# NZ Funds
# Active Income Series
# Active Inflation Series
# Active Growth Series

Other Material Information

28 October 2025

NZFunds

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# 1. Description

This document contains more information about the funds (Portfolios) offered as a part of the NZ Funds Active Series, as described in more detail below. It should be read together with the Product Disclosure Statements (each a PDS and together the PDS's), Statement of Investment Policy and Objectives (SIPO), Quarterly Fund Updates and any other documents held on the offer and scheme registers at *disclose-register.companiesoffice.govt.nz*.

In this document, 'you', 'your', 'investor' or 'unit holder' means a person or entity that invests in a Portfolio, and 'NZ Funds', 'we', 'us', 'our' or 'the Manager' means New Zealand Funds Management Limited. When we use the word 'current' or 'currently' about a law, policy, or practice we mean at the date of this document.

The information in this document may change. Please check the offer register at *disclose-register.companiesoffice.govt.nz* for any updates.

# 2. NZ Funds Active Series

The NZ Funds Active Series is a series of 12 actively managed Portfolios, offered across three separate PDS's. The PDS's making up the NZ Funds Active Series are the:

- NZ Funds Active Income Series PDS
- NZ Funds Active Inflation Series PDS
- NZ Funds Active Growth Series PDS

Each PDS offers a series of Portfolios as set out below:

| PDS | Portfolio |
|---|---|
| NZ Funds Active Income Series | Cash Portfolio |
| | New Zealand and Australian Bonds |
| | Global Bonds |
| NZ Funds Active Inflation Series | New Zealand Property & Retirement Villages |
| | New Zealand Infrastructure |
| | New Zealand Utilities |
| | Global Property |
| | Global Infrastructure |
| | Global Utilities |
| NZ Funds Active Growth Series | New Zealand and Australian Shares |
| | Global Shares |
| | Global Macro |

The Portfolios can be used as stand-alone investments or combined in different ways in order to achieve different investment outcomes depending on how a client wishes to approach investing.

The Portfolios are established within the 'NZ Funds Managed Portfolio Service Part Two' Scheme, a managed investment scheme (Scheme) registered under the Financial Markets Conduct Act 2013 (FMC Act).

The Scheme is managed under the rules set out in the trust deed, also called the governing document (Trust Deed). You can get a copy of the Trust Deed from the scheme register at *disclose-register.companiesoffice.govt.nz*.

# 3. The Manager

## About NZ Funds

NZ Funds is the Manager of the Portfolios. We are licensed by the Financial Markets Authority (FMA) to be a manager of registered managed investment schemes under the FMC Act.

NZ Funds is wholly owned by Investment Group Holdings Limited (IGHL). IGHL is owned by interests associated with its directors and by the NZ Funds Executive Trustee Company Limited as trustee of the IGHL Trust. The beneficiaries of the IGHL Trust are mainly senior management of NZ Funds.

NZ Funds is a climate reporting entity under Part 7A of the FMC Act. We are required to make annual disclosures called “climate reports” for the Scheme covering governance arrangements, strategy, risk management, and metrics and targets for mitigating and adapting to climate-related impacts. The annual climate reports for the Scheme are on the Climate-related Disclosures Register, which can be accessed at *companiesoffice.govt.nz/all-registers/climate-related-disclosures*.

## Our directors

**John Lindsay Cobb** (PG Dip (Business Finance), NZX Diploma, Level 1 and 2, ASX Derivatives qualification) is an independent director and Chair of NZ Funds. He was appointed a director of NZ Funds from February 2019. John has had a 20-year career in private wealth and investment banking, and now works with a number of small businesses assisting with growth and investment.

**Bruce Baillie** (BCom) is an independent director of NZ Funds, appointed from January 2022. Bruce is an experienced accountant who had a 30-year career as a Partner at PwC, involved in advising a wide range of organisations including many in the financial services industry, before embarking on a career as an independent director. He has significant experience in audit and financial reporting matters and is now an independent director and advisor to a range of organisations, including those in the financial services and fintech industries.

**Gregory Bernard Horton** (LLB (Hons), BCom) is an independent director of NZ Funds. Gregory was appointed a director of NZ Funds from May 2013. Gregory is a consultant to Harmos Horton Lusk Limited, a law firm based in Auckland. He has practiced law both in New Zealand and New York.

**Michael John Lang** (BA (Econ), LLB (Hons), CFA) is a director and Chief Executive of NZ Funds. Michael has more than 30 years experience in the financial services industry in New Zealand and in hedge funds overseas. Michael became a director of NZ Funds in 2010 and was appointed Chief Executive from October 2018. Michael is not an independent director as he is an employee of NZ Funds and has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

**Russell William Tills** (BCom, ACA) is a non-executive director of NZ Funds. Russell has more than 40 years' experience in the financial services industry in New Zealand and overseas. He joined NZ Funds in 1989 and was jointly responsible for building and leading NZ Funds until 2009. He was a director of NZ Funds until March 2010. He was reappointed as a director of NZ Funds from March 2016. Russell is not an employee of NZ Funds and he is not an independent director as he has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

Our directors may change from time to time. You can find the names of our directors at *companies-register.companiesoffice.govt.nz*.

# 4. Other parties

## Supervisor

The New Zealand Guardian Trust Company Limited is the supervisor (Supervisor) of the Portfolios. The Supervisor is licensed by the FMA to act as a supervisor of registered managed investment schemes under the Financial Markets Supervisors Act 2011. More information on their licence is available on the FMA's website at *fma.govt.nz*.

The Supervisor's current directors are Robin Albert Flannagan, Bryan David Connor and Sarah Louise Graydon. The Supervisor's directors may change from time to time. You can find the names of the Supervisor's directors at any time at *companies-register.companiesoffice.govt.nz*.

## Custodian

The Supervisor is responsible for holding the property of the Portfolios. The Supervisor has entered into custodial services agreements with Citibank N.A. to provide custodial services to the Portfolios, however, all property of the Portfolios is currently held by the Supervisor.

## Auditor

The auditor is Ernst & Young. Ernst & Young is registered under the Auditor Regulation Act 2011.

## Solicitors

The solicitors are Russell McVeagh.

# 5. Supervisor & Manager indemnity

Subject to the limits on permitted indemnities under the FMC Act, both we and the Supervisor are indemnified out of the Portfolios for all losses, costs and expenses incurred by us or the Supervisor in carrying out our roles as Manager and Supervisor.

This indemnity does not cover losses, costs and expenses arising from our wilful default, wilful breach of trust, fraud or gross negligence. More information is set out in the Trust Deed. You can get a copy of the Trust Deed by contacting NZ Funds.

# 6. Other key terms

This section summarises some of the key terms used in the Portfolios. For more detailed information, please see the Trust Deed.

## Valuation & unit pricing

Calculating a unit price allows us to value your investment in a Portfolio. Each Portfolio's unit price is calculated by dividing the net asset value of that Portfolio by the number of units issued to investors. The net asset value is the value of a Portfolio's assets less its liabilities.

The Trust Deed sets out the principles that apply to the valuation of a Portfolio's assets and calculation of net asset value. We generally calculate the net asset value of a Portfolio each business day.

NZ Funds may set valuation methods and policies for each category of asset and change them from time to time. The Supervisor approves these valuation methods and policies and we will tell the Supervisor if we make any changes. Sometimes we use estimates to value assets, for example, where assets are priced monthly, or where assets become illiquid (difficult to convert to cash) or are not regularly traded.

Specific transactions (for example, large transactions) may require us to adjust the unit price for that day so that the costs of those transactions are paid by the investors involved in those transactions. NZ Funds does not currently charge transaction costs.

## Issuing units

NZ Funds may decline to accept any application for units in a Portfolio and do not have to give a reason for declining an application. We may also defer accepting any application by up to two business days.

The process for investing in the Portfolios is explained in each PDS. Application amounts are paid into a non-interest bearing bank account and will be applied to the relevant Portfolios once the application is accepted. Application amounts must be in New Zealand dollars.

There are currently no minimum or maximum investment amounts. We will tell you if we introduce a minimum or maximum investment amount.

## Withdrawals

Subject to current withdrawal restrictions and our right to defer or suspend withdrawals, we will redeem your units in a Portfolio under the procedures in the Trust Deed where you give us a valid withdrawal request. You cannot cancel a withdrawal request unless we agree.

NZ Funds may introduce restrictions and limitations on withdrawals. Currently, all Portfolios (other than the Cash Portfolio) have a 14 day withdrawal notice period. This means you must give us 14 days' notice of your intention to withdraw, unless you are switching to another Portfolio in which case you can generally switch your investment at any time. We may change these notice periods without notifying you.

Withdrawal payments are based on the unit price for each unit redeemed (Redemption Price). If a withdrawal notice period applies, we will calculate the Redemption Price for the day the notice period expires (or if that day is not a business day, on the next business day).

If there is no withdrawal notice period, we will calculate the Redemption Price for the day we receive your withdrawal request so long as that day is a business day and your withdrawal request is received before 2pm. If your withdrawal request is received after 2pm or on a day that is not a business day, we will calculate the Redemption Price for the next business day.

Under the Trust Deed, we must pay withdrawals within 20 business days of the date the withdrawal request is accepted (subject to our right to defer or suspend withdrawals). However, we normally pay withdrawals within four business days of the date the withdrawal request is accepted. We may defer withdrawals for up to two business days.

You can withdraw from a Portfolio offered under one PDS and have the proceeds paid into an NZ Funds managed portfolio under another PDS. To do this, you will need to complete the application form for the other managed portfolio.

## Switches

A switch is considered a withdrawal from one Portfolio and an application for units in another Portfolio. There are currently no notice periods for switches, so you can generally switch your investment at any time (subject to our right to defer or suspend switches).

NZ Funds normally processes switch requests within two business days of receipt. We may defer processing some or all switch requests for up to 20 business days. Where a switch request is deferred, we will calculate withdrawal proceeds on the date the switch request is processed, not on the date we receive the switch request.

