NZ FUNDS

NZ Funds Managed Portfolio Service

Other Material Information

29 March 2019

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1. BACKGROUND

This is an important document that provides you with additional information in relation to your investment in the funds (Portfolios) that make up the NZ Funds Managed Portfolio Service. It should be read together with the NZ Funds Managed Portfolio Service Product Disclosure Statement (PDS), the Statement of Investment Policy and Objectives (SIPO) and any other documents held on the offer and scheme registers at *disclose-register.companiesoffice.govt.nz*.

This document has been prepared in accordance with the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 (FMC Act) and clause 52 of Schedule 4 of the Financial Markets Conduct Regulations 2014 (FMC Regulations).

In this document:

- The words 'you', 'your', 'investor' or 'unit holder' refer to a person or entity that invests in a Portfolio;
- The words 'NZ Funds', 'we', 'us', 'our' or 'the Manager' refer to New Zealand Funds Management Limited as manager of the Portfolios;
- Capitalised terms have the meaning given to them in the Trust Deeds (defined below), unless the context otherwise requires or the term is otherwise defined in this document;
- When we use the word 'current' or 'currently' in relation to legislation, policy, activity or practice we refer to these as at the date of this document. Any legislation, policy, activity or practice may be reviewed or changed without us notifying you.

The information in this document could change in the future. Please check the offer register at *disclose-register.companiesoffice.govt.nz* for any updates.

2. NZ FUNDS MANAGED PORTFOLIO SERVICE

The NZ Funds Managed Portfolio Service is a series of actively managed Portfolios. Ten Portfolios are offered across four investment categories:

CATEGORY	PORTFOLIO
Cash	Core Cash Portfolio
Income	Core Income Portfolio Global Income Portfolio
Inflation	Core Inflation Portfolio Equity Inflation Portfolio Property Inflation Portfolio
Growth	Core Growth Portfolio Global Multi-Asset Growth Portfolio Global Equity Growth Portfolio Dividend and Growth Portfolio

The Portfolios are designed to be used in combination and not as stand-alone investments. They are also intended to be used in conjunction with a financial advice process.

The Portfolios are established within two managed investment schemes (Schemes) registered under the FMC Act. The Core Inflation Portfolio and Equity Inflation Portfolio are established within the managed investment scheme registered under the name 'NZ Funds Managed Portfolio Service Part One'. All other Portfolios are established within the managed investment scheme registered under the name 'NZ Funds Managed Portfolio Service Part Two'.

Each Scheme is governed by a separate amended and consolidated trust deed dated 12 October 2016 (each a 'Trust Deed' and together the 'Trust Deeds'). You can get a copy of the Trust Deeds from the scheme register at *disclose-register.companiesoffice.govt.nz*.

About NZ Funds

NZ Funds is the manager of the Portfolios.

We were granted a licence to act as the manager of registered schemes under the FMC Act by the Financial Markets Authority (FMA) on 17 May 2016. The licence currently has a five year term, subject to us maintaining the same or better standard of capability, governance and compliance as was the case when the FMA assessed our licence application. The licence is subject to the normal conditions imposed under the FMC Act and the FMC Regulations, and the standard conditions imposed by the FMA.

NZ Funds is wholly owned by Investment Group Holdings Limited (IGHL). IGHL is owned by interests associated with its directors and by the NZ Funds Executive Trustee Company Limited as trustee of the IGHL Trust, the beneficiaries of which are principally senior management of NZ Funds.

NZ Funds' directors

The current directors of NZ Funds are:

Gerald Noel Siddall (LLB) is a non-executive director and Chairman. Gerald has had 34 years' experience in the financial services industry in New Zealand and overseas. He co-founded NZ Funds in 1988 and was responsible for building and leading NZ Funds until 2009. He was previously a director of NZ Funds until March 2010. He was reappointed as a director of NZ Funds on 21 March 2016.

Gerald is not an employee of NZ Funds. He is not an independent director as he has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

Gregory Bernard Horton (LLB (Hons), BCom) is an independent director of NZ Funds. Gregory was appointed a director of NZ Funds in May 2013. Gregory is a director of Harmos Horton Lusk Limited, a law firm based in Auckland. He has practised law both in New Zealand and overseas. Gregory has an indirect ownership interest in NZ Funds through the IGHL Trust.

Michael John Lang (BA (Econ), LLB (Hons), CFA) is a director and Chief Executive of NZ Funds. Michael joined NZ Funds in 1993. He left to work overseas in 2003 and returned in 2008. Michael became a director of NZ Funds in 2010 and was appointed Chief Executive on 1 October 2018.

Michael is not an independent director as he is an employee of NZ Funds and has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

Richard Stuart Taylor James (Dip. Bus. (Finance)) is a director and consultant to NZ Funds. Richard originally joined NZ Funds as an employee in 1993 and became a director of NZ Funds in August 2006. He was appointed as a consultant on 1 October 2018, having previously been Chief Executive of NZ Funds since 2009.

Richard is not an independent director as he has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

Russell William Tills (BCom, ACA) is a non-executive director. Russell has had 34 years' experience in the financial services industry in New Zealand and overseas. He joined NZ Funds in 1989 and, along with Gerald Siddall, was responsible for building and leading NZ Funds until 2009. He was a director of NZ Funds until March 2010. He was reappointed as a director of NZ Funds on 21 March 2016.

Russell is not an employee of NZ Funds. He is not an independent director as he has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

John Lindsay Cobb (PG Dip (Business Finance), NZX Diploma, Level 1 and 2 ASX Derivatives qualification) is an independent director. He was appointed a director of NZ Funds on 1 February 2019. John has had a 20-year career in share broking and investment banking, and now works with a number of small businesses assisting with growth and investment.

