



NZ Funds

Active Series

Wealth Builder

Income Generator

Statement of Investment Policy & Objectives

12 December 2024

NZFunds

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1. Description

This Statement of Investment Policies and Objectives (SIPO) relates to the funds offered under the NZ Funds Active Income Series, NZ Funds Active Inflation Series, NZ Funds Active Growth Series (together the Active Series), NZ Funds Wealth Builder (Wealth Builder), and NZ Funds Income Generator (Income Generator).

The Manager of the Portfolios and Strategies (collectively referred to throughout this document as Portfolios) is New Zealand Funds Management Limited (NZ Funds, our, us, or we). The supervisor of the Portfolios is The New Zealand Guardian Trust Company Limited (Supervisor). The Portfolios and the Product Disclosure Statements (PDS) under which they are offered is set out below.

| PDS | Portfolio/Strategy |
|----------------------------------|--|
| 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 |
| NZ Funds Active Growth Series | Global Utilities |
| | New Zealand and Australian Shares |
| | Global Shares |
| NZ Funds Wealth Builder | Global Macro |
| | NZ Funds Wealth Builder – Income Strategy |
| | NZ Funds Wealth Builder – Inflation Strategy |
| NZ Funds Income Generator | NZ Funds Wealth Builder – Growth Strategy |
| | NZ Funds Income Generator |

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).

More information on the Portfolios is included in the PDS and Other Material Information (OMI), which are available at www.nzfunds.co.nz or the offer register at disclose-register.companiesoffice.govt.nz. These documents should be read together with this SIPO. Terms used in this document are defined in the Glossary.

2. Investment philosophy and overview

NZ Funds is a wealth management specialist. We define wealth management as helping New Zealanders achieve their investment goals.

NZ Funds' approach to wealth management aims to provide investors with a financial strategy to achieve their investment goals and access financial advice to help them make informed financial decisions.

NZ Funds' active investment management approach means that the assets held by the Portfolios may be quite different from those held under a passive investment management approach, and the nature and composition of those actively managed assets may change markedly over time.

In certain market environments, a passive approach may generate better investment returns than an active approach, and vice versa. The risk inherent in each style may also differ, depending on the investment techniques used and the stage of the economic cycle.

NZ Funds believes that an active investment management approach enables us to invest across a broader range of assets and investment styles than a passive approach. It also enables us to position the Portfolios quite differently to the broader market, both in terms of seeking to capture the upside and in seeking to mitigate risk.

We invest predominantly in instruments with known liquidity, enabling us to increase or reduce position sizes efficiently. We also employ a number of different techniques that seek to limit the extent to which the Portfolios may endure losses.

As a consequence of our active investment management approach, the Portfolios will regularly exhibit investment performance characteristics that are quite different to those of a passively managed fund and the passive indices the Portfolios are benchmarked against. We expect that those different performance characteristics will be evident during both rising and falling markets.

3. Investment structure

Authorised asset classes

The authorised asset classes for each Portfolio are set out in this SIPO. These are the types of assets that a Portfolio is permitted to invest in. The authorised asset classes are those used in the FMC Act and Financial Markets Conduct Regulations 2014 (Regulations), with the exception of 'Alternative Securities' which is included in the 'Other' category for FMC Act purposes.

The purchase of an unauthorised asset class constitutes a SIPO limit break.

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 the ranges within which each Portfolio will usually (but not always) invest in each authorised asset class, and also address other investment matters such as the ability of a Portfolio to use derivatives to create leverage and the level of liquidity that a Portfolio will target.

Where the upper percentage of a guideline range exceeds 100% this indicates that NZ Funds is expected to regularly use derivatives 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.

Book value is used to measure the value of derivatives, except for equity index futures, commodity futures, crypto asset futures and certain swaps, where full notional value (face value) of the contract is used.

NZ Funds' active investment management approach, use of derivatives in the Portfolios and market movements may result in the proportion invested in an authorised asset class exceeding the guidelines shown in the table from time to time.

The investment guideline ranges are calculated on an absolute basis. This means that we do not differentiate between long exposures (which profit from a rise in price) and short exposures (which profit from a fall in price).

Exceeding an investment guideline for a Portfolio does not amount to a SIPO limit break.

Target investment mix

The target investment mix shown for each Portfolio mix (being the dark coloured portion of the guideline range for each asset class) is the expected target investment mix for each Portfolio over the economic cycle and is derived from our internal reference portfolios which are used to benchmark long term investment performance.

The target investment mix of each Portfolio is anticipated only and the actual asset allocation is expected to vary over the course of an economic cycle.

Deviating from the target investment mix for a Portfolio does not amount to a SIPO limit break.

Wholesale investment structure

The Portfolios currently invest in a series of wholesale trusts managed by NZ Funds which hold investments. The investments may include directly held securities and/or investments in funds managed by NZ Funds or specialist investment managers chosen by NZ Funds.

The wholesale trust investment structure provides operational and administrative efficiencies. This investment structure means that a Portfolio's investments will mainly be held at the wholesale trust level, having regard to the Portfolio's objective and timeframe.

The Portfolios may also invest directly in cash and cash equivalents, shares, bonds, derivatives and other assets.

4. NZ Funds Active Series

Active management

The Portfolios in the NZ Funds Active Series are offered under three separate PDS's as outlined previously. The Portfolios offered under each PDS also have a common investor orientated investment objective as set out as follows:

| Series | Objective |
|----------------------------------|--|
| NZ Funds Active Income Series | 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. |
| NZ Funds Active Inflation Series | To mitigate the impact of inflation on your investment over the medium and/or long term with active management. |
| NZ Funds Active Growth Series | To grow your investment over the long term through active management. |

While the objective for the Portfolios within a PDS may be the same, the assets that each Portfolio holds will generally differ in order to meet the investment objectives of that Portfolio.

NZ Funds' active investment management approach seeks to maintain a balance between preserving investors' capital and growing their wealth over time in a way that is consistent with each Portfolio's objective.

It also seeks to ensure that over the economic cycle, investors who own a range of different Portfolios are exposed to both actively and passively managed investments and have their investments diversified across New Zealand and international markets.

Portfolio objectives generally

The Portfolios are designed and managed to seek to meet investor orientated investment objectives rather than to solely meet or exceed the returns of a single asset class index, such as New Zealand bonds or global shares.

Use of the Portfolios

The Portfolios making up the NZ Funds Active Series are designed for use by financial advice providers who are experienced financial planners.

They can be used either as stand-alone investments or combined in different ways in order to achieve different investment outcomes depending on how an investor wishes to approach investing.

NZ Funds Private Wealth advisers, and the independent financial advisers we work with, help investors create portfolios by allocating their investment across one or more Portfolios depending on the investor's objectives.

NZ Funds strongly encourages investors to work with a financial advice provider to develop a financial strategy and an investment portfolio specific to their goals, investing timeframe and attitude towards risk, and to regularly review their financial strategy and investment portfolio with the help of a financial adviser.

Investment options

The following table sets out the investment objective and strategy, authorised asset classes, guideline ranges, target investment mix, and minimum suggested investment timeframe for each Portfolio. The Portfolios may invest in authorised asset classes in any proportion.

| Asset class |
|--|
| <div> <div>Target investment mix (over an economic cycle)</div> <div>Guideline range</div> <div> <div></div> <div>95%</div> <div>150%*</div> </div> </div> |

* Numbers exceeding 100% illustrate use of leverage via derivatives.

