

NZ Funds Dynamic Local and International Balanced Portfolio

This fund update was first made publicly available on 26 July 2019

What is the purpose of this update?

This document tells you how the NZ Funds Dynamic Local and International Balanced Portfolio 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 NZ Funds Dynamic Local and International Balanced Portfolio is to grow your investment over the long term by investing in a balanced mix of income and growth assets using an active management approach. It is anticipated that the fund will hold a broad exposure across a number of asset classes with a balance between income and growth assets. Income assets are expected to include Australasian and international bonds. Growth assets are expected to include Australasian and international shares and/or hedge funds.

Total value of the fund	\$10,228
The date the fund started	15 April 2019

What are the risks of investing?

Risk indicator for the NZ Funds Dynamic Local and International Balanced Portfolio¹:



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 2019¹. 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)	8.35%

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 NZ Funds Dynamic Local and International Balanced Portfolio are charged fund charges. Based on the PDS dated 8 April 2019, these are estimated to be:

	% of net asset value
Total fund charges (estimated)²	2.36%
Which are made up of:	
Total management and administration charges (estimated)	2.33%
Including:	
Manager's basic fee	2.05%
Other management and administration charges	0.28%
Total performance-based fees	0.03%

See the PDS for more information about the basis on which performance fees are charged.

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 Trust Investment Series '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.

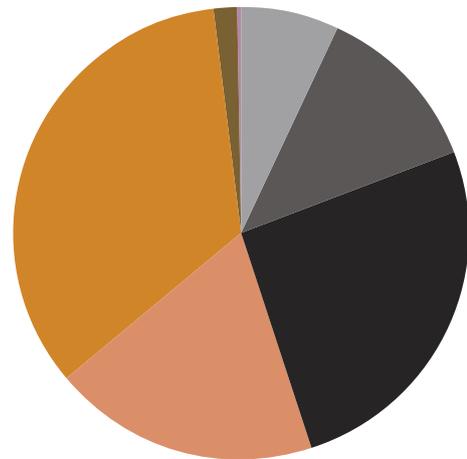
Example of how this applies to an investor

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 \$835 (that's 8.35%³ of his initial \$10,000). Liam did not pay any other charges. This gives Liam a total return after tax of \$835 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	7.20%
New Zealand fixed interest	11.98%
International fixed interest	25.86%
Australasian equities	18.97%
International equities	34.28%
Listed property	1.56%
Other*	0.15%

Target investment mix⁴

Cash and cash equivalents	5%
New Zealand fixed interest	23%
International fixed interest	23%
Australasian equities	17%
International equities	27%
Listed property	0%
Unlisted property	0%
Commodities	0%
Other*	5%

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

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	18.35%	Cash and cash equivalents	New Zealand	A-1+
2	Suvretta Offshore Fund	3.61%	International equities	Cayman Islands	
3	Goldman Sachs NZD margin account	3.29%	Cash and cash equivalents	United Kingdom	A-1
4	US Treasury 2.875% 15/05/2049	2.75%	International fixed interest	United States	AA+
5	Bausch Health 4.5% 15/05/2023	2.55%	International fixed interest	Canada	B-
6	Precinct Properties New Zealand	2.54%	New Zealand fixed interest	New Zealand	
7	Westpac current account	2.51%	Cash and cash equivalents	New Zealand	A-1+
8	National Australia Bank Income Securities perpetual	2.21%	Australian equities	Australia	BBB-
9	Federal National Mortgage Association 8.25%	2.18%	International equities	United States	D
10	Glade Brook Private Investor LLC	1.98%	International	Australia	

The top 10 investments make up 41.97% of the fund⁵.

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. As at 30 June 2019, the fund's foreign currency exposure was 5.45%.

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
Michael Lang	Chief Executive and a Director	0 years 9 months	Chief Investment Officer, New Zealand Funds Management Limited	10 years 1 month
James Grigor	Chief Investment Officer	0 years 7 months	Senior Portfolio Manager, New Zealand Funds Management Limited	1 year 7 months
David Wilson	Chief Operating Officer - Investments	0 years 7 months	Investment Strategist, New Zealand Funds Management Limited	21 years 11 months
Mark Brooks	Head of Income	11 years 7 months	Senior Portfolio Manager, Credaris	3 years 4 months
David Haslam	Senior Dealer	2 years 6 months	Equities Trader, UBS NZ	0 years 11 months

Further information

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

Notes

- 1 As the fund started on 15 April 2019, 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 15 April 2019. 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 15 April 2019, 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 8 April 2019. 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 Trust Investment Series 'Other Material Information' document on the offer register at www.companiesoffice.govt.nz/disclose.
- 3 As the fund started on 15 April 2019, this calculation is based on the market index return for the past year.
- 4 Targets indicate what is expected to apply over the course of an economic cycle and should be considered as general only. NZ Funds is an active investment manager and may at times use investment strategies that differ materially from the targets shown.
- 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.

Manager

New Zealand Funds Management Limited
Level 16, 21 Queen Street
Private Bag 92163
Auckland 1142

Attention: Head of Client Services

T. 09 377 2277 or 0508 733 337

E. info@nzfunds.co.nz

www.nzfunds.co.nz