NZ Funds
Income Generator

Other Material Information

12 November 2026

NZFunds

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1. Description

This document contains more information about the NZ Funds Income Generator (Portfolio). It should be read together with the Product Disclosure Statement (PDS), Statement of Investment Policy and Objectives (SIPO), Quarterly Fund Updates and any other documents held on the offer and scheme registers at *disclose-register.companiesoffice.govt.nz*.

In this document, 'you', 'your', 'investor' or 'unit holder' means a person or entity that invests in the Portfolio, and 'NZ Funds', 'we', 'us', 'our' or 'the Manager' means New Zealand Funds Management Limited. When we use the word 'current' or 'currently' about a law, policy or practice we mean at the date of this document. The information in this document may change. Please check the offer register at *disclose-register.companiesoffice.govt.nz* for updates.

2. NZ Funds Income Generator

The Portfolio is an actively managed fund established within the 'NZ Funds Managed Portfolio Service Part Two' scheme (Scheme) registered under the Financial Markets Conduct Act 2013 (FMC Act).

It is designed for investors seeking income from dividend payments who also wish to have the volatility of dividend paying shares managed. To achieve this, the Portfolio primarily invests in dividend paying New Zealand and Australian shares but may also invest in other approved asset classes, and uses derivatives including options and active management to seek to mitigate share market volatility.

The Scheme is managed under the rules set out in its trust deed, also called the governing document (Trust Deed). You can get a copy of the Trust Deed from the scheme register at *disclose-register.companiesoffice.govt.nz*.

3. The Manager

About NZ Funds

NZ Funds is the Manager of the Portfolio. We are licensed by the Financial Markets Authority (FMA) to be a manager of registered managed investment schemes under the FMC Act.

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 the IGHL Trust are mainly senior management of NZ Funds.

Our directors

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

Bruce Baillie (BCom) is an independent director of NZ Funds, appointed from January 2022. Bruce is an experienced accountant who had a 30-year career as a Partner at PwC, involved in advising a wide range of organisations including many in the financial services industry, before embarking on a career as an independent director. He has significant experience in audit and financial reporting matters and is now an independent director and adviser to a range of organisations, including those in the financial services and fintech industries.

Gregory Bernard Horton (LLB (Hons), BCom) is an independent director of NZ Funds. Gregory was appointed a director of NZ Funds from May 2013. Gregory is a consultant to Harmos Horton Lusk Limited, a law firm based in Auckland. He has practised law both in New Zealand and New York.

Michael John Lang (BA (Econ), LLB (Hons), CFA) is a director and Chief Executive of NZ Funds. Michael has more than 30 years' experience in the financial services industry in New Zealand and in hedge funds overseas. Michael became a director of NZ Funds in 2010 and was appointed Chief Executive from 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.

Russell William Tills (BCom, ACA) is a non-executive director of NZ Funds. Russell has more than 40 years' experience in the financial services industry in New Zealand and overseas. He joined NZ Funds in 1989 and was jointly 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 from March 2016. Russell is not an employee of NZ Funds and he is not an independent director as he has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

Our directors may change from time to time. You can find the names of our directors at *companies-register.companiesoffice.govt.nz*.

4. Other parties

Supervisor

The New Zealand Guardian Trust Company Limited is the supervisor (Supervisor) of the Portfolio. The Supervisor is licensed by the FMA to act as a supervisor of registered managed investment schemes under the Financial Markets Supervisors Act 2011. More information on its licence is available on the FMA's website at *fma.govt.nz*.

The Supervisor's current directors are Robin Albert Flannagan, Bryan David Connor and Sarah Louise Graydon. The Supervisor's directors may change from time to time. You can find the names of the Supervisor's directors at *companies-register.companiesoffice.govt.nz*.

Custodian

The Supervisor is responsible for holding the property of the Portfolio. The Supervisor has entered into custodial services agreements with Citibank N.A. to provide custodial services to the Portfolio, however, all property of the Portfolio is currently held by the Supervisor.

Auditor

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

Solicitors

The solicitors are Russell McVeagh.