The directors of NZ Funds may change from time to time without us notifying you. You can find the names of our directors at any time at *companies-register.companiesoffice.govt.nz.*

4. OTHER PARTIES

Supervisor

The New Zealand Guardian Trust Company Limited is the supervisor (Supervisor) of the Portfolios. The Supervisor has been granted a licence by the FMA under the Financial Markets Supervisors Act 2011 to act as a supervisor in respect of debt securities and certain registered schemes. Further information on the Supervisor's licence is available on the FMA's website at *www.fma.govt.nz*.

The current directors of the Supervisor are:

- Robin Albert Flannagan
- James Earl Douglas

The directors of the Supervisor may change from time to time without us notifying you. You can find the names of the Supervisor's directors at any time at *companies-register.companiesoffice.govt.nz*.

Custodian

The Supervisor is responsible for holding the property of the Portfolios. The Supervisor has entered into custodial services agreements with Citibank N.A. to provide custodial services to the Portfolios, however all property of the Portfolios is currently held by the Supervisor. Citibank N.A. may hold property of the Portfolios in the future without us notifying you.

Auditors

The auditor of the Portfolios is Ernst & Young. Ernst & Young is registered under the Auditor Regulation Act 2011.

Solicitors

The solicitors for the Portfolios are Russell McVeagh, Auckland.

5. SUPERVISOR AND MANAGER INDEMNITY

Subject to the limits on permitted indemnities under the FMC Act, the Supervisor and the Manager are entitled to be indemnified out of each Portfolio's assets for all liabilities, losses and costs incurred by the Supervisor or the Manager (as applicable) in performing any of their respective duties or exercising any of their respective powers in relation to the relevant Portfolio, and against all actions, proceedings, claims and demands in respect of any matter relating to the relevant Portfolio.

The indemnity above does not apply to any liabilities, losses, costs, actions, proceedings, claims or demands arising out of wilful default, wilful breach of trust, fraud or gross negligence by the Supervisor or the Manager (as applicable).

Further information regarding the Supervisor's and the Manager's responsibilities and indemnities is set out in the Trust Deeds.

6. OTHER KEY TERMS

Set out below is a summary of other relevant terms relating to the Portfolios. The Trust Deeds contain further terms governing each respective Scheme and the Portfolios established within that Scheme. For more detailed information, please see the copy of the Trust Deeds available on the scheme register at *disclose-register.companiesoffice.govt.nz*.

Separate funds

Each Portfolio is a separate and independent fund with separate assets and liabilities. No Portfolio is responsible for the liabilities of another fund in the relevant Scheme. All investments of a Portfolio are held by the Supervisor as the exclusive property of that Portfolio, and for the exclusive benefit of unit holders in that Portfolio.

Valuation

Unit prices are calculated by reference to the net asset value of the relevant Portfolio at the time, divided by the number of units on issue in the Portfolio. The net asset value of a Portfolio means the value of the assets of the Portfolio less the liabilities attributed or attributable to that Portfolio. The Trust Deeds set out the principles that apply to the valuation of a Portfolio's assets and the determination of liabilities attributable to a Portfolio.

We may at any time, determine the value of any asset in a Portfolio or the amount of any liability attributable to a Portfolio. We generally calculate the net asset value of a Portfolio each Business Day.

We may determine valuation methods and policies for each category of asset and change them from time to time provided the Supervisor approves such valuation methods and policies and we notify the Supervisor of any changes made. Our policy permits the use of estimates in asset valuations, for example, where assets are priced monthly, or where assets become illiquid or are infrequently traded.

In determining the Issue Price for a unit, under the Trust Deeds we may add to the net asset value of the relevant Portfolio an amount for transaction costs (being our estimate of the costs or partial costs of acquiring the assets of that Portfolio). Similarly, in determining the Redemption Price for a unit, we may deduct from the net asset value of the relevant Portfolio an amount for transaction costs (being our estimate of the costs or partial costs of selling the assets of that Portfolio). We can determine this amount in our discretion and whether or when it applies. We do not currently charge transaction costs.

We may use the calculated Issue Price and Redemption Price for a unit at the end of any month for up to two Business Days after the month ends.

Issue of units

Units are issued at our discretion, and we may decline to accept any application for units in a Portfolio in whole or in part. No reasons are required to be given if we decline to accept an application. We can also defer accepting any application by up to two Business Days.

The process for investing in the Portfolios is set out in the PDS. Application monies are received into a non-interest bearing bank account and will be applied to the relevant Portfolio(s) once the application is accepted. Application monies must be in New Zealand dollars.

We may set a minimum or maximum amount for investment in any Portfolio. There are currently no minimum or maximum investment amounts. However, we may introduce a minimum or maximum investment amount without notifying you.

Withdrawals

Subject to current withdrawal restrictions and our right to defer or suspend withdrawals (see below), we are required to redeem any units in a Portfolio where a valid withdrawal request is received from you in accordance with the procedures set out in the relevant Trust Deed. You may not revoke any withdrawal request unless we agree.

We may introduce restrictions and limitations on withdrawals. Currently, all Portfolios (other than the Core Cash Portfolio) have a 21 day withdrawal notice period which means you must give us 21 days' notice of your intention to withdraw, unless you are switching to another Portfolio in which case you can generally switch your investment at any time (see below for more information on switches). We may change these notice periods without notifying you.

