	86,320	78,009	82,723

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

	NOTE	CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
		YEARENDED 31 MARCH 2020 \$000	YEARENDED 31 MARCH 2019 \$000	198 DAYS TO 15 OCTOBER 2019 \$000	YEARENDED 31 MARCH 2019 \$000
RETAINED EARNINGS					
Opening Retained Earnings/(Deficit)		37,110	37,169	(20,451)	(19,484)
Total Comprehensive Income/(Loss)		(11,533)	(59)	(1,810)	(967)
Closing Retained Earnings/(Deficit)		25,577	37,110	(22,261)	(20,451)
UNITS ISSUED					
Opening Units Issued		47,085	44,829	47,968	46,476
Units Issued		34,277	15,254	2,647	5,786
Units Redeemed		(12,808)	(12,998)	(28,354)	(4,294)
Closing Units Issued		68,554	47,085	22,261	47,968
TOTAL UNITHOLDERS' FUNDS	12	94,131	84,195	-	27,517
Comprises:					
Retained Earnings/(Deficit)		25,577	37,110	(22,261)	(20,451)
Units Issued		68,554	47,085	22,261	47,968
		94,131	84,195	-	27,517

The accompanying notes form part of these financial statements.

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000
32,165	32,276	42,069	34,330
(8,301)	(111)	(7,221)	7,739
23,864	32,165	34,848	42,069
38,807	33,578	70,956	58,798
31,618	13,995	22,827	24,652
(8,769)	(8,766)	(12,674)	(12,494)
61,656	38,807	81,109	70,956
85,520	70,972	115,957	113,025
23,864	32,165	34,848	42,069
61,656	38,807	81,109	70,956
85,520	70,972	115,957	113,025

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

	CORE CASH PORTFOLIO	
	YEARENDED 31 MARCH 2020 \$000	YEARENDED 31 MARCH 2019 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Interest	5	9
Maturity/Sale of Investments	12,660	12,770
Cash was applied to:		
Payments to Suppliers	(386)	(100)
Purchase of Investments	(4,200)	(8,250)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	8,079	4,429
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Proceeds from Units Issued	41,296	42,860
PIE tax rebates received from the Inland Revenue on behalf of the unitholders	-	-
Cash was applied to:		
Payments for Units Redeemed	(47,832)	(46,727)
PIE tax paid to the Inland Revenue on behalf of the unitholders	(90)	(146)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(6,626)	(4,013)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD	1,453	416
Opening Cash and Cash Equivalents Brought Forward	853	437
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	2,306	853
RECONCILIATION OF NET PROFIT/(LOSS) AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit/(Loss) After Taxation	409	872
Add/(Less) Movements in Working Capital Items:		
Decrease/(Increase) in Operational Receivables	-	-
Decrease/(Increase) in Trading Portfolio Assets	7,809	3,554
Decrease/(Increase) in Derivative Instruments - Assets	-	-
Decrease/(Increase) in Margin Accounts	-	-
Increase/(Decrease) in Derivative Instruments - Liabilities	-	-
Increase/(Decrease) in Operational Payables	(139)	3
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	8,079	4,429

The accompanying notes form part of these financial statements.

CORE INCOME PORTFOLIO		GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO	
YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000						
6	5	7	7	5	9	9	4
4,151	10,450	3,050	6,350	14,911	17,268	18,847	14,198
(1,842)	(1,275)	(1,751)	(1,170)	(2,908)	(2,050)	(2,839)	(1,583)
(3,950)	(1,350)	(4,050)	(1,300)	(4,600)	-	(13,191)	(1,215)
(1,635)	7,830	(2,744)	3,887	7,408	15,227	2,826	11,404
22,319	17,631	22,085	17,386	10,029	8,717	9,690	8,326
-	-	-	286	-	179	-	139
(19,015)	(24,886)	(17,466)	(22,135)	(16,391)	(24,197)	(13,246)	(18,615)
(900)	(664)	(1,414)	-	(383)	-	(83)	-
2,404	(7,919)	3,205	(4,463)	(6,745)	(15,301)	(3,639)	(10,150)
769	(89)	461	(576)	663	(74)	(813)	1,254
223	311	358	934	421	495	1,825	571
992	223	819	358	1,084	421	1,012	1,825
(2,342)	6,404	(4,082)	3,544	(5,204)	7,300	(6,852)	9,958
-	-	-	-	-	-	(381)	-
667	1,428	1,315	344	12,662	7,945	10,105	1,441
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
40	(2)	23	(1)	(50)	(18)	(46)	5
(1,635)	7,830	(2,744)	3,887	7,408	15,227	2,826	11,404

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

	EQUITY INFLATION PORTFOLIO	
	YEARENDED 31 MARCH 2020	YEARENDED 31 MARCH 2019
	€000	€000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Interest	12	32
Maturity/Sale of Investments	55,229	10,284
Settlement/(Purchase) of Derivative Instruments	104	83,080
Cash was applied to:		
Payments to Suppliers	(2,222)	(1,661)
Purchase of Investments	(52,300)	(88,165)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	823	3,570
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Proceeds from Units Issued	11,340	9,026
PIE tax rebates received from the Inland Revenue on behalf of the unitholders	-	-
Cash was applied to:		
Payments for Units Redeemed	(11,454)	(17,882)
PIE tax paid to the Inland Revenue on behalf of the unitholders	(641)	(303)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(755)	(9,159)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD	68	(5,589)
Opening Cash and Cash Equivalents Brought Forward	593	6,182
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	661	593
RECONCILIATION OF NET PROFIT/(LOSS) AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit/(Loss) After Taxation	(3,957)	1,845
Add/(Less) Movements in Working Capital Items:		
Decrease/(Increase) in Operational Receivables	(345)	-
Decrease/(Increase) in Trading Portfolio Assets	5,087	1,953
Decrease/(Increase) in Derivative Instruments - Assets	116	(229)
Decrease/(Increase) in Margin Accounts	-	-
Increase/(Decrease) in Derivative Instruments - Liabilities	-	-
Increase/(Decrease) in Operational Payables	(78)	1
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	823	3,570

The accompanying notes form part of these financial statements.

CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO		GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
YEARENDED 31 MARCH 2020	YEARENDED 31 MARCH 2019	198 DAYS TO 15 OCTOBER 2019	YEARENDED 31 MARCH 2019	YEARENDED 31 MARCH 2020	YEARENDED 31 MARCH 2019	YEARENDED 31 MARCH 2020	YEARENDED 31 MARCH 2019
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
177	151	17	19	81	81	8	12
55,872	3,445	28,721	2,083	53,466	2,741	-	-
14,634	42,222	278	16,586	(6,805)	65,848	-	1,775
(2,332)	(1,393)	(455)	(490)	(2,117)	(897)	(3,550)	(1,398)
(88,435)	(46,036)	(6,500)	(16,676)	(67,008)	(74,271)	(6,300)	(12,650)
(20,084)	(1,611)	22,061	1,522	(22,383)	(6,498)	(9,842)	(12,261)
34,278	15,259	2,545	5,725	31,617	14,001	22,826	24,527
-	-	103	58	-	-	-	141
(11,970)	(12,805)	(28,354)	(4,272)	(8,672)	(8,610)	(12,603)	(12,428)
(838)	(157)	-	-	(96)	(124)	(71)	-
21,470	2,297	(25,706)	1,511	22,849	5,267	10,152	12,240
1,386	686	(3,645)	3,033	466	(1,231)	310	(21)
4,323	3,637	3,645	612	1,388	2,619	678	699
5,709	4,323	-	3,645	1,854	1,388	988	678
(11,533)	(59)	(1,810)	(967)	(8,301)	(111)	(7,221)	7,739
(1,483)	109	-	-	(2,485)	247	-	643
(10,455)	13,669	23,885	2,527	(8,434)	352	(2,677)	(20,662)
(3,830)	90	-	13	(2,653)	74	-	-
7,184	(15,470)	51	(52)	(594)	(7,063)	-	-
-	-	-	-	-	-	-	-
33	50	(65)	1	84	3	54	19
(20,084)	(1,611)	22,061	1,522	(22,383)	(6,498)	(9,844)	(12,261)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

1. REPORTING ENTITIES

The reporting entities are the Core Cash Portfolio, the Core Income Portfolio, the Global Income Portfolio, the Core Inflation Portfolio, the Property Inflation Portfolio, the Equity Inflation Portfolio, the Core Growth Portfolio, the Global Multi-Asset Growth Portfolio, the Global Equity Growth Portfolio and the Dividend and Growth Portfolio ('the Portfolios').

The Portfolios are New Zealand unit trusts, incorporated and resident in New Zealand. The securities being offered are units in the Portfolios. Securities in the Global Multi-Asset Growth Portfolio were offered to the public until 6 September 2019 and the portfolio was wound up on 15 October 2019 by way of unitholders resolution.

The reporting period for the Global Multi-Asset Growth Portfolio is 1 April 2019 to 15 October 2019. For the other Portfolios the reporting period is the year ended 31 March 2020. The comparative period presented for all Portfolios is the year ended 31 March 2019.

With the exception of the Global Multi-Asset Growth Portfolio, securities in the Portfolios are currently offered to the public under the NZ Funds Advised Portfolio Service (formerly NZ Funds Managed Portfolio Service), established within two managed investment schemes called the "NZ Funds Managed Portfolio Service Part One", scheme number SCH10786 and the "NZ Funds Managed Portfolio Service Part Two", scheme number SCH10803 ('the Schemes').

The New Zealand Guardian Trust Company Limited ('Supervisor') is the Supervisor of the Portfolios. The Portfolios are either governed by the NZ Funds Managed Portfolio Service Part One Master Trust Deed dated 8 August 1988 (as amended and consolidated on 12 October 2016) or by the NZ Funds Managed Portfolio Service Part Two Master Trust Deed dated 28 February 2008 (as amended and consolidated on 12 October 2016). New Zealand Funds Management Limited ('NZ Funds') is the Manager of the Portfolios. The investments and other assets of each Portfolio are held by the Supervisor exclusively as that Portfolio's property and will not be used to meet any liabilities of another Portfolio.

The registered office of the Portfolios is the same as NZ Funds, refer to the Directory for details.

