



# NZ Funds

## Wealth Builder

### Product Disclosure Statement

**Issued by New Zealand Funds Management Limited 3 December 2021**

This document replaces the Product Disclosure Statement dated 30 June 2021.

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 advice provider to help you to make an investment decision.

# NZFunds

Transforming Wealth



## 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 Wealth Builder offers four investment options: three actively managed funds (also referred to as Strategies) and a life cycle investment option (Life Cycle).

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 13 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 5 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 Strategies 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/roles/portfolio-investment-entities/using-prescribed-investor-rates](http://www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates). See section 6 of this PDS 'What taxes will you pay?' on page 13 for more information.

### Where can you find more key information?

NZ Funds publishes 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 Quarterly 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.

## Comparing our investment options

Name	Objective	Description	Risk indicator <sup>2</sup>	Estimated annual fund charges <sup>3,4</sup>
<b>Self Select</b>				
Income Strategy	To generate income by investing in a range of income producing assets and other assets in a way that seeks to mitigate the downside through active management.	Anticipated to mainly own and trade New Zealand, Australian and international bonds and other authorised asset classes <sup>5</sup> over the minimum suggested investment timeframe.		1.12%
Inflation Strategy	To mitigate the impact of inflation on your investment over the medium and/or long term through active management.	Anticipated to mainly own and trade New Zealand, Australian and international bonds and shares, and other authorised asset classes <sup>5</sup> over the minimum suggested investment timeframe.		1.42%
Growth Strategy	To grow your investment over the long term through active management.	Anticipated to mainly own and trade New Zealand, Australian and international shares, and/or hedge funds and other authorised asset classes <sup>5</sup> over the minimum suggested investment timeframe.		1.65%
<b>Life Cycle (default option)<sup>4</sup></b>				
Life Cycle Age 0-54		Income Strategy 5% Inflation Strategy 10% Growth Strategy 85%		1.60%
Life Cycle At age 65	To allocate your investment across the three Strategies based on your age.	Income Strategy 27% Inflation Strategy 34% Growth Strategy 39%		1.43%
Life Cycle At age 75		Income Strategy 35% Inflation Strategy 34% Growth Strategy 31%		1.39%

If you are 18 or over, there is an administration fee of \$29.76 a year.

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/)

1. Life Cycle automatically allocates your investment across the Strategies each year based on your age. We have selected three examples (age 0-54, at age 65 and at age 75) to provide information on Life Cycle in this PDS. More information on Life Cycle can be found on page 7. 2. The investment options have not been in existence for a full five years to 30 September 2021. 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. As a percentage of the net asset value of each Strategy. 4. Includes estimated performance fees. See page 12 for more information. 5. See page 9 for the authorised asset classes and target investment mix for each Strategy.

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## 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 (FMC Act). The Scheme is governed by a trust deed (Trust Deed) 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 receive units in each Strategy you invest in which represent your interest in that 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 assets of a Strategy are not available to meet the liabilities of any other fund in the Scheme.

The number of units you receive is based on the Strategy's 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.

### Features and benefits

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

### Self Select

Different investors have different needs. Self Select lets you customise your investment in the Strategies to meet your financial goals by giving you the ability to choose which of the Income, Inflation or Growth Strategies (or any combination of them) best suits your needs. Your financial advice provider can help you make this choice.

### Life Cycle

Life Cycle is the default investment option. Life Cycle 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 in Wealth Builder.

### Active management

We use an active investment management approach when managing the Strategies. This approach seeks to maintain a balance between preserving your capital and growing your wealth in a manner that is consistent with each Strategy's objective. This is different from a passive investment approach.

Our active management approach means that we make ongoing investment decisions, search for emerging opportunities, buy or sell securities as appropriate, and use sophisticated investment instruments and techniques (used by other managers who manage money in similar ways to us) in seeking to achieve the investment objective of each Strategy.