Active Income Series Portfolios

| Name | Objective | Portfolio summary, guideline range & target investment mix ¹ | Minimum suggested timeframe |
|----------------------------------|--|--|-----------------------------|
| Cash Portfolio | To provide a source of capital. | <p>Anticipated to mainly own and trade cash and cash equivalents, and other authorised asset classes over the minimum suggested timeframe.</p> <p>Cash and cash equivalents 100%</p> <p>New Zealand fixed interest 0%</p> <p>International fixed interest 0%</p> | 1 month+ |
| New Zealand and Australian Bonds | To generate income by investing in a range of income producing assets and other assets | <p>Anticipated to mainly own and trade New Zealand and Australian bonds, and other authorised asset classes over the minimum suggested timeframe.</p> <p>Cash and cash equivalents 10%</p> <p>New Zealand fixed interest 90%</p> <p>International fixed interest 0%</p> <p>Alternative Securities² 0%</p> | 2 years+ |
| Global Bonds | in a way that seeks to mitigate the downside through active management. | <p>Anticipated to mainly own and trade international bonds, and other authorised asset classes over the minimum suggested timeframe.</p> <p>Cash and cash equivalents 5%</p> <p>New Zealand fixed interest 0%</p> <p>International fixed interest 95%</p> <p>Alternative Securities² 0%</p> | 2 years+ |

Active Inflation Series Portfolios

| Name | Objective | Portfolio summary, guideline range & target investment mix ¹ | Minimum suggested timeframe |
|--|---|---|-----------------------------|
| New Zealand Property & Retirement Villages | | <p>Anticipated to mainly own and trade New Zealand property and retirement village company shares. The Portfolio may also hold an allocation to Australian shares and other actively managed authorised asset classes with the aim of mitigating the downside and capturing the upside.</p> <p>Cash and cash equivalents 5%</p> <p>New Zealand fixed interest 12%</p> <p>International fixed interest 13%</p> <p>Australasian equities 30%</p> <p>International equities 0%</p> <p>Listed property 40%</p> <p>Alternative Securities² 0%</p> | 5 years+ |
| New Zealand Infrastructure | To mitigate the impact of inflation on your investment over the medium and/or long term with active management. | <p>Anticipated to mainly own and trade New Zealand infrastructure company shares. The Portfolio may also hold an allocation to Australian shares and other actively managed authorised asset classes with the aim of mitigating the downside and capturing the upside.</p> <p>Cash and cash equivalents 5%</p> <p>New Zealand fixed interest 12%</p> <p>International fixed interest 13%</p> <p>Australasian equities 70%</p> <p>International equities 0%</p> <p>Listed property 0%</p> <p>Alternative Securities² 0%</p> | 5 years+ |
| New Zealand Utilities | | <p>Anticipated to mainly own and trade New Zealand utility company shares. The Portfolio may also hold an allocation to Australian shares and other actively managed authorised asset classes with the aim of mitigating the downside and capturing the upside.</p> <p>Cash and cash equivalents 5%</p> <p>New Zealand fixed interest 12%</p> <p>International fixed interest 13%</p> <p>Australasian equities 70%</p> <p>International equities 0%</p> <p>Listed property 0%</p> <p>Alternative Securities² 0%</p> | 5 years+ |

1. Where the upper limit of the band exceeds 100% this indicates that NZ Funds is expected to regularly use leverage (via derivatives and/or other instruments). Showing a target investment mix of 100% or less for an authorised asset class does not mean leverage will not be used. Monthly updates of the actual investments held by each Portfolio are available on the Performance page of our website at www.nzfunds.co.nz. 2. Alternative securities are investments not usually accessed by retail investors, for example hedge funds.

| Name | Objective | Portfolio summary, guideline range & target investment mix ¹ | | Minimum suggested timeframe | | | | | | | | | | | | | | | | | | | | |
|-------------------------------------|---|---|---------------------------|-----------------------------|-----|----------------------------|-----|-----|------------------------------|-----|-----|-----------------------|----|-----|------------------------|-----|------|-----------------|-----|------|-------------------------------------|----|-----|----------|
| Global Property | | <p>Anticipated to mainly own and trade international property company shares. The Portfolio may also hold an allocation to other actively managed authorised asset classes with the aim of mitigating the downside and capturing the upside.</p> <table><tr><td>Cash and cash equivalents</td><td>5%</td><td>50%</td></tr><tr><td>New Zealand fixed interest</td><td>12%</td><td>50%</td></tr><tr><td>International fixed interest</td><td>13%</td><td>50%</td></tr><tr><td>Australasian equities</td><td>0%</td><td>50%</td></tr><tr><td>International equities</td><td>0%</td><td>50%</td></tr><tr><td>Listed property</td><td>70%</td><td>150%</td></tr><tr><td>Alternative Securities²</td><td>0%</td><td>50%</td></tr></table> | Cash and cash equivalents | 5% | 50% | New Zealand fixed interest | 12% | 50% | International fixed interest | 13% | 50% | Australasian equities | 0% | 50% | International equities | 0% | 50% | Listed property | 70% | 150% | Alternative Securities ² | 0% | 50% | 5 years+ |
| Cash and cash equivalents | 5% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| New Zealand fixed interest | 12% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| International fixed interest | 13% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| Australasian equities | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| International equities | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| Listed property | 70% | 150% | | | | | | | | | | | | | | | | | | | | | | |
| Alternative Securities ² | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| Global Infrastructure | To mitigate the impact of inflation on your investment over the medium and/or long term with active management. | <p>Anticipated to mainly own and trade international infrastructure company shares. The Portfolio may also hold an allocation to other actively managed authorised asset classes with the aim of mitigating the downside and capturing the upside.</p> <table><tr><td>Cash and cash equivalents</td><td>5%</td><td>50%</td></tr><tr><td>New Zealand fixed interest</td><td>12%</td><td>50%</td></tr><tr><td>International fixed interest</td><td>13%</td><td>50%</td></tr><tr><td>Australasian equities</td><td>0%</td><td>50%</td></tr><tr><td>International equities</td><td>60%</td><td>150%</td></tr><tr><td>Listed property</td><td>10%</td><td>50%</td></tr><tr><td>Alternative Securities²</td><td>0%</td><td>50%</td></tr></table> | Cash and cash equivalents | 5% | 50% | New Zealand fixed interest | 12% | 50% | International fixed interest | 13% | 50% | Australasian equities | 0% | 50% | International equities | 60% | 150% | Listed property | 10% | 50% | Alternative Securities ² | 0% | 50% | 5 years+ |
| Cash and cash equivalents | 5% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| New Zealand fixed interest | 12% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| International fixed interest | 13% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| Australasian equities | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| International equities | 60% | 150% | | | | | | | | | | | | | | | | | | | | | | |
| Listed property | 10% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| Alternative Securities ² | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| Global Utilities | | <p>Anticipated to mainly own and trade international utility company shares. The Portfolio may also hold an allocation to other actively managed authorised asset classes with the aim of mitigating the downside and capturing the upside.</p> <table><tr><td>Cash and cash equivalents</td><td>5%</td><td>50%</td></tr><tr><td>New Zealand fixed interest</td><td>12%</td><td>50%</td></tr><tr><td>International fixed interest</td><td>13%</td><td>50%</td></tr><tr><td>Australasian equities</td><td>0%</td><td>50%</td></tr><tr><td>International equities</td><td>70%</td><td>150%</td></tr><tr><td>Listed property</td><td>0%</td><td>50%</td></tr><tr><td>Alternative Securities²</td><td>0%</td><td>50%</td></tr></table> | Cash and cash equivalents | 5% | 50% | New Zealand fixed interest | 12% | 50% | International fixed interest | 13% | 50% | Australasian equities | 0% | 50% | International equities | 70% | 150% | Listed property | 0% | 50% | Alternative Securities ² | 0% | 50% | 5 years+ |
| Cash and cash equivalents | 5% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| New Zealand fixed interest | 12% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| International fixed interest | 13% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| Australasian equities | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| International equities | 70% | 150% | | | | | | | | | | | | | | | | | | | | | | |
| Listed property | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| Alternative Securities ² | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | |

Active Growth Series Portfolios

| Name | Objective | Portfolio summary, guideline range & target investment mix ¹ | Minimum suggested timeframe | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------------|---|---|-------------------------------------|-----|------|------------------------|-----|------|----------------------------|----|------|-----------------|-----|-----|------------------------------|----|------|-------------|----|------|-----------------------|-----|------|-------------------------------------|----|------|-----------|
| New Zealand and Australian Shares | | <p>Anticipated to mainly own and trade New Zealand and Australian shares, and other authorised asset classes over the minimum suggested timeframe.</p> <table><tr><td>Cash and cash equivalents</td><td>5%</td><td>50%</td><td>International equities</td><td>0%</td><td>50%</td></tr><tr><td>New Zealand fixed interest</td><td>0%</td><td>50%</td><td>Listed property</td><td>10%</td><td>50%</td></tr><tr><td>International fixed interest</td><td>0%</td><td>50%</td><td></td><td></td><td></td></tr><tr><td>Australasian equities</td><td>85%</td><td>150%</td><td></td><td></td><td></td></tr></table> | Cash and cash equivalents | 5% | 50% | International equities | 0% | 50% | New Zealand fixed interest | 0% | 50% | Listed property | 10% | 50% | International fixed interest | 0% | 50% | | | | Australasian equities | 85% | 150% | | | | 10 years+ |
| Cash and cash equivalents | 5% | 50% | International equities | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| New Zealand fixed interest | 0% | 50% | Listed property | 10% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| International fixed interest | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Australasian equities | 85% | 150% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Global Shares | To grow your investment over the long term through active management. | <p>Anticipated to mainly own and trade international shares, and other authorised asset classes over the minimum suggested timeframe.</p> <table><tr><td>Cash and cash equivalents</td><td>5%</td><td>50%</td><td>International equities</td><td>95%</td><td>200%</td></tr><tr><td>New Zealand fixed interest</td><td>0%</td><td>50%</td><td>Listed property</td><td>0%</td><td>50%</td></tr><tr><td>International fixed interest</td><td>0%</td><td>100%</td><td>Commodities</td><td>0%</td><td>50%</td></tr><tr><td>Australasian equities</td><td>0%</td><td>50%</td><td>Alternative securities²</td><td>0%</td><td>50%</td></tr></table> | Cash and cash equivalents | 5% | 50% | International equities | 95% | 200% | New Zealand fixed interest | 0% | 50% | Listed property | 0% | 50% | International fixed interest | 0% | 100% | Commodities | 0% | 50% | Australasian equities | 0% | 50% | Alternative securities ² | 0% | 50% | 10 years+ |
| Cash and cash equivalents | 5% | 50% | International equities | 95% | 200% | | | | | | | | | | | | | | | | | | | | | | |
| New Zealand fixed interest | 0% | 50% | Listed property | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| International fixed interest | 0% | 100% | Commodities | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| Australasian equities | 0% | 50% | Alternative securities ² | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| Global Macro | | <p>Anticipated to mainly own and trade authorised asset classes using hedge fund instruments and techniques over the minimum suggested timeframe.</p> <table><tr><td>Cash and cash equivalents</td><td>5%</td><td>100%</td><td>International equities</td><td>95%</td><td>300%</td></tr><tr><td>New Zealand fixed interest</td><td>0%</td><td>100%</td><td>Listed property</td><td>0%</td><td>50%</td></tr><tr><td>International fixed interest</td><td>0%</td><td>100%</td><td>Commodities</td><td>0%</td><td>200%</td></tr><tr><td>Australasian equities</td><td>0%</td><td>100%</td><td>Alternative securities²</td><td>0%</td><td>100%</td></tr></table> | Cash and cash equivalents | 5% | 100% | International equities | 95% | 300% | New Zealand fixed interest | 0% | 100% | Listed property | 0% | 50% | International fixed interest | 0% | 100% | Commodities | 0% | 200% | Australasian equities | 0% | 100% | Alternative securities ² | 0% | 100% | 10 years+ |
| Cash and cash equivalents | 5% | 100% | International equities | 95% | 300% | | | | | | | | | | | | | | | | | | | | | | |
| New Zealand fixed interest | 0% | 100% | Listed property | 0% | 50% | | | | | | | | | | | | | | | | | | | | | | |
| International fixed interest | 0% | 100% | Commodities | 0% | 200% | | | | | | | | | | | | | | | | | | | | | | |
| Australasian equities | 0% | 100% | Alternative securities ² | 0% | 100% | | | | | | | | | | | | | | | | | | | | | | |

1. Where the upper limit of the band exceeds 100% this indicates that NZ Funds is expected to regularly use leverage (via derivatives and/or other instruments). Showing a target investment mix of 100% or less for an authorised asset class does not mean leverage will not be used. Monthly updates of the actual investments held by each Portfolio are available on the Performance page of our website at www.nzfunds.co.nz. 2. Alternative securities are investments not usually accessed by retail investors, for example hedge funds.

5. NZ Funds Wealth Builder

Wealth Builder offers four investment options:

- three actively managed Strategies (Self Select)
 - Income Strategy,
 - Inflation Strategy,
 - Growth Strategy, and
- a life cycle automated asset allocation option (Life Cycle).

Investors and their financial adviser can choose their own allocation to one or more Strategies using the Self Select option.

The Life Cycle option automatically allocates your investment across the three Strategies each year, based on your age.

Wealth Builder is designed to provide investors with access to cash, shares, bonds, derivatives, alternative securities and other securities including specialist investment managers.

The Wealth Builder Strategies are actively managed. NZ Funds' active investment management approach seeks to maintain a balance between preserving investors' capital and growing their wealth over time in a way that is consistent with each Strategy's objective.

It also seeks to ensure that over the economic cycle, investors are exposed to both actively and passively managed investments and are diversified across New Zealand and international investment markets.

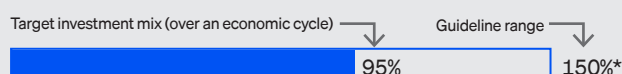
Strategy objectives

The Wealth Builder Strategies are designed and managed to seek to meet investor orientated investment objectives rather than to solely meet or exceed the returns of a single asset class index, such as New Zealand bonds or global shares.