## Deferring & suspending withdrawals & switches

Where we receive withdrawal or switch requests for more than 10% of a Portfolio's units on a particular date, we may 'scale back' requests so that only some of the units are redeemed. Any units not redeemed may be redeemed by us at any time. There is no specific time period in which we must redeem these units.

In certain circumstances, we may also suspend withdrawals and switches by giving a redemption suspension notice. For example, if we think it is not practicable, or would be materially prejudicial to the interests of any unit holders, to sell assets for redemptions. This could be due to market conditions, the nature of any asset or other circumstances.

If we give a redemption suspension notice, this means all withdrawal and switch requests are suspended until we tell you the suspension is cancelled. If the redemption suspension notice is cancelled, suspended withdrawals and switches may be paid at a revised redemption price calculated on a revised redemption date determined by the Manager. There is no limit on the suspension period for any Portfolio. Even if we give a redemption suspension notice for a Portfolio, we may allow you to withdraw:

- if, in our opinion, suspending your withdrawal or switch request would cause you financial hardship;
- if you have a regular withdrawal arrangement with us; or
- in any other circumstances, we consider reasonable.

## Closing your investment

In some circumstances, we may need to redeem all your units or close your investment in a Portfolio. For example, if we consider it is necessary to comply with any laws or to avoid adverse regulatory consequences for us, the Supervisor, the Portfolios or investors in the Portfolios generally.

We may also redeem all your units if your withdrawal request would leave you with less than the minimum holding, or where it is necessary to maintain a Portfolio's Portfolio Investment Entity (PIE) status.

## Borrowing

Borrowing is allowed under the Trust Deed. However, the Portfolios do not currently borrow money for the purpose of investing. This does not include ongoing operational agreements with service providers such as overdraft facilities and creditor relationships or leverage created through the use of derivatives.

## Winding-up/insolvency

If a Portfolio is wound up or becomes insolvent, the assets of the Portfolio will be sold and the money will be used first to meet the claims of any creditors. After all creditors have been paid, your share of what remains will be paid to you.

## Indemnity for tax liability

You are required to repay us and the Supervisor for any tax paid on your behalf on income from your investment in a Portfolio. This only applies if your investment is not sufficient to meet your tax liability.

## Changes to Trust Deed

The Trust Deed can be changed by us and the Supervisor. Any changes must comply with the FMC Act.

# 7. More about fees & charges

## Annual fund charges

Estimated annual fund charges are included in section 5 of each PDS and are made up of a management fee, estimated performance fees and external management fees, and estimates of other charges incurred by the Portfolios.

In addition to annual fund charges, transaction costs of buying and selling assets (e.g. brokerage) are paid directly or indirectly by the Portfolios and reflected in the unit price.

## Management fees & rebates

Each Portfolio is charged an annual management fee by NZ Funds for managing and administering the Portfolios. The management fee is calculated daily and paid monthly.

NZ Funds may change the management fee, so long as we tell the Supervisor and investors one month before we change it. We may also charge an investor or group of investors (including any group of investors advised by a financial advice provider), a lower management fee, or we may rebate all or some of the management fee for an investor or a group of investors.

**Current management fees**

The current management fees are:

| Series | Portfolio | Management fee* (p.a.) |
|---|---|---|
| NZ Funds Active Income Series | Cash Portfolio | 0.30% |
| | New Zealand and Australian Bonds | 1.15% |
| | Global Bonds | 1.15% |
| NZ Funds Active Inflation Series | New Zealand Property & Retirement Villages | 2.17% |
| | New Zealand Infrastructure | 2.17% |
| | New Zealand Utilities | 2.17% |
| | Global Property | 2.17% |
| | Global Infrastructure | 2.17% |
| | Global Utilities | 2.17% |
| NZ Funds Active Growth Series | New Zealand and Australian Shares | 2.17% |
| | Global Shares | 2.17% |
| | Global Macro | 2.17% |

* As a percentage of gross asset value of each Portfolio.

The Portfolios invest in wholesale trusts managed by us (wholesale trusts), however we do not charge separate management fees for the wholesale trusts. We may charge a performance fee in certain wholesale trusts – see 'Performance fee' on page 7.

**Management fee rebates**

NZ Funds may rebate a portion of the management fee from our own funds based on the total amount you have invested in the NZ Funds Active Series and other managed funds offered by NZ Funds (your total investment). If your total investment is more than $2,000,000 we will rebate up to 1.30% of the management fee charged in all Active Series Portfolios. We may also offer an investor or group of investors a different fee rebate at our discretion.

The fee rebate you are entitled to is based on your total investment at each calculation date. This means that contributions, withdrawals and market movements may influence your rebate entitlement. We may also extend the rebate calculation to include your related accounts.

The management fee rebate is calculated daily based on your investment balance and paid monthly by giving you extra units in the relevant Portfolios. The rebate will generally be paid on the 25th of each month. If you fully withdraw from the Portfolios before we pay any fee rebate, you will no longer be entitled to that rebate.

NZ Funds may change the rate and basis for calculating the management fee rebate, or remove the rebate, at any time. If we decrease the rebate rate or remove the rebate, we will give one month's notice to investors affected by the change.

**Additional fee rebates**

In addition to the management fee rebates described above, we may at our discretion and from our own funds, pay or rebate some or all fees and expenses described in this section, and we may, at our discretion, offer an investor or a group of investors a different fee rebate from that set out in this section.

For example, we may choose to offer an investor or a group of investors a management fee rebate that is different from that set out above, or we may choose to rebate to some investors a portion of the fees and other fund charges charged to the Portfolios that are indirectly incurred by them.

NZ Funds may change the rate and basis of any additional fee rebate, or remove any additional rebate, at any time, provided that in no case will the removal of an additional rebate result in an investor paying fees (excluding performance fees) in excess of those set out in section 5 of the PDS.

## Performance fee

None of the Portfolios 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 Portfolios invest in. The wholesale trusts (where a performance fee may be charged), and the Portfolios that currently invest in those wholesale trusts, are set out in the table on page 9.

The performance fee for each wholesale trust is calculated daily and reflected in its unit price. Performance fees are payable on or after 31 March each year, subject to a high-water mark as described in the relevant PDS. The high-water mark cannot be reset lower.

The wholesale trusts use recognised market indices as their performance hurdle rates of return. Out-performance of the market indices, whether the market index return is positive or negative, will result in a performance fee being accrued even though the unit price may be below the last high-water mark.

The performance returns of each wholesale trust are calculated on a before tax basis and do not include imputation credits. When we calculate the performance of the hurdle rate, we include a notional wholesale management fee of 0.50% per annum.

The notional management fee has the effect of increasing the required level of return the wholesale trust must achieve before it is eligible for a performance fee.

The table on page 8 contains an example of the Private Dividend Yield Trust performance fee. It is a simplified example of how the performance fee is calculated in different scenarios. It is for illustration only and is not an indication of an actual calculation made or a forecast investment return.

The annual fund charges in each PDS include the following estimated performance fees:

| Series | Portfolio | Estimated performance fee (p.a.)* |
|---|---|---|
| NZ Funds Active Income Series | Cash Portfolio | n/a |
| | New Zealand and Australian Bonds | 0.03% |
| | Global Bonds | 0.03% |
| NZ Funds Active Inflation Series | New Zealand Property & Retirement Villages | 0.02% |
| | New Zealand Infrastructure | 0.03% |
| | New Zealand Utilities | 0.03% |
| | Global Property | 0.02% |
| | Global Infrastructure | 0.02% |
| | Global Utilities | 0.02% |
| NZ Funds Active Growth Series | New Zealand and Australian Shares | 0.06% |
| | Global Shares | 0.00% |
| | Global Macro | 0.06% |

* As a percentage of gross asset value of each Portfolio.

These estimates are based on the following assumptions:

- that the wholesale trust will on average achieve returns above the market index (hurdle rate) over the long term.
- that the percentage of each Portfolio invested in the wholesale trusts that charge performance fees are based on current target allocations.

The estimates are not intended to indicate any expected returns or fees. Actual performance fees will vary from the estimates. Actual performance fees are available in the Quarterly Fund Update which you can get from our website at *www.nzfunds.co.nz*.

The performance fees received by NZ Funds for the previous five years, ended 31 March, are shown (as a percentage of the net asset value of each Portfolio) in the table on page 9. These are paid indirectly by the wholesale trusts that each Portfolio invests.

All performance fees paid to NZ Funds by the wholesale trusts are on arm's length terms and meet the requirements for related party transactions in the FMC Act.

## Other fund charges

Fund charges include estimates of what third parties charge for services provided to the Portfolios and related wholesale trusts that the Portfolios invest in. They include the Supervisor's fee, estimates of professional fees and expenses, and estimates of fees charged by external specialist investment managers (external managers).

The Supervisor charges a fee for providing supervisory and custody services to each Portfolio. Supervisor fees are calculated daily and paid by each Portfolio monthly. The Supervisor may, if we agree, change the Supervisor fee at any time.

### Example of Private Dividend Yield Trust performance fee

| Financial year | Investment value at start of year | Investment value at end of year (before performance fee) | Investment return | Hurdle rate | Relative Performance % | Relative Performance $ | Value of under-performance brought forward | Net out performance | Performance fee charged | High-water mark | High-water mark met | Performance fee paid | Performance fee accrued to pay in future years | Under performance carried forward |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Y1 | $10,000.00 | $11,000.00 | 10.0% | 8.0% | 2.0% | $200.00 | nil | $200.00 | $30.00 | $10,000.00 | ✓ | $30.00 | nil | nil |
| Y2 | $10,970.00 | $11,847.60 | 8.0% | 10.0% | -2.0% | nil | nil | -$219.40 | nil | $10,970.00 | ✓ | nil | nil | -$219.40 |
| Y3 | $11,847.60 | $10,662.84 | -10.0% | -15.0% | 5.0% | $592.38 | -$219.40 | $372.98 | $55.95 | $10,970.00 | ✗ | nil | $55.95 | nil |
| Y4 | $10,606.89 | $12,197.93 | 15.0% | 15.0% | 0.0% | nil | nil | nil | nil | $10,970.00 | ✓ | $55.95 | nil | nil |

In the example above, the performance fee of the Private Dividend Yield Trust is 15% of the amount by which its performance (after wholesale trust fees and before tax but not including imputation credits) exceeds the hurdle rate of return.