In managing the Strategies, we take a wide variety of actions including: altering the proportion invested in each security (eg shares, bonds, or other investment instruments) or asset class (different investment categories); altering the manner in which a Strategy is exposed to each security or authorised asset class; investing directly or indirectly; using derivatives and leverage; using collective investment vehicles; using specialist investment managers (including hedge funds); using commodities and alternative securities (including digital assets, such as cryptocurrencies); taking foreign currency positions; applying hedging; and/or taking short positions (which can create gains when investments decline). Some of these authorised asset classes or investment categories may be difficult for individual investors to access.

### **Wholesale trusts**

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

In addition to the Strategies, the wholesale trusts may also be invested in by other wholesale investors including directors and employees of NZ Funds and its related entities.

### **Specialist managers**

As part of our active management approach, we use a range of specialist external investment managers (external managers), specialising in different asset classes and investment approaches.

External managers may be selected where we consider their investment approach will help meet the Strategies' objectives.

Some of the external managers we use may not offer their services to individual investors or have high threshold amounts for investment.

### **Use of derivatives**

We use derivatives in managing the Strategies.

A derivative is a specialised financial instrument that gets (derives) its value from another asset (the underlying asset). Derivatives are based on a wide variety of assets, including individual shares, share market indices, interest rates, commodities (like gold) and currencies and cryptocurrencies. Examples of derivatives include futures, options, forwards and swaps.

Derivatives are useful because they are financially equivalent to buying, selling, or trading the underlying asset itself.

Derivative markets are generally very liquid because of the volume of transactions traded daily. Therefore, the use of derivatives can help us achieve better outcomes by enabling us to implement changes rapidly. The transaction costs associated with trading derivatives are also minimal when compared to the costs of buying, selling, or trading the underlying assets.

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 amount of leverage that the individual Strategies may use.

The use of derivatives is somewhat like an individual investor borrowing money to buy an investment. For example, an investor might borrow money to purchase a property or share investment. As a result, gains or losses may be increased compared to an investment that has no borrowing.

The use of derivatives is managed through NZ Funds' active management approach and through the processes and policies surrounding our investment guidelines. The guidelines are not limits on the amount of leverage that the use of derivatives may create in each authorised asset class and the guidelines do not impose a limit on how we may invest. However, derivatives are only used in seeking to achieve each Strategy's investment objective and are an essential aspect of our active investment approach.

NZ Funds is expected to regularly use leverage (via derivatives) to change the exposure to an authorised asset class. The actual amount of leverage used by the Strategies for the preceding year is set out in the Other Material Information document.

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

Our ability to use derivatives in managing the Strategies is unlimited and may be potentially extensive. Our use of derivatives may also lead to the Strategies being leveraged.

### **Borrowing**

The Strategies do not borrow to invest.

### **Making investments**

Wealth Builder is designed for individuals saving for retirement or for a specific goal. You can invest by completing an online application. 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 the Scheme in one of two ways: using either Self Select or Life Cycle.

#### **Self Select**

If you wish to actively manage your own asset allocation you can invest using Self Select. Under Self Select, you choose which of the Income, Inflation and Growth Strategies your contributions will be invested in and how much is invested in each Strategy.

If you choose Self Select we recommend that you talk to a financial advice provider to help you work out how much to invest in each Strategy.

### Life Cycle

The Life Cycle approach is designed to manage the risk of your investment by automatically allocating your investment across the Strategies based on your age, so it aligns with your stage in life and future needs.

Older investors have a shorter time left before they begin to withdraw funds. This shorter investment time horizon means that an older investor has less time to recoup any losses if a downturn occurs. Because of this, where your investment is a joint account, your Glidepath allocation will be based on the age of the oldest account holder, unless you tell us otherwise.

For investors under 55 years old, the Life Cycle approach places 85% of your investments into the Growth Strategy that has a higher level of volatility. Beginning at age 55 the Life Cycle approach steadily reduces your exposure to the Growth Strategy and increases the proportion of your investments allocated to the Income and Inflation Strategies. Moving into lower-volatility strategies may reduce potential rewards, but it offers less risk. The chart below shows the current Strategy

allocations under Life Cycle. These allocations may change from time to time.