5. Supervisor & Manager indemnity

Subject to the limits on permitted indemnities under the FMC Act, both we and the Supervisor are indemnified out of the Portfolio for all losses, costs and expenses incurred by us or the Supervisor in carrying out our roles as Manager and Supervisor.

This indemnity does not cover losses, costs and expenses arising from our wilful default, wilful breach of trust, fraud or gross negligence. More information is set out in the Trust Deed. You can get a copy of the Trust Deed by contacting NZ Funds.

6. Other key terms

This section summarises some of the key terms used in the Portfolio. For more detailed information, please see the Trust Deed.

Valuation & unit pricing

Calculating a unit price allows us to value your investment in the Portfolio. The Portfolio's unit price is calculated by dividing the net asset value of the Portfolio by the number of units issued to investors. The net asset value is the value of the Portfolio's assets less its liabilities.

The Trust Deed sets out the principles that apply to the valuation of the Portfolio's assets and calculation of net asset value. We generally calculate the net asset value of the Portfolio each business day.

NZ Funds may set valuation methods and policies for each category of asset and change them from time to time. The Supervisor approves these valuation methods and policies and we will tell the Supervisor if we make any changes. Sometimes we use estimates to value assets, for example, where assets are priced monthly, or where assets become illiquid (difficult to convert to cash) or are not regularly traded.

Specific transactions (for example, large transactions) may require us to adjust the unit price for that day so that the costs of those transactions are paid by the investors involved in those transactions.

Issuing units

NZ Funds may decline to accept any application for units in the Portfolio and does not have to give a reason for declining an application. We may also defer accepting any application by up to two business days.

The process for investing in the Portfolio is explained in the PDS. Application amounts are paid into a non-interest bearing bank account and will be applied to the Portfolio once the application is accepted. Application amounts must be in New Zealand dollars.

There are currently no minimum or maximum investment amounts. We will tell you if we introduce a minimum or maximum investment amount.

Withdrawals

Subject to current withdrawal restrictions and our right to defer or suspend withdrawals, we will redeem your units in the Portfolio under the procedures in the Trust Deed where you give us a valid withdrawal request. You cannot cancel a withdrawal request unless we agree.

NZ Funds may introduce restrictions and limitations on withdrawals. Currently, the Portfolio has a 7-day withdrawal notice period. This means you must give us 7 days' notice of your intention to withdraw. We may change the notice period without notifying you.

Withdrawal payments are based on the unit price for each unit redeemed (Redemption Price). If a withdrawal notice period applies, we will calculate the Redemption Price for the day the notice period expires (or if that day is not a business day, on the next business day).

Under the Trust Deed, we must pay withdrawals within 20 business days of the date the withdrawal request is accepted (subject to our right to defer or suspend withdrawals). However, we normally pay withdrawals within four business days after the date the withdrawal request is accepted. We may defer withdrawals for up to two business days.

You can withdraw from the Portfolio and have the proceeds paid into an NZ Funds managed portfolio offered under another PDS. To do this, you will need to complete an application form for the other managed portfolio either online, or by completing the application form in the other PDS.

Deferring & suspending withdrawals

Where we receive withdrawal requests for more than 10% of the Portfolio's units on a particular date, we may 'scale back' requests so that only some of the units are redeemed. Any units not redeemed may be redeemed by us at any time. There is no specific time period in which we must redeem these units.

In certain circumstances, we may also suspend withdrawals by giving a redemption suspension notice. For example, if we think it is not practicable, or would be materially prejudicial to the interests of any unit holders, to sell assets for redemptions. This could be due to market conditions, the nature of any asset or other circumstances.

If we give a redemption suspension notice, this means all withdrawal requests are suspended until we tell you the suspension is cancelled. If the redemption suspension notice is cancelled, suspended withdrawals may be paid at a revised Redemption Price calculated on a revised redemption date determined by the Manager. There is no limit on the suspension period for the Portfolio. Even if we give a redemption suspension notice for the Portfolio, we may allow you to withdraw:

- if, in our opinion, suspending your withdrawal request would cause you financial hardship;
- if you have a regular withdrawal arrangement with us; or
- in any other circumstances we consider reasonable.

