

NZ Funds Managed Superannuation Service ROPS GBP Income Strategy

This fund update was first made publicly available on 30 October 2017

What is the purpose of this update?

This document gives you information about the ROPS GBP Income Strategy including what fees were charged. The document will help you to compare the fund with other funds. New Zealand Funds Management Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this fund

The objective of the ROPS GBP Income Strategy is to provide an exposure to income-orientated assets and to the UK currency using an active investment management approach. The anticipated primary investments of the fund are international fixed interest and the UK currency.

Total value of the fund	\$49,032
Number of investors in the fund	2
The date the fund started	11 August 2017

What are the risks of investing?

Risk indicator for the ROPS GBP Income Strategy: ¹



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

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

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

The risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 30 September 2017. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

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

How has the fund performed?

	Past year
Annual return (after deductions for charges and tax)	not applicable
Annual return (after deductions for charges but before tax)	not applicable
Market index annual return (reflects no deduction for charges and tax)	6.89%

The market index annual return is based on a composite index calculated using the market indices and weightings set out in the Statement of Investment Policy and Objectives (SIPO). Additional information about the market index is available on the offer register at www.companiesoffice.govt.nz/disclose.

What fees are investors charged?

Investors in the ROPS GBP Income Strategy are charged fund charges. Based on the PDS dated 30 June 2017, these are estimated to be:

	% of net asset value
Total fund charges (estimated) ²	1.20%
Which are made up of:	
Total management and administration charges (estimated)	1.20%
Including:	
Manager's basic fee	1.10%
Other management and administration charges	0.10%
Total performance-based fees	n/a

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.

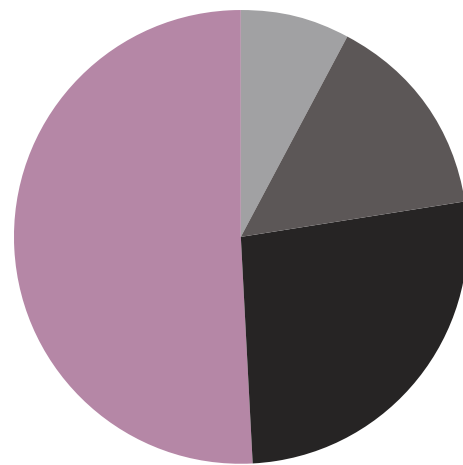
Example of how this applies to an investor

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 \$689 (that's 6.89%³ of his initial \$10,000). Liam did not pay any other charges. This gives Liam a total return after tax of \$689 for the year.

What does the fund invest in?

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

Actual investment mix⁴



Cash and cash equivalents	7.95%
New Zealand fixed interest	14.72%
International fixed interest	26.59%
Other*	50.74%

Target investment mix^{4,5}

Cash and cash equivalents	9%
New Zealand fixed interest	15%
International fixed interest	26%
Australasian equities	0%
International equities	0%
Listed property	0%
Unlisted property	0%
Commodities	0%
Other*	50%

* 'Other' includes foreign currency (which comprises active currency positions implemented by either holding non-NZD cash or foreign currency derivatives).

What does the fund invest in? (continued)

Top 10 investments

	Name	Percentage of fund net assets	Type	Country	Credit rating (if applicable)
1	Westpac 32 day term deposit	6.93%	Cash and cash equivalents	New Zealand	A-1+
2	Westpac current account	5.43%	Cash and cash equivalents	New Zealand	A-1+
3	ArcelorMittal 6.25% 25/02/2022	5.08%	International fixed interest	Luxembourg	BB+
4	Flex 5% 15/02/2023	4.89%	International fixed interest	Singapore	BBB-
5	HCA 4.5% 15/02/2027	4.82%	International fixed interest	United States of America	BBB-
6	First Data 5% 15/01/2024	4.39%	International fixed interest	United States of America	BB
7	Westpac Banking 4.695% 01/09/2026	4.31%	New Zealand fixed interest	New Zealand	BBB
8	Insurance Australia Group 5.15% 15/06/2043	4.25%	New Zealand fixed interest	New Zealand	BBB
9	BlueScope Steel Finance USA 6.5% 15/05/2021	4.19%	International fixed interest	Australia	BB+
10	Verizon Communications 2.625% 15/08/2026	3.16%	International fixed interest	United States of America	BBB+

The top 10 investments make up 47.45% of the fund⁶.

NZ Funds uses an active investment management approach. As part of this approach, all assets denominated in a foreign currency are initially fully hedged back to the NZ dollar. The fund may then take active foreign currency positions.

Key personnel

This shows the directors and employees who have the most impact on the investment decisions of the fund.

Name	Current position	Time in current position	Previous or other position	Time in previous or other position
Richard James	Chief Executive, Chair of the Investment Committee and a Director	8 years 7 months	Chief Operating Officer, New Zealand Funds Management Limited	6 years 1 month
Michael Lang	Chief Investment Officer and a Director	9 years 1 month	Partner, Eclectica Asset Management	1 year 8 months
David Wilson	Investment Strategist and a Principal	20 years 9 months	Chief Economist, JB Were	3 years 5 months
James Grigor	Senior Portfolio Manager	0 years 5 months	Head of Portfolio Strategy Group, Macquarie Private Wealth (now Hobson Wealth Partners)	2 years 4 months
Mark Brooks	Head of Income and a Principal	9 years 10 months	Senior Portfolio Manager, Credaris	3 years 4 months

Further information

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

Notes

- 1 As the fund started on 11 August 2017, actual returns for the last five years are not available. To calculate the risk indicator, a combination of actual returns and market index returns have been used. Market index returns were used for the period prior to 11 August 2017. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund.
- 2 As the fund started on 11 August 2017, historical fee information for the most recent scheme year is not available. The total fund charges shown are based on the fee information in the PDS dated 30 June 2017. It includes our best estimate of the fees and costs that will be charged to the fund including fees and costs payable in respect of the underlying funds in which the fund invests (including performance fees that may be 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 fund started on 11 August, this calculation is based on the market index return for the past year.
- 4 NZ Funds uses derivatives as part of its active investment management approach. The use of derivatives can result in the total economic exposure of the fund exceeding 100% which means the fund is leveraged. Where economic exposure exceeds 100%, the actual investment mix pie graph and the target investment mix table have been scaled to 100%. Without scaling, the total economic exposure of the fund, as shown in the actual investment mix pie graph and the target investment mix table, would be 199.81% and 200.00% respectively. For more information on economic exposure, see the NZ Funds Managed Superannuation Service 'Other Material Information' document on the offer register at www.companiesoffice.govt.nz/disclose.
- 5 The fund is able to invest in a wide range of assets and does not have a target investment mix. For the purposes of this update, the target investment mix has been compiled using the actual investment mix. NZ Funds is an active investment manager and as a result the actual investment mix and target investment mix will change in the future and changes may be material.
- 6 The top 10 investments have been compiled using a balance sheet approach. This differs from the approach used in compiling the actual and target investment mixes, which include the impact of derivatives.

Manager

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