2. BASIS OF PREPARATION

a) Statement of compliance

The Portfolios' financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), the Trust Deeds of the Portfolios and the Financial Markets Conduct Act 2013. They comply with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS').

b) Going concern

The financial statements have been prepared on a going concern basis for all Portfolios except the Global Multi-Asset Growth Portfolio.

The Global Multi-Asset Growth Portfolio was wound up on 15 October 2019 and accordingly the financial statements for this Portfolio have been prepared on a realisation basis whereby, the net book value of assets include additional provisions that arise as a result of the portfolio ceasing to trade. This has not affected the measurements and disclosure of assets and liabilities in the balance sheet as Global Multi-Asset Growth Portfolio's assets and liabilities were nil as at 15 October 2019.

NZ Funds is not aware of any material uncertainty that may cast significant doubt on the remaining Portfolios' ability to continue as going concerns.

c) Basis of measurement

The financial statements for the Multi-Asset Growth Portfolio have been prepared on a realisation basis. For the other Portfolios, the financial statements have been prepared on a fair value basis, except for financial assets at amortised cost and other financial liabilities, which are carried at amortised cost.

2. BASIS OF PREPARATION (CONTINUED)

d) Functional and presentation currency

Items included in the financial statements of each Portfolio are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Portfolios primarily operate in New Zealand, issuing securities predominantly to New Zealand unitholders and carrying out their day-to-day business activities in New Zealand. The financial statements are prepared in New Zealand Dollars ('NZD'), which is the Portfolios' functional and reporting currency. Where indicated, financial information presented in NZD has been rounded to the nearest thousand.

e) Use of estimates

In preparing the financial statements in conformity with NZ IFRS, NZ Funds is required to make certain estimates, judgements and assumptions that affect reported income, expenses, assets and liabilities. The key judgements required in preparing these financial statements relate to the determination of fair value for financial instruments, refer to Note 3(k) *Significant accounting policies* for details.

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied consistently to all periods presented in these financial statements.

a) Classification

The Portfolios classify financial assets and financial liabilities at initial recognition into the following categories:

- i. Financial assets or financial liabilities measured at fair value through profit or loss ('FVPL'). This category of financial assets and liabilities at FVPL is sub-divided into:
 - (a) Financial instruments designated as at FVPL upon initial recognition - Financial assets and liabilities are measured at fair value through profit or loss if at initial recognition they are part of a group of financial assets that have their performance evaluated on a fair value basis. This category includes trading portfolio assets.
 - (b) Financial assets and liabilities held for trading - Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives instruments are classified as held for trading. The Portfolios' policy is not to apply hedge accounting.
- ii. Financial assets at amortised cost. This category includes cash and cash equivalents, margin on derivatives and receivables from other unit trusts.
- iii. Other financial liabilities. All financial liabilities, other than those classified as at FVPL. This category includes amounts payable to the Supervisor, the Manager, other service providers, payables to other unit trusts and other accruals.

b) Recognition

The Portfolios use trade date accounting when recording trading portfolio assets and derivative instruments. The trade date is the date that an entity commits itself to purchase or sell an asset. On the trade date, the Portfolios recognise an asset to be received and the liability to pay for it, derecognise an asset that is sold, and recognise any gain or loss on disposal and a receivable from the buyer for payment. Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date, when title passes.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) **Derecognition**

The Portfolios may enter into transactions where they transfer financial assets recognised on their Balance Sheet, but retain either all of the risks and rewards of the transferred assets, or a portion of them. If all, or substantially all, the risks and rewards are retained, the transferred assets are not derecognised from the Balance Sheet.

For transactions where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the Portfolios derecognise the financial asset to the extent that control over the financial asset is lost. If a Portfolio has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

d) **Initial measurement**

Financial assets and financial liabilities at FVPL are recorded in the Balance Sheet at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets at amortised cost or other liabilities (other than those classified as at FVPL) are measured initially at their fair value plus or minus any directly attributable incremental costs of acquisition or issue.

e) **Subsequent measurement**

After initial measurement, the Portfolios measure financial instruments which are classified as at FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in Net Trading Gains/Losses in the Statement of Comprehensive Income. Interest and dividends earned on these instruments are recorded separately as interest revenue and dividend revenue in the Statement of Comprehensive Income.

Financial assets at amortised cost and other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process. A simplified approach is applied by the Scheme in calculating an allowance for expected credit losses for financial assets at amortised cost. The Scheme uses a provision matrix which is based on its historical credit loss experience, adjusted for forward-looking factors specific to receivables and the economic environment.

f) **Cash and cash equivalents**

Cash and cash equivalents comprise deposits and call accounts with banks. Cash equivalents are short-term investments that are, in most circumstances, convertible to known amounts of cash.

g) **Receivables**

Receivables are initially recognised at fair value, and are subsequently measured at their amortised cost using the effective interest method, less provision for expected credit losses.

h) **Margin accounts**

Margin accounts represent cash deposits held with financial intermediaries as collateral against open derivative contracts.

i) **Translation of foreign currencies**

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- j) **Trading portfolio assets**
Trading portfolio assets consist of investments in unit trusts and/or managed funds. Investments in trading portfolio assets are carried at fair value. Gains and losses realised on disposal or redemption, and unrealised gains and losses from changes in the fair value of trading portfolio assets, are reported as net trading gains/(losses) in the Statement of Comprehensive Income. Interest and dividend revenues on trading portfolio assets are included in interest revenue and dividend revenue, respectively, in the Statement of Comprehensive Income.
- k) **Determination of fair values**
The determination of fair value for financial assets and financial liabilities is based on quoted market prices from active markets. If such quoted prices are not available, the fair value of the financial instrument is determined using valuation techniques. Valuation techniques include using arm's length market transactions, reference to the current market value of another similar financial instrument, discounted cash flow analysis and valuation models.

Inputs to valuation models are taken from observable markets where feasible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include consideration of various factors used in the inputs to the valuation models. Changes in assumptions about these factors could affect the reported fair value of financial instruments.
- l) **Past due, impaired and restructured assets**
Past due assets are assets that have not been paid for by the counterparty when contractually due. Impaired assets are assets where the present value of expected future cash flows discounted at the original effective interest rate is less than the carrying value. Restructured assets are assets where the terms of a contract have been changed due to a counterparty having difficulty in complying with the original terms of a contract.

An allowance for expected credit losses ('ECL') is recognised for all debt instruments not held at fair value through profit or loss. A simplified approach is applied by the Portfolios in calculating an allowance for ECL. The Portfolios uses a provision matrix that is based on their historical credit loss experience, adjusted for forward-looking factors specific to receivables and the economic environment.
- m) **Offsetting**
Financial assets and liabilities are offset and the net amount presented in the Balance Sheet when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions.
- n) **Interest revenue**
Interest revenue is recognised using the effective interest method.
- o) **Dividend revenue**
Dividend revenue is recognised on the date the Portfolios' right to receive payment is established which, in the case of quoted securities, is the ex-dividend date. In some cases, the Portfolios may receive or choose to receive dividends in the form of additional shares rather than as cash. In such cases, the Portfolios recognise the dividend revenue for the amount of the cash dividend alternative, with a corresponding addition in investment.
- p) **Net trading gains/(losses)**
Net trading gains/(losses) comprise gains less losses related to trading portfolio assets and derivative instruments. This includes all realised and unrealised fair value changes and foreign exchange differences.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- q) **Fees and expenses**
The Portfolios incur fees and expenses for a range of services they receive from various service providers. Fees and expenses are accrued as services are rendered.
- r) **Taxation**
All of the Portfolios are Portfolio Investment Entities ('PIEs'). Under the PIE regime detailed in the Income Tax Act 2007, income is effectively taxed in the hands of the unitholders and therefore income tax expense is not recognised by the Portfolios. The tax liability arising on income is allocated to unitholders and satisfied either by the cancellation of their units held in the Portfolios, or by the unitholders personally. As a consequence, deferred tax is also not recognised. The Portfolios settle any PIE tax receivables and payables on behalf of the unitholders.

Net taxation receivable or payable on behalf of the unitholders under the PIE regime is recognised in the Balance Sheet.
- s) **Goods and Services Tax ('GST')**
The Portfolios are not registered for GST. All components of the financial statements are stated as inclusive of GST where applicable.
- t) **New and amended accounting standards and interpretations**
All new standards or amendments were adopted by the Portfolios during the period. There was no material impact on the financial statements.
- u) **Accounting standards issued but not effective**
Following due enquiry, the Manager has concluded that standards and interpretations that are issued, but not yet effective, will not materially impact the financial statements of the Portfolios.

The Portfolios intend to adopt these standards, if applicable, when they become effective.

4. COMMENCEMENT OF BUSINESS

The Portfolios have either been established as original Portfolios under the Trust Deeds, or as additional Portfolios by way of executed Supplemental Trust Deeds. Each Portfolio was established on the date specified below:

	DATE BUSINESS ESTABLISHED	DATE BUSINESS COMMENCED
Core Cash Portfolio	28/02/2008	28/02/2008
Core Income Portfolio	4/06/2008	23/07/2008
Global Income Portfolio	9/10/2008	31/10/2008
Core Inflation Portfolio	13/05/1999	26/08/2000
Property Inflation Portfolio	9/10/2008	31/10/2008
Equity Inflation Portfolio	13/05/1999	26/08/2000
Core Growth Portfolio	9/10/2008	31/10/2008
Global Multi-Asset Growth Portfolio	9/10/2008	31/10/2008
Global Equity Growth Portfolio	9/10/2008	31/10/2008
Dividend and Growth Portfolio	9/10/2008	31/10/2008

The Global Multi-Asset Growth Portfolio was terminated on 15 October 2019.

5. AMENDMENT TO THE TRUST DEEDS

There were no amendments to the Trust Deeds for the year ended 31 March 2020. Subsequently, a Supplemental Deed dated 2 April 2020 was executed in relation to Portfolios established under the NZ Funds Managed Portfolio Service Part Two Trust Deed, which do not form part of the Advised Portfolio Service.

