Fund update

NZFUNDS

For the quarter ended 30 June 2023

NZ Funds Managed Superannuation Service Life Cycle - age 75

This fund update was first made publicly available on 31 July 2023

What is the purpose of this update?

This document tells you how the Life Cycle - age 75 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 Life Cycle is to allocate your investment across the three funds (Income Strategy, Inflation Strategy and Growth Strategy) based on your age to ensure your investment is allocated in a manner consistent with your investment timeframe. At age 75, your investment will be allocated as follows: 35% to the Income Strategy; 34% to the Inflation Strategy; and 31% to the Growth Strategy.

Total value of the fund[1]	$60,137
Number of investors in the fund[1]	1
The date the fund started	25 January 2017

What are the risks of investing?

Risk indicator for the Life Cycle - age 75:



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

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

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

The risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 30 June 2023. 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.

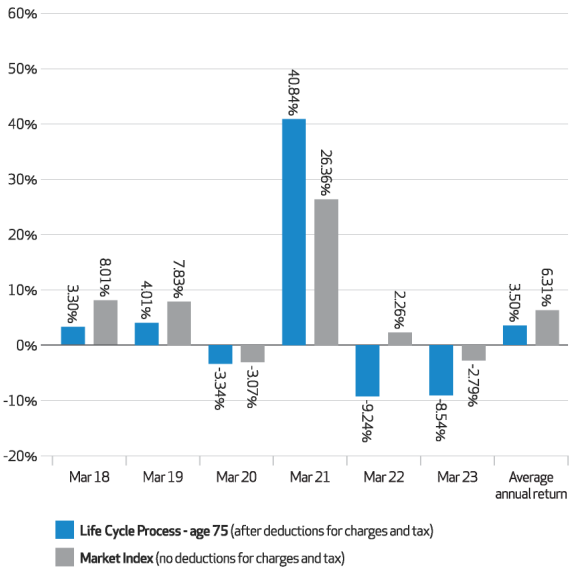
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

	Average over past 5 years	Past year
Annual return (after deductions for charges and tax)	2.93%	-3.48%
Annual return (after deductions for charges but before tax)	3.08%	-6.33%
Market index annual return (reflects no deduction for charges and tax)	5.42%	8.00%

The market index annual return is based on a composite index calculated using the market indices for each Strategy weighted to reflect the investment option's allocation to each Strategy, as set out in the Statement of Investment Policy and Objectives (SIPO). Additional information about the market index is available on the offer register at www.companiesoffice.govt.nz/disclose.

Annual return graph[2]



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 30 June 2023.

Important: This does not tell you how the fund will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

What fees are investors charged?

Investors in the Life Cycle - age 75 are charged fund charges. In the year to 31 March 2023 these were:

	% of net asset value
Total fund charges	1.41%
Which are made up of:	
Total management and administration charges	1.33%
Including:	
Manager's basic fee	1.08%
Other management and administration charges	0.25% (estimate)[3]
Total performance-based fees	0.08% [4]

For the 12 months to 30 June 2023, other management and administration charges were 0.19% and total performance-based fee was 0.02%. As a result, total fund charges for that period totalled 1.29%.

See the PDS for more information about the basis on which performance-based fees are charged.

Investors may also be charged individual action fees for specific actions or decisions (for example, if an investor has a financial adviser and has agreed to pay a fee to the adviser for providing financial advice). NZ Funds does not currently charge any establishment, contribution, termination, withdrawal or switch fees. See the PDS for the NZ Funds Managed Superannuation Service for more information about fees.

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

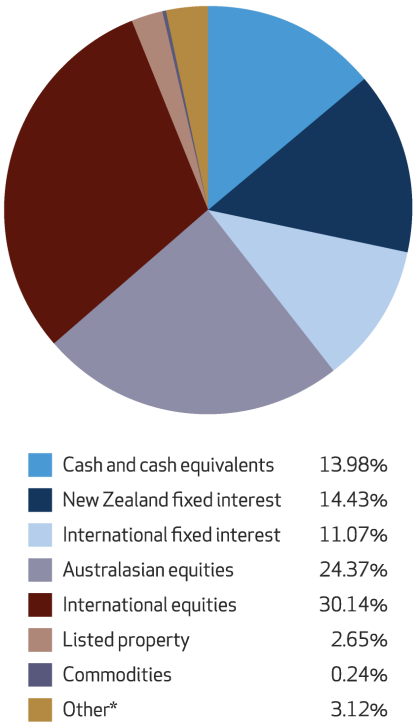
Example of how this applies to an investor

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 were deducted of -$348 (that's -3.48% of his initial $10,000). Liam did not pay any other charges. This gives Liam a total loss after tax of -$348 for the year.

What does the fund invest in?

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

Actual investment mix[5]



Target investment mix[6]

Cash and cash equivalents	6%
New Zealand fixed interest	20%
International fixed interest	21%
Australasian equities	21%
International equities	30%
Listed property	2%
Unlisted property	0%
Commodities	0%
Other	0%

*'Other' includes digital assets (which comprises actual digital assets and digital assets futures) and alternative securities (investment in total return and/or downside-orientated hedge funds).

