

NZ Funds Managed Superannuation Service ROPS GBP Income Strategy

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

What is the purpose of this update?

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

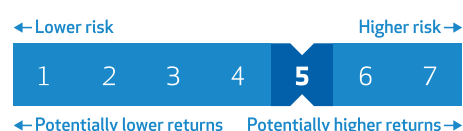
Description of this fund

The objective of the ROPS GBP Income Strategy is to provide exposure to income assets and to the UK currency using an active management approach. It is anticipated that the fund will mainly hold cash and cash equivalents, and Australasian and international bonds. It may also invest in other permitted assets. The fund will have a UK currency overlay.

Total value of the fund	\$ 1,376,030
Number of investors in the fund	21
The date the fund started ¹	11 August 2017

What are the risks of investing?

Risk indicator for the ROPS GBP Income Strategy¹:



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

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

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

The risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 30 June 2018¹. 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)	12.60%

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 28 March 2018, 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 PDS for the NZ Funds Managed Superannuation Service for more information about those fees.

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

Example of how this applies to an investor

Liam had \$10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Liam received a return after fund charges were deducted of \$1,260 (that's 12.60%³ of his initial \$10,000). Liam did not pay any other charges. This gives Liam a total return after tax of \$1,260 for the year.

What does the fund invest in?

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

Actual investment mix



Cash and cash equivalents	12.36%
New Zealand fixed interest	28.80%
International fixed interest	58.84%

Target investment mix⁴

Cash and cash equivalents	12%
New Zealand fixed interest	29%
International fixed interest	59%
Australasian equities	0%
International equities	0%
Listed property	0%
Unlisted property	0%
Commodities	0%
Other	0%

What does the fund invest in? (continued)

Top 10 investments		Percentage of fund net assets	Type	Country	Credit Rating
1	Westpac current account	5.62%	Cash and cash equivalents	New Zealand	A-1+
2	Flex 5% 15/02/2023	4.94%	International fixed interest	Singapore	BBB-
3	HCA 4.75% 05/01/23	4.87%	International fixed interest	United States of America	BBB-
4	Vector 4.996% 14/03/2024	4.77%	New Zealand fixed interest	New Zealand	BBB
5	First Data 5% 15/01/2024	4.67%	International fixed interest	United States of America	BB
6	Valeant Pharmaceuticals International 5.5% 01/11/2025	4.60%	International fixed interest	Canada	BB-
7	Insurance Australia Group 5.15% 15/06/2043	3.94%	New Zealand fixed interest	New Zealand	BBB
8	Citibank New Zealand NZD current account	3.84%	Cash and cash equivalents	United States of America	A-1
9	BlueScope Steel Finance USA 4.625% 05/25/23	3.59%	International fixed interest	Australia	BBB-
10	Woodside Finance 3.7% 15/09/2026	3.48%	International fixed interest	Australia	BBB+

The top 10 investments make up 44.32% of the fund.⁵

NZ Funds actively manages the foreign currency exposure of the fund. Where the fund holds assets denominated in a foreign currency, NZ Funds has the choice of whether to hedge back to the NZ dollar or retain a foreign currency exposure. The fund may also take active foreign currency positions by holding non-NZD cash and/or foreign currency derivatives. The fund targets 100% exposure to the UK currency. As at 30 June 2018, the fund's total foreign currency exposure was 105.87%.

Key personnel

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

Name	Current position	Time in current position	Previous or other position	Time in previous or other position
Richard James	Chief Executive, Chair of the Investment Committee and a Director	9 years 4 months	Chief Operating Officer, New Zealand Funds Management Limited	6 years 1 month
Michael Lang	Chief Investment Officer and a Director	9 years 10 months	Partner, Eclectica Asset Management	1 year 8 months
David Wilson	Investment Strategist and a Principal	21 years 6 months	Chief Economist, JBWere	3 years 5 months
James Grigor	Senior Portfolio Manager	1 years 2 months	Head of Portfolio Strategy Group, Macquarie Private Wealth (now Hobson Wealth Partners)	2 years 4 months
David Haslam	Senior Dealer	1 year 6 months	Equities Trader, UBS NZ	0 years 11 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 28 March 2018. 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 2017, this calculation is based on the market index return for the past year.
- 4 The fund is able to invest in a wide range of assets and does not have a target investment mix. For the purposes of this update, the target investment mix has been compiled using the actual investment mix. NZ Funds is an active investment manager and as a result the actual investment mix and target investment mix will change in the future and changes may be material.
- 5 The top 10 investments have been compiled using a balance sheet approach. This differs from the approach used in compiling the actual and target investment mixes, which include the impact of derivatives.

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