

**NZFUNDS**

# NZ Funds WealthBuilder

Product Disclosure Statement



Issued by New Zealand Funds Management Limited  
9 June 2020

---

This document replaces the Product Disclosure Statement dated 12 December 2019.

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on [disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz). New Zealand Funds Management Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.



# 1. KEY INFORMATION SUMMARY

## What is this?

This is a managed investment scheme. Your money will be pooled with other investors' money and invested in various investments.

New Zealand Funds Management Limited (NZ Funds, we, us or our) will invest your money and charge you a fee for its services. The returns you receive are dependent on the investment decisions of NZ Funds and the performance of the investments. The value of those investments may go up or down.

The types of investments and the fees you will be charged are described in this document.

## What will your money be invested in?

NZ Funds WealthBuilder offers four investment options: three actively managed funds (NZ Funds WealthBuilder - Income Strategy, NZ Funds WealthBuilder - Inflation Strategy, and NZ Funds WealthBuilder - Growth Strategy, together referred to as the Strategies) and a life cycle investment option (LifeCycle).

These investment options are summarised in the table on page 4. More information about the investment target and strategy for each investment option is provided on page 9.

## Who manages the Strategies?

NZ Funds is the manager of the Strategies. See section 7 of this Product Disclosure Statement (PDS) 'Who is involved?' on page 14 for more information.

## How can you get your money out?

You can withdraw all or part of your investment at any time.

In certain circumstances, NZ Funds may defer or suspend withdrawals. See section 2 of this PDS 'How does this investment work?' on page 7 for more information.

Your investment in the Strategies can be sold but there is no established market for trading these financial products. This means that you may not be able to find a buyer for your investment.

## How will your investment be taxed?

All of the funds offered under this PDS are portfolio investment entities (PIEs). The amount of tax you pay in respect of a PIE is based on your prescribed investor rate (PIR).

To determine your PIR, go to [www.ird.govt.nz/toii/pir/](http://www.ird.govt.nz/toii/pir/). See section 6 of this PDS 'What taxes will you pay?' on page 14 for more information.

## Where can you find more key information?

NZ Funds is required to publish quarterly updates for each investment option. The updates show the returns, and the total fees actually charged to investors, during the previous year.

The latest fund updates are available at [www.nzfunds.co.nz](http://www.nzfunds.co.nz). NZ Funds will also give you copies of those documents on request.

# 1. KEY INFORMATION SUMMARY

NAME	OBJECTIVE	DESCRIPTION	RISK INDICATOR <sup>2</sup>	ESTIMATED ANNUAL FUND CHARGES <sup>3,4</sup>
<b>A. SelfSelect</b>				
NZ Funds WealthBuilder - Income Strategy (Income Strategy)	To provide exposure to income assets.	Anticipated to hold mainly Australasian and international bonds.	<p>← Lower risk Higher risk → ← Potentially lower returns Potentially higher returns →</p>	1.12%
NZ Funds WealthBuilder - Inflation Strategy (Inflation Strategy)	To mitigate the impact of inflation on your investment over the medium and/or long term.	Anticipated to hold mainly Australasian and international bonds, and Australasian and international shares.	<p>← Lower risk Higher risk → ← Potentially lower returns Potentially higher returns →</p>	1.42%
NZ Funds WealthBuilder - Growth Strategy (Growth Strategy)	To grow your investment over the long term.	Anticipated to hold mainly Australasian and international shares, and/or hedge funds.	<p>← Lower risk Higher risk → ← Potentially lower returns Potentially higher returns →</p>	1.65%

## B. LifeCycle<sup>1</sup>

LifeCycle - age 0-54	To allocate your investment across the three Strategies based on your age to ensure your investment is allocated in a manner consistent with your investment timeframe.	Strategy allocation: <ul style="list-style-type: none"> <li>■ 5%</li> <li>■ 10%</li> <li>■ 85%</li> </ul>	<p>← Lower risk Higher risk → ← Potentially lower returns Potentially higher returns →</p>	1.60%
LifeCycle - age 65		Strategy allocation: <ul style="list-style-type: none"> <li>■ 27%</li> <li>■ 34%</li> <li>■ 39%</li> </ul>	<p>← Lower risk Higher risk → ← Potentially lower returns Potentially higher returns →</p>	1.42%
LifeCycle - age 75		Strategy allocation: <ul style="list-style-type: none"> <li>■ 35%</li> <li>■ 34%</li> <li>■ 31%</li> </ul>	<p>← Lower risk Higher risk → ← Potentially lower returns Potentially higher returns →</p>	1.38%

Income Strategy
  Inflation Strategy
  Growth Strategy

If you are aged 18 or over, you also pay an administration fee of \$36.00 per year (\$3.00 per month) to NZ Funds.