By choosing Life Cycle, 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.

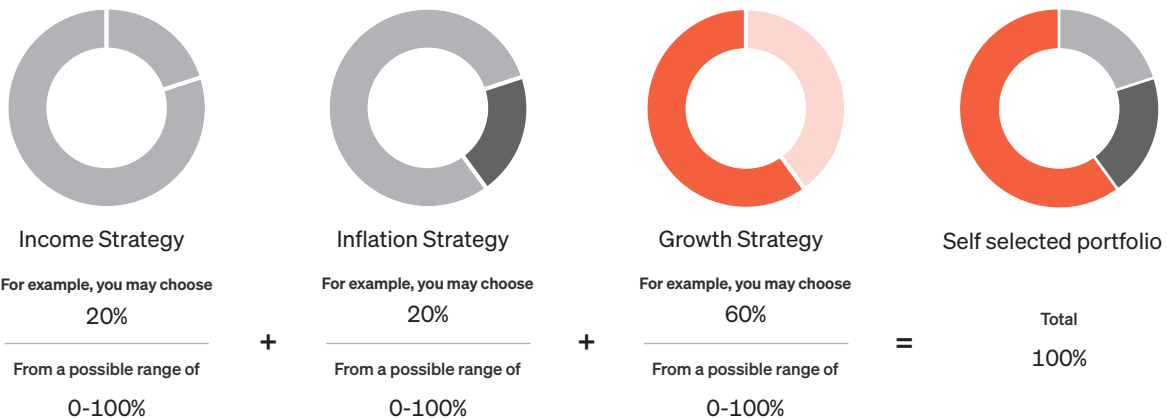
Life Cycle is designed for investors who want to remain invested through their retirement years and draw down on their savings regularly. It may not be appropriate for investors who plan to withdraw all or a significant portion of their investment when they reach age 65 or early into their retirement years, or investors who are planning to withdraw in the short to medium term.

If you choose Life Cycle, 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 change this allocation.

If you wish to change your investment mix, you need to fully withdraw from Life Cycle and reinvest in the Strategies using Self Select. More information on how to switch can be found below.

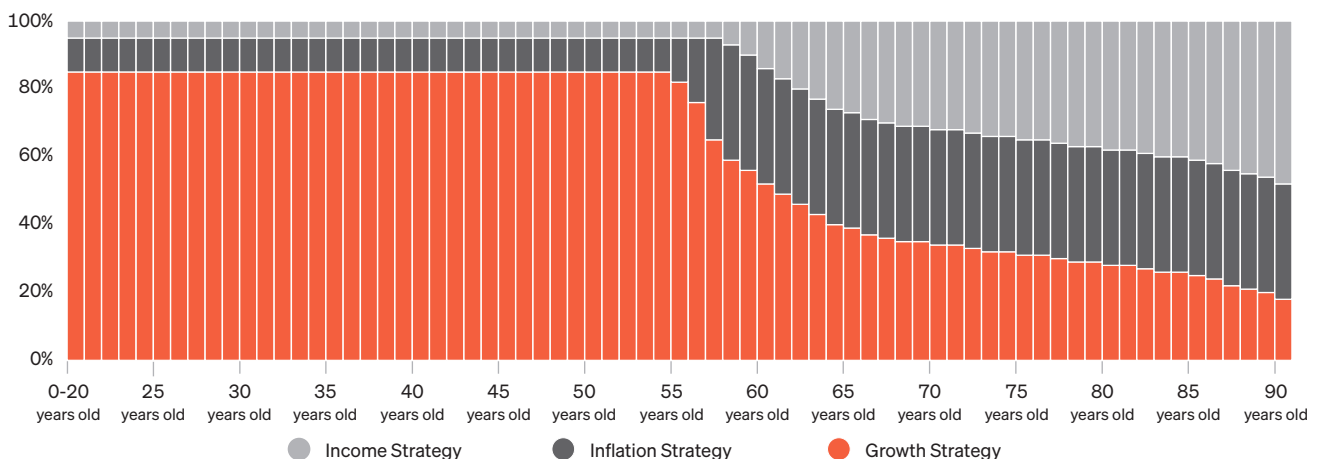
### Self Select

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



### Life Cycle (default option)

If you choose the Life Cycle option, your investment in the Growth Strategy will be reduced each year after you turn 55 and your investment in the Inflation and Income Strategies will increase as shown below:



## Withdrawing your investments

You can withdraw all or part of your investment in a Strategy at any time by completing a withdrawal request online through the NZ Funds app.

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 request; you do not need to complete a request for each withdrawal. You can stop regular withdrawals any time by sending us a letter or email.

If you have chosen Self Select, you may withdraw amounts from one or more Strategies. If you have chosen Life Cycle, 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.

We may in our discretion defer withdrawals for up to two business days. We may also suspend withdrawals in certain circumstances where we consider 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 Self Select, you can switch between Strategies by completing a switch request online through the NZ Funds app. Switch requests are normally processed within two business days of receipt.

If you have chosen Life Cycle, 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 Life Cycle and Self Select by completing a switch request online through the NZ Funds app. If you are switching between Life Cycle and Self Select, you must make a full withdrawal from all Strategies you are invested in, followed by a reinvestment.

The NZ Funds app is available from the Apple App Store and from the Google Play site. If you are unable to access the NZ Funds app, a paper switch form is available from NZ Funds or your financial advice provider.

We may in our discretion defer processing some or all switch requests for up to 21 days. 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.

We may also suspend switches in certain circumstances where we consider 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.

## 3. Description of your investment options

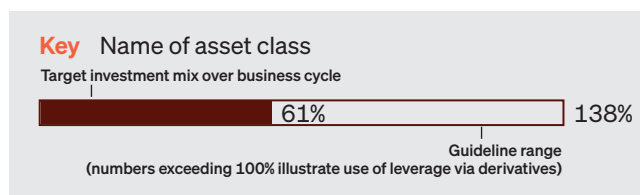
We use an active investment management approach when managing the Strategies. This approach seeks to maintain a balance between preserving your capital and growing your wealth in a manner that is consistent with each Strategy's objective. This is different from a passive investment approach.

Our active investment management approach allows the Strategies to be invested in authorised asset classes in any proportion. It also includes the ability for the Strategies to use derivatives to create leverage. We also actively manage the foreign currency exposure of the Strategies.

### Investment guidelines

Our internal investment guidelines set out indicative ranges for authorised asset classes within which a Strategy will usually (but not always) invest. The authorised asset classes and the guideline ranges for each Strategy as at the date of this PDS are shown in the table on page 9.

The target investment mix shown for each Strategy at the date of this PDS (being the dark coloured portion of the band for each asset class) as illustrated below is anticipated only and the actual asset allocation is expected to vary significantly within the indicated band over the course of an economic cycle.



More information on our internal investment guidelines, how we manage foreign currency, and the historical investment mix and historical leverage range for each Strategy is set out in the Other Material Information document.

### Investment policy and objectives

Further information on NZ Funds' investment approach can be found in the Statement of Investment Policy & Objectives (SIPO). The 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 Quarterly Fund Updates at [www.nzfunds.co.nz](https://www.nzfunds.co.nz).


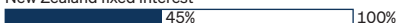
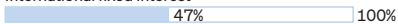






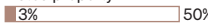




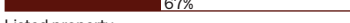





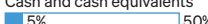
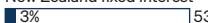

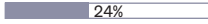

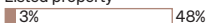


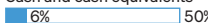

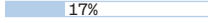


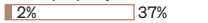



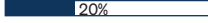
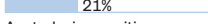
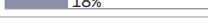




### Responsible investing

Responsible investment, including environmental, social, and governance considerations, is taken into account in the investment policies and procedures of the Strategies as at the date of this PDS. You can obtain an explanation of the extent to which responsible investment is taken into account in those policies and procedures at [www.nzfunds.co.nz/responsible-investment-policy.pdf](https://www.nzfunds.co.nz/responsible-investment-policy.pdf).