Withdrawal proceeds are based on the Redemption Price per unit redeemed. Where a withdrawal notice period applies, the Redemption Price will be calculated for the day on which the notice period expires (or if that day is not a Business Day, on the next Business Day). Where there is no withdrawal notice period, the Redemption Price will be calculated for the day on which we receive your withdrawal request provided that day is a Business Day and your withdrawal request is received before 2pm. If your withdrawal request is received after 2pm or on a day that is not a Business Day, the Redemption Price will be calculated for the next Business Day. Under the Trust Deeds we are required to pay withdrawal proceeds within 20 Business Days of the redemption date (subject to our right to defer or suspend withdrawals discussed below). However, in normal circumstances payment will be made within four Business Days of the redemption date. Finally, under each Trust Deed, we may defer withdrawals for up to two Business Days.

Switches

A switch is considered a withdrawal from one Portfolio and an application for units in another Portfolio. There are currently no notice periods for switches and therefore you can generally switch your investment at any time (subject to our right to defer or suspend switches discussed below).

Switch requests are normally processed within two Business Days of receipt. NZ Funds may in its discretion defer processing some or all switch requests for up to 21 days where it considers it necessary or appropriate. 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 the switch request is received.

Deferral and suspension of withdrawals and switches

Where we receive withdrawal and/or switch requests for more than 10% of the units in a Portfolio on a particular redemption date, we may 'scale back' withdrawal and switch requests so that only a proportion of units requested to be redeemed are redeemed. Any units not redeemed on a redemption date as a result of us scaling back withdrawal and switch requests may be redeemed by us at any time. There is no specific time period within which we must redeem these units.

In certain circumstances, we may also suspend withdrawals and switches by issuing a redemption suspension notice (for example, where we in good faith form the opinion that it is not practicable, or would be materially prejudicial to the interests of any unit holders, to realise assets in order to permit redemptions – this could be due to market conditions, the nature of any asset or other circumstances). A redemption suspension notice provided by us to a unit holder has the effect of suspending the operation of all withdrawal and switch requests until we give notice that the suspension is cancelled.

Except in the case of the Core Inflation Portfolio and Equity Inflation Portfolio, there is no limit on the period of suspension for any Portfolio. The maximum suspension period for the Core Inflation Portfolio and Equity Inflation Portfolio is 90 days. However, we may extend the suspension period for longer than 90 days with the agreement of the Supervisor. The Supervisor cannot unreasonably withhold its agreement.

Notwithstanding that a redemption suspension notice has been given for a Portfolio, we may allow you to withdraw:

- If, in our reasonable opinion, suspending the operation of your withdrawal or switch request would cause you financial hardship;
- If you have an arrangement in place with us whereby you make regular withdrawals; or
- In any other circumstances we consider reasonable.

Closure of your investment

In some circumstances, we may need to redeem all your units or close your investment in a Portfolio. This may occur where we consider doing so is necessary to comply with any applicable laws or to avoid adverse regulatory consequences for us, the Supervisor, the Portfolio or investors in the Portfolio generally.

We may also redeem all your units where your withdrawal request would leave you with less than the minimum holding, or where it is necessary to preserve a Portfolio's eligibility for PIE status.

Borrowing

The Portfolios do not currently borrow to invest - that is, the Portfolios do not borrow money from a bank or other lender under a loan facility agreement for the purpose of investing (excluding ongoing operational agreements with service providers such as overdraft facilities and creditor relationships).

However, under the Trust Deeds, we may direct the Supervisor to borrow on behalf of any Portfolio and give security in respect of any borrowing over all or any part of the assets of a Portfolio.

In the case of the Core Inflation Portfolio and Equity Inflation Portfolio, the total amount borrowed and outstanding must not exceed 50% of the gross value of the assets of the Portfolio. There is no limit under the relevant Trust Deed on the amount of borrowing for the other Portfolios.

Winding-up/insolvency

If a Portfolio is wound up or becomes insolvent, the assets of the Portfolio will be sold and the proceeds applied first to meet the claims of any creditors. Creditor claims include any claims by the Supervisor, the Manager or any other party for fees or expenses. Investors will rank behind all creditors of the Portfolio for payment. Your claims will rank equally with other investors in the Portfolio.

You are not liable to pay money to any person beyond the amount of your original investment, other than any unpaid PIE tax attributable to you.

Indemnity for tax liability

You indemnify the Supervisor and NZ Funds for tax paid on income attributed to you by a Portfolio. This indemnity only applies if your interest in a Portfolio is not sufficient to meet your tax liability (see section 11 'Taxation' on page 15).

6. OTHER KEY TERMS (CONTINUED)

Changes to Trust Deeds

Subject to the FMC Act and the provisions of the relevant Trust Deed, a Trust Deed may be amended by special resolution of the unit holders or if we agree with the Supervisor to do so. The Supervisor must be satisfied that the amendment does not have a material adverse effect on unit holders (unless affected unit holders approve the amendment by special resolution). The Trust Deeds can also be amended in accordance with applicable legislation such as the Financial Markets Supervisors Act 2011.

7. ADDITIONAL INFORMATION ABOUT FEES

Annual fund charges

Estimated total annual fund charges are disclosed in section 5 of the PDS and are made up of:

- Base fee and service charges (which covers NZ Funds' base fee, the Supervisor's fee, and other third party service charges);
- Specialist investment manager fees; and
- NZ Funds' performance fees.

These are discussed further below. In addition to the above, transaction costs associated with buying and selling assets (e.g. brokerage) are paid directly by the Portfolios and/or underlying funds and reflected in the unit price.

Base fee and service charges

Base fee

We charge each Portfolio an annual base fee. This fee covers the services provided by us in managing and administering the relevant Portfolio, including investment management, unit pricing, registry management and other costs such as marketing, printing and postage.

The Portfolios currently invest in underlying funds managed by us (Wholesale Trusts) however we do not charge separate management or administration fees for the Wholesale Trusts (although certain Wholesale Trusts are charged a performance-based fee which will be indirectly charged on to you – see below).

