NZ Funds Managed Superannuation Service
LifeCycle Process - example: age 65

This fund update was first made publicly available on 13 February 2017

What is the purpose of this update?

This document gives you information about the LifeCycle Process – example: age 65 including what fees were charged. The document will help you to compare the investment option with other investment options. New Zealand Funds Management Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this investment option

The objective of the LifeCycle Process is to allocate your investment across the three funds (Income Strategy, Inflation Strategy and Growth Strategy) based on your age to ensure that your investment is allocated in a manner that is consistent with your investment timeframe. At age 65, your investment will be allocated as follows: 30% to the Income Strategy; 30% to the Inflation Strategy; and 40% to the Growth Strategy.

How has the investment option performed?

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

For the quarter ended 31 December 2016

<table>
<thead>
<tr>
<th>Description of the investment option</th>
<th>Past year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total value of the investment option</td>
<td>–</td>
</tr>
<tr>
<td>Number of investors in the investment option</td>
<td>–</td>
</tr>
<tr>
<td>The date the investment option started</td>
<td>24 January 2017</td>
</tr>
</tbody>
</table>

What are the risks of investing?

Risk indicator for the LifeCycle Process – example: age 65: ≥ Lower risk Higher risk

1.50%

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the investment option’s assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.nzfunds.co.nz/AdviceSolutions/RiskProfile/

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

The risk indicator is not a guarantee of a fund’s future performance. The risk indicator is based on the returns data for the five years to 31 December 2016. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future investment updates.

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

What fees are investors charged?

Investors in the LifeCycle Process – example: age 65 investment option are charged fund charges. Based on the PDS dated 14 December 2016, these are estimated to be:

<table>
<thead>
<tr>
<th>Description of the investment option</th>
<th>% of net asset value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total fund charges (estimated)²</td>
<td>1.50%</td>
</tr>
<tr>
<td>Which are made up of:</td>
<td></td>
</tr>
<tr>
<td>Total management and administration charges (estimated)</td>
<td>1.50%</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
</tr>
<tr>
<td>Manager’s basic fee</td>
<td>1.32%</td>
</tr>
<tr>
<td>Other management and administration charges</td>
<td>0.18%</td>
</tr>
<tr>
<td>Total performance-based fees</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the NZ Funds Managed Superannuation Service ‘Other Material Information’ document on the offer register at www.companiesoffice.govt.nz/disclose for more information about those fees.

Small differences in fees and charges can have a big impact on your investment over the long term.
Example of how this applies to an investor

Liam had $10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Liam received a return after fund charges were deducted of $767 (that's 7.67% of his initial $10,000). Liam did not pay any other charges. This gives Liam a total return after tax of $767 for the year.

What does the investment option invest in?

As the investment option started on 24 January 2017, information regarding the investment option's actual investment mix, target investment mix and top 10 investments as at 31 December 2016 is not available.

Key personnel

For information on the directors and employees who have the most impact on the investment decisions of each Strategy, see the separate fund update for each Strategy for the quarter ending 31 December 2016. Copies of these fund updates are available at www.nzfunds.co.nz.

Further information

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

Notes

1  As the investment option started on 24 January 2017, actual returns for the investment option are not available. Market index returns for the 5 years to 31 December 2016, rather than the investment option's actual returns, have been used to prepare the risk indicator. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the investment option than had it been prepared using actual returns.

2  As the fund started on 24 January 2017, historical fee information is not available. The total fund charges shown are based on the fee information in the PDS dated 14 December 2016. It includes our best estimate of the fees and costs that will be charged to the Strategies including fees and costs payable in respect of the underlying funds in which the Strategies invest (including performance fees that may charged by underlying external managers). For more information on the basis of estimates, see the PDS and the NZ Funds Managed Superannuation Service – Other Material Information document on the offer register at www.companiesoffice.govt.nz/disclose.

3  As the investment option started on 24 January 2017, this calculation is based on the market index return for the past year.