6. PRINCIPAL BUSINESS ACTIVITY

The principal business activity of the Portfolios is to invest in financial instruments.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

7. RECEIVABLES

	CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
	31 MARCH 2020 \$000	31 MARCH 2019 \$000	31 MARCH 2020 \$000	31 MARCH 2019 \$000
PIE tax payable to the Inland Revenue recoverable from unitholders	6	33	-	381
PIE tax rebates receivable from the Inland Revenue on behalf of unitholders	4	-	1,046	-
Receivable from other unit trusts - related parties	-	-	-	-
TOTAL RECEIVABLES	10	33	1,046	381

	GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO	
	31 MARCH 2020 \$000	31 MARCH 2019 \$000	31 MARCH 2020 \$000	31 MARCH 2019 \$000
PIE tax payable to the Inland Revenue recoverable from unitholders	1	669	2	457
PIE tax rebates receivable from the Inland Revenue on behalf of unitholders	1,971	227	1,235	166
Receivable from other unit trusts - related parties	-	-	-	-
TOTAL RECEIVABLES	1,972	896	1,237	623

8. TRADING PORTFOLIO ASSETS

The Portfolios invest substantially all of their assets, each in different proportions, into the trusts established under the Trust Deed Relating to the Issue of Units Other Than to the Public, for which New Zealand Funds Superannuation Limited is the trustee ('NZFS Trusts').

The NZFS Trusts are referred to as 'the Wholesale Trusts' (refer to Note 18 *Related party*).

INVESTMENTS IN TRADING PORTFOLIO ASSETS

	31 MARCH 2020 \$000	31 MARCH 2019 \$000
Core Cash Portfolio	36,957	44,766
Core Income Portfolio	123,379	124,046
Global Income Portfolio	113,350	114,664
Core Inflation Portfolio	88,838	101,500
Property Inflation Portfolio	74,669	84,774
Equity Inflation Portfolio	77,092	82,292
Core Growth Portfolio	75,152	64,698
Global Multi-Asset Growth Portfolio (wound up on 15 October 2019)	-	23,885
Global Equity Growth Portfolio	71,151	62,717
Dividend and Growth Portfolio	115,287	112,610

PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO		CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019	15 OCTOBER 2019	31 MARCH 2019
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
3	54	2	1,046	1	1,446	-	-
100	47	1,227	1,158	2,811	1,959	-	58
381	-	345	-	1,483	-	-	-
484	101	1,574	2,204	4,295	3,405	-	58

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019
\$000	\$000	\$000	\$000
-	331	3	256
1,429	450	1,526	-
2,485	-	-	-
3,914	781	1,529	256

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

9. DERIVATIVE INSTRUMENTS

Overview

A derivative is a financial instrument, the value of which is derived from changes in the value of another financial instrument, index or other variables. Typically, the underlying financial instrument is a share, commodity, bond, currency or index.

Some examples of how derivatives may be used in a Portfolio include:

- (i) To gain exposure to an asset and/or asset class;
- (ii) To modify exposure to an asset and/or asset class; and
- (iii) To hedge or seek to mitigate exposure to an asset and/or asset class.

The use of derivatives can result in a Portfolio being leveraged which means small changes in the value of the underlying asset of a derivative may result in substantial gains or losses for the Portfolio.

Over-the-counter ('OTC') derivative contracts are negotiated as an amount (notional), maturity and price between the Portfolios and a financial counterparty. Exchange traded derivative contracts are standardised in terms of their amounts and settlement dates, and are bought and sold on active markets.

The notional amount of a derivative is generally the quantity of the underlying instrument on which the derivative contract is based, and is the basis upon which changes in the value of the contract are measured. The amount disclosed as notional is the larger of gross long or absolute gross short foreign currency exposures, converted to New Zealand dollars at period-end exchange rates.

Derivative instruments are carried at fair value, based on quoted market prices for exchange traded contracts or valuation techniques, applying market observable inputs for OTC contracts.

	EQUITY INFLATION PORTFOLIO			CORE GROWTH PORTFOLIO		
	NOTIONAL	ASSETS	LIABILITIES	NOTIONAL	ASSETS	LIABILITIES
	\$000	\$000	\$000	\$000	\$000	\$000
YEAR ENDED 31 MARCH 2020						
<i>Directly held derivatives</i>						
Equity index futures	-	-	-	85,072	4,563	(208)
Foreign exchange forwards	3,219	122	(9)	26,139	3,002	(2,472)
	3,219	122	(9)	111,211	7,565	(2,680)
YEAR ENDED 31 MARCH 2019						
<i>Directly held derivatives</i>						
Equity index futures	-	-	-	91,457	1,144	(44)
Foreign exchange forwards	15,434	134	(18)	13,622	217	(262)
	15,434	134	(18)	105,079	1,361	(306)

	GLOBAL EQUITY GROWTH PORTFOLIO		
	NOTIONAL	ASSETS	LIABILITIES
	\$000	\$000	\$000
YEAR ENDED 31 MARCH 2020			
<i>Directly held derivatives</i>			
Equity index futures	46,632	2,085	(202)
Foreign exchange forwards	22,605	3,477	(2,462)
	69,237	5,562	(2,664)
YEAR ENDED 31 MARCH 2019			
<i>Directly held derivatives</i>			
Equity index futures	28,234	308	(10)
Foreign exchange forwards	37,059	145	(198)
	65,293	453	(208)

GLOBAL MULTI-ASSET GROWTH PORTFOLIO			
	NOTIONAL	ASSETS	LIABILITIES
	€000	€000	€000
198 DAYS TO 15 OCTOBER 2019			
<i>Directly held derivatives</i>			
Equity index futures	-	-	-
Foreign exchange forwards	-	-	-
	-	-	-
YEAR ENDED 31 MARCH 2019			
<i>Directly held derivatives</i>			
Equity index futures	5,318	1	-
Foreign exchange forwards	4,535	39	(39)
	9,853	40	(39)

Types of derivative instruments

Forward contracts and equity index futures are contractual obligations to buy or sell financial instruments on a future date at a specified price.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Overview

The Portfolios' risks discussed below are:

- (i) Market risk - the risk of loss arising from exposure to interest rate risk, currency risk and/or equity price risk;
- (ii) Credit risk - the risk of loss arising from a counterparty failing to meet its contractual obligations; and
- (iii) Liquidity risk - the risk that the Portfolios are unable to meet payment obligations when due.

In the investment management of the Portfolios and the Wholesale Trusts, NZ Funds uses an active management approach. The active management approach is designed to better meet the unitholder-orientated objectives of each Portfolio and to take advantage of investment opportunities as they arise.

Dynamic asset allocation

As part of NZ Funds' active management approach, each Portfolio's asset allocation is dynamic (able to change over time) rather than strategic (a fixed allocation over time). NZ Funds selects each Portfolio's asset allocation at any time, based on its investment knowledge and/or research, with reference to each Portfolio's investment objective and risk profile. Securities; currencies, commodities, derivatives and/or external specialist investment managers (External Manager) can be used to achieve a desired Portfolio asset allocation.

Wide mandates

In managing each Portfolio, NZ Funds takes a wide variety of actions and are not constrained by a benchmark. The actions taken include:

- (i) altering the proportion invested in each security or asset class;
- (ii) altering the manner in which a Portfolio is exposed to each security or asset class;
- (iii) investing directly or indirectly;
- (iv) using derivatives and/or any resulting leverage;
- (v) using collective investment vehicles;
- (vi) using External Managers (including hedge funds);
- (vii) taking foreign currency positions;
- (viii) applying hedging; or
- (ix) taking short positions.

External managers

External Managers (including hedge funds) may be selected where NZ Funds considers that the External Manager's investment approach will help meet the objectives of the Portfolios. These External Managers are intended to complement NZ Funds' own investment skills and can provide unitholders with access to diverse investment approaches.

The appointment of External Managers is subject to due diligence and an approval process. In addition, all External Managers are monitored and reviewed. This review process includes consideration of the manager's performance, portfolio composition, and statistical measures of effectiveness. The External Managers used are expected to change over time as part of NZ Funds' active management approach.

Foreign Currency

NZ Funds actively manages the foreign currency of each Portfolio. Where a Portfolio 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 Portfolio may also take active foreign currency positions by holding non-NZD cash or foreign currency derivatives.

Risks of an active management approach

The way in which NZ Funds' active management approach is implemented may change over time as, by way of example, the nature of the investment opportunities it may be seeking changes. This may result in the Portfolios being constructed with different combinations of investments. In order to allow these changes to occur, each Portfolio has a wide investment mandate.

NZ Funds' active management approach and wide investment mandates mean the Portfolios are subject to different risks (which may be considered higher risks) than a non-active management approach. As a result, NZ Funds' active management approach may cause the returns and capital stability of a Portfolio to significantly differ from the returns and capital stability of the underlying asset classes used.

Collaborative process

NZ Funds takes a collaborative approach to investment management and believes investment performance is a collectively achieved outcome. Each Portfolio is assigned one or more portfolio managers who are responsible for overseeing the daily management of the Portfolio. Investment decisions, with some exceptions, are primarily made through a series of internal investment meetings attended mainly by members of the Investment and Compliance Teams.

These meetings enable portfolio managers and investment analysts to present investment research and thinking in a way that encourages wide participation in, and peer review of, investment decisions.

Investment tools and techniques

In managing the portfolios, NZ Funds uses a wide range of investment tools and techniques including economic and financial modelling, quantitative screens and technical indicators. In using these tools and techniques, NZ Funds may consider, amongst other factors, investment themes, valuation metrics, mean reversion and/or momentum.

In seeking to mitigate the downside, NZ Funds invests with External Managers which have the potential to profit from asset price declines, such as managers who sell short shares; and derivative and option specialists. NZ Funds may also actively reduce a Portfolio's exposure to an asset class, or hedge a Portfolio's exposure by investing additional funds in an offsetting asset class with the potential to offset returns. While designed to mitigate the downside, these downside-orientated managers, tools and techniques may not be successful in mitigating the downside and, in some circumstances, may instead add to a Portfolio's losses.

Portfolio construction

As part of NZ Funds' active management, asset classes, securities and External Managers, are selected based on NZ Funds' analysis of those assets which will, in its opinion, in combination with the other investments in the Portfolio, help to achieve the objectives of the Portfolio.

In constructing the Portfolios, NZ Funds considers different scenarios and may project how investments may react in those scenarios. NZ Funds may also consider historical volatility and correlations during both normal and stressed investment environments. NZ Funds may revisit the assumptions used periodically as economic and market conditions change.

