NZ Funds
Active Income Series

Product Disclosure Statement

Issued by New Zealand Funds Management Limited 12 November 2026
This document replaces the Product Disclosure Statement dated 28 October 2025

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on *disclose-register.companiesoffice.govt.nz*. New Zealand Funds Management Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advice provider to help you to make an investment decision.

NZFunds

1. Key information summary

What is this?

This is a managed investment scheme. Your money will be pooled with other investors' money and invested in various investments.

New Zealand Funds Management Limited (NZ Funds, we, us or our) will invest your money and charge you a fee for its services.

The returns you receive are dependent on the investment decisions of NZ Funds and the performance of the investments.

The value of those investments may go up or down. The types of investments and the fees you will be charged are described in this document.

What will your money be invested in?

The NZ Funds Active Income Series offers three actively managed funds (also referred to as Portfolios).

These investment options are summarised in the table on page 4. More information about the investment target and strategy for each investment option is provided on page 8.

Who manages the Portfolios?

NZ Funds is the manager of the Portfolios. See section 7 of this Product Disclosure Statement (PDS) 'Who is involved?' on page 12 for more information.

How can you get your money out?

If you are invested in the Cash Portfolio, you can withdraw all or part of your investment at any time.

If you are invested in the other Portfolios, you must give 14 days' notice of your intention to withdraw unless you are switching to another Portfolio.

In certain circumstances, NZ Funds may defer or suspend withdrawals and switches. See section 2 of this PDS 'How does this investment work?' on page 6 for more information.

Your investment in the Portfolios can be sold but there is no established market for trading these financial products. This means that you may not be able to find a buyer for your investment.

How will your investment be taxed?

All of the Portfolios offered under this PDS are Portfolio Investment Entities (PIEs). The amount of tax you pay in respect of a PIE is based on your prescribed investor rate (PIR).

To determine your PIR go to *www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates*. See section 6 of this PDS 'What taxes will you pay?' on page 12 for more information.

Where can you find more key information?

NZ Funds publishes Quarterly Fund Updates for each Portfolio.

The updates show the returns, and the total fees actually charged to investors, during the previous year. The latest Quarterly Fund Updates are available at *www.nzfunds.co.nz*. NZ Funds will also give you copies of those documents on request.

Comparing our investment options

Name	Objective	Description	Risk indicator	Estimated annual fund charges [1,2]	Estimated annual fund charges after fee rebate - $2m or more invested [1,2,3]
Cash Portfolio	To provide a source of capital	Anticipated to mainly own and trade cash and cash equivalents and other authorised asset classes [4] over the minimum suggested timeframe.	← Lower risk Higher risk → **1** 2 3 4 5 6 7 ← Potentially lower returns Potentially higher returns →	0.40%	0.40%
New Zealand and Australian Bonds	To generate income by investing in income assets and other authorised assets with active management	Anticipated to mainly own and trade New Zealand and Australian bonds and other authorised asset classes [4] over the minimum suggested timeframe.	← Lower risk Higher risk → 1 2 3 **4** 5 6 7 ← Potentially lower returns Potentially higher returns →	1.45%	1.25%
Global Bonds		Anticipated to mainly own and trade international bonds, and other authorised asset classes [4] over the minimum suggested timeframe.	← Lower risk Higher risk → 1 2 3 **4** 5 6 7 ← Potentially lower returns Potentially higher returns →	1.45%	1.25%

See page 9 for an explanation of the risk indicator and for information about other risks that are not included in the risk indicator. To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at *portal.nzfunds.co.nz/RiskLaunch/*.

1. As a percentage of the net asset value of each Portfolio. 2. Includes estimated performance fees. See page 10 for more information. No performance fees apply to the Cash Portfolio. 3. If you have $2 million or more invested in managed funds offered by NZ Funds, a fee rebate will apply. The estimated annual fund charges shown are after this fee rebate. See page 11 for more information. 4. See page 8 for the authorised asset classes and target investment mix for each Portfolio.

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2. How does this investment work?

Legal structure

The Portfolios are established within the NZ Funds Managed Portfolio Service Part Two Scheme, a managed investment scheme (Scheme) registered under the Financial Markets Conduct Act 2013 (FMC Act).