In year one, the Private Dividend Yield Trust outperforms the hurdle rate by 2% accruing a performance fee which is then paid at the end of the performance period and a new high-water mark set.

In year two, the Private Dividend Yield Trust underperforms the hurdle rate and consequently no performance fee is accrued. Any underperformance is carried forward and must be recovered before any future performance fee is accrued. This is illustrated in year three, when the Private Dividend Yield Trust returns more than the hurdle rate and the year two underperformance is recovered.

As the outperformance in year three exceeds the underperformance from year two, a performance fee is accrued in year three. However, no performance fee is paid at the end of year three as the Private Dividend Yield Trust is below the last high-water mark (set in year one).

The performance fee accrued in year three is not paid until the end of year four, when the Private Dividend Yield Trust exceeds the high-water mark. A new high-water mark is then set at the end of year four.

The Portfolios and wholesale trusts may also incur professional fees (such as fees for legal, accounting and audit services) and other charges (such as charges for administration, valuation and custody services to the wholesale trusts).

The Trust Deed allows these professional fees and other charges incurred by the Portfolios to be paid out of the assets of the relevant Portfolio as expenses. Professional fees and other charges incurred by the wholesale trusts will be paid out of the assets of the relevant wholesale trust.

The Trust Deed also allows NZ Funds, the Supervisor and any party that may be appointed by NZ Funds or the Supervisor to be reimbursed for all expenses properly incurred while carrying out their duties in relation to the Portfolios.

External managers may charge fees (including entry fees, exit fees, management and administration fees, and performance fees) and incur expenses.

An external manager will typically only charge a performance fee when its investment return outperforms a benchmark or a performance hurdle (which may be 0%).

An external manager may also charge a performance fee where they are appointed to manage a wholesale trust that outperforms its investment benchmark and the external manager fee is based on the wholesale trust's outperformance.

Where the Portfolios indirectly invest in external managers their returns will be affected by the fees and expenses charged by external managers.

Estimates of other external management fees and expenses are based on fee information provided by the current external managers. Assumptions on the percentage of each Portfolio that is invested in external managers are based on the Portfolios' current target allocations.

The external managers and each Portfolio's allocation to those managers will change from time to time. Actual fees will depend on the managers selected, their performance, and the allocation to those managers, which is likely to vary from these estimates.

Estimates of the fund charges are included within 'annual fund charges' in the relevant PDS.

## Basis for estimated fund charges

The annual fund charges in each PDS include estimates of Supervisor's fees, professional fees, other charges, expenses, external manager fees, and performance fees.

Estimates of external manager fees and performance fees are discussed on pages 6 and 7. All other estimates are based on the assumption that the ongoing level of these charges will be similar to those charged in the most recent financial year.

Actual annual fund charges for each Portfolio for the most recent year are available in the latest Quarterly Fund Update which you can get from our website at *www.nzfunds.co.nz*.

## Securities lending revenue

The net proceeds from securities lending and other specific revenue generating activities will be shared equally between NZ Funds and the relevant Portfolio.

## Individual action fees

NZ Funds does not charge any establishment, application, contribution, termination, withdrawal, switch or transfer fees.

### Wholesale trusts that may charge a performance fee

| Investing Portfolios | Private Core Income Trust | Private Global Income Trust | Private Global Macro Trust | Private Global Property Trust | Private Dividend Yield Trust | New Zealand Investment Trust 3 | New Zealand Investment Trust 9 | New Zealand Investment Trust 16 | New Zealand Investment Trust 20 | New Zealand Investment Trust 23 | New Zealand Investment Trust 24 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash Portfolio | | | | | | | | | | | |
| New Zealand and Australian Bonds | ✓ | | | | | | | | | | |
| Global Bonds | | ✓ | | | | | | | | | |
| New Zealand Property & Retirement Villages | | | | | | ✓ | ✓ | | | | |
| New Zealand Infrastructure | | | | | | ✓ | | | ✓ | | |
| New Zealand Utilities | | | | | | ✓ | | ✓ | | | |
| Global Property | | | | ✓ | | ✓ | | | | | |
| Global Infrastructure | | | | | | ✓ | | | | | ✓ |
| Global Utilities | | | | | | ✓ | | | | ✓ | |
| New Zealand and Australian Shares | | | | | ✓ | | | | | | |
| Global Shares | | | | | | | | | | | |
| Global Macro | | | ✓ | | | ✓ | | | | | |

## Financial advice provider fee

With your agreement, your financial advice provider may charge a fee for financial advisory services they provide. These fees, including how and when the fees are paid, should be agreed between you and your financial advice provider.

Details of these fees must be set out in your financial advice provider's disclosure statement. These fees are payable by you to your financial advice provider, and may, if you agree, be deducted from your investment.

Where you have selected a financial adviser employed by NZ Funds, we may charge a fee for financial advisory services in the same way as set out above.

## Onboarding & service payments

NZ Funds may pay financial advice providers an onboarding and ongoing service payment in recognition of the effort and costs associated with providing services to you regarding your investment in the NZ Funds Active Series. These payments are made out of the revenue earned by NZ Funds for managing the Portfolios and are not deducted directly from the Portfolios.

**Goods & Services Tax (GST)**

Fees do not include GST or other similar tax. This means that if any GST or other similar tax is payable, it will be in addition to the stated fee.

### Performance fees paid to NZ Funds

| Portfolio | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Cash Portfolio | n/a | n/a | n/a | n/a | n/a |
| New Zealand and Australian Bonds | 1.38% | 0.72% | nil | nil | nil |
| Global Bonds | 0.90% | 0.54% | 0.62% | nil | nil |
| New Zealand Property & Retirement Villages[1] | n/a | n/a | nil | 0.29% | 0.03% |
| New Zealand Infrastructure[1] | n/a | n/a | nil | nil | nil |
| New Zealand Utilities[1] | n/a | n/a | nil | nil | nil |
| Global Property[1] | n/a | n/a | nil | nil | nil |
| Global Infrastructure[1] | n/a | n/a | nil | 0.78% | nil |
| Global Utilities[1] | n/a | n/a | nil | nil | nil |
| New Zealand and Australian Shares | 1.90% | nil | 0.01% | nil | nil |
| Global Shares | 8.96% | nil | nil | nil | nil |
| Global Macro | 17.22% | nil | nil | nil | nil |

1. As the Portfolios making up the NZ Funds Active Inflation Series were established on 17 February 2023 there is no historical performance fee information for the years before March 2023.

# 8. More about active management

NZ Funds takes an active investment management approach in managing the Portfolios. This means we make ongoing investment decisions, search for emerging opportunities, buy or sell securities as appropriate, and use sophisticated investment instruments and techniques in seeking to achieve the investment objectives of each Portfolio.

## Active management generally

Our active investment management approach means that we (and the specialist investment managers we work with) make buy and sell decisions every day, increase your investments in assets we believe have stronger upside, and reduce investments in assets that we believe have run their course.

NZ Funds also has the ability to invest using sophisticated investment instruments and techniques (used by other managers who manage money in similar ways to us). These instruments and techniques may not be generally accessible to individual investors.

## Actual investment mix

As a result of our active investment management approach, the actual investment mix of a Portfolio may vary significantly from the target investment mix shown in the table in Section 3 of each PDS.

This can be illustrated by the graphs on pages 11 to 14, which show the actual investment mix of each Portfolio. For the NZ Funds Active Income Series Portfolios and the NZ Funds Active Growth Series Portfolios the actual investment mix for each Portfolio is shown for the last five years. For the NZ Funds Active Inflation Series Portfolios the actual investment mix of each Portfolio is shown from 31 March 2023 (as they were established on 17 February 2023).

The actual investment mix in the graphs is taken from the Quarterly Fund Update for each Portfolio, which are scaled to 100% to take into account the impact of derivatives.

## Use of derivatives

Derivatives can be considered to be 'leveraged' investments, which means that a relatively small investment in derivatives can produce the same gain (or loss) as a much larger investment in the underlying asset itself.

The use of derivatives and the leverage their use creates may increase or decrease investment risk. NZ Funds uses derivatives in a selective manner and makes decisions on the range of leverage that individual Portfolios may use.

The use of leverage is managed through NZ Funds' active investment management approach and through the processes and policies surrounding our investment guidelines. The guidelines are not limits on the amount of leverage that may be used in each authorised asset class and the guidelines do not impose a limit on how we may invest.

NZ Funds expects to regularly use leverage (via derivatives) to change the exposure to an authorised asset class. The actual amount of leverage used by the Portfolios for the preceding five years is set out in the table on page 15.

The use of derivatives can substantially alter the returns and risks of a Portfolio and may result in higher or lower returns than a fund that does not use derivatives.

Investors should be aware that the leverage through derivatives in each Portfolio changes frequently and those changes can be material.

In most cases, we use notional market exposure when calculating leverage. This means that, in the table on page 15, when we own a derivative we show how much exposure to an authorised asset class the derivative contract gives the Portfolio. However, some forms of economic exposure such as exposure to bonds or currencies are included on a profit and loss basis.

Also, we do not normally net exposures when calculating the amount of leverage in the Portfolio. This means that we do not distinguish between an active exposure that is designed to enhance the return of the Portfolio and an exposure that is designed to hedge (or reduce the risk of) the Portfolio. Instead, we normally show the total value of all exposures added together.