Capital Management

Capital is represented by the Net Assets of the Portfolios. The Portfolios are not subject to externally imposed capital requirements. Capital is managed through the risk management procedures described in Note 10 *Financial Instruments and Risk Management*.

b) Risk mitigation structure

NZ Funds has policies, procedures and controls to cover the investment function.

Portfolio management decisions are subject to daily transparency through NZ Funds' proprietary investment monitoring system. Regular meetings are held to cover:

- (i) investment research and portfolio management;
- (ii) investment guidelines and the Statement of Investment Policy and Objectives ('SIPO') compliance; and
- (iii) overall investment governance.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

NZ Funds' investment strategy review and monitoring process commences with the Research & Management Meeting which includes monitoring of security research and portfolio management. The minutes of these meetings are tabled at the Investment Committee meeting.

The Investment Guidelines Meeting monitors compliance with the internal investment guidelines and SIPO. Any material matters arising from these meetings are raised at the Investment Committee Meeting.

Overall responsibility for investment strategy review and monitoring rests with the Investment Committee under delegated authority from the NZ Funds Board. The Investment Committee meets at least six times a year to review investment matters which include the investment component of NZ Funds' risk register, investment counterparty risk, liquidity risk, redemption risk, stress testing, and the minutes of internal investment related meetings. The Investment Committee minutes are included as a standing item at the NZ Funds Board meeting.

The NZ Funds Board meets approximately six weekly. In addition to the Investment Committee minutes and associated reports, the NZ Funds Board reviews NZ Funds' risk register which summarises the major risks and controls (including those related to investment management). The NZ Funds Board also receives a direct report from the Chief Investment Officer.

Investment guidelines

As part of its investment management process, NZ Funds has developed internal investment guidelines, which assist in the oversight of each Portfolio. These guidelines are designed to help ensure that each Portfolio invests in accordance with its investment objective and risk profile.

As part of NZ Funds' active management approach, the guidelines may require amendment from time to time. Guidelines, and any changes to them, must be approved by the Investment Committee and ratified or approved by the NZ Funds Board. The guidelines can only be amended after prior notice to the Supervisor.

Investment performance

The Investment Committee is responsible for monitoring and reviewing investment performance and reports to the NZ Funds Board. Portfolio performance is monitored through NZ Funds' proprietary investment monitoring system. The system generates a daily attribution report which includes daily, month to date and year to date performance reports for each Portfolio and individual investments held by each Portfolio.

Investment performance reports are prepared and are reviewed by the Investment Committee. Long-term performance is also monitored over various periods. Performance is measured on an absolute basis (after fees and expenses), against term deposits as well as relative to one or more, or a combination of relevant market indices.

c) Risk measurement

The Portfolios' risks are measured by:

- (i) Using an assessment of the expected loss likely to arise for a given market movement; and/or
- (ii) Using actual historical volatility of the Portfolios; and/or
- (iii) Using statistical modelling which may or may not be adjusted for NZ Funds' active management approach; and/or
- (iv) Using practical industry or corporate knowledge.

d) Market risk

Market risk is the risk of loss arising from exposure to interest rate risk, currency risk and/or equity price risk. Market risk is incurred by the Portfolios through trading activities and holding financial instruments. A transaction may be exposed to a number of market risks.

The Portfolios' investments in the Wholesale Trusts are treated as equity instruments, therefore the Portfolios are exposed to equity price risk. However, the underlying financial instruments of the Wholesale Trusts frequently include financial instruments that are not equity instruments. Consequently, the Portfolios are likely to be indirectly exposed to a variety of risks other than equity price risk. It is determined that these indirect exposures are captured in the equity price risk disclosure. It is also determined that credit risk arising on equity instrument exposure is captured in the equity price risk disclosure.

In incurring market risk, the Portfolios and the Portfolios' investments in the Wholesale Trusts, may use an active management approach. This may expose the Portfolios to active management risk. Active management risk is the risk of loss arising from investment decisions made by NZ Funds. Additionally, the Portfolios' ability to directly or indirectly use leverage, and/or derivatives, and/or take short positions may increase these risks.

Concentration of market risk could exist if the Portfolios have significant positions in a single financial instrument, or aggregate positions in several financial instruments. The Portfolios' exposure to investments in the Wholesale Trusts is set out in Note 18 *Related party*.

Market risk is measured as per 10(c) and mitigated as per 10(b).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Currency risk

Currency risk is the risk of loss arising from exposure to foreign currency. Currency risk is incurred by the Portfolios through trading activities and holding financial instruments.

In incurring currency risk, the Portfolios and the Portfolios' investments in the Wholesale Trusts, may use an active management approach. This may expose the Portfolios to active management risk. Active management risk is the risk of loss arising from investment decisions made by NZ Funds. Additionally, the Portfolios' ability to directly or indirectly use leverage, and/or derivatives, and/or take short positions may increase these risks.

Sensitivity to currency risk is expressed as the impact on carrying values of a 11.0% (2019: 10.0%) change in exchange rates. This sensitivity has been calculated using the historical volatility of NZD, and a one standard deviation move is assumed.

Concentration of currency risk could exist if the Portfolios have significant positions in a single financial instrument exposed to currency risk, or aggregate positions in several financial instruments exposed to currency risk.

Currency risk is measured as per 10(c) and mitigated as per 10(b).

DIRECT CURRENCY EXPOSURE (IN NZD EQUIVALENT)

	EQUITY INFLATION PORTFOLIO		CORE GROWTH PORTFOLIO	
	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000
Australian Dollars	-	-	(161)	(4,059)
British Pound	-	-	5,560	4,422
Euro	(503)	(452)	15,674	13,521
Japanese Yen	-	-	7,019	5,450
U.S. Dollars	2,717	(14,982)	30,841	76,688
Others	-	-	-	-
NET CURRENCY EXPOSURE - NET TOTAL OF LONG AND (SHORT) CURRENCIES	2,214	(15,434)	58,933	96,022
\$ impact on Comprehensive Income and Unitholders' Funds given a 11.0% (2019: 10.0%) increase in exchange rates	244	1,543	6,483	9,602
\$ impact on Comprehensive Income and Unitholders' Funds given a 11.0% (2019: 10.0%) decrease in exchange rates	(244)	(1,543)	(6,483)	(9,602)

GLOBAL MULTI-ASSET GROWTH PORTFOLIO		GLOBAL EQUITY GROWTH PORTFOLIO	
198 DAYS TO 15 OCTOBER 2019 \$000	YEAR ENDED 31 MARCH 2019 \$000	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000
-	(1,316)	(301)	(3,419)
-	(111)	2,907	(736)
-	865	8,473	(1,743)
-	(66)	2,141	(2,573)
-	6,097	14,923	4,375
-	-	(4,116)	(4,730)
-	5,469	24,027	(8,826)
-	547	2,643	883
-	(547)	(2,643)	(883)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(ii) Equity price risk

Equity price risk is the risk of loss arising from exposure to equity prices. Equity price risk is incurred by the Portfolios through trading activities and holding financial instruments.

The Portfolios' investments in the Wholesale Trusts are treated as equity instruments, therefore the Portfolios are exposed to equity price risk. However, the underlying financial instruments of the Wholesale Trusts frequently include financial instruments that are not equity instruments. Consequently, the Portfolios are likely to be indirectly exposed to a variety of risks other than equity price risk. It is determined that these indirect exposures are captured in the equity price risk disclosure. It is also determined that credit risk arising on equity instrument exposure is captured in the equity price risk disclosure.

In incurring equity price risk, the Portfolios and the Portfolios' investments in the Wholesale Trusts, may use an active management approach. This may expose the Portfolios to active management risk. Active management risk is the risk of loss arising from investment decisions made by NZ Funds. Additionally, the Portfolios' ability to directly or indirectly use leverage, and/or derivatives, and/or take short positions may increase these risks.

Sensitivity to equity price risk is expressed as the impact on carrying values of a range of changes in equity prices, as set out in the table Increase/(Decrease) in Comprehensive Income and Unitholders' Funds Based on the Estimated Equity Price Movement. This sensitivity has been calculated using the historical volatility of the asset classes that the Portfolios have indirectly invested into, and a one standard deviation move is assumed.

Concentration of equity price risk could exist if the Portfolios have significant positions in a single financial instrument exposed to equity price risk, or aggregate positions in several financial instruments exposed to equity price risk. The Portfolios' exposure to investments in the Wholesale Trusts are set out in Note 18 *Related Party*. The Wholesale Trusts were domiciled in New Zealand and Australia until 20 June 2018 when the Australian domiciled trusts were closed and assets transferred to New Zealand domiciled trusts.

Equity price risk is measured as per 10(c) and mitigated as per 10(b).

