



NZ Funds KiwiSaver Scheme Audited Financial Statements

For the year ended
31 March 2023

NZFunds

Contents

Auditor's report	2-4
Statement of changes in net assets available for benefits	5-6
Statement of net assets available for benefits	7-8
Statement of cash flows	9-12
Notes to the financial statements	13-26
Directory	last page



Independent auditor's report to the Members of the NZ Funds KiwiSaver Scheme

Opinion

We have audited the financial statements of the NZ Funds KiwiSaver Scheme ("the Scheme") and the Income Strategy, Inflation Strategy, Growth and Balanced Fund (each a "Strategy" and collectively the "Strategies", being the Strategies of the Scheme) on pages 5 to 26, which comprise the statement of net assets available for benefits of each Strategy and the Scheme as at 31 March 2023, and the statement of changes in net assets available for benefits and the statement of cash flows for the year then ended of each Strategy and the Scheme, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 5 to 26 present fairly, in all material respects, the financial position of each Strategy and the Scheme as at 31 March 2023 and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Scheme's members, as a body. Our audit has been undertaken so that we might state to the Scheme's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Scheme in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Partners and employees of our firm may deal with the Scheme on normal terms within the ordinary course of trading activities of the business of the Scheme. We have no other relationship with, or interest in, the Scheme.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the financial statements of the current year. These matters were addressed in the context of our audits of the financial statements as a whole, and in forming our opinions thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audits addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audits included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



Building a better
working world

Investment Assets at Fair Value Through Profit or Loss (“investments”)

Why significant

- ▶ Each Strategy’s and the Scheme’s investments represent the majority of the respective Strategy’s and the Scheme’s total assets.
- ▶ As disclosed in Note 4 to the financial statements, these investments are recognised at fair value through profit or loss in accordance with NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans*.
- ▶ Market volatility can have a significant impact on the value of these investments, and the financial statements as a whole, therefore the recognition and valuation of the investments is considered a key area of audit focus.
- ▶ Disclosures regarding each Strategy’s and the Scheme’s investments at 31 March 2023 are included in Notes 6 and 7 in the financial statements.

How our audit addressed the key audit matter

- Our audit procedures included:
- ▶ Gaining an understanding of the processes used to record investment transactions and the revaluation of the investments.
 - ▶ For each Strategy’s and the Scheme’s investments, we:
 - ▶ reconciled the recorded value of each investment to the net asset value of the investee managed fund taking into account the percentage ownership in that managed fund;
 - ▶ for a sample of financial assets held by each investee managed fund, obtained confirmation directly from the custodian, counterparty or investment manager of the financial asset held;
 - ▶ to provide evidence of the investee managed funds’ net asset value:
 - ▶ for all listed and exchange traded investments, verified their exit prices at 31 March 2023 to independent sources;
 - ▶ for a sample of over the counter derivatives, engaged our valuation specialists to assess the inputs used in their valuation to information available from independent third party pricing sources;
 - ▶ for all unlisted managed funds, obtained confirmation directly from the investment manager of the net asset value per share and considered the latest audited financial statements in assessing this net asset value; and,
 - ▶ tested a sample of applications and redemptions by the Strategies and the Scheme to gain evidence of the appropriateness of the recorded proportion of each investment asset at FVTPL held by each Strategy and the Scheme.
 - ▶ Assessing the disclosures in the financial statements, including whether they appropriately reflect each Strategy’s and the Scheme’s exposure to financial instrument risk with reference to NZ IFRS 7 *Financial Instruments: Disclosures*.



**Building a better
working world**

Information other than the financial statements and auditor's report

The Manager of the Scheme is responsible for the annual report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Manager's responsibilities for the financial statements

The Manager of the Scheme is responsible for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing on behalf of the Strategies and the Scheme, the Strategies' and the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Strategies or the Scheme or cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Emma Winsloe.

The signature 'Ernst & Young' is written in a dark blue, cursive script.