The base fee is accrued daily and paid to NZ Funds monthly in arrears. The current base fees are:

PORTFOLIO	NZ FUNDS BASE FEE* (P.A.)
Core Cash Portfolio	0.58%
Core Income Portfolio	1.42%
Global Income Portfolio	1.42%
Core Inflation Portfolio	2.68%
Equity Inflation Portfolio	2.47%
Property Inflation Portfolio	2.58%
Core Growth Portfolio	2.49%
Global Multi-Asset Growth Portfolio	2.49%
Global Equity Growth Portfolio	2.49%
Dividend and Growth Portfolio	2.79%

* Expressed as a percentage of the gross asset value of each Portfolio. In the PDS, these fees have been estimated as a percentage of net asset value.

We may change the base fee at any time, so long as, in the case of any increase, we give one month's notice to investors in the relevant Portfolio.

7. ADDITIONAL INFORMATION ABOUT FEES (CONTINUED)

We may decide to charge an investor, or group of investors (including, without limitation, any group of investors advised by a financial adviser), lower base fees than currently disclosed above, or we may decide to rebate all or a proportion of our base fees for that investor or group of investors.

Supervisor fee

The Supervisor is entitled to charge a fee for its services. The Supervisor's fee for each Portfolio is currently up to 0.04% per annum of the gross asset value of the Portfolio. Supervisor fees are accrued daily and paid by the Portfolios monthly in arrears. Estimates of Supervisor fees are included within 'base fee and service charges' in the PDS.

The Supervisor may, with our agreement, change the Supervisor fee at any time provided that we or the Supervisor give one month's notice to investors.

Other third party service charges

The Portfolios and the Wholesale Trusts in which they invest may incur other third party charges for services such as legal, audit and custody. These third party service charges are paid out of the assets of the relevant Portfolio or Wholesale Trust. Estimates of these charges are included within 'base fee and service charges' in the PDS.

Specialist investment manager fees

The Portfolios may invest in underlying funds managed by external specialist investment managers which may charge fees including entry fees, exit fees, management and administration fees, and performance fees, and incur expenses. The returns of a Portfolio in which you are invested will be indirectly affected by these fees and expenses.

Estimates of specialist investment manager fees, including performance fees, are disclosed in the PDS. A performance fee is typically only charged by a specialist investment manager when its investment return outperforms either a benchmark or a performance hurdle (which may be 0%). Estimates of performance fees that may be charged by specialist investment managers are based on annualised average returns of certain hedge fund indices over the five years to 31 December 2018. Estimates of other fees and expenses that may be charged by specialist investment managers are based on fee information provided by the current managers. Assumptions on the percentage of each Portfolio invested in specialist investment managers are based on the Portfolios' current target allocations.

Past performance is not indicative of future performance and the estimates are not intended to indicate any expected returns or fees. In addition, the specialist investment managers and the Portfolios' allocation to those managers will change from time to time. Actual fees will depend on the managers selected, their performance, and the Portfolios' allocation to those managers, and will vary from the estimates.

7. ADDITIONAL INFORMATION ABOUT FEES (CONTINUED)

NZ Funds' performance fees

None of the Portfolios are charged a performance fee directly by NZ Funds. However, NZ Funds may charge a performance fee in certain Wholesale Trusts in which the Portfolios invest, as described in the PDS.

The Wholesale Trusts in which a performance fee is charged and the Portfolios that currently invest in those Wholesale Trusts is detailed in the following table:

PORTFOLIO	PRIVATE CORE INCOME TRUST	PRIVATE GLOBAL INCOME TRUST	PRIVATE PREFERRED INCOME TRUST	PRIVATE DIVIDEND YIELD TRUST
Core Cash Portfolio				
Core Income Portfolio	✓			
Global Income Portfolio		✓		
Core Inflation Portfolio			✓	✓
Equity Inflation Portfolio			✓	
Property Inflation Portfolio			✓	
Core Growth Portfolio				
Global Multi-Asset Growth Portfolio				
Global Equity Growth Portfolio				
Dividend and Growth Portfolio				✓

The performance fee for each relevant Wholesale Trust is calculated and accrued on a daily basis. Any performance fee accrued is reflected in the daily unit price of the Wholesale Trust. Performance fees are paid within 30 days of 31 March each year.

A high water mark applies to the performance fee, as described in the PDS. The high water mark cannot be reset.

The Wholesale Trusts use recognised market indices as their performance hurdle rates of return. Out-performance of these market indices, whether the market indices return is positive or negative, will accrue a performance fee even though the unit price may be below the last high water mark.

The performance returns of each Wholesale Trust are calculated on a before tax basis and include imputation credits (where applicable). The following notional base fees are deducted from returns:

- in the case of the Private Dividend Yield Trust, 0.40% per annum; and
- in the case of the other trusts, 0.20% per annum.

Below is an example of the Private Dividend Yield Trust performance fee. It is a simplified example only of how the performance fee is calculated in different scenarios. It is for illustrative purposes only and is not an indication of actual or forecast investment returns.