Investment options

The following table sets out the investment objective and strategy, authorised asset classes, guideline ranges, target investment mix, and minimum suggested investment timeframe for each Strategy. The Strategies may invest in authorised asset classes in any proportion.

Asset class



* Numbers exceeding 100% illustrate use of leverage via derivatives.

| Strategy | Objective | Strategy summary, guideline range & target investment mix ¹ | Minimum suggested timeframe |
|--------------------|--|---|-----------------------------|
| 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 timeframe.</p> <p>Cash and cash equivalents 8% 100%</p> <p>New Zealand fixed interest 45% 75%</p> <p>International fixed interest 47% 125%</p> <p>Alternative Securities² 0% 50%</p> | 2 years+ |
| Inflation Strategy | To mitigate the impact of inflation on your investment over the medium and/or long term with 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 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 23% 100%</p> <p>International equities 23% 125%</p> <p>Listed property 24% 50%</p> <p>Alternative Securities² 0% 50%</p> | 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 timeframe.</p> <p>Cash and cash equivalents 5% 100%</p> <p>New Zealand fixed interest 0% 100%</p> <p>International fixed interest 0% 100%</p> <p>Australasian equities 34% 100%</p> <p>International equities 57% 200%</p> <p>Listed property 4% 50%</p> <p>Commodities 0% 100%</p> <p>Alternative Securities² 0% 50%</p> | 10 years+ |

1. Where the upper limit of the band exceeds 100% this indicates that NZ Funds is expected to regularly use leverage (via derivatives and/or other instruments). Showing a target investment mix of 100% or less for an authorised asset class does not mean leverage will not be used. Monthly updates of the actual investments held by each Strategy are available on the Performance page of our website at www.nzfunds.co.nz. 2. Alternative securities are investments not usually accessed by retail investors, for example hedge funds.

6. NZ Funds Income Generator

Income Generator is designed for an investor seeking returns, primarily from dividend payments who also wishes to have the volatility of dividend paying shares reduced. To achieve this, the Portfolio primarily invests in dividend paying New Zealand and Australian shares and uses futures and options to seek to mitigate share market volatility.

NZ Funds' goal is to ensure investors in Income Generator own a diversified portfolio with downside mitigation where appropriate. Our active investment management approach seeks to maintain a balance between preserving investors' capital and growing their wealth over time in a way that is consistent with the Portfolio's objective.

It also seeks to ensure that over the economic cycle, investors are exposed to both actively and passively managed investments and are diversified primarily across New Zealand and Australian markets.

Portfolio objective

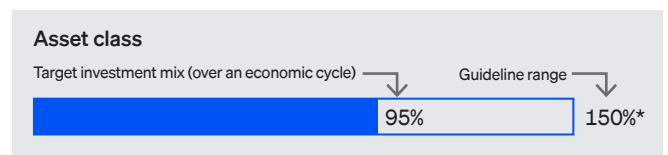
Income Generator has been designed as a stand-alone investment. However, NZ Funds recommends investors seek financial advice as to whether it is appropriate for them.

The objective of Income Generator is to provide a source of income and return by primarily investing in dividend paying shares and derivatives including options. It is anticipated that the Portfolio will purchase predominantly dividend paying shares and use derivatives, including options to limit the downside. To fund the purchase of put options, the Portfolio may write call options. The levels at which the options are implemented will be dependent on market conditions and NZ Funds' investment view.

The target allocation is for 100% of the share exposure in the Portfolio to have put options to limit the downside. However, the target hedging level may vary over the course of an economic cycle dependent on market conditions and NZ Funds' investment view.

Investment options

The following table sets out the investment objective and strategy, authorised asset classes, guideline ranges, target investment mix, and minimum suggested investment timeframe for the Portfolio. The Portfolio may invest in authorised asset classes in any proportion.



* Numbers exceeding 100% illustrate use of leverage via derivatives.

| Portfolio | Objective | Portfolio summary, guideline range & target investment mix ¹ | Minimum suggested timeframe |
|---------------------------|--|---|-----------------------------|
| NZ Funds Income Generator | To provide a source of income and return by primarily investing in dividend paying shares and derivatives including options. | Anticipated to mainly own and trade New Zealand and Australian shares, derivatives including options and other authorised asset classes over the minimum suggested timeframe. | 5 years+ |
| | | <div><div><div>Cash and cash equivalents</div><div><div>5%</div><div>100%</div></div></div><div><div>New Zealand fixed interest</div><div><div>0%</div><div>50%</div></div></div><div><div>International fixed interest</div><div><div>0%</div><div>100%</div></div></div><div><div>Australasian equities</div><div><div>85%</div><div>150%</div></div></div><div><div>International equities</div><div><div>0%</div><div>50%</div></div></div><div><div>Listed property</div><div><div>10%</div><div>50%</div></div></div><div><div>Alternative Securities²</div><div><div>0%</div><div>50%</div></div></div></div> | |

1. Where the upper limit of the band exceeds 100% this indicates that NZ Funds is expected to regularly use leverage (via derivatives and/or other instruments). Showing a target investment mix of 100% or less for an authorised asset class does not mean leverage will not be used. Monthly updates of the actual investments held by the Portfolio are available on the Performance page of our website at www.nzfunds.co.nz. 2. Alternative securities are investments not usually accessed by retail investors, for example hedge funds.

7. Investment approach

Active management

NZ Funds takes an active investment management approach to managing each Portfolio. Our active investment management approach is designed to enable us to better meet the investor-orientated objectives of each Portfolio and to take advantage of investment opportunities as they arise.

NZ Funds' active investment management approach means that we make ongoing investment decisions, search for emerging opportunities, buy or sell securities when we deem 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 Portfolio.

As part of our investment approach we use active-quant investment management in managing components of the relevant Active Series Inflation Portfolios, and the Wealth Builder Inflation Strategy.

Active-quant means we select companies from the sectors that are the focus of the relevant Active Series Inflation Portfolio and the Wealth Builder Inflation Strategy and then use a quantitative screen to determine their portfolio weight and liquidity. This approach is active as the criteria we screen for can be varied over the course of the economic cycle to emphasise different attributes in the relevant Portfolio or Strategy.

The Portfolios may also hold an allocation to a wide range of assets, derivatives and specialist investment managers designed to mitigate the downside and capture the upside.

Dynamic allocations

As part of our active investment management approach, each Portfolio's asset allocation is dynamic (able to change over time) rather than static (a fixed allocation over time).

Each Portfolio has a target investment mix which represents the long term target asset allocation for that Portfolio. NZ Funds considers variances from the target investment mix should opportunities present to enhance returns or mitigate downside over the short to medium term.

NZ Funds regularly reviews the target investment mix for each of the Portfolios to ensure that they continue to be consistent with the long-term investor-orientated objectives of each Portfolio.

NZ Funds' Investment team selects each Portfolio's asset allocation at any time based on their investment knowledge and research, and considering each Portfolio's investment objective and timeframe.

Securities, currencies, commodities, derivatives and specialist investment managers can be used (where included in the authorised asset classes for a Portfolio) to achieve a desired Portfolio asset allocation.