NZ Funds' internal investment guidelines include estimates of the amount of leverage that may be used in each authorised asset class. Investors should be aware that NZ Funds' use of derivatives and/or other instruments may result in the proportion invested in an authorised asset class exceeding the guidelines shown in the table below from time to time.

Where the upper percentage of a guideline range exceeds 100% this indicates that NZ Funds is expected to regularly use derivatives and/or other instruments to create leverage to increase the exposure to an authorised asset class beyond 100%. Showing a target investment mix of 100% or less for an authorised asset class does not mean derivatives will not be used.

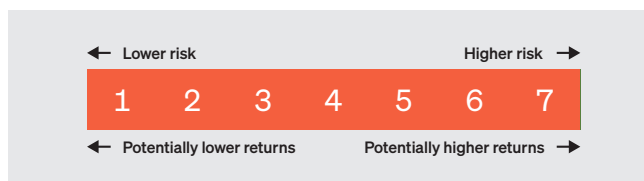
Name	Objective	Strategy summary and target investment mix <sup>1</sup>	Risk indicator <sup>2</sup>	Minimum suggested timeframe
<b>Self Select</b>				
Income Strategy	To generate income by investing in a range of income producing assets and other assets in a way that seeks to mitigate the downside through active management.	<p>Anticipated to mainly own and trade New Zealand, Australian and international bonds and other authorised asset classes over the minimum suggested investment timeframe.</p> <p>Cash and cash equivalents   8% 50%</p> <p>New Zealand fixed interest   45% 100%</p> <p>International fixed interest   47% 100%</p> <p>Alternative securities<sup>4</sup>   0% 50%</p>	3	2 years+
Inflation Strategy	To mitigate the impact of inflation on your investment over the medium and/or long term through active management.	<p>Anticipated to mainly own and trade New Zealand, Australian and international bonds and shares and other authorised asset classes over the minimum suggested investment timeframe.</p> <p>Cash and cash equivalents   5% 50%</p> <p>New Zealand fixed interest   12% 50%</p> <p>International fixed interest   13% 50%</p> <p>Australasian equities   29% 100%</p> <p>International equities   38% 100%</p> <p>Listed property   3% 50%</p> <p>Commodities   0% 50%</p> <p>Alternative securities<sup>4</sup>   0% 50%</p>	5	5 years+
Growth Strategy	To grow your investment over the long term through active management.	<p>Anticipated to mainly own and trade New Zealand, Australian and international shares and/or hedge funds and other authorised asset classes over the minimum suggested investment timeframe.</p> <p>Cash and cash equivalents   5% 50%</p> <p>Australasian equities   25% 100%</p> <p>International equities   67% 150%</p> <p>Listed property   3% 50%</p> <p>New Zealand fixed interest   0% 50%</p> <p>International fixed interest   0% 100%</p> <p>Commodities   0% 100%</p> <p>Alternative securities<sup>4</sup>   0% 50%</p>	6	10 years+
<b>Life Cycle (default option)<sup>3</sup></b>				
Life Cycle Age 0-54		<p>Cash and cash equivalents   5% 50%</p> <p>New Zealand fixed interest   3% 53%</p> <p>International fixed interest   4% 95%</p> <p>Australasian equities   24% 95%</p> <p>International equities   61% 138%</p> <p>Listed property   3% 48%</p> <p>Commodities   0% 90%</p> <p>Alternative securities<sup>4</sup>   0% 50%</p>	5	10 years+
Life Cycle At age 65	To allocate your investment across the three Strategies based on your age.	<p>Cash and cash equivalents   6% 50%</p> <p>New Zealand fixed interest   16% 64%</p> <p>International fixed interest   17% 83%</p> <p>Australasian equities   20% 73%</p> <p>International equities   39% 93%</p> <p>Listed property   2% 37%</p> <p>Commodities   0% 56%</p> <p>Alternative securities<sup>4</sup>   0% 50%</p>	5	5 years+
Life Cycle At age 75		<p>Cash and cash equivalents   6% 50%</p> <p>New Zealand fixed interest   20% 68%</p> <p>International fixed interest   21% 83%</p> <p>Australasian equities   18% 65%</p> <p>International equities   33% 85%</p> <p>Listed property   2% 33%</p> <p>Commodities   0% 31%</p> <p>Alternative securities<sup>4</sup>   0% 50%</p>	4	5 years+