What does the fund invest in? (continued)

Top 10 investments

	Name	Percentage of fund net assets	Type	Country	Credit Rating
1	Westpac Cash	6.33%	Cash and cash equivalents	New Zealand	A-1+
2	Contact Energy Ltd	2.59%	Australasian equities	New Zealand	
3	Meridian Energy Ltd	2.49%	Australasian equities	New Zealand	
4	Mercury NZ Ltd	2.21%	Australasian equities	New Zealand	
5	GFL Environ Inc 4.375% 15/08/2029	1.89%	International fixed interest	Canada	B-
6	ANZ Bank Ltd 2.999% 17/09/2031	1.88%	New Zealand fixed interest	New Zealand	A-
7	BNZ Bank Bill 5.68% 01/09/2023	1.84%	Cash and cash equivalents	New Zealand	A-1+
8	Westpac Bank Bill 5.88% 01/09/2023	1.84%	Cash and cash equivalents	New Zealand	A-1+
9	Housing NZ Ltd 3.42% 18/10/2028	1.83%	New Zealand fixed interest	New Zealand	AA+
10	Suvretta Offshore Fund	1.54%	International equities	Cayman Islands	

The top 10 investments make up 24.44% of the fund.[7]

NZ Funds actively manages the foreign currency exposure of the investment option. Where the investment option 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 investment option may also take active foreign currency positions by holding non-NZD cash and/or foreign currency derivatives. As at 30 June 2023, the investment option's foreign currency exposure was 9.55%.

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 9 months	Chief Investment Officer, New Zealand Funds Management Limited	10 years 1 month
James Grigor	Chief Investment Officer and a Principal	4 years 7 months	Senior Portfolio Manager, New Zealand Funds Management Limited	1 year 7 months
Mark Brooks	Head of Income and a Principal	15 years 7 months	Senior Portfolio Manager, Credaris	3 years 4 months
David Haslam	Senior Dealer	6 years 6 months	Equities Trader, UBS NZ	0 years 11 months
Casey Keiper	Senior Equity Analyst	0 years 9 months	Equity Analyst, Hobson Wealth	1 year 4 months

Further information

You can also obtain this information, the PDS for the NZ Funds Managed Superannuation Service, and some additional information from the offer register at www.companiesoffice.govt.nz/disclose/.

Notes

1. The total value and number of investors in the NZ Funds Managed Superannuation Service Life Cycle overall is $53,045,572.45 and 573 respectively.
2. The bar graph shows investment option returns after the deduction of fees and tax; however, the market index returns are shown before any fees or tax are deducted.
3. Other management and administration charges comprise:
   (a) operating costs directly incurred by the investment option; and
   (b) annual management fees, performance-based fees and operating costs incurred by underlying funds the investment option invests into.
   Estimates were used when deriving annual management fees, performance-based fees and operating costs incurred by the following underlying funds the fund invested into.

Fund	Information and assumptions used to make estimates
Suvretta Offshore Fund	The fee and operating cost amount obtained from the manager of the fund was for the year to 31 December 2022. Performance fee amounts are estimated using the same criteria used by the administrator of the fund.
Emerson Point Capital Partners LP	The fee and operating cost amount obtained from the manager of the fund was for the year to 30 November 2022. Performance fee amounts are estimated using the same criteria used by the administrator of the fund.
Galaxy Bitcoin Liquidity Fund	The fee and operating cost amount obtained from the manager of the fund was for the year to 31 May 2022.
Galaxy Ethereum Liquidity Fund	The fee and operating cost amount obtained from the manager of the fund was for the year to 31 May 2022.
Galaxy DeFi Index Fund	The fee and operating cost amount obtained from the manager of the fund was for the year to 31 May 2022.
Galaxy Liquid Alpha Fund	The fee was obtained from the offering documents of the Galaxy Liquid Alpha Fund, Ltd. The operating costs are estimated using feedback from the manager and administrator of the fund. Performance fee amounts are estimated using the same criteria used by the administrator of the fund.
OEI MAC Inc.	The fee was obtained from the offering documents of the OEI MAC Inc. fund. The operating costs are estimated using feedback from the manager and administrator of the fund. Performance fee amounts are estimated using the same criteria used by the administrator of the fund.

4. Total performance based fees are paid with respect to certain related underlying funds managed by NZ Funds and are payable where performance of the underlying funds exceeds the hurdle rate. Details of the underlying funds to which a performance fee applies can be found in the PDS, along with details of the hurdle rate and the percentage amount of the performance fee applying to each underlying fund.
5. NZ Funds uses derivatives as part of its active management approach. The use of derivatives can result in the total economic exposure of the fund exceeding 100% which means the fund is leveraged. Where economic exposure exceeds 100%, the actual investment mix pie graph has been scaled to 100%.

   Without scaling, the total economic exposure of the fund, as shown in the actual investment mix would be 106.96%, made up as follows: Cash and cash equivalents 14.97%; New Zealand fixed interest 15.43%; International fixed interest 11.84%; Australasian equities 26.07%; International equities 32.24%; Listed property 2.83%; Commodities 0.25% and Other 3.33%.

   For more information on the calculation of economic exposure and the use of leverage, see the Other Material Information document.

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

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

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