Chartered Accountants
Auckland
21 July 2023

Statement of changes in net assets available for benefits
For the year ended 31 March 2023

In thousands of New Zealand dollars	Income Strategy		Inflation Strategy	
	2023	2022	2023	2022
Interest income	1	-	2	-
Net gain/(loss) on financial instruments at fair value through profit or loss	(2,851)	1,963	(15,853)	(16,300)
Total income/(loss)	(2,849)	1,963	(15,850)	(16,300)
Audit fees	(4)	(6)	(5)	(9)
Management fees and reimbursable expenses	(636)	(697)	(1,061)	(1,138)
Supervisor fees	(25)	(20)	(34)	(30)
Total expenses	(664)	(723)	(1,101)	(1,177)
Net profit/(loss) before taxation	(3,514)	1,240	(16,951)	(17,477)
Taxation expense	-	-	-	-
Net profit/(loss) after taxation and total comprehensive income/(loss)	(3,514)	1,240	(16,951)	(17,477)
Contributions received				
Employer contributions	2,561	2,171	3,294	2,600
Government contributions	739	742	959	847
Member contributions	5,678	5,918	7,705	7,587
Switches in	8,240	23,101	7,387	17,372
Transfers in from other schemes	14,529	11,715	16,763	20,725
Total contributions and switches in	31,748	43,647	36,108	49,131
Benefits paid:				
Administration fees	(68)	(58)	(56)	(50)
Withdrawals	(9,747)	(7,207)	(5,518)	(4,218)
PLE tax (expense)/income	2,044	1,948	3,525	4,164
Switches out	(10,646)	(4,430)	(4,937)	(3,240)
Transfers out to other schemes	(4,473)	(9,382)	(4,214)	(6,345)
Total withdrawals and switches out	(22,889)	(19,129)	(11,199)	(9,689)
Net membership activities	8,859	24,518	24,909	39,442
Increase/(Decrease) in net assets available for benefits	5,345	25,758	7,957	21,965

The accompanying notes form part of these financial statements.

Statement of changes in net assets available for benefits
For the year ended 31 March 2023

In thousands of New Zealand dollars	Growth Strategy		Balanced Fund		Total of the Scheme	
	2023	2022	2023	2022	2023	2022
Interest income	10	-	-	-	14	-
Net gain/(loss) on financial instruments at fair value through profit or loss	(84,275)	(117,771)	135	(44)	(102,842)	(132,152)
Total income/(loss)	(84,264)	(117,771)	135	(44)	(102,829)	(132,152)
Audit fees	(16)	(48)	-	-	(24)	(63)
Management fees and reimbursable expenses	(4,470)	(5,361)	-	-	(6,167)	(7,196)
Supervisor fees	(133)	(133)	-	-	(192)	(183)
Total expenses	(4,618)	(5,542)	-	-	(6,383)	(7,442)
Net profit/(loss) before taxation	(88,883)	(123,313)	135	(44)	(109,212)	(139,594)
Taxation expense	-	-	-	-	-	-
Net profit/(loss) after taxation and total comprehensive income/(loss)	(88,883)	(123,313)	135	(44)	(109,212)	(139,594)
Contributions received						
Employer contributions	18,058	14,902	356	46	24,268	19,719
Government contributions	5,400	4,779	71	-	7,169	6,368
Member contributions	36,857	33,444	699	82	50,941	47,031
Switches in	11,494	5,579	6,932	3,374	34,052	49,426
Transfers in from other schemes	82,193	116,509	3,457	931	116,943	149,880
Total contributions and switches in	154,003	175,213	11,515	4,433	233,375	272,424
Benefits paid:						
Administration fees	(213)	(207)	-	-	(336)	(315)
Withdrawals	(9,399)	(10,956)	(566)	24	(25,230)	(22,357)
PLE tax (expense)/income	13,676	22,850	19	25	19,263	28,987
Switches out	(15,840)	(40,512)	(2,629)	(1,244)	(34,052)	(49,426)
Transfers out to other schemes	(20,095)	(34,525)	(839)	(523)	(29,621)	(50,775)
Total withdrawals and switches out	(31,872)	(63,350)	(4,015)	(1,718)	(69,975)	(93,886)
Net membership activities	122,131	111,863	7,500	2,715	163,399	178,538
Increase/(Decrease) in net assets available for benefits	33,249	(11,450)	7,635	2,671	54,187	38,944

The accompanying notes form part of these financial statements.