The way we implement our active investment management approach may change over time as, for example, the nature of the investment opportunities we see changes. This may result in the Portfolios being constructed with different combinations of investments. To allow these changes to occur, each Portfolio has a wide mandate.

Active risks

NZ Funds' active investment management approach (including our active quant approach) and wide mandates mean an investment in the Portfolios is subject to different risks (which may be considered higher risks) than a non-active (or passive) management approach. As a result, our active investment management approach may cause the returns and capital stability of a Portfolio to vary significantly from the returns and capital stability of the underlying asset classes used.

Wide mandates

All Portfolios have wide investment mandates. This means that while there may be long-term target asset allocations for Portfolios, in managing each Portfolio, NZ Funds can take a wide range of actions and is not constrained by a benchmark or target. The actions we may take include (but are not limited to):

- altering the proportion invested in each security or asset class;
- altering the manner in which a Portfolio is exposed to each security or 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 assets (including digital assets, such as cryptocurrencies);
- taking foreign currency positions;
- applying hedging; or
- taking short positions.

Investment managers

NZ Funds may select specialist investment managers (including hedge funds) where we consider that the manager's investment approach will help meet the objectives of each Portfolio. Specialist investment managers can complement our own investment skills and can provide investors with access to diverse investment approaches.

The appointment of specialist investment managers is subject to due diligence and an approval process. Specialist investment managers are subject to monitoring and review, which may include consideration of their performance, portfolio composition, and statistical measures of effectiveness.

The specialist investment managers may change over time as part of our active investment management approach. The managers NZ Funds currently work with can be found in the NZ Funds Digital Wallet under the 'Managers' tab.

Derivatives

NZ Funds uses derivatives in managing the Portfolios to seek to both increase returns (by taking active positions) and reduce risk (by taking hedge positions).

One way in which we use derivatives is to create leverage. This is where the investment in a derivative can produce the same gain or loss as a much larger investment in the underlying asset itself. The use of leverage may increase the chance of loss.

The use of leverage is managed through NZ Funds' active investment management approach and through the processes and policies surrounding our investment guidelines.

The investment guidelines include estimates of the leverage that may be created by the use of derivatives in each authorised asset class.

Derivatives and leverage are only used in seeking to achieve each Portfolio's investment objective.

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.

Securities lending

Securities lending involves a transfer of securities (bonds or shares) to a third party (the borrower), who then provides the lender with collateral in the form of shares, bonds or cash. The borrower pays the lender a fee for the loan and is contractually obliged to return the securities on demand, or at the end of the agreed loan period (which is typically a daily renewable agreement).

The lender retains all rights of the security, including the investment performance of the securities. The borrower must pass to the lender any dividends or interest payments that are accrued. In lending agreements, collateral is a borrower's pledge of specific property to a lender, to secure repayment of a loan.

The Portfolios may lend up to 100% of their net asset value and up to 100% of the total value of any authorised assets held.

Counterparties and third-parties

Over the last 30 years, NZ Funds has built collaborative working relationships with a wide range of individuals and organisations with strong local and international investment management expertise.

From time to time, NZ Funds' investment process uses third-parties for a range of roles including but not limited to: investment management, financial modelling and research, trading securities (including futures), custody and prime broker services, market making, distribution, audit and governance. These third parties are part of our investment process.

8. Investment process

Collaborative process

NZ Funds takes a collaborative approach to investment management and believes investment performance is a collectively achieved outcome. Each Portfolio is assigned one or more portfolio managers who are responsible for overseeing the daily management of the Portfolio.

Investment decisions, with some exceptions, are primarily made through a series of internal investment meetings attended mainly by members of NZ Funds' Investment and Compliance teams. These meetings enable portfolio managers and investment analysts to present investment research and thinking in a way that encourages wide participation in, and peer review of, investment decisions.

Not all investment decisions follow the same investment process. For example, trading derivatives may require investment individuals to react quickly and autonomously. NZ Funds has a process to monitor and record such decisions when they occur.

Tools and techniques

In managing the Portfolios, NZ Funds uses a wide range of investment tools and techniques including economic and financial modelling, quantitative screens and technical indicators. In using these tools and techniques, we may consider, amongst other factors, investment themes, valuation metrics, mean reversion and/or momentum.

In seeking to mitigate the downside, we may invest with specialist investment managers, some of which have the potential to profit from asset price declines, such as trend following managers, managers who take short positions in shares, and derivative and option specialists.

NZ Funds may also actively reduce a Portfolio's exposure to an asset class, or hedge a Portfolio's exposure by investing in one or more additional asset classes with the potential to offset the returns of the Portfolio's initial assets.

While designed to mitigate the downside, these downside-orientated managers, tools and techniques may not be successful in mitigating the downside and may instead add to a Portfolio's losses.

NZ Funds may also use the same tools and techniques to seek to enhance the returns of a Portfolio and, in doing so, the Portfolio may be leveraged.

As part of our active management approach, asset classes, securities and specialist investment managers are selected based on our analysis of those assets which will, in our opinion, in combination with the Portfolio's other investments, help achieve the Portfolio's objectives.

In constructing the Portfolios, we may consider different scenarios and may project how investments may react in those scenarios. We may also consider historical volatility and correlations during both normal and stressed investment environments and may periodically revisit the assumptions used as economic and market conditions change.

Responsible investment

NZ Funds has adopted a responsible investment policy. We believe that environmental, social and governance (ESG) factors are material to long-term investment returns and global sustainability. NZ Funds' Investment team considers ESG matters.

NZ Funds has contracted with an independent third party expert to provide ESG research. NZ Funds' Investment team may supplement independent third party ESG research with its own internally generated research.

NZ Funds aims to ensure that no Portfolio or wholesale trust it manages owns securities issued by a company identified by its ESG research to be:

- directly involved in the manufacture or deployment of nuclear weapons;
- directly involved in the manufacture or deployment of controversial weapons (cluster munitions, anti-personnel mines, chemical weapons);
- materially contravening global norms (human rights abuses, labour rights violations, child labour, slavery, environmental destruction, corruption);
- a producer of civilian firearms;
- a producer of tobacco-related products;
- a producer of pornography;
- engaged in unsustainable palm oil production;
- a producer of alcohol (10% or more of revenue);
- a producer of armaments (10% or more of revenue);
- a provider of gambling services (10% or more of revenue);
- engaged in exploration or production of fossil fuels (10% or more of revenue);
- engaged in power generation from fossil fuels (10% or more of revenue);
- engaged in providing services to the fossil fuels industry (50% or more of revenue); or
- engaged in distributing fossil fuels (50% or more of revenue).

These are referred to as exclusions. NZ Funds' Investment team communicates the responsible investment policy to specialist investment managers. Where a specialist investment manager is appointed to manage a discrete mandate (where NZ Funds is the only investor) the investment manager will be instructed to follow NZ Funds' exclusions.

Where a specialist investment manager is appointed to manage a pooled mandate (where NZ Funds is one of many investors), the manager will be requested to consider NZ Funds' exclusions. Investors should be aware that NZ Funds cannot obligate the manager of a pooled mandate to follow NZ Funds' exclusions. As part of its due diligence process when appointing a specialist investment manager, NZ Funds will consider the manager's approach to responsible investing.