1. LifeCycle automatically allocates your investment across the Strategies each year based on your age. We have selected three examples (age 0-54, age 65 and age 75) to provide information on LifeCycle in this PDS. 2. The investment options do not have a five year return history. Accordingly the risk indicators were prepared using market index returns as well as actual returns. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the investment option. Market index returns have been used for the period prior to 27 February 2020. 3. Expressed as a percentage of the net asset value of each Strategy. 4. Includes estimated performance fees. See page 12 for more information.

See page 10 for an explanation of the risk indicator and for information about other risks that are not included in the risk indicator. 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/](http://www.nzfunds.co.nz/AdviceSolutions/RiskProfile/)

# CONTENTS

<b>1.</b>	Key information summary	3
<b>2.</b>	How does this investment work?	6
<b>3.</b>	Description of your investment options	9
<b>4.</b>	What are the risks of investing?	10
<b>5.</b>	What are the fees?	11
<b>6.</b>	What taxes will you pay?	14
<b>7.</b>	Who is involved?	14
<b>8.</b>	How to complain	14
<b>9.</b>	Where you can find more information	14
<b>10.</b>	How to apply	14

## 2. HOW DOES THIS INVESTMENT WORK ?

### Legal structure

The Strategies are established within the NZ Funds Managed Portfolio Service Part Two managed investment scheme (Scheme) registered under the Financial Markets Conduct Act 2013. The Scheme is governed by an amended and consolidated trust deed (Trust Deed) dated 12 October 2016 between NZ Funds and The New Zealand Guardian Trust Company Limited (Supervisor).

The money you invest into a Strategy is pooled with other investors' money to purchase assets. You will be allocated units in each Strategy you invest in which represent your proportionate holding in the Strategy. The units do not give you legal ownership of the Strategy's assets but they give you the right to a share of any returns from those assets.

The number of units you are allocated is based on the price per unit, called the unit price. The performance of your investment will be measured by the rise or fall of the unit price.

The Strategies do not make distributions and any income received by the Strategies is reflected in the unit price. The assets of a Strategy are not available to meet the liabilities of any other fund in the Scheme.

### Features and benefits

**Some of the features of this offer, including the use of derivatives, may mean an investment in the Strategies is not appropriate for you. We recommend you discuss the features of this offer with a financial adviser before deciding whether to invest.**

#### LifeCycle

LifeCycle automatically allocates your investment across the three Strategies each year based on your age. Regularly reallocating your investment can significantly impact the long term success of your investment.

#### Active management

NZ Funds uses an active investment management approach that seeks to maintain a balance between preserving your capital and growing your wealth in a manner that is consistent with each Strategy's objective.

In managing the Strategies, we take a wide variety of actions including: altering the proportion invested in each security or asset class; altering the manner in which a Strategy is exposed to each security or asset class; investing directly or indirectly; using derivatives and/or any resulting leverage; using collective investment vehicles; using specialist investment managers (including hedge funds); taking foreign currency positions; applying hedging; or taking short positions.

#### Wholesale trusts

The Strategies may invest directly, or indirectly via wholesale trusts. A wholesale trust is a wholesale fund managed by NZ Funds which holds investments. Those investments may include directly held securities and/or investments in funds, managed by NZ Funds or external specialist investment managers.

#### Specialist managers

External specialist investment managers (external managers) may be selected where NZ Funds considers their investment approach will help meet the objectives of the Strategies. The current external managers are available on our website.

#### Use of derivatives

It is important that you know that each Strategy has the ability to use derivatives. A derivative is a financial instrument, the value of which is derived from changes in the value of another asset (for example, a share market index, a commodity, a bond, or a currency). Examples of derivatives include futures, options, forwards and swaps.

Derivatives may be used in a Strategy to, for example, gain exposure to an asset and/or asset class, modify exposure to an asset and/or asset class, and hedge or seek to mitigate exposure to an asset and/or asset class.

The use of derivatives can result in a Strategy being leveraged which means small changes in the value of an underlying asset on which the Strategy holds a derivative may result in substantial gains or losses for the Strategy.

### Making investments

WealthBuilder is designed for individuals saving for retirement or for a specific goal. You can make an investment by completing an application form. See section 10 'How to apply' on page 14 for more information.

An investment can be made by lump sum or regular contributions. You can choose to make regular contributions on a weekly, fortnightly, monthly or quarterly basis. You can stop regular contributions any time by sending us a letter or email.

**NZ Funds does not charge a contribution fee.**

#### Investment choices

You can invest in one of two ways: using either SelfSelect or LifeCycle.

##### A. SelfSelect

Under SelfSelect, you choose your own investment mix by selecting which Strategy or Strategies you want to invest in, and the proportion to be invested in each Strategy.

##### B. LifeCycle

Under LifeCycle, your investment is automatically allocated across the Strategies each year in accordance with a predetermined glidepath based on your age (Glidepath).

By choosing LifeCycle, you agree that your investment in the Strategies will be reallocated on 31 August each year (reallocation date) in accordance with the Glidepath. You have no ability to alter this reallocation.

