Fund update

For the quarter ended 31 December 2022

NZ FUNDS

NZ Funds KiwiSaver Scheme Balanced Fund

This fund update was first made publicly available on 14 February 2023

What is the purpose of this update?

This document tells you how the Balanced Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. New Zealand Funds Management Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this fund

The objective of the Balanced Fund is to provide an entry level option, which uses a passive investment approach to gain exposure to a balanced mix of income and growth assets. The fund is anticipated to mainly own New Zealand, Australian and international bonds and shares over the minimum suggested investment timeframe.

Total value of the fund	$7,727,814
Number of investors in the fund	300
The date the fund started	31 August 2021

What are the risks of investing?

Risk indicator for the Balanced Fund[1]:



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at *www.nzfunds.co.nz/AdviceSolutions/RiskProfile/*.

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

The risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 31 December 2022[1]. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

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

How has the fund performed?

	Past year
Annual return (after deductions for charges and tax)	-7.36%
Annual return (after deductions for charges but before tax)	-9.77%
Market index annual return (reflects no deduction for charges and tax)	-11.04%

The market index annual return is based on a composite index calculated using the market indices and weightings set out in the Statement of Investment Policy and Objectives (SIPO).

Additional information about the market index is available on the offer register at *disclose-register.companiesoffice.govt.nz*.

What fees are investors charged?

Investors in the Balanced Fund are not charged fund charges. Based on the PDS dated 30 June 2022, these are:

	% of net asset value
Total fund charges (estimated)[2]	0.00%
Which are made up of:	
Total management and administration charges (estimated)	0.00%
Including:	
Manager's basic fee	0.00%
Other management and administration charges	0.00%
Total performance-based fees (estimated)	0.00%

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

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

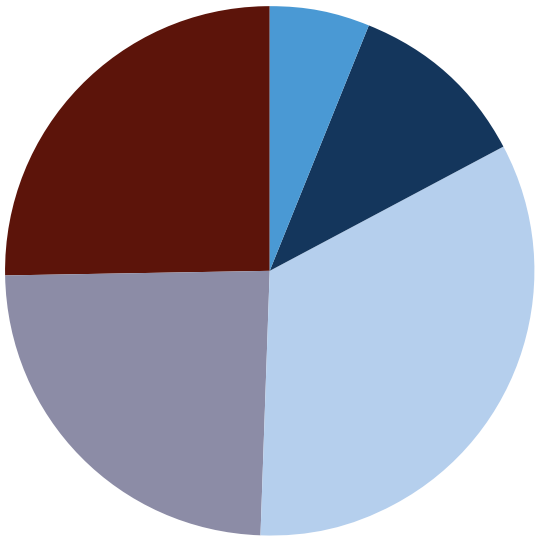
Example of how this applies to an investor

Liam had $10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Liam incurred a loss after fund charges (which are $0.00 for the Balanced Fund) were deducted of -$736 (that's -7.36% of his initial $10,000). Liam did not pay any other charges. This gives Liam a total loss after tax of -$736 for the year.

What does the fund invest in?

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

Actual investment mix



Cash and cash equivalents	6.27%
New Zealand fixed interest	11.10%
International fixed interest	33.30%
Australasian equities	24.25%
International equities	25.08%

Target investment mix[3]

Cash and cash equivalents	5%
New Zealand fixed interest	11%
International fixed interest	34%
Australasian equities	25%
International equities	25%
Listed property	0%
Unlisted property	0%
Commodities	0%
Other	0%

What does the fund invest in?

Top 10 investments

	Name	Percentage of fund net assets	Type	Country	Credit rating
1	Westpac current account	31.28%	Cash and cash equivalents	New Zealand	A-1+
2	Australian Government 0.5% 21/09/2026	11.13%	International fixed interest	Australia	AAA
3	New Zealand Government 4.5% 15/04/2027	11.10%	New Zealand fixed interest	New Zealand	AAA
4	United States Government 1.625% 15/05/2031	7.25%	International fixed interest	United States	AAA
5	Deutschland Republic 0.5% 15/02/2028	6.93%	International fixed interest	Germany	AAA
6	Japan Government 0.1% 20/06/2028	6.25%	International fixed interest	Japan	A+
7	Goldman Sachs NZD margin account	4.23%	Cash and cash equivalents	United Kingdom	A-1
8	Fisher & Paykel Healthcare	2.29%	Australasian equities	New Zealand	
9	Citibank Hong Kong USD current account	1.85%	Cash and cash equivalents	United States	A-1
10	Spark New Zealand	1.77%	Australasian equities	New Zealand	

The top 10 investments make up 84.08% of the fund.[4]

NZ Funds actively manages the foreign currency exposure of the fund. Where the fund holds assets denominated in a foreign currency, NZ Funds has the choice of whether to hedge back to the NZ dollar or retain a foreign currency exposure. The fund may also take active foreign currency positions by holding non-NZD cash and/or foreign currency derivatives. As at 31 December 2022, the fund's foreign currency exposure was 3.59%.

Key personnel

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

Name	Current position	Time in current position	Previous or other position	Time in previous or other position
Michael Lang	Chief Executive and a Director	4 years 3 months	Chief Investment Officer, New Zealand Funds Management Limited	10 years 4 months
James Grigor	Chief Investment Officer and a Principal	4 years 1 months	Senior Portfolio Manager, New Zealand Funds Management Limited	1 year 10 months
Mark Brooks	Head of Income and a Principal	15 years 1 months	Senior Portfolio Manager, Credaris	3 years 7 months
Andrew Curtayne	Senior Portfolio Manager	2 years 8 months	Senior Analyst, Melqart Asset Management	3 years 11 months
David Haslam	Senior Dealer	6 years	Equities Trader, UBS NZ	1 year 2 months

Further information

You can also obtain this information, the PDS for the Balanced Fund and some additional information from the offer register at *www.companiesoffice.govt.nz/disclose/*.

Notes

1 As the fund started on 31 August 2021, actual returns for the last five years are not available. To calculate the risk indicator, a combination of actual returns and returns on a market index over the five years to 31 December 2022, rather than the actual returns of the fund, have been used. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund.

2 As the fund started on 31 August 2021, historical fee information for the most recent fund year is not available. The total fund charges for the Balanced Fund are 0.00% as at December 2022. For more information on fees, see the PDS and the NZ Funds KiwiSaver Scheme 'Other Material Information' document on the offer register at *www.companiesoffice.govt.nz/disclose*.

3 The target investment mix is anticipated only; however, given the passive nature of the fund, the actual asset allocation is not expected to vary significantly over the course of an economic cycle.

4 The top 10 investments have been compiled using a balance sheet approach. This differs from the approach used in compiling the actual and target investment mixes, which include the impact of derivatives.

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