

For the quarter ended 30 September 2021

NZ Funds WealthBuilder Income Strategy

This fund update was first made publicly available on 1 November 2021

What is the purpose of this update?

This document tells you how the 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 NZ Funds WealthBuilder - Income Strategy is to provide exposure to income assets. The fund is anticipated to mainly hold New Zealand, Australian and international bonds.

| | |
|-------------------------|-------------|
| Total value of the fund | \$5,786,527 |
|-------------------------|-------------|

| | |
|---------------------------|------------------|
| The date the fund started | 27 February 2020 |
|---------------------------|------------------|

What are the risks of investing?

Risk indicator for the Income Strategy:¹



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 2021¹. 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.

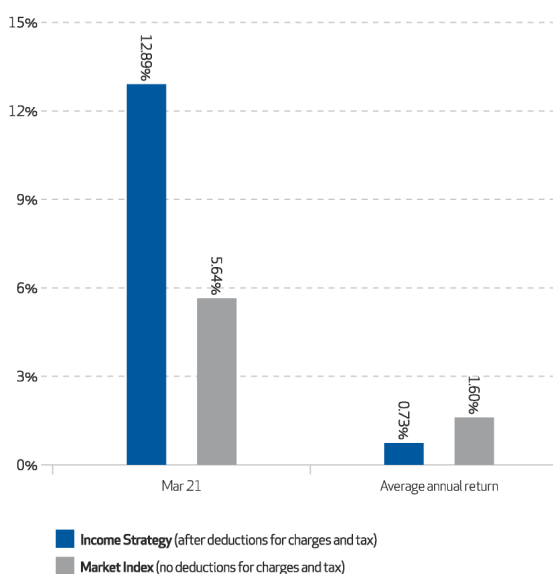
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

| | Past year |
|--|-----------|
| Annual return (after deductions for charges and tax) | 1.83% |
| Annual return (after deductions for charges but before tax) | 2.32% |
| Market index annual return (reflects no deduction for charges and tax) | -0.94% |

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.

Annual return graph²



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 30 September 2021.

Important: This does not tell you how the fund 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 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 September 2021, total performance-based fee was 0.81%. As a result, total fund charges for that period totalled 2.21%.

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.

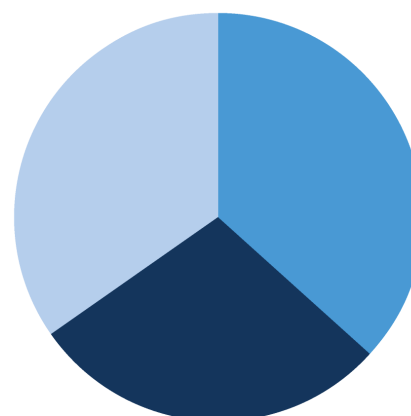
Example of how this applies to an investor

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 \$183 (that's 1.83% of his initial \$10,000). Liam also paid \$36 in other charges. This gives Liam a total return after tax of \$147 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 | 36.94% |
| New Zealand fixed interest | 28.37% |
| International fixed interest | 34.69% |

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 | 20.22% | Cash and cash equivalents | New Zealand | A-1+ |
| 2 | ANZ Bank Ltd 2.999% 17/09/2031 | 6.51% | New Zealand fixed interest | New Zealand | A- |
| 3 | Citibank Hong Kong USD current account | 6.04% | Cash and cash equivalents | United States of America | A-1 |
| 4 | Goldman Sachs NZD margin account | 5.98% | Cash and cash equivalents | United Kingdom | A-1 |
| 5 | Goldmans Sachs OTC collateral NZD margin account | 5.51% | Cash and cash equivalents | United Kingdom | A-1 |
| 6 | Housing NZ Ltd 3.42% 18/10/2028 | 4.48% | New Zealand fixed interest | New Zealand | AA+ |
| 7 | Citibank Australia AUD current account | 4.25% | Cash and cash equivalents | United States of America | A-1 |
| 8 | Vector Ltd 4.996% 14/03/2024 | 2.86% | New Zealand fixed interest | New Zealand | BBB |
| 9 | JPMorgan Chase 3.625% 01/12/2027 | 1.91% | International fixed interest | United States of America | BBB+ |
| 10 | Bausch Health 5% 30/01/2028 | 1.77% | International fixed interest | Canada | B |

The top 10 investments make up 59.53% 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 September 2021, the fund's foreign currency exposure was 28.68%.

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 | 3 years | Chief Investment Officer, New Zealand Funds Management Limited | 10 years 1 month |
| James Grigor | Chief Investment Officer and a Principal | 2 years 10 months | Senior Portfolio Manager, New Zealand Funds Management Limited | 1 year 7 months |
| Mark Brooks | Head of Income and a Principal | 13 years 10 months | Senior Portfolio Manager, Credaris | 3 years 4 months |
| Andrew Curtayne | Senior Portfolio Manager | 1 year 5 months | Senior Analyst, Melqart Asset Management | 3 years 8 months |
| David Haslam | Senior Dealer | 4 years 9 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 108.30%, made up as follows: Cash and cash equivalents 40.00%; New Zealand fixed interest 30.73%; International fixed interest 37.57%.

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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