The chart on page 8 shows the Glidepath and Strategy allocations for LifeCycle. We may change the Strategy allocations in the future. If we do, we will give you at least 30 days prior notice of the change. We will assume that you agree to the allocation changes unless you tell us within this notice period, in which case your Strategy allocations will not change and you will be moved from the LifeCycle to the SelfSelect option.

LifeCycle is designed for investors who want to remain invested through their retirement years and draw down on their savings regularly. It may not be appropriate for investors who plan to withdraw all or a significant portion of their investment when they reach retirement or early into their retirement years. LifeCycle may also be unsuitable for investors who plan to make withdrawals in the short to medium term.

If you choose LifeCycle, it is important that you understand that your initial investment and any subsequent investments will be allocated across the Strategies in accordance with the Glidepath based on your age at the last reallocation date. You have no ability to alter this allocation.

If you wish to change your investment mix, you need to fully withdraw from LifeCycle and reinvest in the Strategies using SelfSelect.

## Withdrawing your investments

You can withdraw all or part of your investment in a Strategy at any time by completing a withdrawal form and sending it to NZ Funds. You can obtain this form from your financial adviser, from our website, or by contacting us.

You can choose to make regular withdrawals of a set amount on a fortnightly, monthly or quarterly basis. You can set up regular withdrawals by completing a single withdrawal form; you do not need to complete a form for each withdrawal. You can stop regular withdrawals any time by sending us a letter or email.

If you have chosen SelfSelect, you may withdraw amounts from one or more Strategies at your discretion. If you have chosen LifeCycle, amounts will be withdrawn from each Strategy in line with the proportions under the Glidepath based on your age at the last reallocation date. You have no ability to alter the proportion withdrawn from each Strategy.

NZ Funds may in its discretion defer withdrawals for up to two business days. NZ Funds may also suspend withdrawals in certain circumstances where it considers that it is not practicable or would be materially prejudicial to the interests of any investors in the Strategy.

**NZ Funds does not charge a withdrawal fee.**

## How to switch between funds

If you have chosen SelfSelect, you can switch between Strategies by completing a switch request online through the NZFUNDS app. Switch requests are normally processed within two business days of receipt.

If you have chosen LifeCycle you are unable to switch between Strategies as your investment is allocated automatically using the Glidepath. You have no ability to alter this allocation.

You may switch between LifeCycle and SelfSelect by completing a switch request online through the NZFUNDS app. If you are switching between LifeCycle and SelfSelect, you must make a full withdrawal from all Strategies you are invested in, followed by a reinvestment.

NZ Funds may in its discretion defer processing some or all switch requests for up to 21 days where it considers it necessary or appropriate. Where a switch request is deferred, withdrawal proceeds will be calculated on the date that the switch request is processed, and not on the date that it is received.

NZ Funds may also suspend switches in certain circumstances where it considers that it is not practicable or would be materially prejudicial to the interests of any investors in the Strategy.

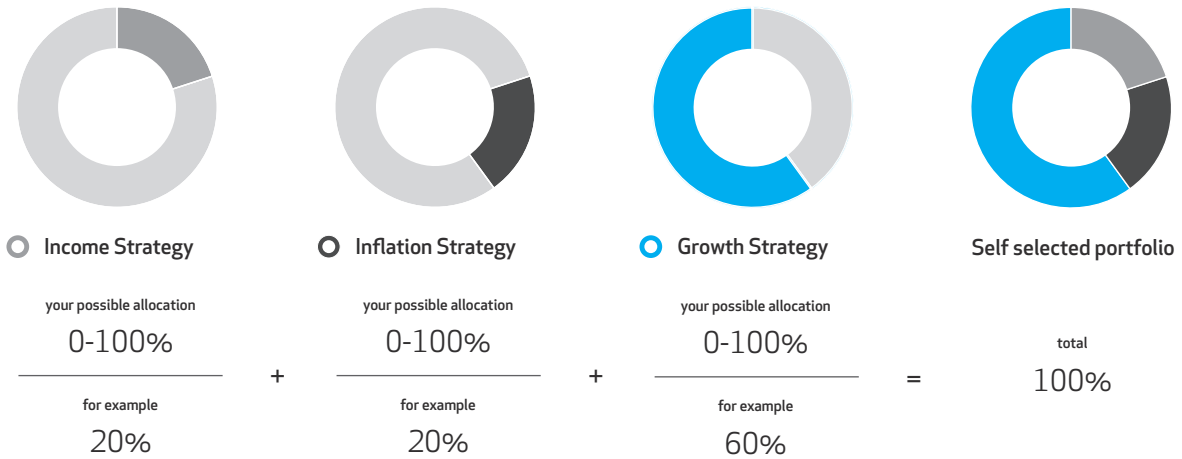
For more information on withdrawals and switches, see the 'Other Material Information' document on the offer register at [disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz).