NZ Funds' responsible investment policy does not apply exclusions to derivatives as we believe they are not tied to any source or method of production, nor in our view do they provide funding to underlying excluded activities. As at 30 November 2024, derivatives made up approximately 34.13% of the total funds managed by NZ Funds.

The responsible investment policy is supported by a procedure that monitors direct holdings, including those managed by specialist investment managers appointed to manage discrete mandates. If the procedure identifies any holdings that are not in line with the policy, they will be sold unless an exemption is sought and granted.

Exemptions to the responsible investment policy may be granted from time to time at the discretion of the NZ Funds Board. At the date of this SIPO, the NZ Funds Board has granted the following exemptions to the responsible investment policy:

- Contact Energy was granted an exemption from exclusion on 14 July 2020. The security would ordinarily be excluded due to power generation from fossil fuels (10% or more of revenue). As at 30 November 2024, Contact Energy makes up approximately 0.80% of the total funds that NZ Funds manages. An exemption was granted because of Contact Energy's commitment and strategy to decarbonise New Zealand's energy sector.
- Amazon was granted an exemption from exclusion on 10 May 2022. The security would ordinarily be excluded due to materially contravening global norms (corruption). As at 30 November 2024, Amazon makes up approximately 0.65% of the total funds that NZ Funds manages. An exemption was granted to give time for NZ Funds' external managers, on behalf of NZ Funds, to engage with Amazon on the relevant global norms.

The Investment Guidelines Meeting monitors compliance with the responsible investment policy. Any material matters arising from these meetings are raised at the Investment Governance Committee Meeting.

9. Investment oversight

Overview

NZ Funds has policies, procedures and controls that cover the investment function. Investment management decisions are subject to transparency through our proprietary investment monitoring system. Regular meetings are held to cover investment research and portfolio management, investment guidelines, SIPO compliance and overall investment governance.

NZ Funds' investment strategy review process begins with the Research & Portfolio Meeting which includes oversight of security research and portfolio management. The minutes of these meetings are tabled at the Investment Governance Committee meeting.

The Investment Guidelines Meeting monitors compliance with this SIPO and the investment guidelines (see below for more information on the role of the investment guidelines). Any material matters arising from these meetings are raised at the Investment Governance Committee Meeting.

The Investment Governance Committee meets regularly on scheduled dates to review investment matters including SIPO compliance, the target asset allocations, investment performance, risk indicators, the investment component of NZ Funds' risk register, investment counterparty risk, liquidity risk, redemption risk, stress testing, and the minutes of internal investment related meetings.

Special investment meetings are also held on an as required basis. The Investment Governance Committee minutes are included as a standing item at the NZ Funds Board Meeting.

The NZ Funds Board meets regularly on scheduled dates. Special Board Meetings are also held on an as required basis.

In addition to the Investment Governance Committee minutes and associated reports, the NZ Funds Board reviews the NZ Funds' risk register overview which summarises the major risks and controls (including those related to investment management). The NZ Funds Board also receives a direct report from the Chief Investment Officer.

Monitoring guideline ranges

Monitoring of compliance with the guideline ranges is achieved through the use of our investment monitoring system.

This system enables portfolio managers and the NZ Funds Compliance team to view a Portfolio's investment holdings relative to the guideline ranges and generates regular reports for each Portfolio containing this information.

Any changes to the guideline ranges or the target investment mix for a Portfolio must be approved by the Investment Governance Committee and ratified by the NZ Funds Board. Any changes to the SIPO limits must be approved by the NZ Funds Board.

For more information on how we monitor the guideline ranges, see the OMI on the offer register at disclose-register.companiesoffice.govt.nz/

Investment performance

The Investment Governance Committee is responsible for monitoring and reviewing investment performance and reports to the NZ Funds Board. Portfolio performance is monitored through our investment monitoring system.

This generates regular attribution reports which include daily, month-to-date and year-to-date performance reports for each Portfolio and individual investments held by each Portfolio.

Portfolio performance is measured on an absolute basis (after fees) and on a relative basis (before fees) against relevant market indices. Investment performance is also considered from a client perspective by taking recommended Portfolio allocations into account when assessing performance outcomes.

Process for SIPO limit breaks

The process to be followed in dealing with a SIPO limit break is detailed in the investment guidelines policy. Where a SIPO limit break occurs, it is reported to a review group comprising the Heads of Investments, Investment Compliance, Legal and Funds Management.

The review group is responsible for ensuring that steps are immediately taken to correct the limit break and for internal reporting to the NZ Funds Board, CEO and COO and external reporting to the Supervisor.

10. Investment policies

NZ Funds has investment policies and procedures to support our investment governance framework. The key policies are summarised below.

Each of these policies and any material changes to them (except where otherwise noted) are approved by the NZ Funds Board. The policies are implemented by the relevant functional team(s) and monitored by the NZ Funds Compliance team.

Trade allocation policy

NZ Funds' trade allocation policy applies to the trading of securities that are directly managed by us. It requires that when allocating trades, no Portfolio receives preferential treatment over another by requiring that all trades involving more than one Portfolio be allocated on a predetermined basis.

Trade execution policy

NZ Funds' trade execution policy applies to the trading of securities that are directly managed by us. It requires that all trades are made with approved counterparties.

Investment guidelines policy

NZ Funds' investment guidelines policy applies to the administration and monitoring of the authorised asset classes set out in this SIPO and the guidelines set out in our investment guidelines.

The policy requires that all Portfolios are managed within the limits set out in this SIPO and the investment guidelines, and describes the process for changing these limits and guidelines. It also describes the internal process for dealing with a SIPO limit break or an investment guideline being exceeded.

Settlement & cash management policy

NZ Funds' settlement and cash management policy applies to the settlement of investments and cash management transactions made by us. It requires that all settlement and cash management transactions comply with the Trust Deed and internal investment guidelines, and are authorised by a person with the appropriate level of authority.

Valuation & pricing policy

NZ Funds' valuation and pricing policy applies to the valuation and pricing of the Portfolios and the wholesale trusts that the Portfolios invest in. It requires that valuation and pricing is accurate, equitable and complies with the Trust Deed. The policy sets out procedures for the valuation of assets and determination of unit prices.

NZ Funds has also established procedures for reporting and resolving any pricing errors or non-compliance with pricing methodologies and receive an annual audit as required under the Trust Deed.

Conflicts of interest policy

NZ Funds' conflicts of interest policy applies to the identification and management of actual or potential conflicts of interest. It requires that all conflicts of interest be reported to NZ Funds' Compliance team and managed in an appropriate manner.

The policy is complemented by our personal holdings policy (which contains restrictions on employees holding or trading in securities) and our related party transactions policy (discussed below).

The conflicts of interest policy is approved by the NZ Funds Board and any material changes require the approval of the NZ Funds Board.

Responsible investment policy

NZ Funds' responsible investment policy applies to the selection of securities for the Portfolios and requires that the investment research and management process considers ESG matters.

The policy requires that no fund managed by NZ Funds, and no discrete mandate managed on our behalf by a specialist investment manager, holds securities issued by any company identified by our ESG criteria, unless an exemption is sought and granted.