## Foreign currency

NZ Funds actively manages foreign currency in each Portfolio. Where a Portfolio holds assets denominated in a foreign currency, we have the choice of whether to hedge back to the New Zealand dollar or retain a foreign currency exposure.

Irrespective of whether a Portfolio holds investments in that currency, a Portfolio can also take active foreign currency positions by investing in non-New Zealand dollar cash or foreign currency derivatives. The foreign currency exposure for each Portfolio is set out in its Quarterly Fund Update.

## Investment guidelines

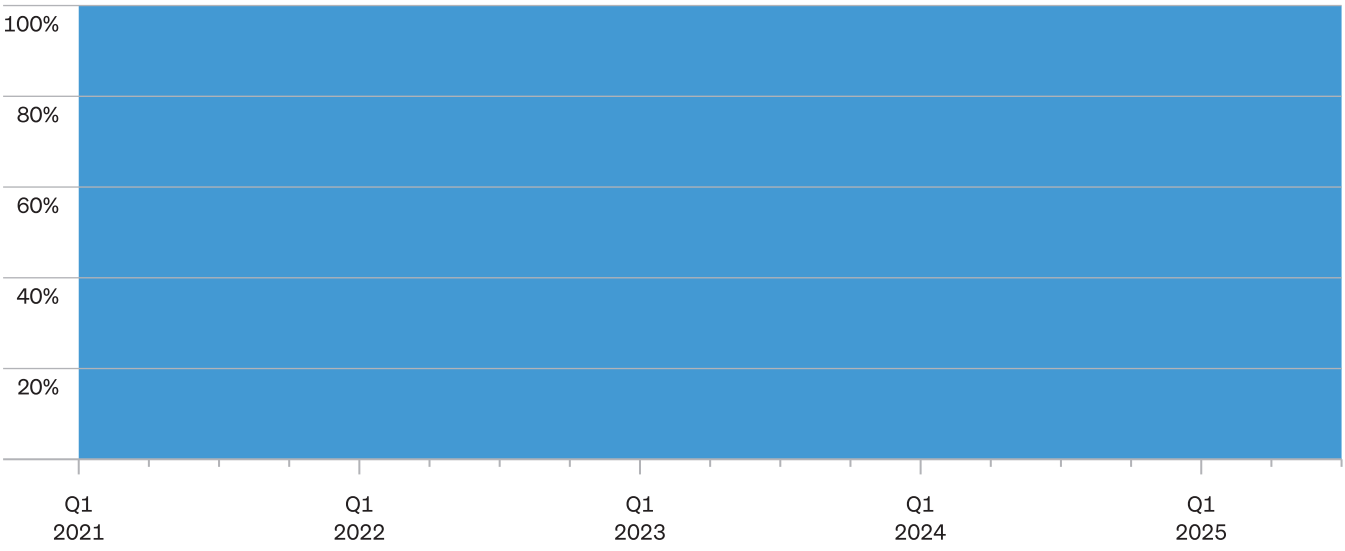
NZ Funds maintains internal investment guidelines which are used in the oversight of the Portfolios. These guidelines are designed to ensure the Portfolios invest in accordance with their investment objective and timeframe.

The guidelines set out ranges within which each Portfolio will usually (but not always) invest in authorised asset classes (being the types of assets that a Portfolio is permitted to invest in), and also addresses other investment matters such as the ability of a Portfolio to use leverage and the level of liquidity that a Portfolio will target.

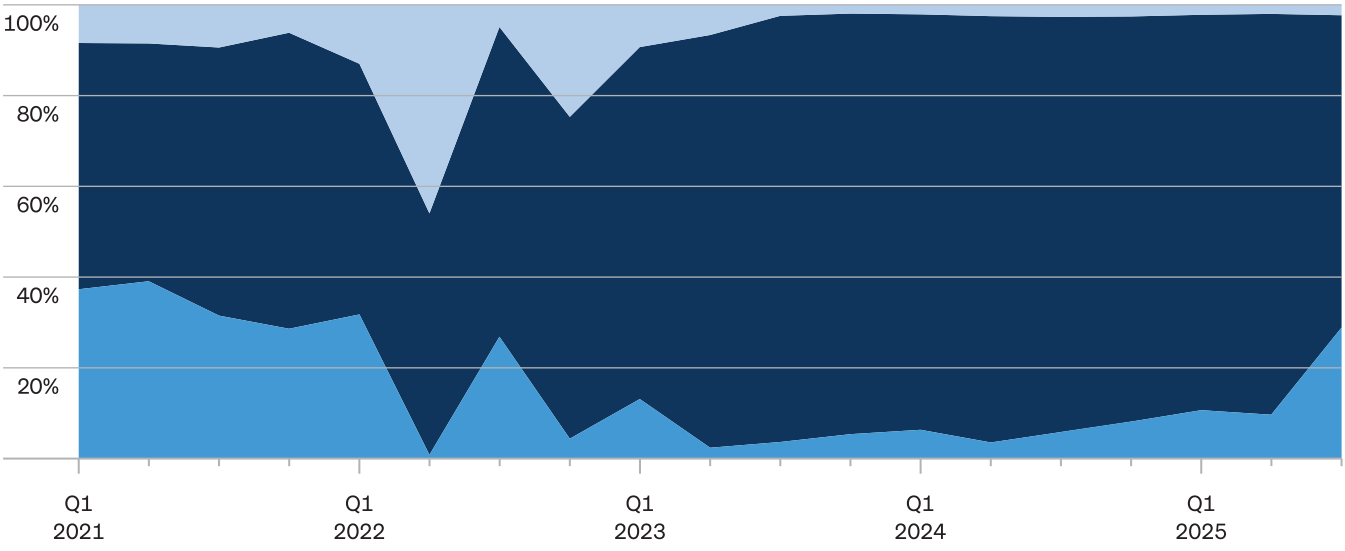
Guidelines may be exceeded from time to time over the course of an economic cycle. When this occurs, the Manager will either alter the investment, or in some cases seek a guideline change from the NZ Funds Investment Governance Committee and NZ Funds Board.

Compliance with the guidelines is monitored by NZ Funds' Compliance team. Where the Compliance team identify that a guideline has been exceeded, they must notify the Chief Investment Officer and Chief Operating Officer of the event and of the proposed course of action.