Closing your investment

In some circumstances, we may need to redeem all your units or close your investment in the Portfolio. For example, if we consider it is necessary to comply with any laws or to avoid adverse regulatory consequences for us, the Supervisor, the Portfolio or investors in the Portfolio generally.

NZ Funds may also redeem all your units if your withdrawal request would leave you with less than any minimum holding, or where it is necessary to maintain the Portfolio's Portfolio Investment Entity (PIE) status.

Borrowing

Borrowing is allowed under the Trust Deed. However, the Portfolio does not currently borrow money for the purpose of investing. This does not include ongoing operational agreements with service providers such as overdraft facilities and creditor relationships or the leverage created through the use of derivatives.

Winding-up/insolvency

If the Portfolio is wound up or becomes insolvent, the assets of the Portfolio will be sold and the money will be used first to meet the claims of any creditors. After all creditors have been paid, your share of what remains will be paid to you.

Indemnity for tax liability

You are required to repay us and the Supervisor for any tax paid on your behalf on income from your investment in the Portfolio. This only applies if your investment is not sufficient to meet your tax liability.

Changes to the Trust Deed

The Trust Deed can be changed by us and the Supervisor. Any changes must comply with the FMC Act.

7. More about fees & charges

Annual fund charges

Estimated annual fund charges are included in section 5 of the PDS and are made up of a management fee and estimates of other fund charges incurred by the Portfolio.

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

Management fees & rebates

Management fee

The Portfolio is charged an annual management fee by NZ Funds of 1.55% for managing and administering the Portfolio. The management fee is calculated daily and paid monthly.

NZ Funds may change the management fee so long as we tell the Supervisor and investors one month before we change it. We may also charge an investor, or group of investors (including any group of investors advised by a financial advice provider), a lower management fee or we may rebate all or some of the management fee for an investor or a group of investors. Further information on fee rebates follows.

Management fee rebates

NZ Funds may rebate a portion of the management fee from our own funds based on the length of time that you are invested in the Portfolio. Fee rebates are not available on investments made by, or through, custodial service providers.

If you invest in the Portfolio for more than one year, but for less than two years, we will give you a management fee rebate of 0.20% from the start of the second year. If you invest in the Portfolio for more than two years, we will rebate 0.40% of the management fee from the start of the third year.

The management fee rebates will be calculated daily based on your investment balance and paid monthly by giving you extra units in the Portfolio. The rebates will generally be paid on the 25th of each month. If you fully withdraw from the Portfolio before we pay any fee rebate, you will no longer be entitled to that rebate.

NZ Funds may change the rate and basis for calculating the management fee rebates, or remove the rebates, at any time. If we decrease the rebate rate or remove the rebates, we will give one month's notice to investors affected by the change.

Additional fee rebates

In addition to the management fee rebates described above, we may at our discretion and from our own funds, pay or rebate some or all fees and expenses described in this section, and we may, at our discretion, offer an investor or a group of investors a different fee rebate from that set out in this section.

For example, we may choose to offer an investor or a group of investors a management fee rebate that is different from that set out above, or we may choose to rebate to some investors a portion of the fees and other fund charges charged to the Portfolio that are indirectly incurred by them.

NZ Funds may change the rate and basis of any additional fee rebate, or remove any additional rebate, at any time, provided that in no case will the removal of an additional rebate result in an investor paying fees in excess of those set out in section 5 of the PDS.

Other fund charges

Other fund charges include estimates of what third parties charge for services provided to the Portfolio and related wholesale trusts that the Portfolio invests in. They include the Supervisor's fee, estimates of professional fees and expenses and estimates of fees charged by external specialist investment managers (external managers).

The Supervisor charges a fee for providing supervisory and custody services to the Portfolio. Supervisor fees are calculated daily and paid by the Portfolio monthly. The Supervisor may, if we agree, change the Supervisor fee at any time.

The Portfolio and wholesale trusts may also incur professional fees (such as fees for legal, accounting and audit services) and other charges (such as charges for administration, valuation and custody services to the wholesale trusts).