Example of Private Dividend Yield Trust performance fee

	INVESTMENT PERFORMANCE	MARKET PERFORMANCE	RELATIVE PERFORMANCE	PERFORMANCE FEE	INVESTMENT AT BEGINNING OF PERIOD (AFTER PERFORMANCE FEE)	INVESTMENT AT END OF PERIOD (BEFORE PERFORMANCE FEE)	OUT PERFORMANCE	UNDER PERFORMANCE BROUGHT FORWARD	PERFORMANCE FEE ACCRUED	PERFORMANCE FEE PAID	UNDER PERFORMANCE CARRIED FORWARD
Y1	10.0%	8.0%	2.0%	0.3%	$ 10,000.00	$ 11,000.00	$ 200.00	NIL	$ 30.00	$ 30.00	NIL
Y2	8.0%	10.0%	-2.0%	NIL	$ 10,970.00	$ 11,847.60	NIL	NIL	NIL	NIL	-$ 219.40
Y3	-10.0%	-15.0%	5.0%	0.8%	$ 11,847.60	$ 10,662.84	$ 592.38	-$ 219.40	$ 55.95	NIL	NIL
Y4	15.0%	15.0%	0.0%	NIL	$ 10,606.89	$ 12,197.93	NIL	NIL	NIL	$ 55.95	NIL

The performance fee of the Private Dividend Yield Trust is 15% of the amount by which it's performance (with imputation credits but before tax and after deduction of a notional base fee) exceeds the hurdle rate of return. In year 1, the Private Dividend Yield Trust outperforms the benchmark accruing a performance fee which is paid at the end of the performance period and a new high water mark set. In year 2, the Trust underperforms the benchmark and consequently no performance fee is accrued. Any relative underperformance is carried forward and must be recovered before any future performance fee accrual is made. This is illustrated in year 3, when the Trust performs above the benchmark and the year 2 underperformance is recovered. As the outperformance in year 3 exceeds the underperformance from year 2, a performance fee is accrued in year 3. However, no performance fee is paid at the end of year 3 as the Trust is below the last high water mark (set in year 1). The performance fee accrued in year 3 is not paid until the end of year 4, when the Trust exceeds the high water mark. A new high water mark is set at the end of year 4.

7. ADDITIONAL INFORMATION ABOUT FEES (CONTINUED)

Estimate of NZ Funds' performance fees in PDS

The estimates of NZ Funds' performance fees in the PDS are based on the following:

- in the case of the Private Preferred Income Trust, an assumption that the trust will achieve an average return of 1% p.a. above the trust's performance benchmark;
- in the case of the Private Core Income Trust, the Private Global Income Trust, and the Private Dividend Yield Trust, the last five years returns of each trust compared to each trust's performance benchmark; and
- assumptions on the percentage of each Portfolio invested in the Wholesale Trusts that charge performance fees are based on current target allocations.

The estimates are not intended to indicate any expected returns or fees. Actual performance fees will depend on the performance of the relevant Wholesale Trust and the Portfolio's allocation to that Wholesale Trust and will vary from the estimates. Actual NZ Funds' performance fees for the most recent year will be available in the latest fund update.

All performance fees paid by the Wholesale Trusts to NZ Funds are on arm's length terms and meet the requirements governing related party transactions set out in the FMC Act.

Expense reimbursement

The Trust Deeds allow NZ Funds, the Supervisor, and any parties that may be appointed by NZ Funds or the Supervisor, to be reimbursed for all expenses properly incurred while carrying out our respective duties in relation to a Portfolio. However, aside from the third party charges discussed on page 9, we currently meet all ordinary expenses from the fees we receive and do not charge these expenses to the Portfolios. If extraordinary or unusual expenses are incurred, these may be charged to the Portfolios.

Basis for estimates of fund charges in PDS

The annual fund charges in the PDS include estimates of Supervisor fees, other third party service charges, specialist investment manager fees, and NZ Funds' performance fees.

Estimates of specialist investment manager fees and NZ Funds' performance fees are discussed above. All other estimates are based on the assumption that the ongoing level of these charges, as a percentage of the net asset value of the relevant Portfolio, will be similar to those charged in the most recent financial year.

Actual annual fund charges for each Portfolio for the most recent year are available in the latest fund update. You can get a copy of the latest fund updates from our website at *www.nzfunds.co.nz*.

Individual action fees

We do not currently charge any establishment, contribution, termination, withdrawal, switch or transfer fees. However, we may introduce fees for these actions without notifying you.

Financial adviser fees

Your financial adviser may charge fees for financial advisory services they provide, together with implementation and withdrawal fees. These fees, including how and when the fees are paid, should be agreed between you and your financial adviser before an investment is made. Details of these fees are required to be set out in your financial adviser's disclosure statement. These fees are payable by you to your financial adviser, and may, if authorised by you, be deducted from your investment in the Portfolios.

Where you have selected a financial adviser employed by NZ Funds, we may charge a fee for financial advisory services in the same way as set out above.

GST

All fees are stated exclusive of GST or other similar tax. This means that if any GST or other similar tax is payable on any fee, that tax will be payable in addition to the amount of the fee.

Contribution to fees

We may in our discretion and from our own funds, reduce, pay, contribute to or rebate some or all of the fees and expenses discussed above.

7. ADDITIONAL INFORMATION ABOUT FEES (CONTINUED)

Administration payment

We may pay financial advisers an administration payment to assist them with the costs associated with providing financial advice to you. These payments will be made by us out of our own funds and will not be deducted from the Portfolios.

8. ECONOMIC EXPOSURE

This section provides additional information on the Portfolios' economic exposure and should be read in conjunction with the PDS.

Economic exposure is a measure developed and used by NZ Funds to illustrate a Portfolio's total exposure. The use of derivatives can result in a Portfolio's economic exposure being greater than it's net asset value, which means the Portfolio is leveraged.

Economic exposure is calculated using NZ Funds' methodology which sets out how each investment type (including each derivative type) is treated when calculating economic exposure. NZ Funds may change its calculation methodology from time to time without notifying you. For more information on our methodology, please contact NZ Funds.