**NZ Funds does not charge a switch fee.**

## 2. HOW DOES THIS INVESTMENT WORK ?

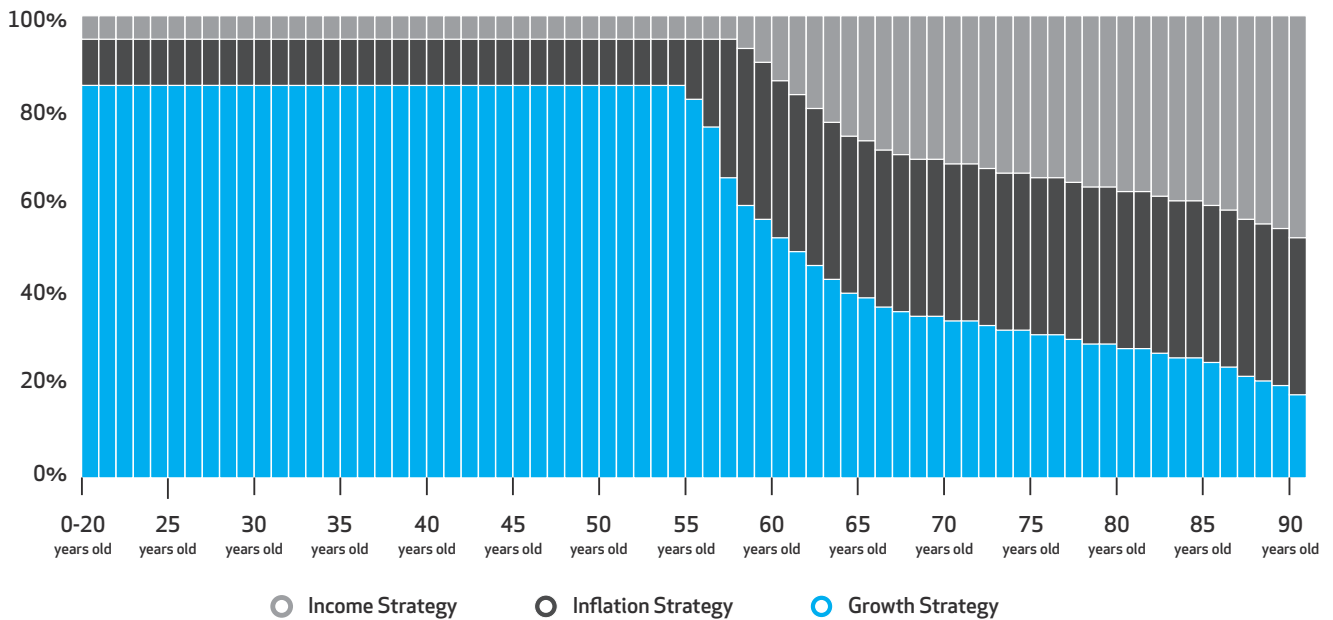
### A. SelfSelect

If you choose the SelfSelect option, you decide how much to invest in each Strategy.



### B. LifeCycle

If you choose the LifeCycle option, your Strategy allocations as you age are shown below.





### 3. DESCRIPTION OF YOUR INVESTMENT OPTIONS

NAME	OBJECTIVE	STRATEGY SUMMARY / TARGET INVESTMENT MIX <sup>1</sup>	RISK CATEGORY	MINIMUM SUGGESTED TIMEFRAME
<b>A. SelfSelect</b>				
Income Strategy	To provide exposure to income assets.	<p>Anticipated to hold mainly Australasian and international bonds.</p> <ul style="list-style-type: none"> <li>Cash and cash equivalents 5%</li> <li>New Zealand fixed interest 40%</li> <li>International fixed interest 55%</li> <li>Alternative securities<sup>3</sup> 0%</li> </ul>	3	2 years+
Inflation Strategy	To mitigate the impact of inflation on your investment over the medium and/or long term.	<p>Anticipated to hold mainly Australasian and international bonds, and Australasian and international shares.</p> <ul style="list-style-type: none"> <li>Cash and cash equivalents 5%</li> <li>New Zealand fixed interest 12%</li> <li>International fixed interest 13%</li> <li>Australasian equities 30%</li> <li>International equities 35%</li> <li>Listed property 5%</li> <li>Alternative securities<sup>3</sup> 0%</li> <li>Commodities 0%</li> </ul>	4	5 years+
Growth Strategy	To grow your investment over the long term.	<p>Anticipated to hold mainly Australasian and international shares, and/or hedge funds.</p> <ul style="list-style-type: none"> <li>Cash and cash equivalents 0%</li> <li>New Zealand fixed interest 0%</li> <li>International fixed interest 0%</li> <li>Australasian equities 26%</li> <li>International equities 65%</li> <li>Listed property 5%</li> <li>Alternative securities<sup>3</sup> 4%</li> <li>Commodities 0%</li> </ul>	5	10 years+
<b>B. LifeCycle</b>				
LifeCycle - age 0-54	To allocate your investment across the three Strategies based on your age to ensure your investment is allocated in a manner consistent with your investment timeframe. <sup>2</sup>	<ul style="list-style-type: none"> <li>Cash and cash equivalents 1%</li> <li>New Zealand fixed interest 3%</li> <li>International fixed interest 4%</li> <li>Australasian equities 25%</li> <li>International equities 60%</li> <li>Listed property 4%</li> <li>Alternative securities<sup>3</sup> 3%</li> <li>Commodities 0%</li> </ul>	5	10 years+
LifeCycle - age 65		<ul style="list-style-type: none"> <li>Cash and cash equivalents 3%</li> <li>New Zealand fixed interest 15%</li> <li>International fixed interest 20%</li> <li>Australasian equities 20%</li> <li>International equities 38%</li> <li>Listed property 3%</li> <li>Alternative securities<sup>3</sup> 1%</li> <li>Commodities 0%</li> </ul>	4	10 years+
LifeCycle - age 75		<ul style="list-style-type: none"> <li>Cash and cash equivalents 3%</li> <li>New Zealand fixed interest 18%</li> <li>International fixed interest 24%</li> <li>Australasian equities 18%</li> <li>International equities 33%</li> <li>Listed property 3%</li> <li>Alternative securities<sup>3</sup> 1%</li> <li>Commodities 0%</li> </ul>	4	5 years+