Statement of net assets available for benefits
As at 31 March 2023

In thousands of New Zealand dollars	Note	Income Strategy		Inflation Strategy	
		2023	2022	2023	2022
Assets					
Cash and cash equivalents		25	68	45	100
Receivables	4	947	49	1,145	94
Investment assets at fair value through profit or loss	7	93,754	92,163	129,744	126,658
Total assets		94,726	92,280	130,933	126,852
Liabilities					
Payables	5	196	3,095	249	4,125
Net assets available for benefits	8	94,530	89,185	130,684	122,727

For and on behalf of the Manager, New Zealand Funds Management Limited,
 who authorised the issue of these financial statements on 20th July 2023.



Director



Director

The accompanying notes form part of these financial statements.

Statement of net assets available for benefits
As at 31 March 2023

In thousands of New Zealand dollars	Note	Growth Strategy		Balanced Fund		Total of the Scheme	
		2023	2022	2023	2022	2023	2022
Assets							
Cash and cash equivalents		398	582	8	69	476	820
Receivables	4	5,195	409	46	2	7,333	554
Investment assets at fair value through profit or loss	7	499,661	485,666	10,315	2,616	733,474	707,103
Total assets		505,254	486,657	10,370	2,687	741,283	708,476
Liabilities							
Payables	5	848	15,500	63	16	1,356	22,736
Net assets available for benefits	8	504,406	471,157	10,307	2,671	739,927	685,740

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 31 March 2023

In thousands of New Zealand dollars	Income Strategy		Inflation Strategy	
	2023	2022	2023	2022
Cash flows from operating activities				
Cash was provided from:				
Interest income	1	-	2	-
Manager's Expense Contributions	-	-	-	-
Sale of investment assets at fair value through profit or loss	17,151	11,601	10,109	8,431
Receipts for unallocated investment subscriptions	-	-	59	-
	17,152	11,601	10,171	8,431
Cash was applied to:				
Management fees	658	676	1,097	1,113
Supervisor fees	23	19	31	29
Other expenses	4	4	6	6
Purchase of investment assets at fair value through profit or loss	21,543	36,434	28,954	46,641
Payments for unallocated investment subscriptions	264	49	-	94
	22,493	37,182	30,088	47,883
Net cash flows used in operating activities	(5,340)	(25,581)	(19,917)	(39,452)
Cash flows from financing activities				
Cash was provided from:				
Employer contributions	2,561	2,171	3,294	2,600
Government contributions	739	742	959	847
Member contributions	5,678	5,918	7,706	7,587
Switches in	8,240	23,101	7,387	17,372
Transfers in from other schemes	14,529	11,715	16,763	20,725
	31,748	43,647	36,109	49,131
Cash was applied to:				
Administration fees	68	58	56	51
Withdrawals	9,741	7,220	5,519	4,190
PIE Tax Receipts/(paid)	1,523	(2,736)	1,521	(3,918)
Switches out	10,646	4,430	4,937	3,240
Transfer Fees	-	-	-	-
Transfers out to other schemes	4,473	9,382	4,214	6,345
	26,450	18,354	16,246	9,908
Net cash flows from financing activities	5,298	25,293	19,863	39,223
Net increase/(decrease) in cash and cash equivalents	(43)	(288)	(54)	(229)
Cash at beginning of year	68	356	100	329
Closing cash and cash equivalents carried forward	25	68	45	100

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 31 March 2023

In thousands of New Zealand dollars	Income Strategy		Inflation Strategy	
	2023	2022	2023	2022
Reconciliation of changes in net assets available for benefits to cash flows from operating activities				
Net profit/(loss) after taxation	(3,514)	1,240	(16,951)	(17,477)
Add/(less) net losses/(gains) on financial instruments at fair value through profit or loss	2,851	(1,963)	15,853	16,300
Add/(less) movements in working capital items at fair value through profit or loss:				
Increase in investment assets at fair value through profit or loss	(4,441)	(24,969)	(18,938)	(38,339)
(Increase) in receivables	(215)	87	94	36
Increase/(decrease) in payables	(21)	24	25	28
Net cash flows used in operating activities	(5,341)	(25,581)	(19,918)	(39,452)