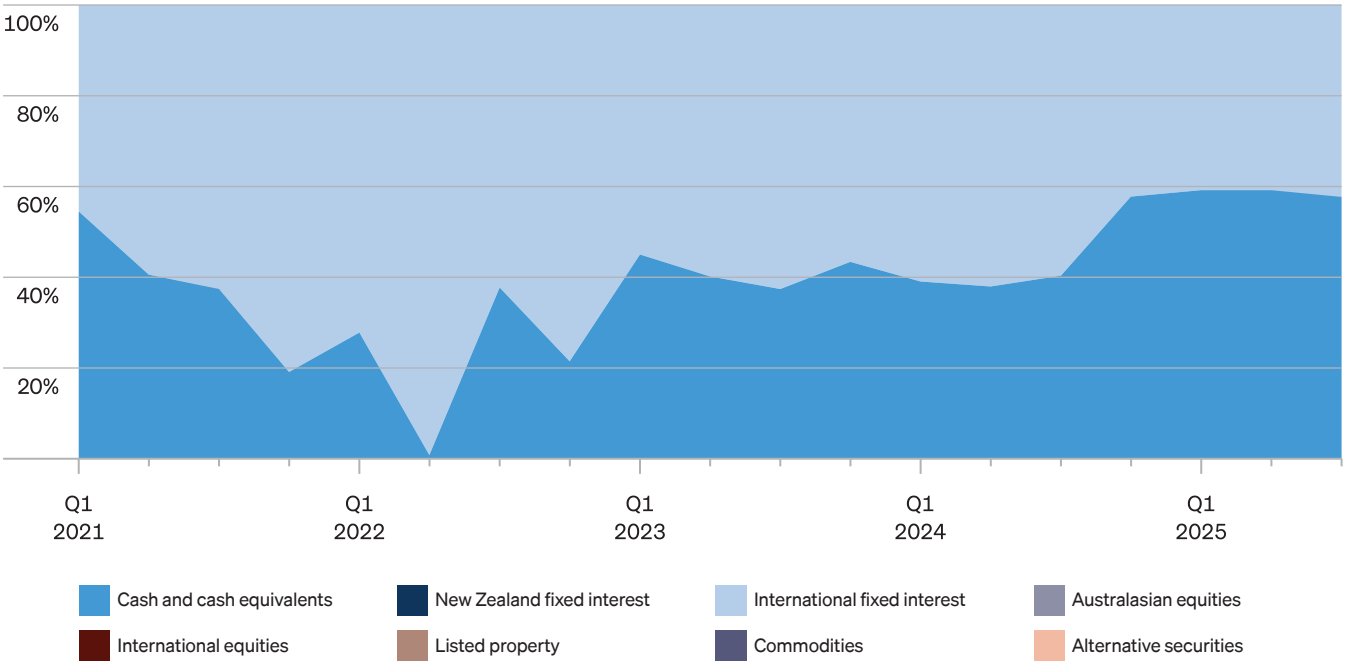
**Cash Portfolio**



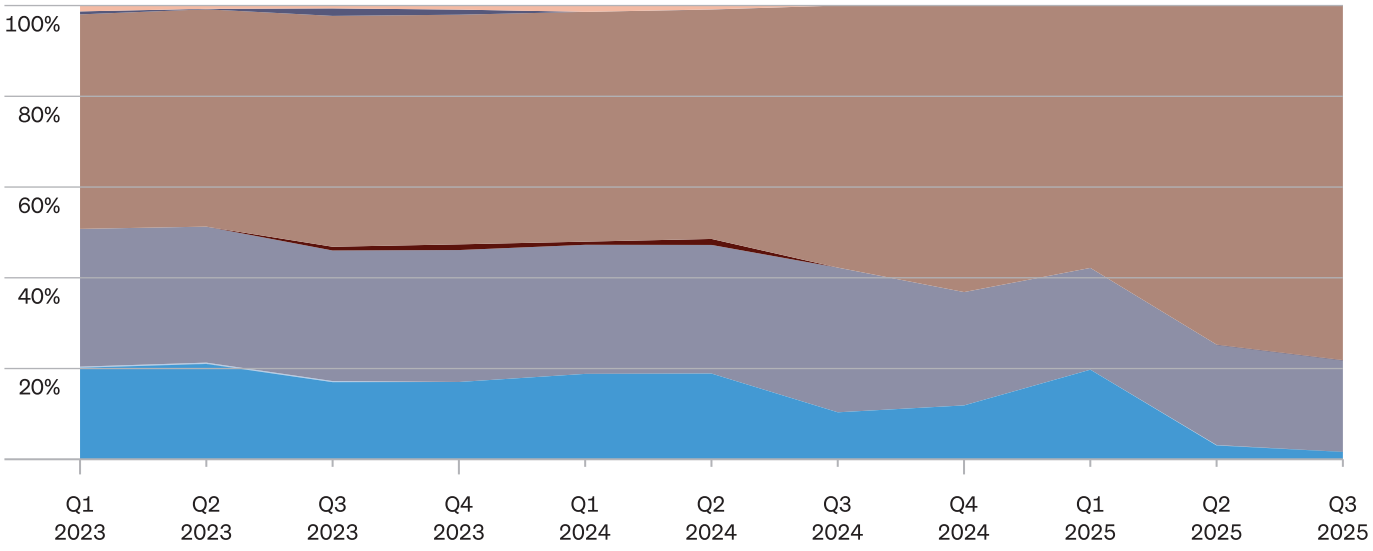

**New Zealand and Australian Bonds**



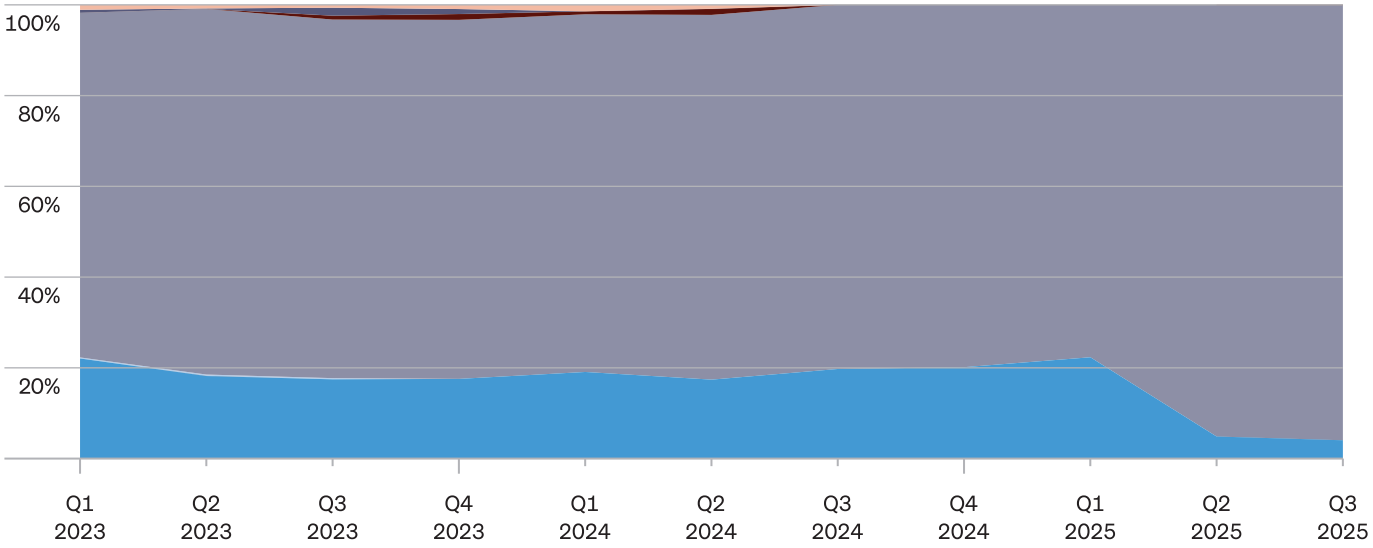

**Global Bonds**



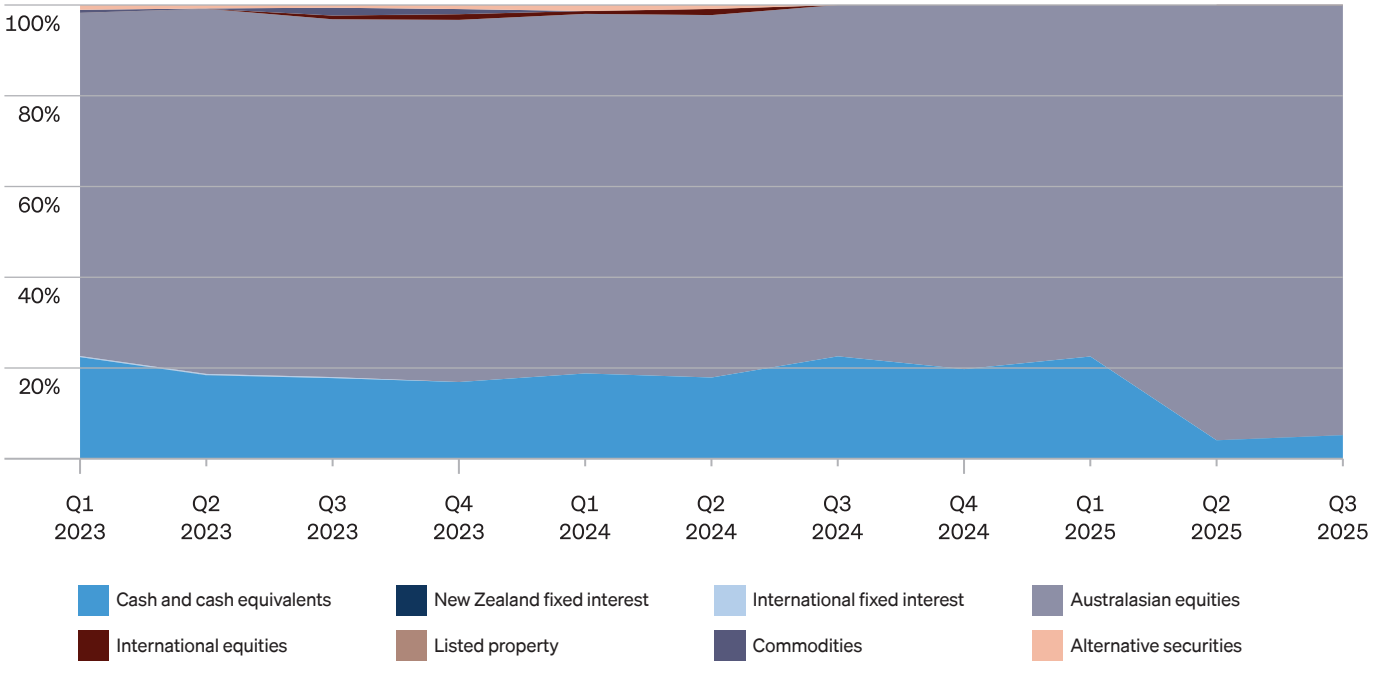
**New Zealand Property and Retirement Villages**