The Scheme is governed by a trust deed (Trust Deed) between NZ Funds and The New Zealand Guardian Trust Company Limited (Supervisor).

The money you invest into a Portfolio is pooled with other investors' money to purchase assets. You will receive units in each Portfolio you invest in which represent your interest in that Portfolio.

The units do not give you legal ownership of the Portfolio's assets but they do give you the right to a share of any returns from those assets. The assets of a Portfolio are not available to meet the liabilities of any other fund in the Scheme.

The number of units you receive is based on the unit price. The performance of your investment will be measured by the rise or fall of the unit price. The Portfolios do not make distributions and any income received by the Portfolios is reflected in the unit price.

Features & benefits

Some of the features of this offer, including the use of derivatives and leverage, may mean an investment in the Portfolios is not appropriate for you.

We recommend you discuss the features and benefits of this offer with a financial adviser before deciding whether to invest.

A diversified approach
The Portfolios are designed specifically for use by financial advisers. They can be used as either stand-alone investments or combined in different ways along with the other Portfolios in the NZ Funds Active Series in order to achieve different investment outcomes.

Active management
NZ Funds uses an active investment management approach when managing the Portfolios. This approach seeks to maintain a balance between preserving your capital and growing your wealth in a manner that is consistent with each Portfolio's objective.

NZ Funds' active investment management approach means that we make ongoing investment decisions, search for emerging opportunities, buy or sell securities, and use sophisticated investment instruments and techniques (used by other managers who manage money in similar ways to us) in seeking to achieve the investment objective of each Portfolio. These are described in the Statement of Investment Policy & Objectives (SIPO), which is available on the scheme register at *disclose-register.companiesoffice.govt.nz*.

The Portfolios may also deviate materially from the target allocations, due to our active investment management decisions and factors such as fund flows or movements in securities prices.

NZ Funds may choose to modify its investment approach or the target allocations from time to time to, for example, ensure that the Portfolios meet our responsible investment policy or as part of its active management approach.

Downside mitigation
We may employ downside mitigation strategies designed to mitigate the effect of market downturns on the Portfolios. The ability to access downside mitigation is a key feature of the New Zealand and Australian Bonds Portfolio and the Global Bonds Portfolio. However, there may be periods where downside mitigation is not successful or is not applied.

External managers
We may use specialist external investment managers (external managers), specialising in different asset classes and investment approaches.

External managers may be selected where we consider they will help meet the Portfolios' objectives. Some of the external managers we use may not offer their services to individual investors.

Wholesale trusts
The Portfolios may invest directly or indirectly via wholesale trusts. A wholesale trust is a wholesale fund managed by us which holds investments. The wholesale trust investment structure provides operational and administrative efficiencies.

Use of derivatives
NZ Funds may use derivatives in managing the Portfolios. A derivative is a specialised financial instrument that gets (derives) its value from another asset (the underlying asset).

Derivatives are useful because they are financially equivalent to buying, selling or trading the underlying asset itself, and are generally very liquid because of the volume of transactions traded daily.

The use of derivatives can help us achieve better outcomes by enabling us to implement changes rapidly. The transaction costs associated with trading derivatives are also minimal when compared to the costs of buying, selling or trading the underlying assets.

Derivatives can be considered to be 'leveraged' investments, which means that a relatively small investment in derivatives can produce the same gain or loss as a much larger investment in the underlying asset. As a result, gains or losses may be increased compared to an investment approach that does not use derivatives.

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

The use of derivatives is managed through NZ Funds' active management approach and through the processes and policies surrounding our investment guidelines. The guidelines are not limits on the amount of leverage that the use of derivatives may create in each authorised asset class.

NZ Funds expects to regularly use leverage (via derivatives) to change the exposure to authorised asset classes. The actual amount of leverage used by the Portfolios for the preceding five years is set out in the Other Material Information (OMI) document, which is available on the offer register at *disclose-register.companiesoffice.govt.nz*.