Statement of cash flows
For the year ended 31 March 2023

In thousands of New Zealand dollars	Growth Strategy		Balanced Fund		Total of the Scheme	
	2023	2022	2023	2022	2023	2022
Cash flows from operating activities						
Cash was provided from:						
Interest income	10	-	-	-	14	-
Manager's Expense Contributions	-	-	-	-	-	-
Sale of investment assets at fair value through profit or loss	35,496	65,281	2,447	1,471	65,204	86,784
Receipts for unallocated investment subscriptions	-	-	-	-	59	-
	35,507	65,281	2,447	1,471	65,277	86,784
Cash was applied to:						
Management fees	4,584	5,349	-	-	6,339	7,138
Supervisor fees	121	132	-	-	175	182
Other expenses	28	29	-	-	39	39
Purchase of investment assets at fair value through profit or loss	133,358	167,006	10,008	4,131	193,864	254,212
Payments for unallocated investment subscriptions	502	409	46	2	813	554
	138,593	172,927	10,055	4,133	201,229	262,125
Net cash flows used in operating activities	(103,086)	(107,646)	(7,608)	(2,662)	(135,952)	(175,341)
Cash flows from financing activities						
Cash was provided from:						
Employer contributions	18,058	14,902	356	46	24,269	19,719
Government contributions	5,400	4,779	71	-	7,169	6,368
Member contributions	36,857	33,444	699	82	50,941	47,031
Switches in	11,494	5,579	6,932	3,374	34,052	49,426
Transfers in from other schemes	82,193	116,509	3,457	931	116,943	149,880
	154,003	175,213	11,515	4,433	233,375	272,424
Cash was applied to:						
Administration fees	212	209	-	-	336	318
Withdrawals	9,168	11,006	566	(22)	24,993	22,394
PIE Tax Receipts/(paid)	5,786	(16,886)	(66)	(41)	8,764	(23,581)
Switches out	15,840	40,512	2,629	1,242	34,052	49,424
Transfer Fees	-	-	-	-	-	-
Transfers out to other schemes	20,095	34,524	839	523	29,621	50,774
	51,101	69,365	3,968	1,702	97,765	99,329
Net cash flows from financing activities	102,902	105,848	7,546	2,731	135,609	173,095
Net increase/(decrease) in cash and cash equivalents	(184)	(1,798)	(61)	69	(343)	(2,246)
Cash at beginning of year	582	2,380	69	-	819	3,065
Closing cash and cash equivalents carried forward	398	582	7	69	476	819

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 31 March 2023

In thousands of New Zealand dollars	Growth Strategy		Balanced Fund		Total of the Scheme	
	2023	2022	2023	2022	2023	2022
Reconciliation of changes in net assets available for benefits to cash flows from operating activities						
Net profit/(loss) after taxation	(88,883)	(123,313)	135	(44)	(109,213)	(139,594)
Add/(less) net losses/(gains) on financial instruments at fair value through profit or loss	84,275	117,771	(135)	44	102,842	132,152
Add/(less) movements in working capital items at fair value through profit or loss:						
Increase in investment assets at fair value through profit or loss	(98,270)	(102,343)	(7,564)	(2,660)	(129,213)	(168,311)
(Increase) in receivables	(93)	209	(44)	(2)	(259)	330
Increase/(decrease) in payables	(115)	30	-	-	(111)	82
Net cash flows used in operating activities	(103,086)	(107,646)	(7,608)	(2,662)	(135,953)	(175,341)

Notes to the financial statements For the year ended 31 March 2023

1. Reporting entities

The reporting entity is the NZ Funds KiwiSaver Scheme ('the Scheme') which comprises the **Income Strategy**; the **Inflation Strategy**; the **Growth Strategy** and the **Balanced Fund** ('the Strategies'). The New Zealand Guardian Trust Company Limited is the Supervisor of the Scheme. The Scheme is governed by the NZ Funds KiwiSaver Scheme Master Trust Deed dated 21 September 2010 (as amended and consolidated on 12 October 2016) ('Trust Deed').