The Trust Deed allows these professional fees and other charges incurred by the Portfolio to be paid out of the assets of the Portfolio as expenses. Professional fees and other charges incurred by the wholesale trusts will be paid out of the assets of the relevant wholesale trust.

The Trust Deed also allows NZ Funds, the Supervisor and any party that may be appointed by NZ Funds or the Supervisor to be reimbursed for all expenses properly incurred while carrying out their duties in relation to the Portfolio.

The Portfolio does not currently invest in funds managed by external specialist investment managers or work with external managers, and as a result the estimated external management fee is 0%.

However, the Portfolio may invest in external managers in the future. The external managers may charge fees (including entry fees, exit fees, management and administration fees, and performance fees) and incur expenses.

If the Portfolio indirectly invests in external managers, its returns will be affected by the fees and expenses charged by external managers.

Other fund charges are paid by the Portfolio. Estimates of the other fund charges incurred by the Portfolio are included within 'annual fund charges' in the PDS.

Basis for estimated fund charges

The annual fund charges in the PDS include estimates of Supervisor fees, professional fees, other charges, expenses and external management fees.

Estimates of external management fees are discussed above. All other estimates are based on the assumption that the ongoing level of these charges will be similar to those charged in the most recent financial year.

Actual annual fund charges for the Portfolio for the most recent year are available in the latest Quarterly Fund Update which you can get from our website at *www.nzfunds.co.nz*.

Securities lending revenue

The net proceeds from securities lending and other specific revenue generating activities will be shared equally between NZ Funds and the Portfolio.

Individual action fees

NZ Funds does not charge any establishment, application, contribution, termination, withdrawal or transfer fees.

Financial advice provider fee

With your agreement, your financial advice provider may charge a fee for financial advisory services they provide. These fees, including how and when the fees are paid, should be agreed between you and your financial advice provider.

Details of these fees must be set out in your financial advice provider's disclosure statement. These fees are payable by you to your financial advice provider, and may, if you agree, be deducted from your investment.

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.

Onboarding & service payments

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

Goods & Services Tax (GST)

Fee estimates do not include GST or other similar tax. This means that if any GST or other similar tax is payable, it will be in addition to the stated fee.

8. More about active management

NZ Funds takes an active investment management approach in managing the Portfolio. This means that we make ongoing investment decisions, search for emerging opportunities, buy or sell as appropriate, and use sophisticated investment instruments and techniques in seeking to achieve the investment objectives of the Portfolio.

Active management generally

NZ Funds' active investment management approach means that we (and the specialist investment managers we may work with) make buy and sell decisions every day, increase your investments in assets we believe have stronger upside, and reduce investments in assets that we believe have run their course.

NZ Funds also has the ability to invest using sophisticated investment instruments and techniques (used by other managers who manage money in similar ways to us). These instruments and techniques may not be generally accessible to individual investors.

We also use an active-quant approach in managing the Portfolio. Active-quant means we select companies from the sectors that are the focus of the Portfolio and then use a quantitative screen to determine their portfolio weight and liquidity.

