What is the purpose of this update?

This document tells you how the LifeCycle Process - age 75 investment option has performed and 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 75, your investment will be allocated as follows: 35% to the Income Strategy; 34% to the Inflation Strategy; and 31% to the Growth Strategy.

Total value of the investment option: $0

Number of investors in the investment option: 0

The date the investment option started: 25 January 2017

What are the risks of investing?

Risk indicator for the LifeCycle Process - age 75:

- Lower risk: 1, 2, 3
- Higher risk: 4, 5, 6, 7
- Potentially lower returns: 1, 2, 3
- Potentially higher returns: 4, 5, 6, 7

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 an investment option’s future performance. The risk indicator is based on the returns data for the five years to 30 June 2018. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future investment updates.

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

How has the investment option performed?

| Annual return (after deductions for charges and tax) | Past year | 8.57% |
| Annual return (after deductions for charges but before tax) | 9.29% |
| Market index annual return (reflects no deduction for charges and tax) | 8.38% |

The market index annual return is based on a composite of the market indices 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. Additional information about the market index is available on the offer register at www.companiesoffice.govt.nz/disclose.

Annual return graph:

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

Important: This does not tell you how the investment option will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.
What fees are investors charged?

Investors in the LifeCycle Process - age 75 are charged fund charges. In the year to 31 March 2018 these were:

<table>
<thead>
<tr>
<th>Fee Type</th>
<th>% of net asset value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total fund charges</td>
<td>1.71%</td>
</tr>
<tr>
<td><strong>Total management and administration charges</strong></td>
<td>1.71%</td>
</tr>
<tr>
<td>Manager’s basic fee</td>
<td>1.29%</td>
</tr>
<tr>
<td>Other management and administration charges*</td>
<td>0.42%</td>
</tr>
<tr>
<td>(estimate)</td>
<td></td>
</tr>
<tr>
<td>Total performance-based fees</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*Note: Included within ‘Other management and administration charges’ are performance-based fees charged by external managers of underlying funds that the investment option invested into which totalled 0.27%. Performance-based fees are subject to market movements and external manager performance and the amount of these fees for any given period may materially differ from those disclosed for the year to 31 March 2018.

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 investment option 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 $857 (that’s 8.57% of his initial $10,000). Liam did not pay any other charges. This gives Liam a total return after tax of $857 for the year.

What does the investment option invest in?

This shows the types of assets that the investment option invests in.

**Actual investment mix**

- Cash and cash equivalents: 6.80%
- New Zealand fixed interest: 10.77%
- International fixed interest: 24.73%
- Australasian equities: 20.70%
- International equities: 34.40%
- Listed property: 1.02%
- Other*: 1.52%

*Other comprises alternative securities (investment in total return and/or downside-orientated hedge funds)

**Target investment mix**

- Cash and cash equivalents: 7%
- New Zealand fixed interest: 11%
- International fixed interest: 26%
- Australasian equities: 21%
- International equities: 33%
- Listed property: 1%
- Unlisted property: 0%
- Commodities: 0%
- Other*: 1%

*Other comprises alternative securities (investment in total return and/or downside-orientated hedge funds)
The top 10 investments make up 33.99% of the investment option.

NZ Funds actively manages the foreign currency exposure of the investment option. Where the investment option 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 investment option may also take active foreign currency positions by holding non-NZD cash and/or foreign currency derivatives. As at 30 June 2018, the investment option’s foreign currency exposure was 20.47%.

Key personnel

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Current position</th>
<th>Time in current position</th>
<th>Previous or other position</th>
<th>Time in previous or other position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard James</td>
<td>Chief Executive, Chair of the Investment Committee and a Director</td>
<td>9 years 4 months</td>
<td>Chief Operating Officer, New Zealand Funds Management Limited</td>
<td>6 years 1 month</td>
</tr>
<tr>
<td>Michael Lang</td>
<td>Chief Investment Officer and a Director</td>
<td>9 years 10 months</td>
<td>Partner, Eclectica Asset Management</td>
<td>1 year 8 months</td>
</tr>
<tr>
<td>David Wilson</td>
<td>Investment Strategist and a Principal</td>
<td>21 years 6 months</td>
<td>Chief Economist, JB Were</td>
<td>3 years 5 months</td>
</tr>
<tr>
<td>James Grigor</td>
<td>Senior Portfolio Manager</td>
<td>1 year 2 months</td>
<td>Head of Portfolio Strategy Group, Macquarie Private Wealth (now Hobson Wealth Partners)</td>
<td>2 years 4 months</td>
</tr>
<tr>
<td>Mark Brooks</td>
<td>Head of Income and a Principal</td>
<td>10 years 7 months</td>
<td>Senior Portfolio Manager, Credaris</td>
<td>3 years 4 months</td>
</tr>
</tbody>
</table>
Notes

1. The total value and number of investors in the NZ Funds Managed Superannuation Service LifeCycle Process overall is $11,205,652 and 91 respectively.

2. As the investment option started on 25 January 2017, actual returns for the last 5 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 25 January 2017. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund.

3. The bar graph shows investment option returns after the deduction of fees and tax; however, the market index returns are shown before any fees or tax are deducted.

4. Other management and administration charges comprise:
   (a) operating costs directly incurred by the investment option; and
   (b) annual management fees, performance-based fees and operating costs incurred by underlying funds the investment option invests into.

Estimates were used when deriving annual management fees, performance-based fees and operating costs incurred by the following underlying funds the fund invested into.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Information and assumptions used to make estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuvari Focus Fund</td>
<td>Fee and operating cost amounts are estimated using fee targets provided by the manager of the Kuvari Focus Fund.</td>
</tr>
<tr>
<td>Paulson International Fund</td>
<td>The fee and operating cost amount obtained from the administrator of the Paulson International Fund was for the period to 30 September 2017.</td>
</tr>
<tr>
<td>Suvretta Offshore Fund</td>
<td>The fee and operating cost amount obtained from the manager of the Suvretta Offshore Fund was for the year to 31 December 2017. Performance fee amounts are estimated using the same criteria used by the manager of the Suvretta Offshore Fund.</td>
</tr>
<tr>
<td>Impala Resource Fund</td>
<td>Fee and operating cost amounts are estimated using fee targets provided by the manager of the Impala Resource Fund.</td>
</tr>
</tbody>
</table>

5. NZ Funds uses derivatives as part of its active management approach. The use of derivatives can result in the total economic exposure of the investment option exceeding 100% which means the investment option is leveraged. Where economic exposure exceeds 100%, the actual investment mix and the target investment mix table have been scaled to 100%. Without scaling, the total economic exposure of the investment option, as shown in the actual investment mix and the target investment mix, would be 104.79% and 105.00% respectively. For more information on economic exposure, see the PDS.

6. The investment option 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.

7. 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.