Where economic exposure exceeds 100%, this means the aggregate exposure of the Portfolio is greater than the Portfolio's net asset value and means the Portfolio is leveraged. NZ Funds currently limits the economic exposure for the Core Cash Portfolio to 100% (or the Portfolio's net asset value), and for each of the Core Income Portfolio, Global Income Portfolio, Core Inflation Portfolio, Equity Inflation Portfolio, and Property Inflation Portfolio to 300% (or three times the Portfolio's net asset value). There is no limit on economic exposure for the Core Growth Portfolio, Global Multi-Asset Growth Portfolio, Global Equity Growth Portfolio, and Dividend and Growth Portfolio.

The economic exposure of each Portfolio changes frequently and changes can be material. Each Portfolio's economic exposure is published monthly in NZ Funds' 'Portfolio Insights' document which is available on our website at *www.nzfunds.co.nz*.

9. RISKS

Every investment has risks. The primary risks of investing in a Portfolio include:

- Not getting back some or all of your money;
- Not getting the returns you expected;
- Experiencing periods where your investment is worth less than it had been previously; and
- Not being able to withdraw from a Portfolio when you want to.

The following information supplements section 4 of the PDS – "What are the risks of investing?". In the PDS, we set out what we believe are the more significant risks that apply to investing in the Portfolios. In addition to the general investment risks and other specific risks set out in the PDS, there are other risks associated with the Portfolios that could impact your investment which are discussed below. If any of these risks eventuate, you could receive back less than you invested.

No rate of return or repayment of your investment is guaranteed by the Supervisor, NZ Funds, or any other person.

General investment risks

Interest rate risk

Interest rate risk is the risk that a Portfolio's returns may fluctuate as a result of changes in interest rates.

Credit risk

Credit risk is the risk that a Portfolio's returns may fluctuate as a result of an issuer of a security failing to pay interest or principal when due.

Equity risk

Equity risk is the risk that a Portfolio's returns may fluctuate as a result of changes in the value of equity investments. An equity investment may be affected by many factors, including the performance of the relevant company, market opinion, and the economic performance of a country or sector.

Currency risk

Portfolio unit prices are denominated in New Zealand dollars but the Portfolios may be exposed directly or indirectly to foreign currencies. Currency risk is the risk that a Portfolio's returns may be affected by changes in the value, or terms, of a currency.

Political risk

Political risk is the risk that a Portfolio's returns may fluctuate as a result of political changes or instability in a country. This could arise from a change in government, legislative bodies, other foreign policy makers, or military actions. Political risk may also arise as a result of geo-political events such as wars, terrorist acts and tensions between states.

Other risks

Counterparty risk

Counterparty risk is the risk that a counterparty to a financial transaction or contract fails to meet its obligations. If this occurs, the Portfolios may be adversely affected.

Operational risk

Operational risk is the risk of failure of internal or external processes, people, policies, technology or systems (for example, a material error in the pricing process), or external events affecting NZ Funds' or the Portfolios' operations. If this occurs, the Portfolios may be adversely affected.

Cybersecurity risk

Cybersecurity risk is the risk of attack, damage or unauthorised access to the networks, computers, programs or data that NZ Funds uses. If this occurs, the Portfolios may be adversely affected.

Service provider risk

A range of parties are involved in the operation of the Portfolios (including the Supervisor, the Manager, the trustees and custodian of the Wholesale Trusts, underlying specialist investment managers, settlement and trade counterparties, investment brokers and banks). Service provider risk is the risk that any of these parties fail to perform their obligations. If this occurs, the Portfolios may be adversely affected.

Wholesale Trust investment risk

The Portfolios can invest in Wholesale Trusts. Wholesale Trust investment risk is the risk that an adverse event occurs at the Wholesale Trust level or the Wholesale Trusts are wound up. If this occurs, the Portfolios may be adversely affected.

Valuation risk

The Portfolios' unit prices are based on market price information provided by various sources. Valuation risk is the risk that these sources fail to provide an accurate price, or any price whatsoever. If this occurs, the Portfolios may be adversely affected.

Suspension of withdrawals risk

In certain circumstances, we have the ability to suspend or partially suspend withdrawals from a Portfolio. If this occurs, you may not be able to withdraw or switch your investment when you would otherwise be entitled to.

Risk of losing PIE tax status

Each Portfolio is currently a Portfolio Investment Entity (PIE). If a Portfolio elects to surrender its PIE tax status, we will give you prior notice. However, it is possible that a Portfolio ceases to be a PIE without election. If a Portfolio loses its PIE tax status, your after-tax benefit from investing in the Portfolio may be reduced and/or the Portfolio may be adversely affected.

9. RISKS (CONTINUED)

Tax risk

Income, dividends and interest, and gains on securities and investments in which the Portfolios invest may be subject to taxes (including withholding taxes) imposed by tax authorities in New Zealand and other jurisdictions, now or in the future. The Portfolios may not be able to claim a credit for any taxes imposed. Tax risk may adversely affect the Portfolios.

Regulatory risk

The Portfolios and their investments are subject to laws and regulations (including in relation to tax) in New Zealand and other jurisdictions in which the Portfolios invest. Any changes to those laws and regulations may adversely affect the Portfolios and/or their investments.

Insolvency risk

Insolvency risk is the risk of a Portfolio becoming insolvent or being otherwise unable to meet its financial obligations. If this occurs, you may not recover the full amount of your investment.

The risks described in the PDS and this document are considered to be important risks, but do not cover all known risks of investing in the Portfolios. There may also be other risks which are currently unknown that may affect your investment in the Portfolios.

10. CONFLICTS OF INTEREST

NZ Funds has policies and procedures in place to identify and manage actual or potential conflicts of interest. The NZ Funds Conflicts of Interest Policy provides a framework for identifying, declaring and managing conflicts of interest. The policy also covers gifts and hospitality. The Conflicts of Interest Policy forms part of NZ Funds' broader conflicts of interest compliance and ethics framework.