EXPOSURE OF FINANCIAL INSTRUMENTS TO EQUITY PRICE RISK

	31 MARCH 2020 \$000	31 MARCH 2019 \$000
Core Cash Portfolio	36,957	44,766
Core Income Portfolio	123,379	124,046
Global Income Portfolio	113,350	114,664
Core Inflation Portfolio	88,838	101,500
Property Inflation Portfolio	74,669	84,774
Equity Inflation Portfolio	77,092	82,292
Core Growth Portfolio	75,152	64,698
Global Multi-Asset Growth Portfolio (wound up on 15 October 2019)	-	23,885
Global Equity Growth Portfolio	71,151	62,717
Dividend and Growth Portfolio	115,287	112,610

INCREASE/(DECREASE) IN COMPREHENSIVE INCOME AND UNITHOLDERS' FUNDS BASED ON THE ESTIMATED EQUITY PRICE MOVEMENT

	CHANGE IN	\$ IMPACT	\$ IMPACT	CHANGE IN	\$ IMPACT	\$ IMPACT
	EQUITY PRICE	GIVEN	GIVEN	EQUITY PRICE	GIVEN	GIVEN
	RELATIVE TO	MARKET	MARKET	RELATIVE TO	MARKET	MARKET
	EXPOSURE TO	PRICES	PRICES	EXPOSURE TO	PRICES	PRICES
	EQUITY PRICE	INCREASE	DECREASE	EQUITY PRICE	INCREASE	DECREASE
	RISK			RISK		
	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED
	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH
	2020	2020	2020	2019	2019	2019
	%	\$000	\$000	%	\$000	\$000
Core Cash Portfolio	0.1	37	(37)	0.1	45	(45)
Core Income Portfolio	2.9	3,578	(3,578)	1.6	1,985	(1,985)
Global Income Portfolio	4.9	5,554	(5,554)	2.2	2,523	(2,523)
Core Inflation Portfolio	10.5	9,328	(9,328)	8.2	8,323	(8,323)
Property Inflation Portfolio	9.4	7,019	(7,019)	6.2	5,256	(5,256)
Equity Inflation Portfolio	10.0	7,709	(7,709)	8.3	6,830	(6,830)
Core Growth Portfolio	15.0	11,273	(11,273)	13.1	8,475	(8,475)
Global Equity Growth Portfolio	12.5	8,894	(8,894)	10.9	6,836	(6,836)
Dividend and Growth Portfolio	11.2	12,912	(12,912)	9.3	10,473	(10,473)

	CHANGE IN	\$ IMPACT	\$ IMPACT	CHANGE IN	\$ IMPACT	\$ IMPACT
	EQUITY PRICE	GIVEN	GIVEN	EQUITY PRICE	GIVEN	GIVEN
	RELATIVE TO	MARKET	MARKET	RELATIVE TO	MARKET	MARKET
	EXPOSURE TO	PRICES	PRICES	EXPOSURE TO	PRICES	PRICES
	EQUITY PRICE	INCREASE	DECREASE	EQUITY PRICE	INCREASE	DECREASE
	RISK			RISK		
	198 DAYS TO	198 DAYS TO	198 DAYS TO	YEAR ENDED	YEAR ENDED	YEAR ENDED
	15 OCTOBER	15 OCTOBER	15 OCTOBER	31 MARCH	31 MARCH	31 MARCH
	2019	2019	2019	2019	2019	2019
	%	\$000	\$000	%	\$000	\$000
Global Multi-Asset Growth Portfolio	-	-	-	16.9	4,037	(4,037)

Actual trading results are likely to differ from the sensitivity analysis required by NZ IFRS 7 *Financial Instruments: Disclosures* and the differences could be significant.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iii) Interest rate risk

Interest rate risk is the risk of loss arising from exposure to interest rates and is incurred by the Portfolios through trading activities and holding financial instruments. Interest rate risk is addressed within equity risk.

Concentration of interest rate risk could exist if the Portfolios have significant positions in a single financial instrument exposed to interest rate risk, or aggregate positions in several financial instruments exposed to interest rate risk.

Actual trading results are likely to differ from the sensitivity analysis required by NZ IFRS 7 *Financial Instruments: Disclosures* and the differences could be significant.

e) Credit risk

Credit risk is the risk of loss arising from exposure to counterparties. Credit risk is incurred by the Portfolios through its trading activities and holding financial instruments and uncollateralised receivables. The Portfolios' ability to directly or indirectly use leverage, and/or derivatives, and/or take short positions may increase these risks.

For risk management purposes, credit risk arising on equity instruments is captured in the equity price risk exposure.

For derivatives, credit exposure takes into account netting agreements with individual counterparties which are shown on the Balance Sheet as assets and liabilities respectively.

DIRECT CREDIT RISK

Breakdown of credit exposure

Cash and cash equivalents
Receivables
Derivative instruments
TOTAL CREDIT EXPOSURE NET OF PROVISION FOR IMPAIRMENT

CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019
\$000	\$000	\$000	\$000
2,306	853	992	223
10	33	1,046	381
-	-	-	-
2,316	886	2,038	604

Breakdown of credit exposure

Cash and cash equivalents
Receivables
Derivative instruments
TOTAL CREDIT EXPOSURE NET OF PROVISION FOR IMPAIRMENT

CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
31 MARCH 2020	31 MARCH 2019	15 OCTOBER 2019	31 MARCH 2019
\$000	\$000	\$000	\$000
5,709	4,323	-	3,645
4,295	3,405	-	58
7,565	1,361	-	40
17,569	9,089	-	3,743

Concentration of credit risk could exist if the Portfolios have significant exposure to a single counterparty, or aggregate exposure to several counterparties. For risk management purposes, the Portfolios' credit exposure to investments in the Wholesale Trusts set out in Note 18 *Related party*, is considered equity price risk and is captured in the equity price risk exposure.

Credit risk is measured as per 10(c) and mitigated as per 10(b).

The Portfolios have cash and cash equivalents with Westpac New Zealand Limited and Goldman Sachs International Limited which have Standard and Poor's short-term credit rating of A-1+ and A-1 respectively.

The Portfolios' derivatives instruments are equity index futures and options, commodity options and currency forward contracts. The equity index futures and options and commodity options are with Goldman Sachs International Limited and the currency forward contracts are with Westpac Banking Corporation and Goldman Sachs International Limited which have a Standard and Poor's short-term credit rating of A-1+ and A-1 respectively.

The Portfolios remaining assets are with unrated counterparties.

GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO	
31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
819	358	1,084	421	1,012	1,825	661	593
1,972	896	1,237	623	484	101	1,574	2,204
-	-	-	-	-	-	122	134
2,791	1,254	2,321	1,044	1,496	1,926	2,357	2,931

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019
\$000	\$000	\$000	\$000
1,854	1,388	988	678
3,914	781	1,529	256
5,562	453	-	-
11,330	2,622	2,517	934

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Liquidity risk

Liquidity risk is the risk that the Portfolios are unable to meet payment obligations when due. Liquidity risk is incurred by the Portfolios through trading activities and holding financial instruments.

The Portfolios are exposed to liquidity risk because of the possibility that the Portfolios could be required to pay their liabilities or redeem their units earlier than expected, and/or because the Portfolios' financial instruments are not saleable within a given timeframe, and/or because the Portfolios' financial instruments are not saleable for fair value within a given timeframe. The Portfolios are exposed to unit redemptions on a regular basis. Additionally, the Portfolios' ability to directly or indirectly use leverage, and/or derivatives, and/or take short positions may increase these risks.

As set out in Note 12 *Units on issue*, unitholders in certain Portfolios are required to give prior notification of an intention to redeem.

Concentration of liquidity risk could exist if the Portfolios have significant positions in a single financial instrument or counterparty, or aggregate positions in several financial instruments or counterparties which become illiquid. The Portfolios' exposure to investments in the Wholesale Trusts are set out in Note 18 *Related party*.

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO		GLOBAL INCOME PORTFOLIO	
	31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019
	\$000	\$000	\$000	\$000	\$000	\$000
FINANCIAL ASSETS						
<i>On demand/ due within 30 days</i>						
Cash and cash equivalents	2,306	853	992	223	819	358
Receivables	10	33	1,046	381	1,972	896
Margin Accounts	-	-	-	-	-	-
Trading portfolio assets	36,957	44,766	123,379	124,046	113,350	114,664
Derivative instruments	-	-	-	-	-	-
<i>Due within 90 days</i>						
Derivative instruments	-	-	-	-	-	-
TOTAL	39,273	45,652	125,417	124,650	116,141	115,918
FINANCIAL LIABILITIES						
<i>On demand/ due within 30 days</i>						
Payables	240	402	1,305	601	2,197	1,098
Derivative instruments	-	-	-	-	-	-
<i>Due within 90 days</i>						
Derivative instruments	-	-	-	-	-	-
TOTAL	240	402	1,305	601	2,197	1,098

Liquidity risk is measured as per 10(c) and mitigated as per 10(b).

Financial assets

The maturity groupings are based on the earlier of either the remaining period from the reporting date to the contractual maturity date, or the expected date by which an asset will be realised.

Financial liabilities

The maturity groupings are based on the earlier of either the remaining period from the reporting date to the contractual maturity date, or, where counterparties have a choice of when an amount is to be paid, the earliest period by which a Portfolio can be required to pay.

CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO		CORE GROWTH PORTFOLIO	
31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019
£000	£000	£000	£000	£000	£000	£000	£000
1,084	421	1,012	1,825	661	593	5,709	4,323
1,237	623	484	101	1,574	2,204	4,295	3,405
-	-	-	-	-	-	7,185	14,369
88,838	101,500	74,669	84,774	77,092	82,292	75,152	64,698
-	-	-	-	-	134	4,563	1,361
-	-	-	-	122	-	3,002	-
91,159	102,544	76,165	86,700	79,449	85,223	99,906	88,156
1,507	943	336	380	1,431	2,482	3,095	3,655
-	-	-	-	-	18	208	306
-	-	-	-	9	-	2,472	-
1,507	943	336	380	1,440	2,500	5,775	3,961

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	GLOBAL MULTI-ASSET GROWTH PORTFOLIO		GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
	15 OCTOBER 2019	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019
	\$000	\$000	\$000	\$000	\$000	\$000
FINANCIAL ASSETS						
<i>On demand/due within 30 days</i>						
Cash and cash equivalents	-	3,645	1,854	1,388	988	678
Receivables	-	58	3,914	781	1,529	256
Margin Accounts	-	51	7,362	6,769	-	-
Trading portfolio assets	-	23,885	71,151	62,717	115,287	112,610
Derivative instruments	-	40	2,085	453	-	-
<i>Due within 90 days</i>						
Derivative instruments	-	-	3,477	-	-	-
TOTAL	-	27,679	89,843	72,108	117,804	113,544
FINANCIAL LIABILITIES						
<i>On demand/due within 30 days</i>						
Payables	-	123	1,659	928	1,847	519
Derivative instruments	-	39	202	208	-	-
<i>Due within 90 days</i>						
Derivative instruments	-	-	2,462	-	-	-
TOTAL	-	162	4,323	1,136	1,847	519

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Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

11. USE OF ESTIMATES AND VALUATION OF FINANCIAL INSTRUMENTS

FAIR VALUE BASIS

Financial assets and liabilities recorded at fair value

Assets in the Portfolios' trading portfolios and derivative instruments are recorded at fair value on the Balance Sheet, with changes in fair value recorded as net trading gains/(losses) in the Statement of Comprehensive Income. While in some cases, a degree of judgement is required in establishing fair values, NZ Funds believes the fair values recorded in the Balance Sheet and the changes in fair values recorded in the Statement of Comprehensive Income are based on the policies and processes that NZ Funds employs.