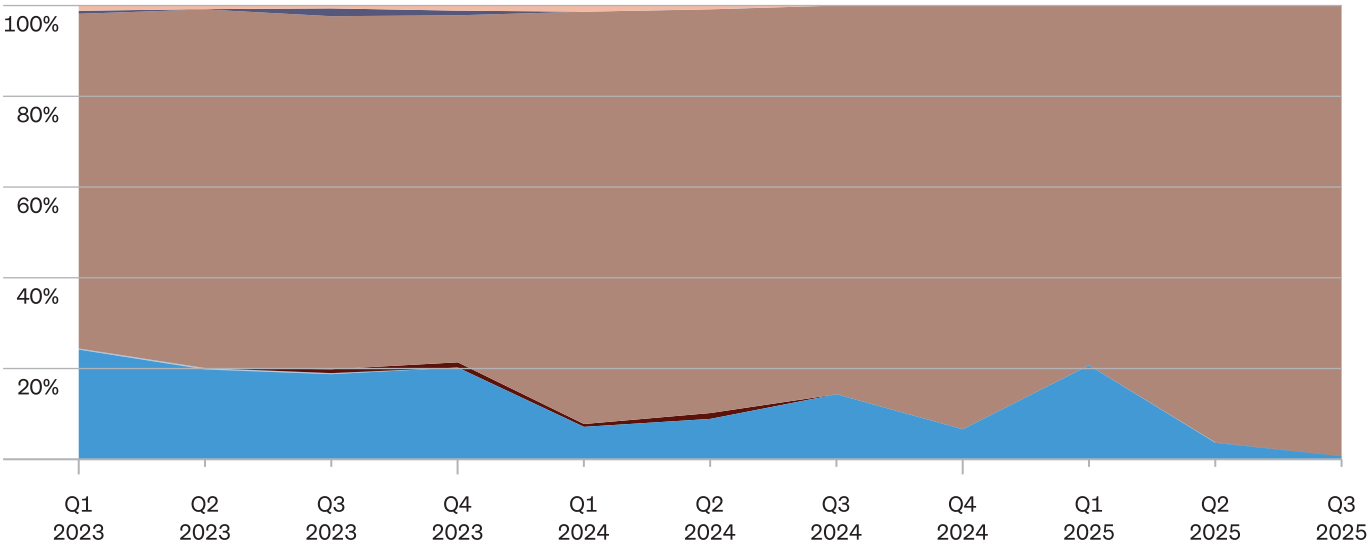

**New Zealand Infrastructure**



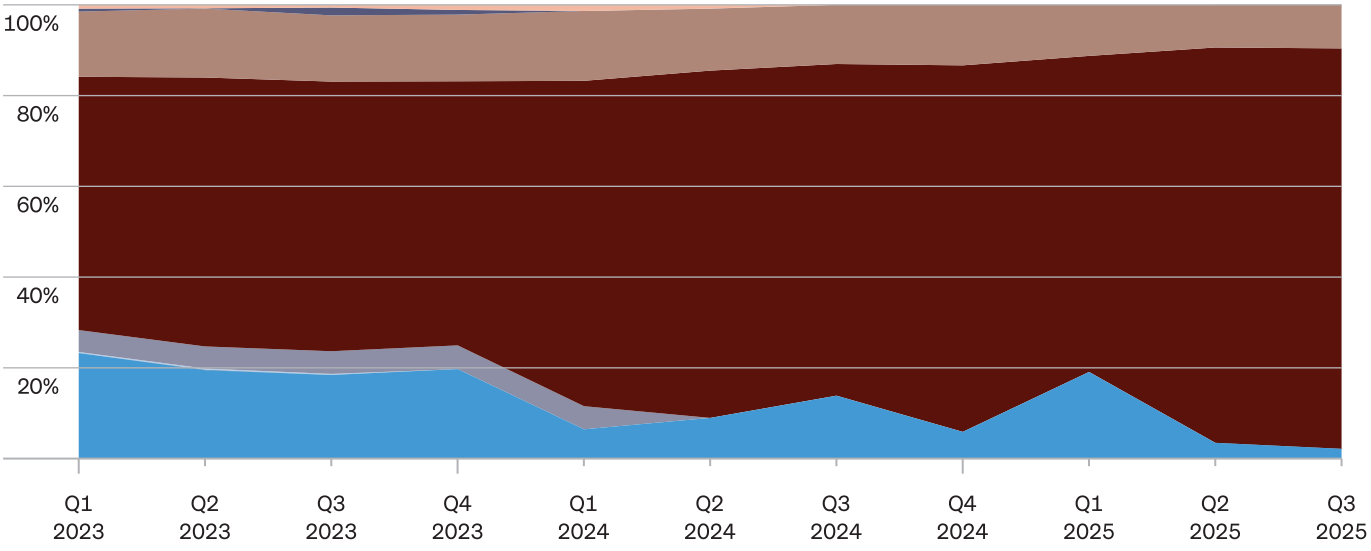

**New Zealand Utilities**



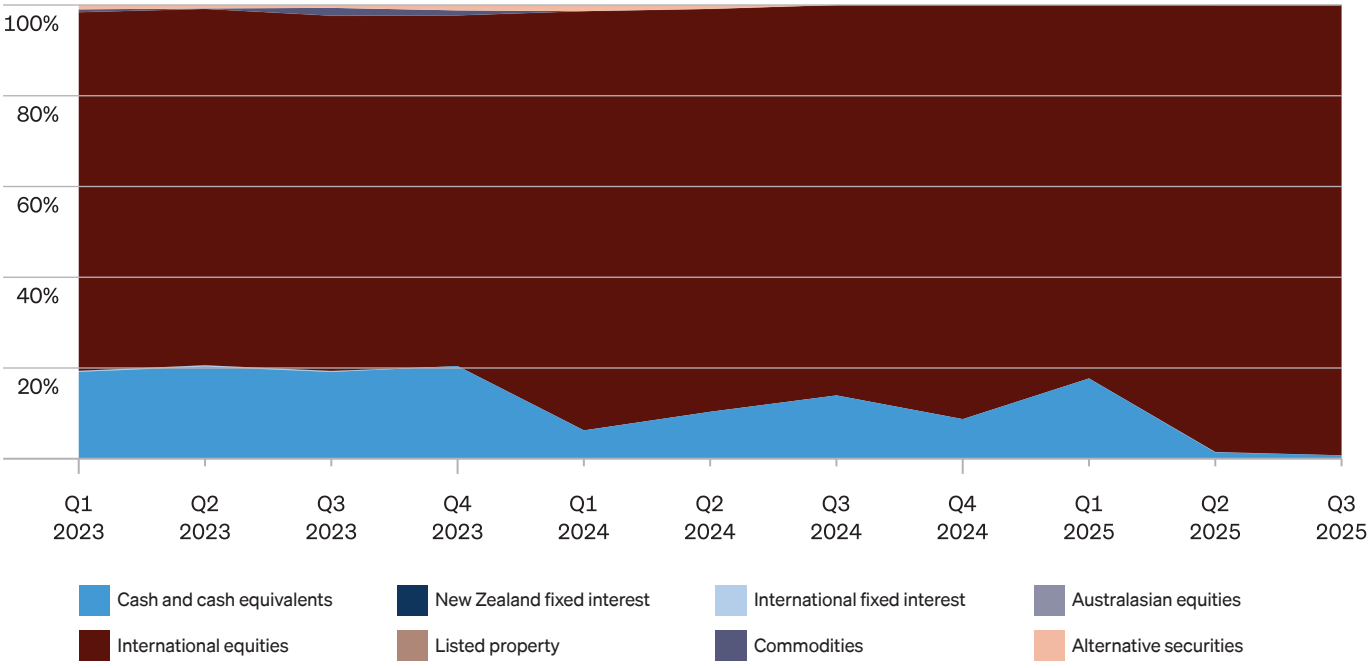
**Global Property**



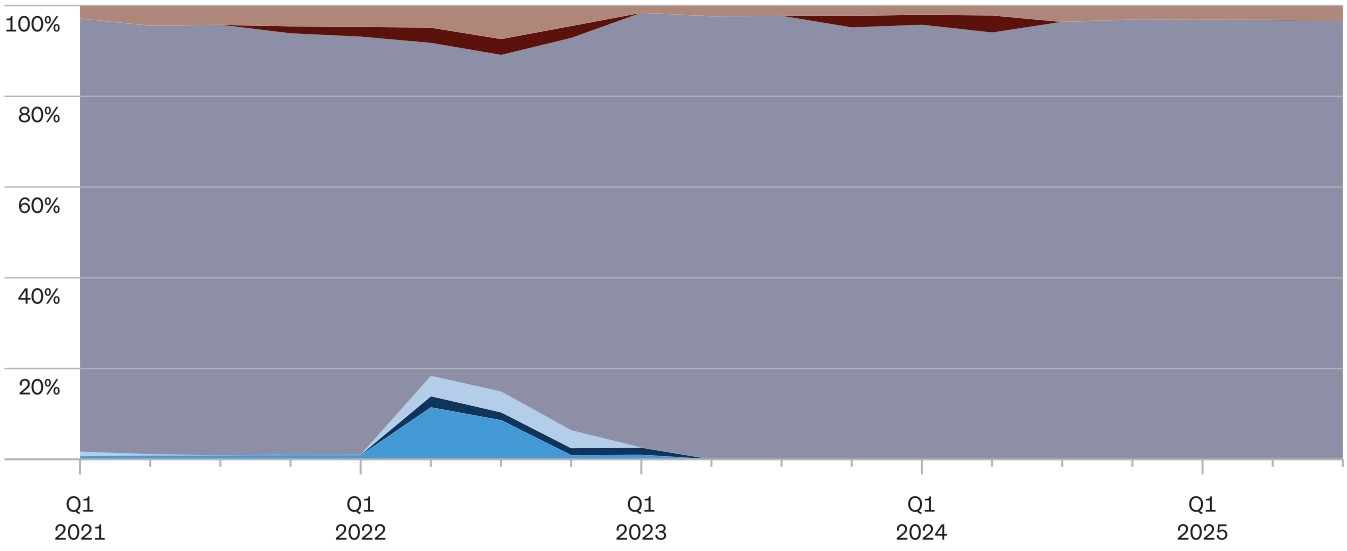

**Global Infrastructure**



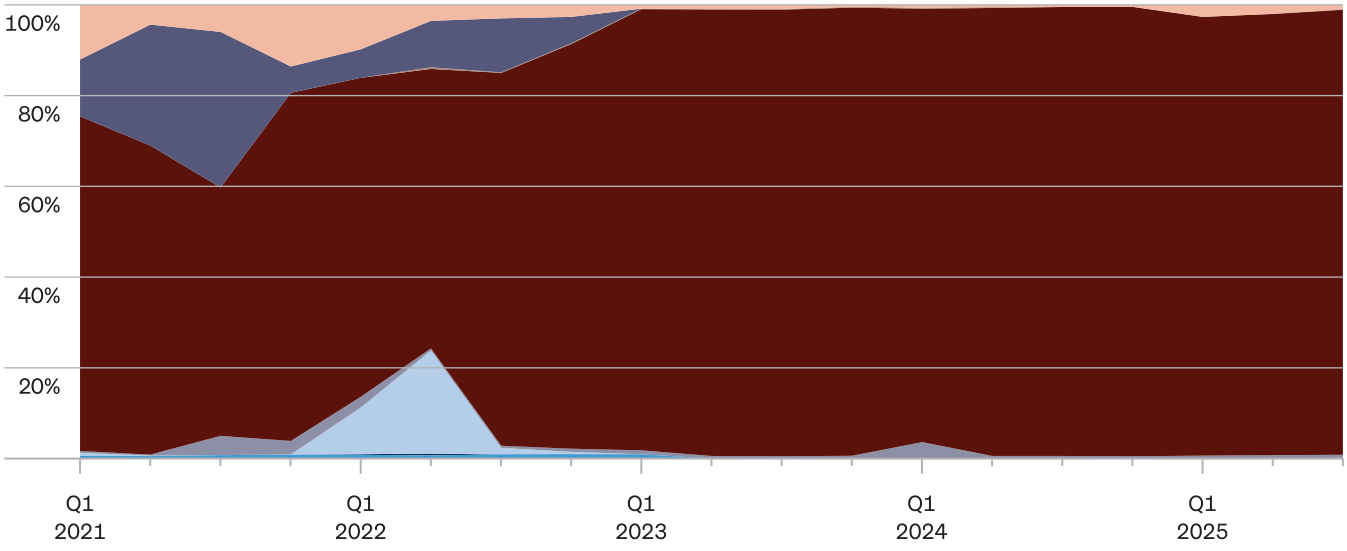

**Global Utilities**



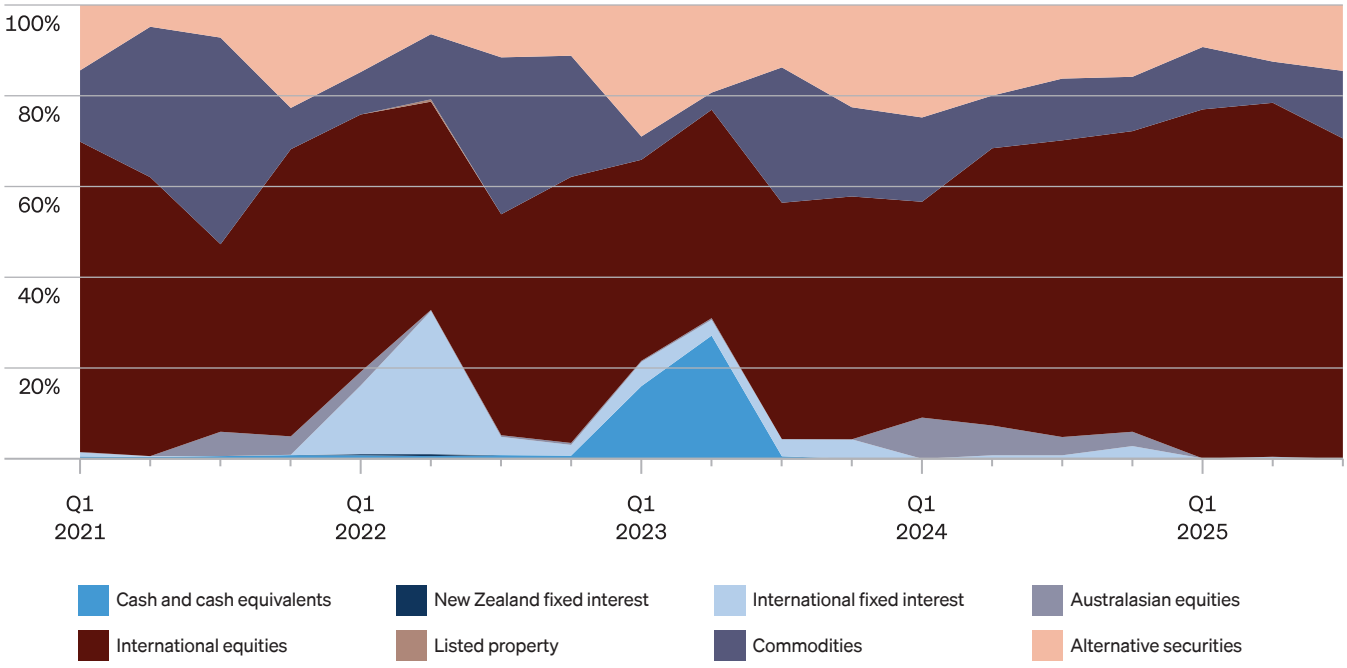
**New Zealand and Australian Shares**




**Global Shares**




**Global Macro**



**Actual range of leverage used**

| Portfolio | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Cash Portfolio | 100% - 100% | 100% - 100% | 100% - 100% | 100% - 100% | 100% - 100% |
| New Zealand and Australian Bonds | 101% - 156% | 101% - 109% | 103% - 120% | 100% - 120% | 100% - 100% |
| Global Bonds | 100% - 114% | 100% - 111% | 101% - 124% | 100% - 100% | 100% - 100% |
| New Zealand Property & Retirement Villages [1] | n/a | n/a | 100% - 100% | 100% - 100% | 100% - 101% |
| New Zealand Infrastructure [1] | n/a | n/a | 100% - 100% | 100% - 100% | 100% - 100% |
| New Zealand Utilities [1] | n/a | n/a | 100% - 100% | 100% - 100% | 100% - 100% |
| Global Property [1] | n/a | n/a | 100% - 100% | 100% - 100% | 100% - 100% |
| Global Infrastructure [1] | n/a | n/a | 100% - 100% | 100% - 100% | 100% - 100% |
| Global Utilities [1] | n/a | n/a | 100% - 100% | 100% - 100% | 100% - 100% |
| New Zealand and Australian Shares | 100% - 200% | 100% - 176% | 102% - 125% | 101% - 135% | 118% - 140% |
| Global Shares | 100% - 196% | 104% - 215% | 100% - 158% | 104% - 150% | 100% - 135% |
| Global Macro | 108% - 273% | 109% - 276% | 109% - 243% | 100% - 160% | 101% - 171% |

Each Portfolio is also reviewed against the guidelines on a monthly basis at the Investment Guidelines Meeting and exceptions are noted (SIPO compliance for the preceding month is also confirmed at this meeting). The minutes of the Investment Guidelines Meeting are tabled at the Investment Governance Committee meeting.

Any member of the NZ Funds Investment, Legal, Compliance or Funds Management teams may propose a change to the guidelines, or the introduction of a new guideline. Amending a guideline (or introducing a new guideline) requires the approval of the NZ Funds Investment Governance Committee and ratification or approval by the NZ Funds Board. The Board may ratify or approve the amended guideline (with or without additional amendments) or reject it.

If the Board rejects or amends a guideline change, the Investment team must take any action required to ensure that the affected Portfolio continues to comply with the guidelines. The detailed process for administering the guidelines is set out in our investment guidelines policy.

It is important to note that the exceeding of a guideline, or a deviation from the target investment mix for a Portfolio, does not amount to a limit break under the SIPO. The purchase of an unauthorised asset class does however constitute a SIPO limit break. See the SIPO for more information.

# 9. Risks

Every investment has risks. The primary risks of investing in a Portfolio include:

- not getting back some or all of your money;
- not getting the returns you expected;
- experiencing periods where your investment is worth less than it was previously; and
- not being able to withdraw from a Portfolio when you want to.

The following information is in addition to section 4 of each PDS – "What are the risks of investing?". In each PDS, we discuss what we believe are the more significant risks of investing in the Portfolios. However, there are other risks associated with the Portfolios that could impact your investment which are discussed below. If any of these risks eventuate, a Portfolio may be adversely affected and you could receive back less than you invested.

You may lose some or all of your investment. No rate of return or repayment of your investment is guaranteed by NZ Funds, the Supervisor, or any other person.

## General investment risks

**Interest rate risk**
This is the risk that a Portfolio's returns may decline as a result of changes in interest rates.