The Conflicts of Interest Policy is complemented by NZ Funds' Personal Holdings Policy. The Personal Holdings Policy contains restrictions on employees holding or trading in securities unless permitted by the policy or approved by the NZ Funds Board.

The NZ Funds Related Party Transactions Policy provides a framework for identifying and managing related party transactions (as defined under the FMC Act) and ensures that all related party transactions comply with the requirements of the FMC Act.

A conflict of interest that currently exists is in relation to those Portfolios that invest in Wholesale Trusts where we charge a performance fee (see page 10 for more information on these performance fees). These performance fees will affect the value of the Wholesale Trusts and consequently affect the returns of the Portfolios that invest in those Wholesale Trusts. This conflict of interest could materially influence the investment decisions in respect of the Portfolios if non-arm's length fees were paid. We manage this conflict by ensuring that all related party performance fee transactions comply with the requirements of the FMC Act and NZ Funds' Related Party Transactions Policy.

In addition to NZ Funds' policies and procedures described above, the FMC Act imposes statutory controls on conflicts of interest, including the following:

- We must, in exercising any power, or performing any duties, exercise the care, diligence and skill that a prudent person engaged in the profession of acting as manager of a registered scheme (as defined in the FMC Act) would exercise in those circumstances; act honestly in acting as manager; act in the best interests of investors; and treat investors fairly.
- We must not make use of information acquired through being the manager in order to gain an improper advantage for ourselves, or any other person, or cause detriment to investors.

The above statutory controls have, where appropriate, been built into NZ Funds' Conflicts of Interest Policy.

11. TAXATION

This section supplements section 6 of the PDS and contains a general summary of the taxation implications of investing in a Portfolio. It is based on current tax law and is subject to change. You are encouraged to seek professional advice before making an investment. We and the Supervisor do not take any responsibility for your particular tax position as a result of an investment in a Portfolio.

Portfolio Investment Entities (PIEs)

Each Portfolio has elected to be a Portfolio Investment Entity (PIE) under the PIE rules. In order for you to benefit from the tax treatment described above, a Portfolio must continue to comply with the PIE rules.

If PIE status is lost, the after-tax returns from your investment in that Portfolio may be reduced.

The PIE rules allow you to effectively pay tax on your investment in the Portfolio at a maximum tax rate of 28%.

The amount of taxable income or loss of a Portfolio allocated to you is calculated daily and attributed to you on a quarterly basis, within five Business Days of the end of each quarter.

For a quarter in which there is tax to pay, the Portfolio will cancel a number of your Units (unless you are a zero-rated Unit Holder) to fund your tax liability and will then pay this amount to Inland Revenue.

If a Portfolio receives a tax refund, it will allocate that refund to Unit Holders (other than zero-rated Unit Holders) in the Portfolio during that quarter on a daily basis, and attributed to them quarterly. Where you are an investor in a Portfolio at the time the refund is paid, the refund will be used to purchase additional Units in the Portfolio. If you are no longer in the Portfolio at the time the refund is paid, your refund will be paid directly to you.

It is important to note that while the tax cost is effectively borne by Unit Holders (except for zero-rated Unit Holders) it remains a liability of the PIE.

Prescribed Investor Rate (PIR)

You must elect a PIR and provide us with your IRD number. If you are not a New Zealand tax resident, you will not need to supply an IRD number, but you will need to advise your country of residence.

It is important that you select the correct PIR. To select your correct PIR you need to calculate your taxable income (which includes your worldwide income and may include income when you were not resident in New Zealand) and PIE income for each of the previous two income years (an income year is the period from 1 April in one year to 31 March the next year). The PIR applying to you is then determined based on the year which has the lower combined income amount.

The PIR rates for an individual are:

TAXABLE INCOME		TAXABLE INCOME + PIE INCOME	PIR
$0 – $14,000	AND	$0 – $48,000	10.5%
$0 – $14,000	AND	$48,001 – $70,000	17.5%
$14,001 – $48,000	AND	$0 – $70,000	17.5%
Over $48,001	AND	Any amount	28.0%
Any amount	AND	Over $70,000	28.0%

If you do not provide us with a PIR then income attributed to you will be taxed at 28% (unless you are a company, in which case a PIR of 0% will be applied).

If you select a PIR that is too high, there is no ability under current law to obtain a refund for the excess tax paid. If you select a PIE tax rate that is too low, you may have to file a tax return and pay tax at your marginal tax rate (you will get a credit for tax paid on your behalf by the Portfolio).

Different rules for selecting your PIR apply for trusts and companies.

11. TAXATION (CONTINUED)

For trusts, the following PIR options are available:

- Testamentary trusts – 0%, 10.5%, 17.5% or 28%.
- For all other trusts – 0%, 17.5% or 28%.

Companies and all other types of entity clients must elect a 0% PIR.

You can change your PIR at any time by completing a 'Notice to Change Prescribed Investor Rate (PIR)' form. This form is available from us or your financial adviser.

In some circumstances we are entitled to treat you as having a 0% PIR. Most commonly this will occur where the amount of tax on income attributable to you exceeds the value of your interest in the Portfolio. Where this happens, we are entitled to cancel all of your Units and pay the proceeds from the cancellation to Inland Revenue.

We can also treat you as having a 0% PIR for a quarter where you reduce your holding in, or fully withdraw from, a Portfolio during the quarter, or in the first 5 days of the following quarter. If you do this, the income for this period will be taxable income to you.

If you have elected a 0% PIR (or if we have treated you as having a 0% PIR), you may be required to file a tax return and pay tax on the income allocated to you. Any tax paid by the Portfolio on your behalf is available as a tax credit against your tax liability.