1. 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 above targets. The Strategies may be invested in permitted assets in any proportion. 2. See page 4 for Strategy allocations. 3. Alternative securities means asset classes not usually accessed by retail investors, for example, private equity, venture capital and hedge funds. These tend to be asset classes where valuation and liquidity may be uncertain and returns may be volatile.

Further information on NZ Funds' investment approach can be found in the Statement of Investment Policy and Objectives (SIPO). The current SIPO is available on the scheme register at [disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz). We may make changes to the SIPO at any time after consulting with the Supervisor.

A description of any material changes will be included in the Scheme's annual report. Where required by the Trust Deed or law, you will receive notice of material changes before they occur.

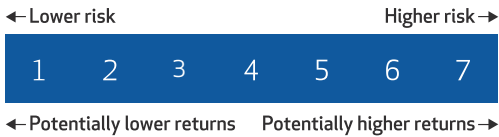
Further information about the assets in each Strategy can be found in the fund updates at [www.nzfunds.co.nz](http://www.nzfunds.co.nz).

## 4. WHAT ARE THE RISKS OF INVESTING ?

### Understanding the risk indicator

Managed funds in New Zealand must have a standard risk indicator. The risk indicator is designed to help investors understand the uncertainties both for loss and growth that may affect their investment. You can compare funds using the risk indicator.

The risk indicators for the investment options offered under this PDS can be found on page 4.



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 (volatility). 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/](http://www.nzfunds.co.nz/AdviceSolutions/RiskProfile/).

Note that even the lowest category does not mean a risk-free investment, and there are other risks (described under the heading 'Other specific 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 31 March 2020. While risk indicators are usually relatively stable, they do shift from time to time. You can see the most recent risk indicator in the latest fund update for the relevant investment option.

The Strategies do not have a five year return history. Accordingly, the risk indicators were prepared using market index returns as well as actual returns.

**The risk indicator is based on historical returns only. It takes no account of expected future risk or potential returns. It may not be a reliable indicator of future risk, volatility or expected returns.**

### General investment risks

Some of the things that may cause a Strategy's value to move up and down, which affect the risk indicator, are:

#### Market risk

Market risk is the risk of volatility or loss caused by a change in the value of the investments held by a Strategy. Market risk arises from uncertainty about the future value of investments held by a Strategy. These changes may be caused by factors specific to an investment, or as a result of factors affecting financial markets generally.

#### Illiquid securities

The Strategies may hold illiquid securities. Illiquid securities are assets that cannot quickly be converted or exchanged for cash (or not without a significant loss in value). Illiquid securities generally carry a greater risk than liquid securities, particularly during times of market turmoil. Investment illiquidity may make it difficult to value, acquire or dispose of assets.

#### Certain investment instruments and techniques

NZ Funds and external managers are able to use certain investment instruments and techniques which can be high risk. The use of these instruments and techniques may increase the volatility of a Strategy and may also significantly increase the risk and extent of any loss. Examples include the use of derivatives and the taking of short positions.

#### Asset concentration

The Strategies can hold permitted asset classes and securities in any proportion or concentration, meaning that the Strategies may not be diversified. For example, a Strategy may be predominantly invested in a specific security, external manager, asset class, country or sector and may be particularly exposed to any adverse circumstances affecting them.

#### Higher risk securities and/or managers

The Strategies can invest in some securities or managers (for example, hedge funds) which are higher risk than the risk indicator of the Strategy where NZ Funds assesses that the investment will not materially alter the Strategy's risk indicator. In making this assessment, NZ Funds may consider the different types of risk a Strategy is exposed to, asset correlations and liquidity. However, actual results may differ, increasing the risk and extent of any loss.