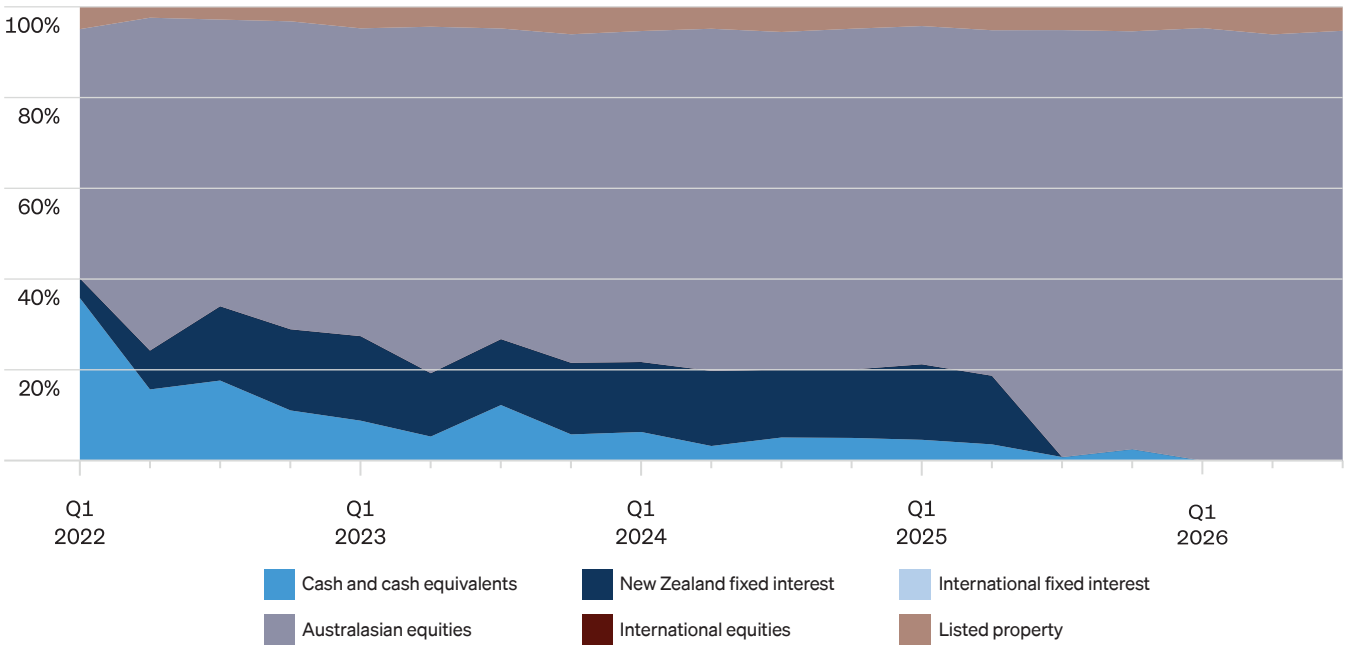
Actual investment mix

As a result of our active investment management approach, the actual investment mix of the Portfolio may vary significantly from the target investment mix shown in the table in section 3 of the PDS.

This can be illustrated by the graph below, which shows the actual investment mix of the Portfolio for the preceding five years.

The actual investment mix in the graph is taken from the Quarterly Fund Updates for the Portfolio, which are scaled to 100% to take into account the impact of derivatives.

Income Generator



Use of derivatives

Derivatives can be considered to be 'leveraged' investments, which means that a relatively small investment in derivatives can produce the same gain (or loss) as a much larger investment in the underlying asset itself.

The use of derivatives and the leverage their use creates may increase or decrease investment risk. NZ Funds uses derivatives in a selective manner and makes decisions on the amount of leverage the Portfolio may use.

The use of leverage is managed through NZ Funds' active investment management approach and through the processes and policies surrounding our investment guidelines. The guidelines are not limits on the amount of leverage that may be used in each authorised asset class and the guidelines do not impose a limit on how we may invest.

NZ Funds expects to regularly use leverage (via derivatives) to change the exposure to an authorised asset class. The actual range of leverage used by the Portfolio for the preceding five years is set out in the table below.

Year ended 31 March

2022	2023	2024	2025	2026
100% - 102%	100% - 132%	100% - 100%	100% - 100%	100% - 102%

In most cases, we use notional market exposure when calculating leverage. This means that, in the preceding table, when we own a derivative we show how much exposure to an authorised asset class the derivative contract gives the Portfolio. However, some forms of economic exposure, such as derivatives on bonds or currencies, are usually included on a profit and loss basis.

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

Investors should be aware that the leverage through derivatives in the Portfolio changes frequently and those changes can be material.

Also, we do not normally net exposures when calculating the amount of leverage in the Portfolio. This means that we do not distinguish between an active exposure that is designed to enhance the return of the Portfolio and an exposure that is designed to hedge (or reduce the risk of) the Portfolio. Instead, we normally show the total value of all exposures added together.

Foreign currency

Where the 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 the Portfolio holds investments in that currency, the 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 the Portfolio is set out in its Quarterly Fund Update.