If the amount of tax on income attributable to you exceeds the value of your interest in a Portfolio you may have to satisfy the tax liability directly to Inland Revenue. If NZ Funds or the Supervisor pays this tax liability, you indemnify us or the Supervisor for that amount.

12. PRIVACY AND USE OF YOUR PERSONAL INFORMATION

Privacy

The Privacy Act 1993 deals with how we store and use the personal information you provide to us in connection with your investment in the Portfolios.

This information may be used by NZ Funds and the Supervisor (including their related entities) and shared with and used by your financial adviser and by other service providers to the Portfolios, for the purposes of enabling NZ Funds and those service providers to arrange, manage and administer your investment, to contact you in relation to your investment, and to provide you with newsletters and information about other products and services.

We may also use and share your personal information for the purposes of complying with any laws in New Zealand or another country, including using it to verify (whether by electronic means or otherwise) any identity information provided to us.

We may also share your personal information with relevant authorities, including the Financial Markets Authority and Inland Revenue.

You have the right to access all personal information held about you in connection with your investment in the Portfolios. If any of the information is incorrect, you have the right to have it corrected.

AML

Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, we are required to verify your identity and address and in some cases, the source of your funds and wealth.

If you complete the Application Form with the assistance of a financial adviser, he or she may be able to verify your identity and address using certain identification documents and the process set out in the Application Form. Your adviser or NZ Funds may also be able to verify your identity and address through electronic means.

If you are completing the Application Form without the assistance of a financial adviser, your identification documents may be certified by a 'trusted referee' or verified by an NZ Funds staff member. Further information on certification by trusted referees is set out in the Application Form.

12. PRIVACY AND USE OF YOUR PERSONAL INFORMATION (CONTINUED)

AML verification requirements also apply to trusts, companies and other entity types. We have developed various 'AML forms' for these purposes which are available on our website at *www.nzfunds.co.nz* and which will guide you through the AML process. A combination of AML forms will need to be used for these entities. Your financial adviser will be able to assist you to complete these forms.

Please note that we cannot process your application unless all required forms are completed correctly and accompanied by the appropriate information and documents.

Foreign Account Tax Compliance Act (FATCA)

If you are a 'US Person' (that is, someone who is a United States citizen or tax resident, or a United States Green Card holder, or an entity owned or controlled by US persons) we may be required to provide information about your investment in the NZ Funds Managed Portfolio Service to Inland Revenue in order to comply with our obligations under the Foreign Account Tax Compliance Act (FATCA). Inland Revenue in turn may be required to pass this information to the United States Internal Revenue Service.

Common Reporting Standard (CRS)

If you are tax resident in a country other than New Zealand, or an entity owned or controlled by non-New Zealand tax residents we may be required to provide information about your investment in the Portfolios to Inland Revenue in order to comply with our obligations under the Common Reporting Standard (CRS) regime. Inland Revenue in turn may be required to pass this information to the revenue authority of the country in which you are tax resident.

Change of personal details

If you wish to change your personal details, please complete a Changes in Client Details form. You can obtain this form from your financial adviser or from our website at *www.nzfunds.co.nz*.

13. MATERIAL CONTRACTS

The following is a summary of the contracts that we consider to be material in relation to the Portfolios.

Trust Deeds

The Trust Deeds are agreements between us and the Supervisor which came into effect on 1 November 2016. Each Trust Deed governs the establishment and management of the relevant Scheme and the Portfolios established within that Scheme. A copy of each Trust Deed is available on the scheme register at *disclose-register.companiesoffice.govt.nz*.

Management Agreement

We have entered into a management agreement (Management Agreement) with the Supervisor dated 12 October 2016 (with an effective date of 1 November 2016) that sets out the arrangements between us and the Supervisor in relation to certain operational matters relating to the Schemes and the Portfolios. The Management Agreement specifies the reporting and information to be provided by us to the Supervisor, the requirements for operating the Portfolios' bank accounts, and record keeping.

Nothing in the Management Agreement limits or alters the powers of the Supervisor or our duties under the Trust Deeds and applicable law. In the event of any inconsistency between the Management Agreement and a Trust Deed, the relevant Trust Deed will prevail.

14. ADDITIONAL INFORMATION ABOUT MARKET INDICES

Additional information about the market indices referred to in the SIPO can be found on the following web pages listed below:

S&P/NZX Call Rate Deposit Index Total Return	*www.us.spindices.com/indices/fixed-income/sp-nzx-call-rate-deposit-index*
S&P/NZX Investment Grade Corporate Bond Index Total Return	*www.us.spindices.com/indices/fixed-income/sp-nzx-investment-grade-corporate-bond-index*
Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged USD	*www.bloomberg.com/quote/LGCPTRUU:IND*
S&P/NZX Bank Bills 90 Day Index Total Return	*www.us.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index*
S&P/NZX 50 Portfolio Index Gross with Imputation	*www.us.spindices.com/indices/equity/sp-nzx-50-portfolio-index*
S&P/ASX Accumulation 200 Index	*www.us.spindices.com/indices/equity/sp-asx-200*
S&P/NZX All Real Estate Industry Group Gross with Imputation	*www.us.spindices.com/indices/equity/sp-nzx-all-real-estate-sector*
FTSE EPRA/NAREIT Developed Total return Index USD	*www.ftse.com/products/indices/epra-nareit*
MSCI All Countries World Daily TR Net Local Currency	*www.msci.com/acwi*
MSCI ACWI Commodity Producers Sector Capped Net Return Local Currency Index	*www.msci.com/thematic-indexes*

Historic market indices

The following table sets out details of the previous market indices for those Portfolios where there has been a change in the market index.

Portfolio	Date market index changed	Previous market index
Global Multi-Asset Growth Portfolio	20 December 2017	Bloomberg Commodity Index Total Return

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