According to NZ IFRS 13 *Fair Value Measurement*, a three level hierarchy of disclosures is required for financial instruments measured at fair value. The three levels are defined below:

- (i) Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities; or
- (ii) Level 2 : inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (e.g. as prices) or indirectly (e.g. derived from prices); or
- (iii) Level 3 : inputs for the asset or liability that are not based on observable market data.

LEVEL 1 INVESTMENTS

Financial assets designated at fair value through profit or loss:

- (i) Derivative instruments
 - Equity index futures

Financial liabilities designated at fair value through profit or loss:

- (i) Derivative instruments
 - Equity index futures

CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019
\$000	\$000	\$000	\$000
-	-	-	-
-	-	-	-

LEVEL 2 INVESTMENTS

Financial assets designated at fair value through profit or loss:

- (i) Trading portfolio assets
 - Unlisted unit trusts

- (ii) Derivative instruments
 - Foreign exchange forwards

Financial liabilities designated at fair value through profit or loss:

- (i) Derivative instruments
 - Foreign exchange forwards

CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019
\$000	\$000	\$000	\$000
36,957	44,766	123,379	124,046
-	-	-	-
-	-	-	-

The Portfolios have direct investments in exchange traded derivatives of which fair values are classified as Level 1, and in trading portfolio assets and derivative instruments of which fair values are classified as Level 2. The Portfolios do not have direct investments in financial instruments classified as Level 3. There were no transfers between Level 1, Level 2 and Level 3 during the reporting period.

Level 2 investments

- (i) The Portfolios' trading portfolio assets include investments in unlisted unit trusts which are not quoted in an active market. Investments in these unit trusts are valued based on the Net Asset Value per unit calculated by the administrator or manager of these unit trusts on a regular basis.
- (ii) OTC foreign exchange forward contracts are valued using discounted cashflow models. The inputs into those models are market observable and are therefore included within Level 2.

Due to the short-term nature of financial assets and liabilities recorded at amortised cost, it is assumed that the carrying amount of these instruments approximates their fair value.

GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO	
31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO	
31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
113,350	114,664	88,838	101,500	74,669	84,774	77,092	82,292
-	-	-	-	-	-	122	134
-	-	-	-	-	-	(9)	(18)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

11. USE OF ESTIMATES AND VALUATION OF FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE BASIS (CONTINUED)

LEVEL 1 INVESTMENTS

	CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
	31 MARCH 2020 \$000	31 MARCH 2019 \$000	15 OCTOBER 2019 \$000	31 MARCH 2019 \$000
Financial assets designated at fair value through profit or loss:				
(i) Derivative instruments				
Equity index futures	4,563	1,144	-	1
Financial liabilities designated at fair value through profit or loss:				
(i) Derivative instruments				
Equity index futures	(208)	(44)	-	-

LEVEL 2 INVESTMENTS

	CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
	31 MARCH 2020 \$000	31 MARCH 2019 \$000	15 OCTOBER 2019 \$000	31 MARCH 2019 \$000
Financial assets designated at fair value through profit or loss:				
(i) Trading portfolio assets				
Unlisted unit trusts	75,152	64,698	-	23,885
(ii) Derivative instruments				
Foreign exchange forwards	3,002	217	-	39
Financial liabilities designated at fair value through profit or loss:				
(i) Derivative instruments				
Foreign exchange forwards	(2,472)	(262)	-	(39)

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019
₺000	₺000	₺000	₺000
-	-	-	-
2,085	308	-	-
(202)	(10)	-	-

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
31 MARCH 2020	31 MARCH 2019	31 MARCH 2020	31 MARCH 2019
₺000	₺000	₺000	₺000
71,151	62,717	115,287	112,610
3,477	145	-	-
(2,462)	(198)	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

12. UNITS ON ISSUE

Unitholders' Funds as outlined below are defined as puttable instruments, which are classified as equity, in the context of NZ IAS 32 *Financial Instruments: Presentation*.

Redemptions by unitholders in the Core Cash Portfolio are usually paid within four business days of receipt of notice.

Unitholders in the Core Income Portfolio, the Global Income Portfolio, the Core Inflation Portfolio, the Property Inflation Portfolio, the Equity Inflation Portfolio, the Core Growth Portfolio, the Global Multi-Asset Growth Portfolio (until it was wound up on 15 October 2019), the Global Equity Growth Portfolio and the Dividend and Growth Portfolio are required to give 21 days prior notice of an intention to redeem their investment. However, the 21 day notice period will not apply to units in the Core Inflation Portfolio and the Equity Inflation Portfolio that were subscribed to before 31 October 2008.

The table below shows the movements of units on issue:

UNITS ON ISSUE

	CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
	YEAR ENDED 31 MARCH 2020 000	YEAR ENDED 31 MARCH 2019 000	YEAR ENDED 31 MARCH 2020 000	YEAR ENDED 31 MARCH 2019 000
Units on issue at the beginning of the year	32,922	35,959	79,338	84,570
Units issued	29,861	31,282	13,827	11,656
Units redeemed	(34,675)	(34,319)	(12,404)	(16,888)
UNITS ON ISSUE AT THE END OF THE YEAR	28,108	32,922	80,761	79,338
Represented by				
TOTAL UNITHOLDERS' FUNDS (\$000)	39,033	45,250	124,112	124,049
NET ASSET VALUE PER UNIT(\$)	1.39	1.37	1.54	1.56

	CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
	YEAR ENDED 31 MARCH 2020 000	YEAR ENDED 31 MARCH 2019 000	198 DAYS TO 15 OCTOBER 2019 000	YEAR ENDED 31 MARCH 2019 000
Units on issue at the beginning of the period	58,670	57,039	47,134	44,537
Units issued	24,438	10,595	4,651	9,662
Units redeemed	(8,955)	(8,964)	(51,785)	(7,065)
UNITS ON ISSUE AT THE END OF THE PERIOD	74,153	58,670	-	47,134
Represented by				
TOTAL UNITHOLDERS' FUNDS (\$000)	94,131	84,195	-	27,517
NET ASSET VALUE PER UNIT(\$)	1.27	1.44	0.00	0.58

None of the Portfolios made distributions during the reporting period (year ended 31 March 2019: nil).

Redemptions are usually paid within four business days of expiry of the relevant redemption notice period, or where no notice period applies, within four business day of a withdrawal or switch form being received and processed. However, the Trust Deeds provide for a redemption payment period of up to 20 business days. The Trust Deeds also permit NZ Funds to prescribe additional limitations, restrictions and prohibitions on withdrawals.

There is no notice period for switches between Portfolios. However, NZ Funds may in its discretion defer processing of switch requests for up to 21 days where it considers it necessary or appropriate.

The total expected cash outflow on redemption equals the amount of the unitholders' funds for each Portfolio.

GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO	
YEAR ENDED 31 MARCH 2020 000	YEAR ENDED 31 MARCH 2019 000						
78,029	81,170	70,481	81,753	51,325	57,811	89,798	100,025
14,376	12,395	6,619	6,402	5,444	5,305	11,941	9,828
(12,381)	(15,536)	(11,079)	(17,674)	(7,482)	(11,791)	(12,729)	(20,055)
80,024	78,029	66,021	70,481	49,287	51,325	89,011	89,798
113,944	114,820	89,652	101,601	75,829	86,320	78,009	82,723
1.42	1.47	1.36	1.44	1.54	1.68	0.88	0.92

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
YEAR ENDED 31 MARCH 2020 000	YEAR ENDED 31 MARCH 2019 000	YEAR ENDED 31 MARCH 2020 000	YEAR ENDED 31 MARCH 2019 000
43,606	40,394	57,615	51,093
19,014	8,574	10,967	13,229
(5,202)	(5,362)	(6,065)	(6,707)
57,418	43,606	62,517	57,615
85,520	70,972	115,957	113,025
1.49	1.63	1.85	1.96

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

13. NET TRADING GAINS/(LOSSES)

	CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000
Trading portfolio assets	651	966	(467)	7,672
Derivative instruments	-	-	-	-
TOTAL NET TRADING GAINS/(LOSSES)	651	966	(467)	7,672

	CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000	198 DAYS TO 15 OCTOBER 2019 \$000	YEAR ENDED 31 MARCH 2019 \$000
Trading portfolio assets	(3,256)	(3,127)	(1,649)	(2,565)
Derivative instruments	(6,091)	1,024	210	(12)
TOTAL NET TRADING GAINS/(LOSSES)	(9,347)	(2,103)	(1,439)	(2,577)

14. AUDIT FEES

	CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000
Fees to auditors:				
Audit fees	4	6	13	13
TOTAL AUDIT FEES	4	6	13	13

	CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000	198 DAYS TO 15 OCTOBER 2019 \$000	YEAR ENDED 31 MARCH 2019 \$000
Fees to auditors:				
Audit fees	10	11	3	4
TOTAL AUDIT FEES	10	11	3	4

The total audit fees allocated among the Portfolios include other assurance fees of \$1,750 net of GST.

GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO	
YEARENDED	YEARENDED	YEARENDED	YEARENDED	YEARENDED	YEARENDED	YEARENDED	YEARENDED
31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH
2020	2019	2020	2019	2020	2019	2020	2019
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
(2,315)	4,707	(2,351)	9,322	(4,450)	11,540	(1,823)	(7,038)
-	-	-	-	-	-	(2)	229
(2,315)	4,707	(2,351)	9,322	(4,450)	11,540	(1,825)	(6,809)

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
YEARENDED	YEARENDED	YEARENDED	YEARENDED
31 MARCH	31 MARCH	31 MARCH	31 MARCH
2020	2019	2020	2019
\$000	\$000	\$000	\$000
(3,247)	(2,015)	(3,623)	9,788
(2,935)	231	-	-
(6,182)	(1,784)	(3,623)	9,788

GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO	
YEARENDED	YEARENDED	YEARENDED	YEARENDED	YEARENDED	YEARENDED	YEARENDED	YEARENDED
31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH
2020	2019	2020	2019	2020	2019	2020	2019
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
13	12	11	12	9	8	8	8
13	12	11	12	9	8	8	8

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
YEARENDED	YEARENDED	YEARENDED	YEARENDED
31 MARCH	31 MARCH	31 MARCH	31 MARCH
2020	2019	2020	2019
\$000	\$000	\$000	\$000
9	6	15	8
9	6	15	8

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

15. FEES AND REIMBURSABLE EXPENSES

	NOTE	CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
		YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000
Management fees, performance fees and reimbursable expenses	18	232	84	1,831	1,223
Supervisor fees		11	14	37	37
TOTAL FEES AND REIMBURSABLE EXPENSES		243	98	1,868	1,260

	NOTE	CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
		YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000	198 DAYS TO 15 OCTOBER 2019 \$000	YEAR ENDED 31 MARCH 2019 \$000
Management fees, performance fees and reimbursable expenses	18	2,271	1,515	372	479
Supervisor fees		28	25	4	8
TOTAL FEES AND REIMBURSABLE EXPENSES		2,299	1,540	376	487

16. PAYABLES

	NOTE	CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
		31 MARCH 2020 \$000	31 MARCH 2019 \$000	31 MARCH 2020 \$000	31 MARCH 2019 \$000
Accruals	18	4	12	14	17
Management fees, performance fees and reimbursable expenses		19	7	159	105
PIE tax payable to the IRD on behalf of unitholders		6	33	-	381
PIE tax rebates payable to unitholders		4	-	1,046	-
Redemptions, unapplied money and other payables		206	350	83	98
Supervisor fees payable		1	-	3	-
TOTAL PAYABLES		240	402	1,305	601

	NOTE	CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
		31 MARCH 2020 \$000	31 MARCH 2019 \$000	15 OCTOBER 2019 \$000	31 MARCH 2019 \$000
Accruals	18	10	11	-	3
Management fees, performance fees and reimbursable expenses		190	179	-	42
PIE tax payable to the IRD on behalf of unitholders		1	1,446	-	-
PIE tax rebates payable to unitholders		2,811	1,959	-	58
Redemptions, unapplied money and other payables		81	60	-	20
Supervisor fees payable		2	-	-	-
TOTAL PAYABLES		3,095	3,655	-	123

GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO	
YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED
31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH
2020	2019	2020	2019	2020	2019	2020	2019
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
1,727	1,123	2,817	1,988	2,376	1,554	2,111	1,629
35	34	30	32	26	26	25	26
1,762	1,157	2,847	2,020	2,402	1,580	2,136	1,655

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED
31 MARCH	31 MARCH	31 MARCH	31 MARCH
2020	2019	2020	2019
\$000	\$000	\$000	\$000
2,137	1,120	3,554	2,023
25	20	37	30
2,162	1,140	3,591	2,053

GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO	
31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH	31 MARCH
2020	2019	2020	2019	2020	2019	2020	2019
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
12	15	11	13	9	12	8	11
148	98	224	160	196	134	167	135
1	669	2	457	3	54	2	1,046
1,971	227	1,235	166	100	47	1,227	1,158
61	89	33	147	26	133	25	132
3	-	2	-	2	-	2	-
2,197	1,098	1,507	943	336	380	1,431	2,482

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
31 MARCH	31 MARCH	31 MARCH	31 MARCH
2020	2019	2020	2019
\$000	\$000	\$000	\$000
9	9	13	14
187	95	285	181
-	331	3	256
1,429	450	1,526	-
32	43	17	68
2	-	3	-
1,659	928	1,847	519

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

17. TAXATION

Portfolio investment entity regime

Throughout the reporting period, the Portfolios maintained their status as PIEs.

Income tax expense and deferred tax

Under the PIE regime detailed in the Income Tax Act 2007, income is effectively taxed in the hands of the unitholders and therefore income tax expense is not recognised in the Portfolios. The tax liability arising on income is allocated to unitholders and satisfied either by the cancellation of their units held in the Portfolios, or by the unitholders personally. As a consequence, deferred tax is not recognised.

Net taxation receivable or payable on behalf of the unitholders under the PIE regime is recognised on the Balance Sheet. Refer to Note 7 *Receivables* and Note 16 *Payables* for details.

18. RELATED PARTY

Overview

NZ Funds is the manager, issuer, promoter and administration manager of the Portfolios. NZ Funds' senior management are significant indirect shareholders in NZ Funds.

Underlying investment portfolios and their trustees

The Portfolios may invest into the Wholesale Trusts, which comprise the NZFS Trusts and, until 20 June 2018, the GISL Trusts.

The NZFS Trusts are New Zealand unit trusts for which NZ Funds is the manager and New Zealand Funds Superannuation Limited is the trustee. New Zealand Funds Superannuation Limited is a wholly owned subsidiary of NZ Funds.

The GISL Trusts were Australian unit trusts for which NZ Funds was the investment manager and Global Investment Services Limited was the trustee. NZ Funds' senior management were significant indirect shareholders in Global Investment Services Limited (liquidated on 7 August 2019). On 20 June 2018, the GISL Trusts were closed and the assets transferred to the NZFS Trusts.

The Portfolios are investment entities as defined by NZ IFRS 10 *Consolidated Financial Statements* and, as such, do not consolidate any of the Wholesale Trusts they invest in. Instead, investments in the Wholesale Trusts are classified at fair value through profit or loss and measured at fair value.

The gross value of investment transactions (including reinvested distributions) in the GISL Trusts for the reporting period and the balance of these investments at reporting date are detailed in Table 1 as follows:

TABLE 1

	PURCHASES		(REDEMPTIONS)		BALANCE OF INVESTMENTS	
	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000	31 MARCH 2020 \$000	31 MARCH 2019 \$000
Equity Inflation Portfolio	-	11,339	-	(41,391)	-	-
Core Growth Portfolio	-	3,531	-	(24,676)	-	-
Global Equity Growth Portfolio	-	2,781	-	(57,412)	-	-
	198 DAYS TO 15 OCTOBER 2019 \$000	YEAR ENDED 31 MARCH 2019 \$000	198 DAYS TO 15 OCTOBER 2019 \$000	YEAR ENDED 31 MARCH 2019 \$000	15 OCTOBER 2019 \$000	31 MARCH 2019 \$000
Global Multi-Asset Growth Portfolio	-	2,714	-	(5,501)	-	-

18. RELATED PARTY (CONTINUED)

The GISL Trusts were resident in Australia.

The GISL Trusts were wound up on 20 June 2018 and the assets transferred to the NZFS Trusts. Therefore, no Portfolio had any ownership of any GISL Trusts as at reporting date or at 31 March 2019.

The gross value of investment transactions in the NZFS Trusts for the reporting period and the balance of these investments are detailed in Table 2 as follows:

TABLE 2

	PURCHASES		(REDEMPTIONS)		BALANCE OF INVESTMENTS	
	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000
	Core Cash Portfolio	4,200	8,250	(12,660)	(12,770)	36,957
Core Income Portfolio	3,950	1,350	(4,150)	(10,150)	123,379	124,046
Global Income Portfolio	4,050	1,300	(3,050)	(6,350)	113,350	114,664
Core Inflation Portfolio	4,600	-	(14,910)	(17,268)	88,838	101,500
Property Inflation Portfolio	13,191	1,609	(18,846)	(14,591)	74,669	84,774
Equity Inflation Portfolio	52,300	76,826	(53,574)	(42,033)	77,092	82,292
Core Growth Portfolio	88,435	90,527	(75,908)	(80,790)	75,152	64,698
Global Equity Growth Portfolio	67,008	80,933	(58,151)	(25,571)	71,151	62,717
Dividend and Growth Portfolio	6,300	12,650	-	(1,775)	115,287	112,610
	198 DAYS TO 15 OCTOBER 2019 \$000	YEAR ENDED 31 MARCH 2019 \$000	198 DAYS TO 15 OCTOBER 2019 \$000	YEAR ENDED 31 MARCH 2019 \$000	15 OCTOBER 2019 \$000	31 MARCH 2019 \$000
Global Multi-Asset Growth Portfolio	6,500	14,362	(28,721)	(11,061)	-	23,885

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

18. RELATED PARTY (CONTINUED)

NZFS Trusts are resident in New Zealand and have a principal place of business in New Zealand and the following Portfolios have/had equal to or more than a 50% ownership of certain NZFS Trusts as at reporting date and/or 31 March 2019. These Portfolios' investments in the NZFS Trusts as a percentage are detailed in Table 2A below:

TABLE 2A	INVESTMENT	PERCENTAGE OWNERSHIP	
		31 MARCH 2020	31 MARCH 2019
Core Cash Portfolio	Private Money Market	57.7%	0.0%
Core Income Portfolio	Private Core Income Portfolio	80.1%	85.5%
Global Income Portfolio	Private Global Investment Trust	84.4%	89.4%
Property Inflation Portfolio	New Zealand Investment Trust 5	100.0%	100.0%
	New Zealand Investment Trust 8	100.0%	100.0%
Equity Inflation Portfolio	New Zealand Investment Trust 2	55.2%	67.7%
	New Zealand Investment Trust 11	0.0%	75.8%
Core Growth Portfolio	New Zealand Investment Trust 7	0.0%	100.0%
	New Zealand Investment Trust 14	0.0%	64.3%
Global Equity Growth Portfolio	New Zealand Investment Trust 4	0.0%	59.2%
	New Zealand Investment Trust 10	98.0%	0.0%
		15 OCTOBER 2019	31 MARCH 2019
Global Multi-Asset Growth Portfolio	New Zealand Investment Trust 1	0.0%	100.0%

Portfolio fees

During the period, the Portfolios incurred management fees (including performance fees if any until 31 March 2019) and expense reimbursements in accordance with the Trust Deeds, which were payable to NZ Funds.

Performance fee

Until 31 March 2019, the Core Growth Portfolio, the Global Multi-Asset Growth Portfolio, the Global Equity Growth Portfolio and the Dividend and Growth Portfolio may have been charged a performance fee by NZ Funds. The performance fee was payable if the returns of a Portfolio in a financial year exceed 8% (hurdle rate of return). The performance fee was 10% of Portfolio returns above the hurdle rate of return. The performance fee (if any) was calculated daily and reflected in the daily unit price of the Portfolio. It was based on the returns calculated on the total gross assets of the Portfolio.