The use of derivatives in managing the Portfolios is a key feature of NZ Funds' investment management approach and may be extensive. The ability to use derivatives enables the Portfolios (other than the Cash Portfolio), amongst other things, to gain additional exposures through leverage. Leverage may magnify both gains and losses.

Securities lending

The Portfolios may undertake securities lending and other revenue generating activities. Securities lending involves the transfer (lending) of securities (e.g. bonds or shares) to a third party (the borrower) for a fixed period of time, in return for a payment (revenue).

To protect against loss the borrower may provide the lender with collateral in the form of cash or securities. There is no guarantee that the relevant Portfolio will not incur a loss.

The net proceeds generated from these activities will be shared equally between NZ Funds and the relevant Portfolio. Where these activities involve risks, such as the risk of default, the risks are borne by the relevant Portfolio.

Borrowing

The Portfolios do not borrow to invest.

Making investments

You can invest in a Portfolio by completing an application form. An investment can be made by lump sum or regular contributions. You can choose to make regular contributions on a weekly, fortnightly, monthly or quarterly basis. You can stop regular contributions at any time by sending us a letter or email.

NZ Funds does not charge an application or contribution fee.

Withdrawing your investments

You can withdraw all or part of your investment in a Portfolio (subject to the withdrawal restrictions below) by completing a withdrawal form. You can obtain this form from your financial advice provider, from our website or by contacting us. NZ Funds does not charge a withdrawal fee.

If you are invested in the Cash Portfolio you can withdraw your investment at any time. If you are invested in any of the other Portfolios you must give 14 days' notice of your intention to withdraw. This process is designed to minimise the impact of withdrawals on remaining investors.

Withdrawals are normally paid within four business days after the end of the notice period or where there is no notice period, within four business days of the withdrawal being processed.

Where a notice period applies, withdrawal proceeds will be calculated on the date that the notice period expires and not on the date you provide your withdrawal form to NZ Funds. You should be aware this can affect the amount of the withdrawal proceeds.

If you experience financial hardship or in other exceptional circumstances, we may waive the notice period. Once you give your withdrawal notice, you cannot revoke it unless we agree.

You can also choose to make regular withdrawals of a set amount on a fortnightly, monthly or quarterly basis. You can set up regular withdrawals by completing a single withdrawal form; you do not need to complete a form for each withdrawal. Any withdrawal notice period that applies must expire before your first regular withdrawal commences. You can stop regular withdrawals at any time by sending us a letter or email.

You can withdraw from a Portfolio in the NZ Funds Active Income Series and have the proceeds paid into an NZ Funds managed portfolio offered under another PDS that is not a part of the NZ Funds Active Series. 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.

NZ Funds may at our discretion defer withdrawals for up to two business days. We may also suspend withdrawals in certain circumstances where we consider that it is not practicable or would be materially prejudicial to the interests of investors in the Portfolio.

How to switch between funds

A switch is considered a withdrawal from one Portfolio and an application for units in another Portfolio. You can switch between Portfolios that are part of the NZ Funds Active Series by completing a switch form.

There are no notice periods for switches so you can generally switch your investment at any time (subject to our right to defer or suspend switches). Switch requests are normally processed within two business days of receipt. NZ Funds does not charge a switch fee.

NZ Funds may at our discretion defer processing some or all switch requests for up to 20 business days. We may also suspend switches in certain circumstances where we consider that it is not practicable or would be materially prejudicial to the interests of investors in the Portfolio.

You must not allow an AI agent, bot or other automated service to complete or submit withdrawal or switch forms on your behalf. For more information on withdrawals and switches, see the OMI document on the offer register at *disclose-register.companiesoffice.govt.nz.*

3. Description of your investment options

NZ Funds uses an active investment management approach when managing the Portfolios. This approach seeks to maintain a balance between preserving your capital and growing your wealth in a manner that is consistent with each Portfolio's objective.

NZ Funds' active investment management approach allows the Portfolios to be invested in authorised asset classes in any proportion. It also includes the ability for the Portfolios to use derivatives which can create leverage. The Cash Portfolio does not use derivatives to create leverage. We may also actively manage the foreign currency in the Portfolios.