#### Currency

The Strategies' unit prices are denominated in New Zealand dollars but the Strategies may be exposed directly or indirectly to foreign currencies. There is a risk that a Strategy's returns may be affected by changes in the value, or terms, of a currency.

## Other specific risks

Other circumstances that can significantly increase the risk to returns for investors and that are not reflected in the risk indicator include:

### LifeCycle

There is a risk that the predefined age-based asset allocation used in LifeCycle may not be suitable for you as it does not take into account your personal circumstances, such as your attitude to risk or your financial circumstances.

### Active management

NZ Funds uses an active management approach. An active management approach is subject to different risks (which may be considered higher risks) than a non-active management approach. As a result, NZ Funds' active management approach may cause the returns and capital stability of the Strategies to significantly differ from the returns and capital stability of the underlying asset classes utilised.

### Wide mandates

The Trust Deed and SIPO enable NZ Funds to invest in a wide range of assets and to change assets quickly and without notice to investors. As part of its investment management process, NZ Funds has developed internal investment guidelines which assist in the oversight of each Strategy.

### Specialist managers

NZ Funds' investment strategy may include the selection of external managers. There are a number of risks associated with investing with these managers, including wide mandates, redemption restrictions, and the risk that a manager selected underperforms or generates a loss. NZ Funds has a due diligence process for appointing external managers and all external managers are monitored and reviewed.

### Key person

The Strategies may be dependent on the services of key personnel of NZ Funds and may be adversely affected by the departure or performance of key personnel.

For more information on the risks of investing in the Strategies, see the 'Other Material Information' document.

## 5. WHAT ARE THE FEES ?

You will be charged fees for investing in the Strategies. Fees are deducted from your investment and will reduce your returns. If NZ Funds invests in other funds, those funds may also charge fees. The fees you pay will be charged in two ways:

- Regular charges (for example, annual fund charges). Small differences in these fees can have a big impact on your investment over the long term.
- One-off fees. NZ Funds does not charge any establishment, contribution, termination, withdrawal, switch or transfer fees.

NAME	ESTIMATED ANNUAL FUND CHARGES <sup>1</sup>
Income Strategy	1.12%
Inflation Strategy	1.42%
Growth Strategy	1.65%
LifeCycle - age 0-54	1.60%
LifeCycle - age 65	1.42%
LifeCycle - age 75	1.38%

Other charges: If you are aged 18 or over, you also pay an administration fee of \$36.00 per year (\$3.00 per month) to NZ Funds.

1. Expressed as a percentage of the net asset value of each Strategy. Annual fund charges are deducted from the Strategy or underlying funds it invests in (as applicable) and reflected in the Strategy's unit price. Annual fund charges are made up of NZ Funds' base fee and the following estimated fees and charges: service charges, external manager charges, and NZ Funds' performance charge.

### Annual fund charges

Annual fund charges are made up of:

#### Base fee

Each Strategy is charged an annual base fee by NZ Funds for managing the Strategy. The base fee is fixed as a percentage of the gross asset value of each Strategy. Base fees are accrued daily and paid to NZ Funds monthly in arrears.

#### Service charges

These cover estimated third party charges for services provided to the Strategies and related underlying funds (wholesale trusts) that the Strategies invest in, such as custody, audit and legal fees, and the Supervisor's fees.

## 5. WHAT ARE THE FEES ?

### External manager charges

These cover estimated management and performance fees that may be charged by external managers. Actual fees will depend on the managers selected (which will change from time to time) and on their performance and will vary from the estimates.

### NZ Funds performance charge

None of the Strategies are charged a performance fee directly by NZ Funds. However, where specific performance targets are met, NZ Funds may charge a performance fee in certain wholesale trusts that the Strategies invest in.

The annual fund charges include estimated NZ Funds performance fees ranging from 0.02% to 0.04% of the net asset value of each Strategy. Actual performance fees will depend on the performance of the relevant wholesale trust and will vary from the estimates. For more information, see 'NZ Funds performance-based fees' below and the 'Other Material Information' document.

### Other charges

If you are aged 18 or over, NZ Funds charges you an administration fee of \$3.00 per month for the administrative services it performs for the Strategies. The fee is deducted from your investment each month in arrears.

For more information on fees (including the basis of estimates), see the 'Other Material Information' document.

### NZ Funds performance-based fees

NZ Funds may charge a performance fee in the following wholesale trusts that the Strategies invest in: Private Core Income Trust; Private Global Income Trust; Private Preferred Income Trust; and Private Dividend Yield Trust.

All performance fees are based on a hurdle rate of return. The hurdle rate is the minimum return the wholesale trust must achieve before a performance fee can be charged.

The following tables set out the Strategies that invest in these wholesale trusts (as at the date of this PDS) and the criteria that needs to be met in order for a performance fee to be paid.