**Credit risk**
This is the risk that a Portfolio's returns may decline as a result of an issuer of a security failing to pay interest or principal when due.

**Equity risk**
This is the risk that a Portfolio's returns may decline as a result of changes in the value of equity investments. An equity investment may be affected by many factors, including the performance of the relevant company, market expectations, and the economic performance of a sector or country.

**Derivative risk**
This is the risk that a Portfolio's returns may decline as a result of the use of derivatives. Derivatives can be considered to be 'leveraged' investments, which means that a relatively small investment in derivatives can produce the same gain (or loss) as a much larger investment in the underlying asset itself. The use of derivatives and the leverage their use creates may adversely affect your investment.

**Digital asset risk**
This is the risk that a Portfolio's returns may decline as a result of changes in the value of investments in digital assets. There are many digital asset specific risks that arise due to the new and virtual nature of digital assets (examples include risks relating to technology, security, new regulation and user/market acceptance), and if they materialise, these can result in the irrecoverable loss of some or all of the value of an investment in that digital asset.

## Other risks

**Counterparty risk**
This is the risk that a party to a financial transaction, contract or a securities lending transaction involving a Portfolio fails to meet its obligations. If this occurs, your investment may be adversely affected.

1. As these Portfolios were established on 17 February 2023 there is no historical leverage information.

**Operational risk**
This is the risk of failure of internal or external processes, people, policies, technology or systems (for example, a material error in the pricing process), or external events affecting our or the Portfolios' operations. If this occurs, your investment may be adversely affected.

**Fraud & cybersecurity risk**
This is the risk of unexpected loss due to fraudulent activities and/or the risk of attack, damage or unauthorised access to the networks, computers, programs or data that we use. If this occurs, your investment and personal information may be adversely affected.

**Service provider risk**
This is the risk that a key service provider to the Portfolios (for example, the Supervisor, the Manager, the trustees and custodian of the wholesale trusts, external managers, settlement and trade counterparties, investment brokers or banks) fail to perform their obligations. If this occurs, your investment may be adversely affected.

**Wholesale trust investment risk**
The Portfolios can invest in wholesale trusts. Wholesale trust investment risk is the risk that an adverse event happens at the wholesale trust level or the wholesale trusts are wound up. If this occurs, your investment may be adversely affected.

**Valuation risk**
The Portfolios' unit prices are based on market price information provided by various sources. Valuation risk is the risk that these sources fail to provide an accurate price, or any price whatsoever. If this occurs, your investment may be adversely affected.

**Suspension of withdrawals risk**
In certain circumstances, we can suspend or partially suspend withdrawals from a Portfolio. If this happens, you may not be able to withdraw or switch your investment when you want to.

**Tax risk**
Income, dividends and interest, and gains on securities and investments that the Portfolios invest in may be subject to taxes (including withholding taxes) imposed by tax authorities in New Zealand and other jurisdictions. The Portfolios may not be able to claim a credit for these taxes.

Each Portfolio is currently a Portfolio Investment Entity (PIE). If a Portfolio loses its PIE tax status, your after-tax returns may be reduced.

**Regulatory risk**
This is the risk that the laws and regulations applying to the Portfolios and their investments change in a way that adversely affects a Portfolio or your investment.