Investment guidelines

NZ Funds uses a combination of authorised asset classes, guideline ranges and target investment mixes in the oversight of the Portfolios.

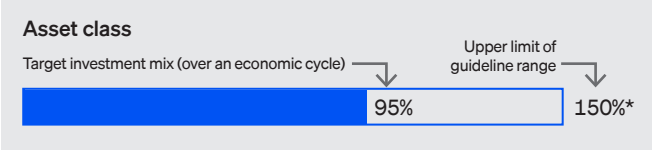
The **authorised asset classes** are the types of assets that each Portfolio is permitted to invest in.

The **guideline ranges** are the ranges within which each Portfolio will normally (but not always) invest in the authorised asset classes over the course of an economic cycle. More information on the guideline ranges is contained in the OMI document.

The OMI document also contains information on how we manage foreign currency, and (where relevant) the historical investment mix and historical leverage range for each Portfolio.

The **target investment mix** (being the dark coloured portion of the guideline range for each asset class) is the expected target investment mix for each Portfolio over the economic cycle.

The guideline ranges and target investment mix shown in the table below can change for each Portfolio over the course of the economic cycle.



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

Investment policy & objectives

Further information on NZ Funds' investment approach can be found in the SIPO. The SIPO is available on the scheme register at *disclose-register.companiesoffice.govt.nz*. We may make changes to the SIPO at any time after consulting with the Supervisor.

Portfolio	Objective	Portfolio summary, guideline range & target investment mix [1]	Risk indicator	Minimum suggested timeframe
Cash Portfolio	To provide a source of capital.	Anticipated to mainly own and trade cash and cash equivalents, and other authorised asset classes over the minimum suggested timeframe. Cash and cash equivalents 100% New Zealand fixed interest 0% International fixed interest 0%	1	1 month+
New Zealand and Australian Bonds	To generate income by investing in income assets and other authorised assets with active management	Anticipated to mainly own and trade New Zealand and Australian bonds, and other authorised asset classes over the minimum suggested timeframe. Cash and cash equivalents 10% 100% New Zealand fixed interest 90% 150% International fixed interest 0% 50% Alternative securities[2] 0%	4	2 years+
Global Bonds		Anticipated to mainly own and trade international bonds, and other authorised asset classes over the minimum suggested timeframe. Cash and cash equivalents 5% 100% New Zealand fixed interest 0% 50% International fixed interest 95% 150% Alternative securities[2] 0% 50%	4	2 years+

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

Where the upper percentage of a guideline range exceeds 100% this indicates that NZ Funds expects to use derivatives to create leverage to increase the exposure to an authorised asset class beyond 100%. Showing a target investment mix of 100% or less for an authorised asset class does not mean derivatives will not be used. The Cash Portfolio does not use derivatives to create leverage.

1. Monthly updates of the actual investments held by each Portfolio are available on the Performance page of our website at *www.nzfunds.co.nz*. 2. Alternative securities are investments not usually accessed by retail investors, for example hedge funds.

A description of any material changes will be included in the Scheme's annual report. Where required by the Trust Deed or law, you will receive notice of material changes before they occur. Further information about the assets in each Portfolio can be found in the Quarterly Fund Updates at *www.nzfunds.co.nz*.

Responsible investing

Responsible investment, including environmental, social and governance considerations, is taken into account in the investment policies and procedures of the Portfolios as at the date of this PDS. You can obtain an explanation of the extent to which responsible investment is taken into account in those policies and procedures at *www.nzfunds.co.nz/investment-approach/responsible-investing/*.

4. What are the risks of investing?

Understanding the risk indicator

Managed funds in New Zealand must have a standard risk indicator. The risk indicator is designed to help investors understand the uncertainties both for loss and growth that may affect their investment. You can compare funds using the risk indicator. The risk indicators for the funds offered under this PDS can be found on pages 4 and 8 of this PDS.

Risk indicator

← Lower risk Higher risk →

1	2	3	4	5	6	7

← Potentially lower returns Potentially higher returns →

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

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

Note that even the lowest category does not mean a risk-free investment, and there are other risks (described under the heading 'Other specific risks') that are not captured by this rating.

The risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 30 September 2026. While risk indicators are usually relatively stable, they do shift from time to time. You can see the most recent risk indicator in the latest Quarterly Fund Update for each Portfolio.

The risk indicators are calculated using historical returns only. If the period of returns used in calculating the risk indicators reflected a time of unusually low or high volatility, the risk indicator may not reflect the future volatility of a Portfolio.

We use an active investment approach in managing the Portfolios. Our active investment approach seeks to anticipate future events and this leads to changes in our asset allocations. Changing our asset allocation may lead to material changes to expected future risk or expected returns.

General investment risks

Some of the things that may cause a Portfolio's value to move up and down, which affect the risk indicator, are:

Market risk
Market risk is the risk of volatility or loss caused by a change in the value of the investments held by a Portfolio. Market risk arises from uncertainty about the future value of investments held by a Portfolio. Changes in value may be caused by factors specific to an investment or as a result of factors affecting financial markets generally.

Illiquid security risk
The Portfolios may hold illiquid securities. Illiquid securities are assets that cannot quickly be converted or exchanged for cash (or not without a significant loss in value). Illiquid securities generally carry a greater risk than liquid securities, particularly during times of market volatility. Investment illiquidity may make it difficult to value, acquire or dispose of assets.

Asset concentration risk
The Portfolios can hold authorised asset classes and securities in any proportion or concentration meaning that the Portfolios may not always be diversified. For example, the Cash Portfolio predominantly invests in bank bills issued by New Zealand trading banks, and from time to time a Portfolio may be predominantly invested in a specific security, external manager, asset class, country or sector and may be particularly exposed to any adverse circumstances affecting them.

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

Other specific risks

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

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

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

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

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

Potentially extensive use of leverage via derivatives
In managing the Portfolios, NZ Funds may use derivatives to create leverage to seek to both increase returns (by taking active positions) and reduce risk (by taking hedge positions). There is no limit on our use of derivatives or the amount of leverage their use may create. The use of derivatives and the leverage their use may create can increase or decrease the risk of a Portfolio materially and is an essential aspect of our active investment approach. The Cash Portfolio does not use derivatives to create leverage.

Security risk
A Portfolio's returns may fluctuate as a result of changes in the value of securities that it invests in. The value of a security may be affected by many factors, including the performance of the relevant security, market sector, asset class or country.

Execution risk
Execution risk is the risk that NZ Funds is unable to buy or sell an investment in a timely and efficient manner, and on terms, including price and quantity, that NZ Funds deems reasonable or intended. If NZ Funds is unable to do this the Portfolios may be adversely affected.

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

Securities lending risk
Securities lending risk is the risk that the borrower of securities is unable to meet, or refuses to honour, its obligations to return the borrowed securities, and that where collateral has been provided, the collateral is insufficient to cover the cost of repurchasing those securities or those securities are unavailable for purchase.

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

For more information on the risks of investing in the Portfolios, see the OMI document, which is available on the offer register at *disclose-register.companiesoffice.govt.nz*.

5. What are the fees?

You will be charged fees for investing in the Portfolios. Fees are deducted from your investment and will reduce your returns. If NZ Funds invests in other funds, those funds may also charge fees. The fees you pay will be charged in two ways:

- Regular charges (for example, annual fund charges). Small differences in these fees can have a big impact on your investment over the long term.
- One-off fees. NZ Funds does not charge any establishment, application, contribution, termination, withdrawal, switch or transfer fees.

Name	Estimated annual fund charges [1,2]	Estimated annual fund charges after fee rebate - $2m or more invested [1,2,3]
Cash Portfolio	0.40%	0.40%
New Zealand and Australian Bonds	1.45%	1.25%
Global Bonds	1.45%	1.25%

Annual fund charges

Annual fund charges are made up of a management fee, estimated performance fees and other fund charges incurred by the relevant Portfolio. These fees and charges are deducted directly or indirectly from each Portfolio and are reflected in the unit price of that Portfolio.

The estimated annual fund charges set out above represent the total estimated amount of all of the fees. For more details on the basis of estimation, see the OMI document.