1. For more information on what is included in each asset class, see the SIPO. Monthly updates of the actual investments held by each Strategy are available on the Performance page of our website at [www.nzfunds.co.nz](http://www.nzfunds.co.nz). 2. The investment options have not been in existence for a full five years to 30 September 2021. 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. See page 4 for Strategy allocations. 4. Alternative securities are investments not usually accessed by retail investors, for example hedge funds and digital assets.

## 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 funds offered under this PDS can be found on pages 4 and 9.



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 30 September 2021. 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 Quarterly Fund Update for each 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 indicators are calculated using historical or market index returns only. If the period of returns used in calculating the risk indicators reflected a time of unusually low or high volatility, the risk indicator may not reflect the future volatility of a Strategy.

NZ Funds is not a traditional fund manager. Our active investment approach tries to anticipate future events and this leads to changes in our asset allocations. Changing our asset allocation may lead to material changes to expected future risk 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 investments held. Market risk arises from uncertainty about the future value of investments. Changes in value 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 volatility. Investment illiquidity may make it difficult to value, acquire or dispose of assets.

#### Asset concentration

The Strategies can hold authorised asset classes and securities in any proportion or concentration, meaning that the Strategies may not always 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.

#### Currency

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

#### Other specific risks

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

#### Life Cycle

There is a risk that the predefined age-based asset allocation used in Life Cycle 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.

#### Emerging investment instruments and techniques

In managing the Strategies, NZ Funds and its external managers are able to use certain sophisticated and emerging investment instruments and techniques (including hedge funds and derivatives) which are used by other managers who manage money in similar ways to us. This may result in the returns on your investment fluctuating more than in some other funds. The risk of sophisticated and emerging investments may be higher than the risk rating for the Strategies shown by their current risk indicators.

## Higher risk investments

The Strategies are different from some other funds in that they can invest in a wide range of investments, including investments which may be, or which may have traditionally been, considered to be speculative (e.g. hedge funds, derivatives and cryptocurrencies). This may result in the returns on your investment fluctuating more than in other funds. The risk of those investments may be higher than the risk rating for the Strategies shown by their current risk indicators.

## Active management

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

## What we invest in can change rapidly and significantly

In implementing our active investment management approach we invest in a wide range of assets and emerging investments and change assets quickly. We can do this without notice to Members. The potential for rapid changes in the nature and extent of assets invested in and the potential for emerging investments may significantly increase losses in the Strategies. As part of our investment management process, we maintain internal investment guidelines which assist in the oversight of the Strategies. For more information on our internal investment guidelines see the Other Material Information document.

## Unlimited (and potentially extensive) use of leverage via derivatives

In managing the Strategies, NZ Funds uses derivatives to create leverage to seek to both increase returns (by taking active positions) and reduce risk (by taking hedge positions). There is no limit on our use of derivatives or the amount of leverage their use may create. The use of derivatives and the leverage their use may create can increase or decrease the risk of a Strategy materially and is an essential aspect of our active investment approach.

## Specialist managers

We may use external managers in the management of the Strategies. There are a number of risks associated with investing with these managers. These include wide mandates, redemption restrictions, and the risk that a manager selected underperforms or generates a loss. We have a due diligence process for appointing external managers and all managers are monitored and reviewed.

## Key person

The Strategies may be dependent on the services of one or more key persons, either inside or outside NZ Funds, and may be adversely affected by the departure or poor performance of one or more of those individuals.