The policy also requires that it be communicated to the specialist investment managers appointed to manage pooled mandates, where we are one of many investors, while acknowledging that we cannot obligate these managers to comply with the policy.

Related party transactions policy

NZ Funds' related party transactions policy applies to all related party transactions (as defined in the FMC Act). The policy sets out processes for identifying related party transactions and ensures that these transactions are conducted in accordance with the rules on related party transactions that apply to managed investment schemes under the FMC Act.

Derivatives policy

NZ Funds' derivatives policy applies to investments in derivatives. It considers derivatives to be part of the asset class of the relevant underlying assets and requires that we consider the complexity, liquidity risks, counterparty risks and price transparency of them as part of the investment decision-making process.

Liquidity policy

NZ Funds' liquidity policy applies to the selection of securities for the Portfolios. It imposes restrictions on holding certain amounts of securities that are, or may be, illiquid in the Portfolios.

Market conduct policy

NZ Funds' market conduct policy applies to the trading of securities directly managed by us and the trading of units or shares in collective investment vehicles, irrespective of whether they are listed or not. It also applies to making or disseminating statements. The policy requires that non-public information known by one of our employees must be notified to the NZ Funds' Compliance and Legal teams who may place a trading halt on a security or Portfolio.

11. Market indices

In the Quarterly Fund Updates, we are required to report performance against an appropriate market index or indices.

As there is no appropriate market index for Income Generator to measure its performance against, we have chosen to use a peer group index to measure its performance against in the Quarterly Fund Updates.

The relevant market indices for each Portfolio and the peer group index used for Income Generator are set out in section 13 of this SIPO.

In the Quarterly Fund Updates the returns of these indices are reported gross, without the deduction of any fees or tax which would, in normal circumstances, be deducted from investor returns.

NZ Funds may change the market or/and peer group indices at any time and without notice to investors, as long as the requirements of the FMC Act are met. For more information on the market indices or peer group index, see the relevant OMI document on the offer register at disclose-register.companiesoffice.govt.nz.

12. SIPO review

The NZ Funds Board is responsible for this SIPO and ensuring that it is followed. This SIPO is reviewed by the NZ Funds Board annually. Ad hoc reviews will occur where there is a material change in the investment policy or objectives of a Portfolio, where there is a material change to the PDS, or where considered appropriate by the Investment Governance Committee or the NZ Funds Board.

NZ Funds may make changes to this 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, investors will receive notice of material changes before they occur.

This SIPO takes effect from 12 December 2024. The current version of this SIPO is available on the scheme register at disclose-register.companiesoffice.govt.nz/

13. Market indices used

Income Generator - Peer group index

| Portfolio | Peer group index |
|---------------------------|---|
| NZ Funds Income Generator | 100% Credit Suisse AllHedge Long/Short Equity Index |

Active Income Series Portfolios

| Portfolio | Market indices |
|----------------------------------|--|
| Cash Portfolio | 100% S&P/NZX Call Rate Deposit Index Total Return |
| New Zealand and Australian Bonds | 100% S&P/NZX Investment Grade Corporate Bond Total Return Index |
| Global Bonds | 100% Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD |

Active Inflation Series Portfolios

| Portfolio | Market indices |
|--|--|
| New Zealand Property & Retirement Villages | 70% S&P/NZX Real Estate Select Index Gross 30% S&P/NZX Bank Bills 90 Day Index Total Return |
| New Zealand Infrastructure | 70% S&P/NZX All Industrials Sector Gross 30% S&P/NZX Bank Bills 90 Day Index Total Return |
| New Zealand Utilities | 70% S&P/NZX All Utilities Sector Gross 30% S&P/NZX Bank Bills 90 Day Index Total Return |
| Global Property | 70% FTSE EPRA NAREIT Developed Net Total Return Index Hedged in NZD 30% S&P/NZX Bank Bills 90 Day Index Total Return |
| Global Infrastructure | 70% STOXX Global Broad Infrastructure Net Return Index USD 30% S&P/NZX Bank Bills 90 Day Index Total Return |
| Global Utilities | 70% S&P World Sustainability Enhanced Utilities Net Total Return Index USD 30% S&P/NZX Bank Bills 90 Day Index Total Return |

Active Growth Series Portfolios

| Portfolio | Market indices |
|-----------------------------------|--|
| New Zealand and Australian Shares | 70% S&P/NZX 50 Portfolio Index Gross 30% S&P/ASX 200 Total Return Index |
| Global Shares | 100% MSCI All Countries World Daily TR Net Local Currency |
| Global Macro | 100% MSCI All Countries World Daily TR Net Local Currency |

Wealth Builder

| Strategy | Market indices |
|-----------------------|--|
| Income Strategy | 50% S&P/NZX Investment Grade Corporate Bond Total Return Index 50% Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD |
| Inflation Strategy | 30% S&P/NZX Bank Bills 90 Day Index Total Return 11.66% S&P/NZX All Utilities Sector Gross 11.66% S&P/NZX All Industrials Sector Gross 11.67% S&P/NZX Real Estate Select Index Gross 11.67% S&P World Sustainability Enhanced Utilities Net Total Return Index USD 11.67% STOXX Global Broad Infrastructure Net Return Index USD 11.67% FTSE EPRA NAREIT Developed Index Hedged in NZD Net Total Return |
| Growth Strategy | 70% MSCI All Countries World Daily TR Net Local Currency 20% S&P/NZX 50 Portfolio Index Gross 10% S&P/ASX 200 Total Return Index |
| Life Cycle: age 0-54 | 3.0% S&P/NZX Bank Bills 90 Day Index Total Return 2.5% S&P/NZX Investment Grade Corporate Bond Total Return Index 2.5% Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD 1.16% S&P/NZX All Utilities Sector Gross 1.16% S&P/NZX All Industrials Sector Gross 1.17% S&P/NZX Real Estate Select Index Gross 1.17% S&P World Sustainability Enhanced Utilities Net Total Return Index USD 1.17% STOXX Global Broad Infrastructure Net Return Index USD 1.17% FTSE EPRA NAREIT Developed Net Total Return Index Hedged in NZD 17% S&P/NZX 50 Portfolio Index Gross 8.5% S&P/ASX 200 Total Return Index 59.5% MSCI All Countries World Daily TR Net Local Currency |
| Life Cycle: at age 65 | 10.2% S&P/NZX Bank Bills 90 Day Index Total Return 13.5% S&P/NZX Investment Grade Corporate Bond Total Return Index 13.5% Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD 3.96% S&P/NZX All Utilities Sector Gross 3.96% S&P/NZX All Industrials Sector Gross 3.97% S&P/NZX Real Estate Select Index Gross 3.97% S&P World Sustainability Enhanced Utilities Net Total Return Index USD 3.97% STOXX Global Broad Infrastructure Net Return Index USD 3.97% FTSE EPRA NAREIT Developed Net Total Return Index Hedged in NZD 7.8% S&P/NZX 50 Portfolio Index Gross 3.9% S&P/ASX 200 Total Return Index 27.3% MSCI All Countries World Daily TR Net Local Currency |
| Life Cycle: at age 75 | 10.2% S&P/NZX Bank Bills 90 Day Index Total Return 17.5% S&P/NZX Investment Grade Corporate Bond Total Return Index 17.5% Bloomberg Global Aggregate Corporate - 1 -3 Years Total Return Index Hedged USD 3.96% S&P/NZX All Utilities Sector Gross 3.96% S&P/NZX All Industrials Sector Gross 3.97% S&P/NZX Real Estate Select Index Gross 3.97% S&P World Sustainability Enhanced Utilities Net Total Return Index USD 3.97% STOXX Global Broad Infrastructure Net Return Index USD 3.97% FTSE EPRA NAREIT Developed Net Total Return Index Hedged in NZD 6.2% S&P/NZX 50 Portfolio Index Gross 3.1% S&P/ASX 200 Total Return Index 21.7% MSCI All Countries World Daily TR Net Local Currency |