NZ Funds charges each Portfolio an annual management fee. The management fee is fixed as a percentage of the Portfolio's gross asset value, calculated daily and paid monthly.

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

Where NZ Funds employs third-party investment experts to help manage a Portfolio's investments, other fund charges also include the estimated management and performance fees charged by those investment experts.

Transaction costs incurred in buying and selling the Portfolios' assets are paid directly or indirectly by the Portfolios and are reflected in their unit price. They are not included in annual fund charges, and are not rebated.

Performance fee
NZ Funds may charge a performance fee in certain wholesale trusts that the Portfolios invest in. All performance fees are based on a hurdle rate of return. The hurdle rate is the minimum return the wholesale trust must achieve before a performance fee is charged.

1. As a percentage of the net asset value of each Portfolio. 2. The estimated annual fund charges include estimated performance fees of 0.03% of the net asset value of the New Zealand and Australian Bonds Portfolio and the Global Bonds Portfolio. No performance fee applies to the Cash Portfolio. Actual performance fees received by NZ Funds over the past five years are set out in the OMI document. 3. A fee rebate will apply where the total amount you have invested in the Portfolios and other managed funds offered by NZ Funds is $2 million or more. See page 11 for more information.

A performance fee is only charged (accrued) if the returns of the wholesale trust (before tax, but not including imputation credits) exceed the performance of the relevant specific market index (hurdle rate) set out in the table below.

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

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

The table below also sets out the wholesale trusts where a performance fee may be charged and the criteria that needs to be met for a performance fee to be charged. Further details on which wholesale trust each Portfolio invests in are available in the OMI document.

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

Out-performance of the relevant market index, whether the market index return is positive or negative, will result in a performance fee being accrued even though the unit price may be below the last high-water mark.

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

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

Fee rebates

A fee rebate will apply where the total amount you have invested in the Portfolios and other managed funds offered by NZ Funds is $2 million or more. The fee rebate is calculated daily based on the balance of your investment and paid monthly. The effect of the fee rebate is illustrated in the table on page 10.

Additional rebates

In addition, we may at our discretion and from our own funds, pay or rebate some or all fees and expenses 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 more information on fees and fee rebates, see the OMI document.

Financial advice fees

With your agreement, your financial advice provider may charge a fee for initial and/or ongoing financial advice and/or services. If charged, and if you agree, these fees will be deducted from your investment and paid to your financial advice provider.

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.

Example of how fees apply to an investor

Sarah invests $10,000 in the Global Bonds Portfolio. She is not charged an establishment, application or contribution fee. This means the starting value of her investment is $10,000.

She is charged management and administration fees (comprising a management fee and estimated other fund charges) which work out to about $142 (1.42% of $10,000). These fees might be more or less if her account balance has increased or decreased over the year.

Sarah may also be indirectly charged a performance fee if the related wholesale trusts in which the Global Bonds Portfolio is invested earned more than their target.

Estimated total fees for the first year:
Fund charges $145*.
* Includes an estimated performance fee of $3.

See the latest Quarterly Fund Update for an example of the actual returns and fees investors were charged over the past year. This example only applies to the Global Bonds Portfolio. If you are considering investing in other Portfolios, this example may not be representative of the actual fees you may be charged.

Wholesale Trust	What is performance assessed against?	Specific market indices used as performance benchmark (hurdle rate)[1]	Performance fee amount
Private Core Income Portfolio	New Zealand bonds	S&P/NZX Investment Grade Corporate Bond Total Return Index	10% of the wholesale trust's returns above the hurdle rate.
Private Global Income Trust	International bonds	Bloomberg Global Aggregate Corporate - 1-3 Years Total Return Index Hedged USD	

1. As the hurdle rate is based on the performance of the relevant wholesale trust, you may pay a performance fee even if the Portfolio's overall performance is below the market index as reported in the Quarterly Fund Updates.

Additional information

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

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

Onboarding & service payments
NZ Funds may pay an external financial advice provider an onboarding and ongoing service payment in recognition of the effort and costs associated with providing services to you.