Investment guidelines

NZ Funds maintains internal investment guidelines which are used in the oversight of the Portfolio. These guidelines are designed to ensure the Portfolio invests in accordance with its investment objective and timeframe.

The guidelines set out the ranges within which the Portfolio will usually (but not always) invest in each authorised asset class (being the types of assets that the Portfolio is permitted to invest in), and also address other investment matters such as the ability of the Portfolio to use leverage and the level of liquidity that the Portfolio will target.

Our investment monitoring system enables compliance oversight of the guidelines.

Guidelines may be exceeded from time to time over the course of an economic cycle. When this occurs, the Manager will either alter the investment, or in some cases seek a guideline change from the NZ Funds Investment Governance Committee and NZ Funds Board.

Compliance with the guidelines is monitored by NZ Funds' Compliance team. Where the Compliance team identify that a guideline has been exceeded, they must notify the Chief Investment Officer, the Chief Executive Officer and the Chief Operating Officer of the event and of the proposed course of action.

The Portfolio is also reviewed against the guidelines on a monthly basis at the Investment Guidelines Meeting and exceptions are noted (SIPO compliance for the preceding month is also confirmed at this meeting). The minutes of the Investment Guidelines Meeting are tabled at the Investment Governance Committee meeting.

Any member of the NZ Funds Investment, Legal, Compliance or Funds Management teams may propose a change to the guidelines, or the introduction of a new guideline. Amending a guideline (or introducing a new guideline) requires the approval of the NZ Funds Investment Governance Committee and ratification or approval by the NZ Funds Board. The Board may ratify or approve the amended guideline (with or without additional amendments) or reject it.

If the Board rejects or amends a guideline change, the Investment team must take any action required to ensure that the Portfolio continues to comply with the guidelines. The detailed process for administering the guidelines is set out in our investment guidelines policy.

It is important to note that the exceeding of a guideline, or a deviation from the target investment mix for the Portfolio, does not amount to a limit break under the SIPO. The purchase of an unauthorised asset class does however constitute a SIPO limit break. See the SIPO for more information.

9. Risks

Every investment has risks. The primary risks of investing in the 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 was previously; and
- not being able to withdraw from the Portfolio when you want to.

The following information is in addition to section 4 of the PDS – 'What are the risks of investing?'. In the PDS, we discuss what we believe are the more significant risks of investing in the Portfolio. However, there are other risks associated with the Portfolio that could impact your investment which are discussed in this section. If any of these risks eventuate, the Portfolio may be adversely affected and you could receive back less than you invested.

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

General investment risks

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

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

Equity risk
This is the risk that the Portfolio's returns may decline 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 expectations and the economic performance of a sector or country.

Derivative risk
This is the risk that Portfolio returns may decline as a result of the use of derivatives. Derivatives are considered to be 'leveraged' investments, which means that a relatively small investment in derivatives can produce the same gain (or loss) as a much larger investment in the underlying asset itself. The use of derivatives and the leverage their use creates may adversely affect your investment.

Other risks

Operational risk
This 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 our or the Portfolio's operations. If this occurs, your investment may be adversely affected.

Fraud & cybersecurity risk
This is the risk of unexpected loss due to fraudulent activities and/or the risk of attack, damage or unauthorised access to the networks, computers, programs or data that we use. If this occurs, your investment and personal information may be adversely affected.

Service provider risk
This is the risk that a key service provider to the Portfolio (for example, the Supervisor, the Manager, the trustee and custodian of the wholesale trusts, external managers, settlement and trade counterparties, investment brokers or banks) fails to perform their obligations. If this occurs, your investment may be adversely affected.

Wholesale trust investment risk
The Portfolio can invest in wholesale trusts. Wholesale trust investment risk is the risk that an adverse event happens at the wholesale trust level or the wholesale trusts are wound up. If this occurs, your investment may be adversely affected.

Valuation risk
The Portfolio's 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, your investment may be adversely affected.

Suspension of withdrawals risk
In certain circumstances, we can suspend or partially suspend withdrawals from the Portfolio. If this happens, you may not be able to withdraw your investment when you want to.