More information about the market indices noted on the previous pages 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/BAC1TRUU: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 Sustainability Enhanced Utilities Net Total Return Index USD | www.spglobal.com/spdji/en/indices/esg/sp-world-enhanced-utilities-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-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-bond-index/#overview |
| S&P/NZX Real Estate Select Index Gross | www.spglobal.com/spdji/en/indices/equity/sp-nzx-real-estate-select/#overview |

14. Glossary

| Term | Definition |
|---------------------------|--|
| Active management | A portfolio management approach where the investment manager makes specific investment decisions with the goal of achieving an investment outcome that is consistent with the objective of the relevant Portfolio/Strategy. |
| Active-quant approach | An investment approach used by NZ Funds to select companies from the sectors that are the focus of the relevant Portfolio/Strategy and then uses a quantitative screen to determine their portfolio weight and liquidity. This approach is active to the extent that the criteria we screen for can be varied over the course of the economic cycle to emphasise different attributes in the Portfolio/Strategy. |
| Alternative securities | Asset classes not usually accessed by retail investors, for example, private equity, venture capital, hedge funds and digital assets. These tend to be asset classes where valuation and liquidity may be uncertain and returns may be volatile, and includes derivatives on alternative securities. |
| Asset class | <p>These are the available asset classes that the Portfolios/Strategies may invest in depending on their investment mandate. The Portfolios/Strategies can purchase the assets either directly, or indirectly through derivatives. Not all Portfolios/Strategies can invest in all asset classes. The asset classes are:</p> <ul style="list-style-type: none"> • Cash and cash equivalents • New Zealand fixed interest • International fixed interest • Australasian equities • International equities • Listed property • Commodities • Alternative securities <p>The above asset classes are from the Financial Markets Conduct Regulations 2014 (Regulations), except for 'alternative securities' which falls under 'Other' in the Regulations. These are the same asset classes used in the Quarterly Fund Updates.</p> |
| Australian bonds | Debt securities issued in Australia and derivatives on Australian bonds. For regulatory and Quarterly Fund Update purposes, debt securities issued in Australia are classified as 'international fixed interest'. |
| Australasian shares | Shares usually listed on New Zealand or Australian stock exchanges and derivatives on New Zealand or Australian shares. |
| Cash and cash equivalents | Cash, or other assets that can be readily converted into cash, including bank term deposits and short term debt securities. |
| Commodities | A product which is, for example, agricultural, mineral or energy related, and is interchangeable with another product of the same type, and which may be bought or sold directly or indirectly through derivatives or an exchange traded fund. |
| Cryptocurrencies | Forms of currency that only exist digitally and that usually have no central issuing or regulating authority but instead use a decentralised system to record transactions and manage the issue of new units. Cryptocurrencies also include alternative tokens and derivatives on cryptocurrencies. |
| Debt securities | Securities issued by an entity to enable it to borrow money. Debt securities cover a wide range of issuing entities and security types. Debt securities include (but are not limited to) corporate and government bonds, loans, floating rate securities, zero-coupon bonds, and derivatives on debt securities. |
| Derivatives | Financial instruments the value of which are derived from changes in the value of another asset or asset class (for example, a share market index, a commodity, a bond, or a currency). Examples of derivatives include futures, options, forwards, swaps and swaptions. Where an asset class is an authorised asset class, derivatives on that asset class are also permitted. |
| Digital assets | Anything that exists in a digital form which is self-contained, uniquely identifiable and has perceived value or the ability to be used (e.g. cryptocurrencies). |
| External managers | External managers are specialist managers selected by NZ Funds who may manage or advise on a portfolio of securities directly held by a wholesale trust or an underlying fund in which a wholesale trust invests. |

| Term | Definition |
|---------------------------------|---|
| Growth assets | Investments where the return is expected to be made up predominantly of capital gains and losses over the investment period and/or investments where the expected yield or return on capital is relatively high. Shares are usually referred to as growth assets. Growth assets can include derivatives. |
| Hedge funds | Alternative investment vehicles generally only available to institutional and other sophisticated investors. Hedge funds typically have an absolute performance objective. They can invest in a wide variety of assets and use non-traditional investment techniques (for example, short selling, leverage, arbitrage and derivatives). |
| Income assets | Investments where the return is expected to be made up predominantly of interest income. Cash and cash equivalents and debt securities are usually referred to as income assets. Income assets can include derivatives. |
| Infrastructure shares | Shares usually listed on a stock exchange of transportation, communication, and other infrastructure companies. Includes derivatives on infrastructure shares. |
| International bonds | Debt securities issued outside New Zealand and Australia, including derivatives on international bonds. For regulatory and Quarterly Fund Update purposes, all debt securities issued outside New Zealand are classified as 'international fixed interest'. |
| International shares | Shares usually listed on stock exchanges (other than New Zealand or Australian stock exchanges) and derivatives on international shares. International shares also include collective investment vehicles which invest in international shares and may include hedge funds. |
| Investment Governance Committee | The NZ Funds Investment Governance Committee which is a sub-committee of the NZ Funds Board. |
| Listed property | Shares including trusts and REITs usually listed on stock exchanges which own or invest in property, buildings or land, and derivatives on listed property. |
| Net asset value | The value of the assets of a Portfolio/Strategy, less any liabilities. |
| New Zealand bonds | Debt securities issued in New Zealand and derivatives on New Zealand bonds. For regulatory and Quarterly Fund Update purposes, debt securities issued in New Zealand are classified as 'New Zealand fixed interest'. |
| NZ Funds | New Zealand Funds Management Limited. |
| Property shares | Shares in companies which own or invest in property, buildings or land and derivatives on property shares. May also include companies which have large exposure to property, buildings or land. For regulatory and Quarterly Fund Update purposes, these shares may be classified as 'listed property' or 'international equities'. |
| Scheme | The managed investment scheme registered under the name 'NZ Funds Managed Portfolio Service Part Two'. |
| Short positions | An investment technique that seeks to profit from a fall in the price of a security or asset class. |
| Supervisor | The New Zealand Guardian Trust Company Limited. |
| Term deposit | A type of deposit held at a bank or other financial institution where the money is locked in for a set period of time, and cannot usually be withdrawn until the time is up without penalty. |
| Trust Deed | The NZ Funds Managed Portfolio Service Part Two Trust Deed, dated 12 October 2016 (as amended from time to time). |
| Utility shares | Shares usually listed on a stock exchange of electricity, water and other utility companies, including derivatives on utility shares. |
| Wholesale trusts | The wholesale trusts managed by NZ Funds which the Portfolios/Strategies invest in. |



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