

What fees are investors charged?

Investors in the Income Strategy are charged fund charges. In the year to 31 March 2021 these were:

	% of net asset value
Total fund charges	4.57%

Which are made up of:

Total management and administration charges 2.01%

Including:

Manager's basic fee 1.05%

Other management and administration charges 0.96%

Total performance-based fees 2.56%³

Other charges	\$ amount per investor
Administration fee ⁴	\$36

For the 12 months to 30 June 2021, total performance-based fee was 1.26%. As a result, total fund charges for that period totalled 2.83%.

See the PDS for NZ Funds Wealth Builder for more information about the basis on which performance fees are charged.

Investors are not currently charged individual action fees (for example, withdrawing from or switching funds). See the PDS for the NZ Funds WealthBuilder for more information about fees.

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

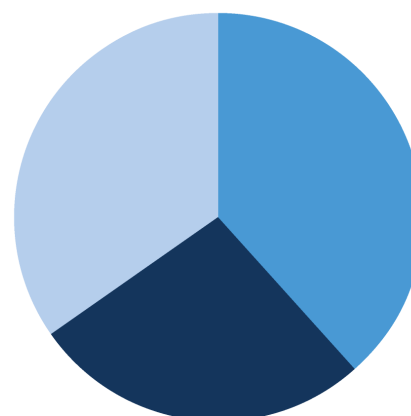
Example of how this applies to an investor

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 \$400 (that's 4.00% of his initial \$10,000). Liam also paid \$36 in other charges. This gives Liam a total return after tax of \$364 for the year.

What does the fund invest in?

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

Actual investment mix⁵



Cash and cash equivalents	38.59%
New Zealand fixed interest	26.85%
International fixed interest	34.56%

Target investment mix⁶

Cash and cash equivalents	8%
New Zealand fixed interest	45%
International fixed interest	47%
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

	Name	Percentage of fund net assets	Type	Country	Credit Rating
1	Westpac current account	18.54%	Cash and cash equivalents	New Zealand	A-1+
2	Citibank Hong Kong USD current account	7.18%	Cash and cash equivalents	United States of America	A-1
3	Citibank New Zealand NZD current account	6.11%	Cash and cash equivalents	United States of America	A-1
4	Amounts receivable from related underlying funds	5.14%	Cash and cash equivalents	New Zealand	
5	Citibank Australia AUD current account	4.91%	Cash and cash equivalents	United States of America	A-1
6	Goldmans Sachs OTC collateral NZD margin account	3.78%	Cash and cash equivalents	United Kingdom	A-1
7	Housing NZ Ltd 2.183% 24/04/2030	3.54%	New Zealand fixed interest	New Zealand	AAA
8	Vector Ltd 4.996% 14/03/2024	3.34%	New Zealand fixed interest	New Zealand	BBB
9	Goldman Sachs NZD margin account	2.15%	Cash and cash equivalents	United Kingdom	A-1
10	JPMorgan Chase 3.625% 01/12/2027	2.12%	International fixed interest	United States of America	BBB+

The top 10 investments make up 56.81% of the fund.⁷

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 2021, the fund's foreign currency exposure was 24.37%.

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	2 years 9 months	Chief Investment Officer, New Zealand Funds Management Limited	10 years 1 month
James Grigor	Chief Investment Officer and a Principal	2 years 7 months	Senior Portfolio Manager, New Zealand Funds Management Limited	1 year 7 months
Mark Brooks	Head of Income and a Principal	13 years 7 months	Senior Portfolio Manager, Credaris	3 years 4 months
Andrew Curtayne	Senior Portfolio Manager	1 year 2 months	Senior Analyst, Melqart Asset Management	3 years 8 months
David Haslam	Senior Dealer	4 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 WealthBuilder, and some additional information from the offer register at www.companiesoffice.govt.nz/disclose/.

Notes

1. As the fund started on 27 February 2020, 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 27 February 2020. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund.
2. The bar graph shows fund returns after the deduction of fees and tax; however, the market index returns are shown before any fees or tax are deducted.
3. Total performance based fees are paid with respect to certain related underlying funds managed by NZ Funds and are payable where performance of the underlying funds exceeds the hurdle rate. Details of the underlying funds to which a performance fee applies can be found in the PDS, along with details of the hurdle rate and the percentage amount of the performance fee applying to each underlying fund.
4. For investors aged 18 or over, NZ Funds charges an administration fee of \$3 per month.
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 fund exceeding 100% which means the fund is leveraged. Where economic exposure exceeds 100%, the actual investment mix pie graph has been scaled to 100%.

Without scaling, the total economic exposure of the fund, as shown in the actual investment mix would be 105.53%, made up as follows: Cash and cash equivalents 40.72%; New Zealand fixed interest 28.34%; International fixed interest 36.47%.

For more information on economic exposure, see the Other Material Information document.

6. Targets indicate what is expected to apply over the course of an economic cycle and should be considered as general guidance only. NZ Funds is an active manager and may use investment strategies that differ materially from the targets.
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.

Manager

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