#### Private Core Income Trust

Investing Strategies <sup>1</sup>	Income Strategy
Hurdle rate of return <sup>2</sup>	S&P/NZX Investment Grade Corporate Bond Index Total Return
Fee amount	10% of the amount by which performance (after deduction of a notional base fee <sup>3</sup> but before tax) exceeds the hurdle rate of return.
Maximum fee limit	None
High-water mark	Yes – see page 13.
Calculation and payment	Calculated and accrued daily and payable annually within 30 days of 31 March each year.

#### Private Global Income Trust

Investing Strategies <sup>1</sup>	Income Strategy
Hurdle rate of return <sup>2</sup>	Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged USD
Fee amount	10% of the amount by which performance (after deduction of a notional base fee <sup>3</sup> but before tax) exceeds the hurdle rate of return.
Maximum fee limit	None
High-water mark	Yes – see page 13.
Calculation and payment	Calculated and accrued daily and payable annually within 30 days of 31 March each year.

#### Private Preferred Income Trust

Investing Strategies <sup>1</sup>	Inflation Strategy
Hurdle rate of return <sup>2</sup>	S&P/NZX Bank Bills 90 Day Index Total Return plus 2.0% p.a.
Fee amount	10% of the amount by which performance (after deduction of a notional base fee <sup>3</sup> but before tax) exceeds the hurdle rate of return.
Maximum fee limit	None
High-water mark	Yes – see page 13.
Calculation and payment	Calculated and accrued daily and payable annually within 30 days of 31 March each year.

#### Private Dividend Yield Trust

Investing Strategies <sup>1</sup>	Inflation Strategy Growth Strategy
Hurdle rate of return <sup>2</sup>	70% S&P/NZX 50 Portfolio Index Gross with Imputation; 30% S&P/ASX Accumulation 200 Index
Fee amount	15% of the amount by which performance (with imputation credits but before tax and after deduction of a notional base fee <sup>3</sup> ) exceeds the hurdle rate of return.
Maximum fee limit	None
High-water mark	Yes – see page 13.
Calculation and payment	Calculated and accrued daily and payable annually within 30 days of 31 March each year.

1. As at the date of this PDS. For current details of the Strategies that invest in the wholesale trusts where a performance-based fee may be charged, see the 'Other Material Information' document. 2. As the hurdle rate of return is based on the performance of the relevant wholesale trust, you may pay a performance fee even if the Strategy's overall performance is below the market index as reported in the fund updates. 3. The wholesale trusts are not charged a base fee by NZ Funds. However, for the purposes of calculating performance fees, a notional base fee is deducted. For more details see the 'Other Material Information' document.

## High-water mark

A performance fee is accrued if the performance of the relevant wholesale trust has exceeded its hurdle rate of return. However, the payment of any performance fee can only occur once the high-water mark is achieved.

A high-water mark is the value a fund must reach before the manager is paid a performance fee. Each wholesale trust's high-water mark is the net asset value per unit the last time a performance fee was determined to be payable or 31 March 2019 in the case of the first performance fee.

The high-water mark ensures all underperformance is recovered before a performance fee is paid to NZ Funds. If the high-water mark is not achieved as at 31 March each year, any accrued performance fee is carried forward and will be paid when the high-water mark is achieved.

NZ Funds may alter the rate and basis of calculation of the performance fee by providing one month's notice to all investors in the relevant Strategy.

## Individual action fees

NZ Funds does not charge any establishment, contribution, termination, withdrawal or switch fees. This is a key feature of NZ Funds WealthBuilder.

NZ Funds Private Wealth advisers will not charge any advice fees with respect to your investment in NZ Funds WealthBuilder, nor will NZ Funds facilitate the deduction of advice fees for any other financial advisers.

## NZ Funds onboarding and administration payment

We may pay financial advisers an onboarding and ongoing administration payment in recognition of the effort and costs associated with providing services to you with respect to your investment in NZ Funds WealthBuilder. These payments will be made by us out of our own funds and will not be deducted from the Strategies.

## Example of how fees apply to an investor

Liam invests \$10,000 in the Growth Strategy. He is charged management and administration charges (comprising base fee, service charges and external manager charges) which work out to about \$163 (1.63% of \$10,000). These fees might be more or less if his account balance has increased or decreased over the year.

Liam may also be indirectly charged a performance-based fee if the Private Dividend Yield Trust (a related underlying fund) in which the Growth Strategy is invested earned more than its target.

Estimated total fees for the first year:

Fund charges \$165\*

Other charges \$36

\* Includes estimated NZ Funds performance-based fee.

See the latest fund update for an example of the actual returns and fees investors were charged over the past year.

This example applies only to the Growth Strategy. If you are considering investing in other investment options in the Scheme, this example may not be representative of the actual fees you may be charged.

All fees are stated exclusive of GST or other similar tax. This means that if any GST, or other similar tax, is payable on any fee, that tax will be payable in addition to the amount of the fee.