**Political risk**
This is the risk that a Portfolio's returns may decline as a result of political changes or instability in a country. This could arise from a change in government, legislative bodies, other foreign policy makers, or military actions. Political risk may also arise as a result of geopolitical events such as wars, terrorist acts and tensions between states.

**Insolvency risk**
This is the risk that a Portfolio or a wholesale trust that a Portfolio invests in becomes insolvent or is otherwise unable to meet its financial obligations. If this occurs, your investment may be adversely affected.

**Pandemic risks**
This is the risk that the Portfolios' returns may fluctuate, or that the Portfolios may be adversely affected, as a result of virus, disease or other widespread health risks such as the COVID-19 pandemic. The emergence of COVID-19 (or other widespread health risks) can have a significant impact on financial markets and the operations of the Portfolios. If this occurs, your investment may be adversely affected.

The risks described in the PDS's and this document are considered to be important risks, but do not cover all known risks of investing in the Portfolios. There may also be other risks both known or currently unknown that may affect your investment in the Portfolios.

# 10. Conflicts of interest

NZ Funds' conflicts of interest policy provides a framework for identifying, declaring and managing actual, potential or perceived conflicts of interest. The policy also covers gifts and hospitality and forms part of our broader conflicts of interest compliance and ethics frameworks.

The conflicts of interest policy is complemented by our:

- personal holdings policy, which contains restrictions on employees holding or trading in securities; and
- related party transactions policy, which provides a framework for identifying and managing related party transactions and ensuring compliance with the FMC Act.

Conflicts of interest that currently exist include:

- The Portfolios invest in the wholesale trusts which creates a conflict of interest as we charge a performance fee in certain wholesale trusts which certain of the Portfolios invest. These fees affect the value of the wholesale trusts, and indirectly the returns of the Portfolios, and could materially influence the investment decisions in respect of a Portfolio if non-arm's length fees were paid.
- Our directors and employees and their associated persons and entities may invest in the Portfolios.

# 11. How your investment is taxed

If you have any questions about the tax position of your investment in the Portfolios, we encourage you to talk to your tax adviser. We and the Supervisor do not take any responsibility for your tax position as a result of investing in a Portfolio.

## Portfolio Investment Entity (PIE)

Each Portfolio is a PIE. Under the PIE rules, we will calculate the tax due on your investment in a Portfolio each quarter based on your Prescribed Investor Rate (PIR), and unless you have chosen a PIR of 0% (or if we have treated you as having a PIR of 0%), we will pay this tax to Inland Revenue on your behalf.

If you are due a tax refund, we will use it to buy more units in the Portfolio for you, as long as you are still invested in the Portfolio when we receive the refund from Inland Revenue. If you are no longer invested in the Portfolio, we will pay the refund to you. If you have a PIR of 0%, we will tell you your share of the income of the Portfolio, but you will be responsible for your own tax.

### Choosing your PIR

You need to choose your PIR and tell us what it is. You also need to tell us your IRD number. For an individual, your PIR is based on your taxable income and PIE income for each of the previous two tax years. Your PIR is based on the year which has the lower combined income amount. You can use the table below to help you work out your PIR:

| Taxable income | | Taxable income + PIE income | PIR |
|---|---|---|---|
| $0 – $15,600 | and | $0 – $53,500 | 10.5% |
| $0 – $15,600 | and | $53,501 – $78,100 | 17.5% |
| $15,601 – $53,500 | and | $0 – $78,100 | 17.5% |
| Over $53,501 | and | Any amount | 28.0% |
| Any amount | and | Over $78,100 | 28.0% |

It is important that you choose the correct PIR. If you select a PIR that is too high, then as part of the annual tax return process:

- you will be able to get any overpaid tax refunded (either directly or by a reduced tax bill); or
- you may have to pay further tax if you have received refunds during the year based on your incorrect PIR.

If you select a PIR that is too low, then as part of the annual tax return process:

- you will have to pay more tax on your income from a Portfolio at your correct PIR; or
- you may be entitled to a further tax refund based on your correct PIR.

Different rules for choosing a PIR apply for trusts and companies. Testamentary trusts (one set up under a will) can choose a PIR of 0%, 10.5%, 17.5% or 28%. All other trusts can choose a PIR of 0%, 17.5% or 28%. Companies and all other types of entities must choose a PIR of 0%.

If you do not tell us what your PIR is, we will set it at 28% (unless you are a company, when we will set it to 0%). You can change your PIR at any time by contacting us or your financial advice provider. Inland Revenue may also tell us to change your PIR if they think it is wrong. If they do, we must use the PIR that they tell us, unless you tell us to use a different rate.

Sometimes we can treat you as having a 0% PIR. We will do this where your tax liability is greater than the value of your interest in a Portfolio. Where this happens, we will cancel all of your units and pay the proceeds to Inland Revenue. You will have to pay any tax liability not covered by this amount. We will also treat you as having a 0% PIR if you reduce your holding in, or fully withdraw from, a Portfolio during the quarter, or in the first five days of the following quarter.

# 12. Personal information

### Privacy

The Privacy Act 2020 deals with how we collect, store and use the personal information you give us for your investment in the Portfolios.

This information may be used by us (including our related entities) and the Supervisor and shared with and used by your financial advice provider and by other service providers to the Portfolios for the purposes of arranging, managing and administering your investment, contacting you about your investment, and providing you with newsletters and information about other products and services.

NZ Funds may also use and share your personal information in order to comply with any New Zealand law or the law of another country, including using it to verify (whether by electronic means or otherwise) your identity.

NZ Funds may also be required to provide it to government agencies including the FMA and Inland Revenue. You have the right to access and correct personal information held by us.

### AML/CFT requirements

Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, we are required to verify your identity and address and, in some cases, the source of your funds and wealth.

With your consent, we can verify your identity and address electronically. You can provide your consent on the Application Form. If the electronic method fails or if you do not provide your consent, we will require physical identification documents certified or verified in the way discussed below.

If you complete the Application Form with a financial adviser, they may be able to verify your identity and address using certain identification documents and the process set out in the relevant AML forms which are available on our website.

If you are completing the Application Form without a financial adviser, your identification documents may be certified by a trusted referee or verified by an NZ Funds employee. More information on certification by trusted referees is set out in the AML forms on our website .

AML verification requirements also apply to trusts, companies and other entity types. We have developed various AML forms for these purposes which will guide you through the AML process. A combination of AML forms will need to be used for these entities. Your financial adviser can help you complete these forms.

### Foreign Account Tax Compliance Act (FATCA)

If you are a US person (that is, someone who is a United States citizen or tax resident, or a United States Green Card holder, or an entity owned or controlled by US persons) we may be required to provide information about your investment to Inland Revenue to comply with our obligations under the FATCA. Inland Revenue in turn may be required to pass this information to the United States Internal Revenue Service.

### Common Reporting Standard (CRS)

If you are tax resident in a country other than New Zealand, or an entity owned or controlled by non-New Zealand tax residents, we may be required to provide information about your investment to Inland Revenue to comply with our obligations under the CRS regime. Inland Revenue in turn may be required to pass this information to the revenue authority of the country in which you are tax resident.

### Change of personal details

If you wish to change your personal details, please complete a Changes in Personal Details form. You can get this form from your financial advice provider or our website.

## 13. Material contracts

### Trust Deed

The Trust Deed is an agreement between us and the Supervisor that sets out the rules for the management and administration of the Scheme and the Portfolios. A copy of the Trust Deed is available on the scheme register at *disclose-register.companiesoffice.govt.nz*.

### Management agreement

NZ Funds has a management agreement with the Supervisor that sets out the operational arrangements for the Schemes and the Portfolios, including what information we have to report to the Supervisor, how the Portfolios' bank accounts are operated, and what records we have to keep.

## 14. Indices used

More information about the market indices noted in the SIPO can be found on the web pages listed below:

| | |
|---|---|
| Bloomberg Global Aggregate Corporate - 1-3 Years Total Return Index Hedged USD | *www.bloomberg.com/quote/LGCPTRUH:IND* |
| FTSE EPRA NAREIT Developed Net Total Return Index Hedged in NZD | *www.ftserussell.com/products/indices/epra-nareit* |
| MSCI All Countries World Daily TR Net Local Currency | *www.msci.com/our-solutions/indexes/acwi* |
| STOXX Global Broad Infrastructure Net Return Index USD | *www.stoxx.com/index/stxgbip/* |
| S&P World Utilities Weighted & Screened Index | *www.spglobal.com/spdji/en/indices/sustainability/sp-world-utilities-weighted-screened-index/#overview* |
| S&P/ASX 200 Total Return Index | *www.spglobal.com/spdji/en/indices/equity/sp-asx-200/#overview* |
| S&P/NZX 50 Portfolio Index Gross | *www.spglobal.com/spdji/en/indices/equity/sp-nzx-50-portfolio-index/#overview* |
| S&P/NZX All Industrials Sector Gross | *www.spglobal.com/spdji/en/indices/equity/sp-nzx-all-industrials/#overview* |
| S&P/NZX All Utilities Sector Gross | *www.spglobal.com/spdji/en/indices/equity/sp-nzx-all-utilities/#overview* |
| S&P/NZX Bank Bills 90 Day Index Total Return | *www.spglobal.com/spdji/en/indices/fixed-income/sp-nzx-bank-bills-90-day-index/#overview* |
| S&P/NZX Call Rate Deposit Index Total Return | *www.spglobal.com/spdji/en/indices/fixed-income/sp-nzx-call-rate-deposit-index/#overview* |
| S&P/NZX Investment Grade Corporate Bond Total Return Index | *www.spglobal.com/spdji/en/indices/fixed-income/sp-nzx-investment-grade-corporate-bond-index/#overview* |
| S&P/NZX Real Estate Select Index Gross | *www.spglobal.com/spdji/en/indices/equity/sp-nzx-real-estate-select/#overview* |



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