If a Portfolio incurred a performance fee in a financial year but in the subsequent financial year (rebate year) the Portfolio's returns were less than the hurdle rate of return, NZ Funds would rebate back to the Portfolio some or all of that performance fee. The amount of the rebate was equivalent to 10% of the Portfolio's returns below the hurdle rate of return. The rebate would not be more than the performance fee amount incurred in the previous financial year.

The amount of any performance fee (or rebate, if applicable) due by a Portfolio was paid quarterly. All performance fee amounts were paid to the Supervisor who held these amounts on trust until the end of the Rebate year. The performance fee (net of any rebates) was not paid to NZ Funds until the end of the rebate year. Before the Supervisor paid any performance fee to NZ Funds, Agreed Upon Procedures were undertaken by the Portfolios' auditor. Where the amount paid by a Portfolio for previous quarters exceeded the amount due at the end of a quarter, the excess amount was refunded to the Portfolio by the Supervisor.

18. RELATED PARTY (CONTINUED)

Effective from 1 April 2019, NZ Funds may charge a performance fee in certain Wholesale Trusts that the Portfolios invest in. These performance fees are based on a hurdle rate of return. The hurdle rate is the minimum return the Wholesale Trust must achieve before being able to charge a performance fee.

NZ Funds may alter the rate and basis of calculation of the performance fee and rebate by providing one month's notice to all unitholders in the Portfolio. In certain circumstances NZ Funds or its associated entities may, in their absolute discretion and from their own funds, reduce, pay, contribute to or rebate some of the Portfolios' fees and expenses. The management fees, performance fees, expense reimbursements and manager contribution rebates incurred during the reporting period are detailed in Table 3 on the next page.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

18. RELATED PARTY (CONTINUED)

TABLE 3

	CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED
	31 MARCH	31 MARCH	31 MARCH	31 MARCH
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Management fees incurred	232	73	1,831	1,010
Performance fees incurred/(rebated)	-	-	-	-
Expense reimbursements incurred	-	122	-	316
Manager contributions incurred	-	(111)	-	(103)
Total	232	84	1,831	1,223

	CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
	YEAR ENDED	YEAR ENDED	198 DAYS TO	YEAR ENDED
	31 MARCH	31 MARCH	15 OCTOBER	31 MARCH
	2020	2019	2019	2019
	\$000	\$000	\$000	\$000
Management fees incurred	2,365	1,458	372	483
Performance fees incurred/(rebated)	-	-	-	-
Expense reimbursements incurred	-	208	-	69
Manager contributions incurred	(94)	(151)	-	(73)
Total	2,271	1,515	372	479

The outstanding management fees, performance fees, expense reimbursements and manager contributions rebates as at reporting date and 31 March 2019 are payable or refundable on normal trading terms as detailed in Table 3A below.

TABLE 3A

	CORE CASH PORTFOLIO		CORE INCOME PORTFOLIO	
	31 MARCH	31 MARCH	31 MARCH	31 MARCH
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Management fees payable	19	7	159	105
Total	19	7	159	105

	CORE GROWTH PORTFOLIO		GLOBAL MULTI-ASSET GROWTH PORTFOLIO	
	31 MARCH	31 MARCH	15 OCTOBER	31 MARCH
	2020	2019	2019	2019
	\$000	\$000	\$000	\$000
Management fees payable	190	179	-	42
Total	190	179	-	42

GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO	
YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000						
1,727	927	2,817	1,867	2,376	1,548	2,121	1,540
-	-	-	-	-	-	-	-
-	290	-	267	-	222	-	220
-	(94)	-	(146)	-	(216)	(10)	(131)
1,727	1,123	2,817	1,988	2,376	1,554	2,111	1,629

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000	YEAR ENDED 31 MARCH 2020 \$000	YEAR ENDED 31 MARCH 2019 \$000
2,137	1,193	3,554	1,774
-	(62)	-	-
-	170	-	253
-	(181)	-	(4)
2,137	1,120	3,554	2,023

GLOBAL INCOME PORTFOLIO		CORE INFLATION PORTFOLIO		PROPERTY INFLATION PORTFOLIO		EQUITY INFLATION PORTFOLIO	
31 MARCH 2020 \$000	31 MARCH 2019 \$000	31 MARCH 2020 \$000	31 MARCH 2019 \$000	31 MARCH 2020 \$000	31 MARCH 2019 \$000	31 MARCH 2020 \$000	31 MARCH 2019 \$000
148	98	224	160	196	134	167	135
148	98	224	160	196	134	167	135

GLOBAL EQUITY GROWTH PORTFOLIO		DIVIDEND AND GROWTH PORTFOLIO	
31 MARCH 2020 \$000	31 MARCH 2019 \$000	31 MARCH 2020 \$000	31 MARCH 2019 \$000
187	95	285	181
187	95	285	181

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020 AND THE PERIOD ENDED 15 OCTOBER 2019

18. RELATED PARTY (CONTINUED)

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. No related party debts were forgiven or written off during the reporting period (2019: nil).

The Portfolios do not employ key management personnel. Management services are provided by NZ Funds. The following table is a summary of significant investment transactions in the Portfolios during the reporting period, and the investment balances in the Portfolios as at reporting date, by key management personnel employed by NZ Funds and their close family members.

TABLE 4

	BALANCE OF HOLDINGS		NET PURCHASES/ (REDEMPTIONS)	
	31 MARCH 2020	31 MARCH 2019	YEAR ENDED 31 MARCH 2020	YEAR ENDED 31 MARCH 2019
	\$000	\$000	\$000	\$000
Core Cash Portfolio	44	14	(2)	(10)
Core Income Portfolio	195	101	37	17
Global Income Portfolio	177	93	37	18
Core Inflation Portfolio	182	178	17	12
Property Inflation Portfolio	173	158	17	16
Equity Inflation Portfolio	174	152	24	12
Core Growth Portfolio	408	382	111	63
Global Equity Growth Portfolio	339	273	111	53
Dividend and Growth Portfolio	356	407	(21)	76
	15 OCTOBER 2019	31 MARCH 2019	198 DAYS TO 15 OCTOBER 2019	YEAR ENDED 31 MARCH 2019
	\$000	\$000	\$000	\$000
Global Multi-Asset Growth Portfolio	-	166	(161)	21

Transfers between Portfolios

On 15 October 2019, the units on issue of the Global Multi-Asset Growth Portfolio were redeemed in full. The closure was achieved by selling the underlying assets of the Global Multi-Asset Growth Portfolio to the Core Growth Portfolio and the Global Equity Growth Portfolio (in equal proportions by value) in exchange for units in those Portfolios and then an in specie distribution of those units to the investors of the Global Multi-Asset Growth Portfolio.

19. GUARANTEES

No guarantees exist as at reporting date (31 March 2019: nil) for any of the Portfolios.

20. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

No capital commitments or contingent liabilities exist as at reporting date (31 March 2019: nil) for any of the Portfolios.

21. CONCENTRATION OF FUNDING

The Portfolios are funded by the issue of units to unitholders, predominantly in New Zealand. The following entities have the following interests in Unitholders' Funds:

	INDIVIDUALS		OTHER UNITHOLDERS	
	31 MARCH 2020 \$000	31 MARCH 2019 \$000	31 MARCH 2020 \$000	31 MARCH 2019 \$000
Core Cash Portfolio	23,616	27,886	13,341	17,364
Core Income Portfolio	71,437	70,561	51,942	53,488
Global Income Portfolio	64,537	65,170	47,741	49,650
Core Inflation Portfolio	53,154	59,764	35,684	41,837
Property Inflation Portfolio	43,049	48,322	31,798	37,998
Equity Inflation Portfolio	44,546	46,483	32,913	36,240
Core Growth Portfolio	42,931	49,019	32,510	35,176
Global Equity Growth Portfolio	39,344	38,846	32,392	32,126
Dividend and Growth Portfolio	64,640	62,343	50,647	50,682
	15 OCTOBER 2019 \$000	31 MARCH 2019 \$000	31 MARCH 2020 \$000	31 MARCH 2019 \$000
Global Multi-Asset Growth Portfolio	-	15,179	-	12,338

Other unitholders comprise companies, trusts and estates.

All units issued in each Portfolio rank equally with respect to any voting rights and rights to surpluses and distributions.

22. SUBSEQUENT EVENTS

At 31 March 2020, financial markets were affected by the on-going COVID-19 pandemic and were unusually volatile. Actual economic events and conditions in the future may be materially different from those recorded at reporting date. In the event the impacts from the COVID-19 pandemic are more severe or prolonged than anticipated, this may have further adverse impacts to the fair values of the Portfolios investments. The financial statements have been prepared based upon conditions existing at 31 March 2020.

The latest available unaudited Net Asset Value Per Units as at 10 July 2020, this being the date the financial statements are authorised for issue, and as at 31 March 2020 are summarised in the following table. Movements in the fair value of investments at FVPL after reporting date are a non-adjusting event.

	10 JULY 2020 (Unaudited) \$000	31 MARCH 2020 \$000
Core Cash Portfolio	1.39	1.39
Core Income Portfolio	1.62	1.54
Global Income Portfolio	1.53	1.42
Core Inflation Portfolio	1.45	1.36
Property Inflation Portfolio	1.64	1.54
Equity Inflation Portfolio	0.97	0.88
Core Growth Portfolio	1.46	1.27
Global Equity Growth Portfolio	1.73	1.49
Dividend and Growth Portfolio	1.97	1.85

There were no significant subsequent events which require adjustment or disclosure in these financial statements.

Directory

SUPERVISOR

The New Zealand Guardian Trust Company Limited
Level 6, 191 Queen Street
PO Box 274
Auckland 1140
T. 09 909 5100
E. ct-auckland@nzgt.co.nz

MANAGER

New Zealand Funds Management Limited
Level 16, 21 Queen Street
Private Bag 92163
Auckland 1142
T. 09 377 2277 or 0508 733 337
E. info@nzfunds.co.nz
W. www.nzfunds.co.nz

AUDITOR

Ernst & Young
EY Building
2 Takutai Square
Britomart
Auckland 1010

SOLICITOR

Russell McVeagh
Vero Centre
48 Shortland Street, PO Box 8
Auckland 1140