These payments are made out of the revenue earned by NZ Funds for managing the Portfolios and are not deducted directly from the Portfolios.

Commission sharing
We have a commission sharing policy that sets out our approach to commission sharing arrangements with certain brokers in order to extract better value from the brokerage Portfolios currently pay. Commission sharing arrangements enable us to undertake or obtain research that assists our investment decision-making process.

Commission sharing arrangements cannot be used for management or corporate related expenses or for research which will solely benefit a Portfolio that did not contribute to the brokerage generating the commission sharing amounts.

The fees can be changed
Under the terms of the Trust Deed, existing fees may be changed or new fees may be introduced. For more information, see the OMI document.

NZ Funds must publish a Quarterly Fund Update for each Portfolio showing the fees actually charged during the most recent year. Quarterly Fund Updates, including past updates, are available at *www.nzfunds.co.nz*.

6. What taxes will you pay?

Each Portfolio is a PIE. The amount of tax you pay is based on your PIR. To determine your PIR, go to *www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates*. If you are unsure of your PIR, we recommend you seek professional advice or contact Inland Revenue.

> It is your responsibility to tell NZ Funds your PIR when you invest or if your PIR changes. If you do not tell NZ Funds, a default rate may be applied.

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

7. Who is involved?

NZ Funds
NZ Funds is the manager of the Portfolios. NZ Funds makes decisions about what assets the Portfolios invest in and may appoint external managers. Our contact details are:

Attention: Client Services
New Zealand Funds Management Limited

Level 16, 21 Queen Street
Private Bag 92163
Auckland 1142

T. 09 377 2277 or 0800 377 2277
E. info@nzfunds.co.nz
W. www.nzfunds.co.nz

Who else is involved?

Title	Name	Role
Supervisor & Custodian	The New Zealand Guardian Trust Company Limited	Supervisor and Custodian of the Portfolios under the Financial Markets Conduct Act 2013, responsible for supervising NZ Funds as manager of the Portfolios and holding Scheme property on trust for the Scheme.

8. How to complain

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

Attention: Client Services
New Zealand Funds Management Limited

Level 16, 21 Queen Street
Private Bag 92163
Auckland 1142

T. 09 377 2277 or 0800 377 2277
E. info@nzfunds.co.nz
W. www.nzfunds.co.nz

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

Attention: NZ Funds Relationship Manager
The New Zealand Guardian Trust Company Limited

Level 6, 191 Queen Street
PO Box 274
Auckland 1140

T. 0800 300 299
E. ct-auckland@nzgt.co.nz
W. www.guardiantrust.co.nz

Dispute resolution
NZ Funds and the Supervisor are both members of an approved dispute resolution scheme run by Financial Services Complaints Limited - A Financial Ombudsman Service (FSCL).

If your complaint has not been resolved to your satisfaction, you can contact FSCL. FSCL will not charge you a fee to investigate or resolve a complaint.

Attention: New Zealand Funds Management Limited
Financial Services Complaints Limited - A Financial Ombudsman Service

PO Box 5967
Wellington 6140

T. 04 472 3725 or 0800 347 257
E. complaints@fscl.org.nz
W. www.fscl.org.nz

9. Where you can find more information

More information about the Scheme and the Portfolios, such as financial statements, annual reports, Quarterly Fund Updates, the OMI document, the Trust Deed and the SIPO, is available on the offer register and the scheme register at *disclose-register.companiesoffice.govt.nz*.

A copy of information on the offer register and the scheme register is available on request from the Registrar of Financial Service Providers.

Quarterly Fund Updates and other information relating to the Portfolios (including the OMI document and SIPO) are also available on our website.

You may also request a copy of this information from NZ Funds free of charge. Our contact details are set out in section 7 of this PDS 'Who is involved?'

10. How to apply

You can invest in the Active Income Series Portfolios by completing an application form available at *www.nzfunds.co.nz* or by contacting NZ Funds or your financial advice provider. You must not allow an AI agent, bot or other automated service to complete or submit this form on your behalf.

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New Zealand Funds Management Limited

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Private Bag 92163, Auckland 1142
New Zealand

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W. www.nzfunds.co.nz

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