# Fund update

For the quarter ended 31 December 2023

NZFUNDS

# NZ Funds Wealth Builder Inflation Strategy

**This fund update was first made publicly available on 14 February 2024**

## What is the purpose of this update?

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

## Description of this fund

The objective of the NZ Funds Wealth Builder - Inflation Strategy is to mitigate the impact of inflation on your investment over the medium and/or long term. The fund is anticipated to mainly hold New Zealand, Australian and international bonds and shares.

| | |
|---|---|
| Total value of the fund | $12,550,400 |
| The date the fund started | 27 February 2020 |

## What are the risks of investing?

Risk indicator for the Inflation Strategy:[1]




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

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

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

The risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 31 December 2023[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.

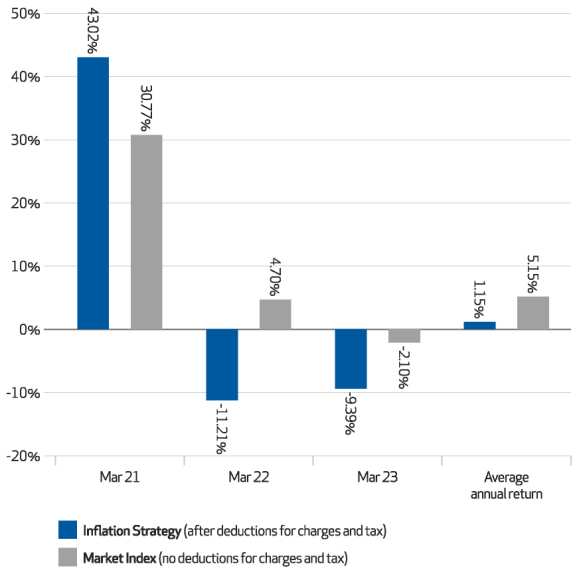
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

## How has the fund performed?

| | Past year |
|---|---|
| **Annual return** (after deductions for charges and tax) | 0.74% |
| **Annual return** (after deductions for charges but before tax) | 0.13% |
| **Market index annual return** (reflects no deduction for charges and tax) | 6.79% |

The market index annual return is based on a composite index calculated using the market indices and weightings set out in the Statement of Investment Policy and Objectives (SIPO). Additional information about the market index is available on the offer register at www.companiesoffice.govt.nz/disclose.

**Annual return 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 31 December 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 Inflation Strategy are charged fund charges. In the year to 31 March 2023 these were:

| | % of net asset value |
|---|---|
| **Total fund charges** | 1.40% |
| Which are made up of: | |
| **Total management and administration charges** | 1.40% |
| Including: | |
| Manager's basic fee | 1.16% |
| Other management and administration charges | 0.24% (estimate)[3] |
| **Total performance-based fees** | 0.00% [4] |
| **Other charges** | **$ amount per investor** |
| Administration fee[5] | $29.76 |

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

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

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

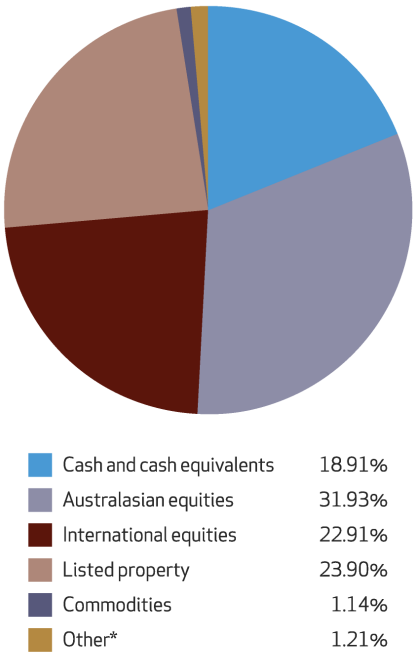
## Example of how this applies to an investor

Liam had $10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Liam received a return after fund charges were deducted of $74 (that's 0.74% of his initial $10,000). Liam also paid $29.76 in other charges.[5] Liam did not pay any other charges. This gives Liam a total return after tax of $44 for the year.

## What does the fund invest in?

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

**Actual investment mix**




**Target investment mix[6]**

| | |
|---|---|
| Cash and cash equivalents | 5% |
| New Zealand fixed interest | 12% |
| International fixed interest | 13% |
| Australasian equities | 32% |
| International equities | 35% |
| Listed property | 3% |
| 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 | 4.50% | Cash and cash equivalents | New Zealand | A-1+ |
| 2 | Mercury NZ Ltd | 3.38% | Australasian equities | New Zealand | |
| 3 | Meridian Energy Ltd | 3.36% | Australasian equities | New Zealand | |
| 4 | Contact Energy Ltd | 3.28% | Australasian equities | New Zealand | |
| 5 | Ryman Healthcare Ltd | 1.97% | Australasian equities | New Zealand | |
| 6 | Summerset Group Holdings Ltd | 1.95% | Australasian equities | New Zealand | |
| 7 | Goodman Property Trust | 1.93% | Listed property | New Zealand | |
| 8 | Precinct Properties Group | 1.93% | Listed property | New Zealand | |
| 9 | Auckland International Airport | 1.72% | Australasian equities | New Zealand | |
| 10 | Port of Tauranga Ltd | 1.65% | Australasian equities | New Zealand | |

The top 10 investments make up 25.67% of the fund.[7]

NZ Funds actively manages the foreign currency exposure of the fund. Where the fund holds assets denominated in a foreign currency, NZ Funds has the choice of whether to hedge back to the NZ dollar or retain a foreign currency exposure. The fund may also take active foreign currency positions by holding non-NZD cash and/or foreign currency derivatives.
As at 31 December 2023, the fund's foreign currency exposure was 1.47%.

## 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 | 5 years 3 months | Chief Investment Officer, New Zealand Funds Management Limited | 10 years 1 month |
| Mark Brooks | Head of Income and a Principal | 16 years 1 month | Senior Portfolio Manager, Credaris | 3 years 4 months |
| David Haslam | Senior Dealer | 7 years | Equities Trader, UBS NZ | 0 years 11 months |
| Paul van Wetering | Head of Investment Operations and Responsible Investing | 4 years | Investment Analyst, New Zealand Funds Management Limited | 6 years 10 months |
| Casey Keiper | Senior Equity Analyst | 1 year 3 months | Equity Analyst, Hobson Wealth | 1 year 4 months |

## Further information

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

## Notes

1. As the fund started on 27 February 2020, actual returns for the last five years are not available. To calculate the risk indicator, a combination of actual returns and market index returns have been used. Market index returns were used for the period prior to 27 February 2020. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund.
2. The bar graph shows fund returns after the deduction of fees and tax; however, the market index returns are shown before any fees or tax are deducted.
3. Other management and administration charges comprise:
   (a) operating costs directly incurred by the fund; and
   (b) annual management fees, performance-based fees and operating costs incurred by underlying funds the fund 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 |
|---|---|
| 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 DeFi Index Fund | The fee and operating cost amount obtained from the manager of the fund was for the year to 31 May 2022. |

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. For investors aged 18 or over, NZ Funds charged an administration fee of $2.48 per month.
6. Targets indicate what is expected to apply over the course of an economic cycle and should be considered as general guidance only. NZ Funds is an active manager and may use investment strategies that differ materially from the targets.
7. The top 10 investments have been compiled using a balance sheet approach. This differs from the approach used in compiling the actual and target investment mixes, which include the impact of derivatives.

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