Tax risk
Income, dividends, interest and gains on securities and investments that the Portfolio invests in may be subject to taxes (including withholding taxes) imposed by tax authorities in New Zealand and other jurisdictions. The Portfolio may not be able to claim a credit for these taxes.

The Portfolio is currently a PIE. If the Portfolio loses its PIE tax status, your after-tax returns may be reduced.

Regulatory risk
This is the risk that the laws and regulations applying to the Portfolio and its investments change in a way that adversely affects the Portfolio.

Political risk
This is the risk that the Portfolio's returns may decline 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 geopolitical events such as wars, terrorist acts and tensions between states.

Insolvency risk
This is the risk that the Portfolio or a wholesale trust that the Portfolio invests in becomes insolvent or is otherwise unable to meet its financial obligations. If this occurs, your investment may be adversely affected.

Pandemic risk
This is the risk that the Portfolio's returns may fluctuate, or that the Portfolio may be adversely affected, as a result of virus, disease or other widespread health risks such as the COVID-19 pandemic. The emergence of COVID-19 (or other widespread health risks) can have a significant impact on financial markets and the operations of the Portfolio. If this occurs, your investment may be adversely affected.

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 Portfolio. There may also be other risks, both known or currently unknown, that may affect your investment in the Portfolio.

10. Conflicts of interest

NZ Funds' conflicts of interest policy provides a framework for identifying, declaring and managing actual, potential or perceived conflicts of interest. The policy also covers gifts and hospitality and forms part of our broader conflicts of interest compliance and ethics frameworks.

The conflicts of interest policy is complemented by our:

- personal holdings policy, which contains restrictions on employees holding or trading in securities; and
- related party transactions policy, which provides a framework for identifying and managing related party transactions and ensuring compliance with the FMC Act.

Conflicts of interest that currently exist include that our directors and employees and their associated persons and entities may invest in the Portfolio.

11. How your investment is taxed

If you have any questions about the tax position of your investment in the Portfolio, we encourage you to talk to your tax adviser. We and the Supervisor do not take any responsibility for your tax as a result of investing in the Portfolio.

Portfolio Investment Entities (PIE)

The Portfolio is a PIE. Under the PIE rules, we will calculate the tax due on your investment in the Portfolio each quarter based on your PIR, and unless you have chosen a PIR of 0% (or if we have treated you as having a PIR of 0%), we will pay this tax to Inland Revenue on your behalf.

If you are due a tax refund, we will use it to buy more units in the Portfolio for you, as long as you are still invested in the Portfolio when we receive the refund from Inland Revenue. If you are no longer invested in the Portfolio, we will pay the refund to you. If you have a PIR of 0%, we will tell you your share of the income of the Portfolio, but you will be responsible for your own tax.

Choosing your PIR

You need to choose your PIR and tell us what it is. You also need to tell us your IRD number. For an individual, your PIR is based on your taxable income and PIE income for each of the previous two tax years. Your PIR is based on the year which has the lower combined income amount. You can use the table below to help you work out your PIR:

Taxable income		Taxable income + PIE income	PIR
$0 – $15,600	and	$0 – $53,500	10.5%
$0 – $15,600	and	$53,501 – $78,100	17.5%
$15,601 – $53,500	and	$0 – $78,100	17.5%
Over $53,500	and	Any amount	28.0%
Any amount	and	Over $78,100	28.0%

It is important that you choose the correct PIR. For joint accounts, we will apply the highest PIR advised to the account.

If you select a PIR that is too high or the PIR applied to the account is higher than your PIR, then as part of the annual tax return process:

- you will be able to get any overpaid tax refunded (either directly or by a reduced tax bill); or
- you may have to pay further tax if you have received refunds during the year based on your incorrect PIR.

If you select a PIR that is too low or the PIR applied to the account is lower than your PIR, then as part of the annual tax return process:

- you will have to pay more tax on your income from the Portfolio at your correct PIR; or
- you may be entitled to a further tax refund based on your correct PIR.

Different rules for choosing a PIR apply for trusts and companies. Testamentary trusts (trusts set up under a will) can choose a PIR of 0%, 10.5%, 17.5% or 28%. All other trusts can choose a PIR of 0%, 17.5% or 28%. Companies and all other types of entities must choose a PIR of 0%.