NZ Funds may in its discretion and from its own funds, reduce, pay, contribute to or rebate some of the fees and expenses described in this section.

## The fees can be changed

Existing fees may be changed or new fees introduced in accordance with the Trust Deed. For more information, see the 'Other Material Information' document.

NZ Funds must publish a fund update for each investment option showing the fees actually charged during the most recent year. Fund updates, including past updates, are available at [www.nzfunds.co.nz](http://www.nzfunds.co.nz).

## 6. WHAT TAXES WILL YOU PAY ?

Each Strategy is a portfolio investment entity. The amount of tax you pay is based on your prescribed investor rate (PIR). To determine your PIR, go to [www.ird.govt.nz/toii/pir/](http://www.ird.govt.nz/toii/pir/). If you are unsure of your PIR, we recommend you seek professional advice or contact Inland Revenue.

It is your responsibility to tell NZ Funds your PIR when you invest or if your PIR changes. We will apply the PIR you tell us, unless we are directed by Inland Revenue to apply a different rate. If you do not tell us, a default rate may be applied.

If the advised PIR is lower than the correct PIR, you will need to complete a personal tax return and pay any tax shortfall, interest, and penalties. If the default rate or the advised PIR is higher than the correct PIR, then any additional tax paid by the Scheme on your behalf may reduce your income tax liability for that income year, and may give rise to a tax refund.

For more information on tax, see the 'Other Material Information' document.

## 7. WHO IS INVOLVED ?

### About NZ Funds

NZ Funds is the manager of the Strategies. NZ Funds makes decisions about what assets the Strategies invest in and may appoint external managers. NZ Funds is also responsible for the design of LifeCycle. Our contact details are:

Attention: Client Services  
NZ Funds  
Level 16, 21 Queen Street  
Private Bag 92163  
Auckland 1142

T. 09 377 2277 or 0508 733 337  
E. [info@nzfunds.co.nz](mailto:info@nzfunds.co.nz)  
W. [www.nzfunds.co.nz](http://www.nzfunds.co.nz)

### Who else is involved?

TITLE	NAME	ROLE
Supervisor and Custodian	The New Zealand Guardian Trust Company Limited	Supervisor and Custodian of the Strategies under the Financial Markets Conduct Act 2013, responsible for supervising NZ Funds as manager of the Strategies, and holding Scheme property on trust for the Scheme.

## 8. HOW TO COMPLAIN

In the first instance, please contact NZ Funds. Our contact details are set out in section 7 of this PDS 'Who is involved?' Complaints about an investment can also be made direct to the Supervisor.

Attention: NZ Funds Relationship Manager  
The New Zealand Guardian Trust Company Limited  
Level 14, 191 Queen Street  
PO Box 274  
Auckland 1140

T. 09 909 5100  
E. [ct-auckland@nzgt.co.nz](mailto:ct-auckland@nzgt.co.nz)  
W. [www.guardiantrust.co.nz](http://www.guardiantrust.co.nz)

### Dispute resolution scheme

NZ Funds and the Supervisor are both members of an approved dispute resolution scheme run by Financial Services Complaints Limited (FSCL). If your complaint has not been resolved to your satisfaction, you can contact FSCL. FSCL will not charge a fee to any complainant to investigate or resolve a complaint.

Attention: Early Assistance Officer  
Financial Services Complaints Limited  
PO Box 5967  
Wellington 6145

T. 04 472 3725 or 0800 347 257  
E. [complaints@fscl.org.nz](mailto:complaints@fscl.org.nz)  
W. [www.fscl.org.nz](http://www.fscl.org.nz)

## 9. WHERE YOU CAN FIND MORE INFORMATION

More information about the Scheme and the Strategies, such as financial statements, annual reports, quarterly fund updates, the 'Other Material Information' document, the Trust Deed and the SIPO, is available on the offer register and the scheme register at [disclose-register.companiesoffice.govt.nz](http://disclose-register.companiesoffice.govt.nz).

A copy of information on the offer register and the scheme register is available on request to the Registrar of Financial Service Providers.

Fund updates and other information relating to the Strategies (including the 'Other Material Information' document and the SIPO) is also available on our website. You may request a copy of this information from NZ Funds free of charge. Our contact details are set out in section 7 of this PDS 'Who is involved?'

## 10. HOW TO APPLY

You can invest by completing an online application form available through your financial adviser or our website at [www.nzfunds.co.nz](http://www.nzfunds.co.nz). Alternatively, you can call us on 0508 733 337 or email [wealthbuilder@nzfunds.co.nz](mailto:wealthbuilder@nzfunds.co.nz).

PAGE HAS BEEN LEFT BLANK INTENTIONALLY

# NZFUNDS

**New Zealand Funds Management Limited**

**Auckland**

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

Phone 09 377 2277  
[info@nzfunds.co.nz](mailto:info@nzfunds.co.nz)  
[www.nzfunds.co.nz](http://www.nzfunds.co.nz)