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>1,2</sup>
Income Strategy		1.12%
Inflation Strategy		1.42%
Growth Strategy		1.65%
Life Cycle	Age 0-54	1.60%
	At age 65	1.43%
	At age 75	1.39%

If you are 18 or over, there is an administration fee of \$29.76 a year.

1. As a percentage of the net asset value of each Strategy. 2. The estimated annual fund charges include estimated performance fees ranging from 0.03% to 0.04% of the net asset value of each Strategy. Actual performance fees received by NZ Funds are set out in the Other Material Information document.

## Annual fund charges

Annual fund charges are made up of a management fee, estimated service fee, external management fee and performance fee. These fees are deducted directly or indirectly from each Strategy and are reflected in the unit price of that Strategy.

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

The estimated annual fund charges above represent the total estimated amount of all of the fees set out in this section. For more details on the basis of estimation, see the Other Material Information document.

## Management fee

The Strategies are charged an annual management fee by NZ Funds. The management fee is fixed as a percentage of the gross asset value of each Strategy. It is calculated daily and paid monthly.

## Estimated service fee

This covers estimated charges for services provided to the Strategies and related wholesale trusts that the Strategies invest in, such as fund administration, custody, audit and legal fees, and the Supervisor's fees.

## External management fee

NZ Funds may employ third party investment experts to help manage a Strategy's investments. Where it does, this fee covers the estimated management and performance fees charged by these investment experts.

## Performance fee

NZ Funds may charge a performance fee in certain wholesale trusts that the Strategies invest in.

The performance fee is based on a hurdle rate of return. The hurdle rate is the minimum return the wholesale trust must achieve before a performance fee is charged. A performance fee is only charged (accrued) if the returns of the wholesale trust (before tax, but including imputation credits, if applicable) exceed the performance of the relevant specific market index (hurdle rate) set out in the table below.

When we calculate the performance fee, we include a notional management fee which has the effect of increasing the level of return the wholesale trust must achieve before a performance fee is charged.

All performance fees are calculated and accrued daily, and subject to the high-water mark being exceeded (see below), are payable on or after 31 March each year. There is no maximum limit on any performance fee.

The table below sets out the wholesale trusts where a performance fee may be charged and the criteria that needs to be met for a performance fee to be charged. Further details on which wholesale trust each Strategy invests in is available in the Other Material Information document.

## High-water mark

A performance fee is accrued if the wholesale trust's return exceeds the hurdle rate but is only paid for a performance year if the wholesale trust's unit price exceeds the high-water mark (being the unit price the last time the performance fee was paid or in the case of the first performance fee the unit price on the date that the performance fee came in to effect).

If the high-water mark is not exceeded at 31 March, any accrued performance fee is carried forward and will be paid when the high-water mark is exceeded. The high-water mark ensures that any accrued performance fee is not paid to NZ Funds until the unit price is above the last high-water mark.

## Changing the performance fee

NZ Funds may change the rate and basis of calculation of a performance fee at any time by giving one month's notice to investors. For more information on the performance fee, including an example of how it is calculated, see the Other Material Information document.

## Other charges

There is an administration fee of \$29.76 a year payable if you are 18 or over. This fee covers the costs of administering your account and is deducted from your account monthly.

### Example of how fees apply to an investor

*Sarah invests \$10,000 in the Growth Strategy. She is not charged an establishment fee or a contribution fee. This means the starting value of her investment is \$10,000.*

*She is charged management and administration fees (comprising management fee, estimated service fee and external management fee) which work out to about \$161 (1.61% of \$10,000). These fees might be more or less if her account balance has increased or decreased over the year.*

*Sarah may also be indirectly charged a performance fee if the Private Dividend Yield Trust and Private Global Macro Trust (wholesale trusts in which the Growth Strategy is invested), earned more than their target. Over the next year, Sarah pays other charges of \$29.76.*