If you do not tell us what your PIR is, we will set it at 28% (unless you are a company, when we will set it to 0%). You can change your PIR at any time by contacting us or your financial advice provider. Inland Revenue may also tell us to change your PIR if they think it is wrong. If they do, we must use the PIR that they tell us, unless you tell us to use a different rate.

Sometimes we can treat you as having a 0% PIR. We will do this where your tax liability is greater than the value of your interest in the Portfolio. Where this happens, we will cancel all of your units and pay the proceeds to Inland Revenue. You will have to pay any tax liability not covered by this amount. We may also treat you as having a 0% PIR if you reduce your holding in, or fully withdraw from, the Portfolio during the quarter, or in the first five days of the following quarter.

12. Personal information

Privacy

The Privacy Act 2020 deals with how we collect, store and use personal information you give us for your investment in the Portfolio.

This information may be used by us (including our related entities) and the Supervisor and shared with and used by your financial advice provider and by other service providers to the Portfolio for the purposes of arranging, managing and administering your investment, contacting you about your investment, and providing you with newsletters and information about other products and services.

NZ Funds may also use and share your personal information in order to comply with New Zealand law or the law of another country, including using it to verify (whether by electronic means or otherwise) your identity. We may also be required to provide it to government agencies including the FMA and Inland Revenue. You have the right to access and correct personal information held by us.

For more information on how we collect, store and use your personal information see our Privacy Policy on our website.

AML/CFT requirements

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

With your consent, we can verify your identity and address electronically. You can provide your consent through the online application process or on the Application Form. If the electronic method fails or if you do not provide your consent, we will require physical identification documents certified or verified in the way discussed below.

If you complete the Application Form with a financial adviser, they may be able to verify your identity and address using certain identification documents and the process set out in the relevant AML forms which are available on our website.

If you are completing the Application Form without a financial adviser, your identification documents may be certified by a trusted referee or verified by an NZ Funds employee. More information on certification by trusted referees is set out in the AML forms on our website.

AML verification requirements also apply to trusts, companies and other entity types. We have developed various AML forms for these purposes which will guide you through the AML process. A combination of AML forms will need to be used for these entities. Your financial adviser can help you complete these forms.

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 United States persons) we may be required to provide information about your investment to Inland Revenue to comply with our obligations under 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 to Inland Revenue to comply with our obligations under the 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 Personal Details form. You can get this form from your financial advice provider or our website.

13. Material contracts

Trust Deed

The Trust Deed is an agreement between us and the Supervisor that sets out the rules for the management and administration of the Scheme and the Portfolio. A copy of the Trust Deed is available on the scheme register at *disclose-register.companiesoffice.govt.nz*.

Management agreement

NZ Funds has a management agreement with the Supervisor that sets out the operational arrangements for the Scheme and the Portfolio, including what information we have to report to the Supervisor, how the Portfolio's bank accounts are operated and what records we have to keep.

14. Index used

More information about the peer group index noted in the SIPO can be found on the webpage listed below.

Credit Suisse All Hedge Long/Short Equity Index

www.mast-indexes.com/indexes/en/SECT_LOSHO/overview

Due to the investment approach of the Portfolio, there is no appropriate market index that can be used to measure the performance of the Portfolio against. However, in the Manager's opinion, the Credit Suisse All Hedge Long/Short Equity Index, a peer group index, does appropriately represent the performance of the assets making up the Portfolio, and is therefore likely to be useful to investors when assessing the performance of the Portfolio as a whole.

The Credit Suisse All Hedge Long/Short Equity Index is a subset of the Credit Suisse All Hedge Index that measures the aggregate performance of long/short equity funds. Long/short equity funds typically invest in both long and short sides of equity markets, generally focusing on diversifying or hedging across particular sectors, regions or market capitalisations. Managers typically have the flexibility to shift from value to growth; small to medium to large capitalisation stocks; and net long to net short. Managers can also trade equity futures and options as well as equity related securities and debt or build portfolios that are more concentrated than traditional long-only equity funds.

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