Fund update
For the quarter ended 30 September 2019

NZ Funds Dynamic Local and International Growth Portfolio
This fund update was first made publicly available on 29 October 2019

What is the purpose of this update?
This document tells you how the NZ Funds Dynamic Local and International Growth 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.

How has the fund performed?

<table>
<thead>
<tr>
<th></th>
<th>Past year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual return (after deductions for charges and tax)</td>
<td>not applicable</td>
</tr>
<tr>
<td>Annual return (after deductions for charges but before tax)</td>
<td>not applicable</td>
</tr>
<tr>
<td>Market index annual return (reflects no deduction for charges and tax)</td>
<td>8.33%</td>
</tr>
</tbody>
</table>

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 Growth Portfolio are charged fund charges. Based on the PDS dated 8 April 2019, these are estimated to be:

<table>
<thead>
<tr>
<th>% of net asset value</th>
<th>Total fund charges (estimated)²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.68%</td>
</tr>
</tbody>
</table>

Which are made up of:

- **Total management and administration charges (estimated)**: 2.65%
  - Manager’s basic fee: 2.30%
  - Other management and administration charges: 0.35%
- **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.

What are the risks of investing?

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

- **Lower risk** → Higher risk →
- Potentially lower returns → Potentially higher returns →

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 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.

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¹ 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 2019. 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.

² 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/.
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 $833 (that's 8.33% of his initial $10,000). Liam did not pay any other charges. This gives Liam a total return after tax of $833 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: 0.98%
- New Zealand fixed interest: 13.12%
- International fixed interest: 12.28%
- Australasian equities: 29.90%
- International equities: 40.34%
- Listed property: 3.12%
- Other*: 0.26%

Target investment mix

- Cash and cash equivalents: 5%
- New Zealand fixed interest: 13%
- International fixed interest: 13%
- Australasian equities: 30%
- International equities: 32%
- Listed property: 0%
- Unlisted property: 0%
- Commodities: 0%
- Other*: 7%

* ‘Other’ comprises alternative securities (investment in total return and/or downside-orientated hedge funds).
What does the fund invest in? (continued)

Top 10 investments

<table>
<thead>
<tr>
<th>Name</th>
<th>Percentage of fund net assets</th>
<th>Type</th>
<th>Country</th>
<th>Credit rating (if applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Westpac 32 day term deposit</td>
<td>12.33%</td>
<td>Cash and cash equivalents</td>
<td>New Zealand</td>
<td>A-1+</td>
</tr>
<tr>
<td>2 Suvretta Offshore Fund</td>
<td>7.09%</td>
<td>International equities</td>
<td>Cayman Islands</td>
<td></td>
</tr>
<tr>
<td>3 Bank Of New Zealand Due 29-Jun-2020</td>
<td>6.11%</td>
<td>New Zealand fixed interest</td>
<td>New Zealand</td>
<td></td>
</tr>
<tr>
<td>4 Goldman Sachs NZD margin account</td>
<td>3.12%</td>
<td>Cash and cash equivalents</td>
<td>United Kingdom</td>
<td>A-1</td>
</tr>
<tr>
<td>5 Westpac current account</td>
<td>3.07%</td>
<td>Cash and cash equivalents</td>
<td>New Zealand</td>
<td>A-1+</td>
</tr>
<tr>
<td>6 Emerson Point Capital Partners LP</td>
<td>2.65%</td>
<td>International equities</td>
<td>United States of America</td>
<td></td>
</tr>
<tr>
<td>7 Spark New Zealand</td>
<td>2.37%</td>
<td>Australasian equities</td>
<td>New Zealand</td>
<td></td>
</tr>
<tr>
<td>8 Contact Energy</td>
<td>2.33%</td>
<td>Australasian equities</td>
<td>New Zealand</td>
<td></td>
</tr>
<tr>
<td>9 Meridian Energy</td>
<td>2.32%</td>
<td>Australasian equities</td>
<td>New Zealand</td>
<td></td>
</tr>
<tr>
<td>10 Glade Brook Private Investor LLC</td>
<td>1.83%</td>
<td>International equities</td>
<td>United States of America</td>
<td></td>
</tr>
</tbody>
</table>

The top 10 investments make up 43.22% of the fund.

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 September 2019, the fund’s foreign currency exposure was 9.63%.

Key personnel

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

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

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/](http://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 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 NZ Funds uses derivatives as part of its active 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 and the target investment mix, would be 102.05% and 102.00% respectively. For more information on economic exposure, see the PDS.

5 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.

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.