*Estimated total fees for the first year:*

*Fund charges \$165\**

*Other charges \$29.76*

*\*Includes an estimated performance fee of \$4.*

*See the latest Quarterly 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.*

Wholesale Trust	What is performance assessed against?	Specific market indices used as performance benchmark (hurdle rate) <sup>1</sup>	Performance fee amount
Private Core Income Trust	New Zealand bonds	S&P /NZX Investment Grade Corporate Bond Total Return Index.	
Private Global Income Trust	International bonds	Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged USD.	10% of the wholesale trust's returns above the hurdle rate.
Private Absolute Return Trust	New Zealand bonds	S&P/NZX Investment Grade Corporate Bond Total Return Index.	
Private Global Inflation Trust	New Zealand bonds	S&P/NZX Investment Grade Corporate Bond Total Return Index.	
Private Dividend Yield Trust	New Zealand and Australian shares	70% S&P/NZX 50 Portfolio Index Gross with Imputation; 30% S&P/ASX 200 Index Total Return.	15% of the wholesale trust's returns above the hurdle rate.
Private Global Macro Trust	International shares	MSCI All Countries World Index ex Fossil Fuels Net Total Return Local Index.	

<sup>1</sup>. As the hurdle rate 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 Quarterly Fund Updates.

## Fee rebate

We may in our discretion and from our own funds, pay or rebate some or all of the fees and expenses described in this section.

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

## Individual action fees

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

With your agreement, your financial advice provider may charge a fee for initial and/or ongoing financial advice. If charged, this will be deducted from your investment and paid to your financial advice provider

NZ Funds Private Wealth will not charge any financial advice fees with respect to your investment in NZ Funds Wealth Builder.

## Onboarding and service payments

NZ Funds may pay an external financial advice provider an onboarding and ongoing service payment in recognition of the effort and costs associated with providing services to you. These payments are made out of the revenue earned by NZ Funds for managing the Strategies and are not deducted from the Strategies directly.

## Additional information

### GST

Fees do not include GST or other similar tax. This means that if any GST, or other similar tax, is payable on any fee, that tax will be an additional cost.

### The fees can be changed

Under the terms of the Trust Deed, existing fees may be changed or new fees introduced. For more information, see the Other Material Information document.

NZ Funds must publish a Quarterly Fund Update for each investment option showing the fees actually charged during the most recent year. Quarterly 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 (PIE). The amount of tax you pay is based on your prescribed investor rate (PIR). To determine your PIR, go to [www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates](http://www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates). 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. If you do not tell NZ Funds, a default rate may be applied.

If the rate applied to your PIE income is lower than the correct PIR you will be required to pay any tax shortfall as part of the income tax year-end process. If the rate applied to your PIE income is higher than your PIR any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount may be refunded to you.

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 Life Cycle. Our contact details are:

Attention: Client Services  
New Zealand Funds Management Limited

Level 16, 21 Queen Street  
Private Bag 92163  
Auckland 1142

T. 09 377 2277 or 0800 377 2277

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

### NZ Funds

If you have any concerns about your investment please contact NZ Funds. Our contact details are:

Attention: Client Services  
New Zealand Funds Management Limited

Level 16, 21 Queen Street  
Private Bag 92163  
Auckland 1142

T. 09 377 2277 or 0800 377 2277  
E. [info@nzfunds.co.nz](mailto:info@nzfunds.co.nz)  
W. [www.nzfunds.co.nz](http://www.nzfunds.co.nz)

### Guardian Trust

Complaints can also be made to the Supervisor. The Supervisor's contact details are:

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

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 you a fee to investigate or resolve a complaint.

Attention: New Zealand Funds Management Limited  
Financial Services Complaints Limited

PO Box 5967  
Wellington 6140

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 from the Registrar of Financial Service Providers.

Quarterly Fund Updates and other information relating to the Strategies (including the Other Material Information document and the SIPO) are 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 advice provider 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).





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Management Limited**

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**Auckland  
Wellington  
Christchurch  
Timaru  
Dunedin  
Invercargill**