Units in the Scheme are offered under the managed investment scheme called the NZ Funds KiwiSaver Scheme, scheme number SCH10783. The Scheme is a defined contribution scheme and is registered under the KiwiSaver Act 2006. The registration number is 10072. Under the terms of the Trust Deed, contributions can be made by or on behalf of the Scheme's Members, by their employers and by the Government. The retirement benefits are determined by contributions to the Scheme together with net investment earnings on these contributions over the period of the membership. The Trust Deed sets out the basis on which the Scheme can be terminated.

The Scheme offers five investment options: three actively managed funds (**Income Strategy**, **Inflation Strategy**, and **Growth Strategy**), a passively managed fund (**Balanced Fund**) and a **LifeCycle** investment option which automatically allocates a Member's investment across the Strategies based on the Member's age. The investments and other assets of each Strategy are held by the Supervisor exclusively as that Strategy's property and will not be used to meet any liabilities of another Strategy.

The principal business activity of the Scheme is to invest in financial instruments.

New Zealand Funds Management Limited ('NZ Funds') is the Manager of the Scheme. Link Market Services is the Administration Manager of the Scheme ('Administration Manager'). The Scheme is incorporated and resident in New Zealand. The registered office of the Scheme is the same as NZ Funds, refer to the *Directory* for details.

2. Significant accounting policies

a) Basis of preparation

The Scheme's financial statements have been prepared in accordance with the Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), the KiwiSaver Act 2006, the KiwiSaver Amendment Act 2011, the Financial Markets Conduct Act 2013 and the Trust Deed. They comply with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS').

The financial statements have been prepared on a going concern basis. NZ Funds is not aware of any material uncertainty that may cast significant doubt on the Scheme's ability to continue as a going concern.

The financial statements have been prepared on a fair value basis, except for financial assets at amortised cost and other financial liabilities, which are carried at amortised cost.

The statement of net assets available for benefits is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

The financial statements are prepared in New Zealand Dollars ('NZD'), which is the Scheme's functional and reporting currency. Where indicated, financial information presented in NZD has been rounded to the nearest thousand.

Notes to the financial statements
For the year ended 31 March 2023

2. Significant accounting policies (continued)

b) Interest income

Interest income is recognised using the effective interest method.

c) Net gain/(loss) on financial instruments at fair value through profit or loss

Net gain/(loss) on financial instruments at fair value through profit or loss comprise gains less losses related to investment assets. This includes all realised and unrealised fair value changes and foreign exchange differences.

d) Taxation

The Scheme is a Portfolio Investment Entity ('PIE'). Under the PIE regime detailed in the Income Tax Act 2007, income is effectively taxed in the hands of the Members and therefore income tax expense is not recognised by the Scheme. The taxable income, deductible expenses and tax credits are attributed to Members in accordance with their proportionate interests in the Scheme, and recognised as part of membership activities in the statement of changes in net assets available for benefits. The tax liability arising on income is allocated to Members and satisfied either by the cancellation of their units held in the Scheme, or by the Members personally. As a consequence, deferred tax is also not recognised. Net taxation receivable or payable on behalf of the Members under the PIE regime is recognised in the statement of net assets available for benefits and the Scheme settles any PIE tax receivables and payables on behalf of the Members.

e) Goods and Services Tax ('GST')

The Scheme is not registered for GST. Therefore all components of the financial statements are stated as inclusive of GST where applicable.

f) Accounting standards and interpretations

All new standards or amendments were adopted by the Scheme during the reporting period. There was no material impact on the financial statements.

Following due enquiry, the Manager has concluded that standards and interpretations that are issued, but not yet effective, will not materially impact the financial statements of the Scheme.

The Scheme intends to adopt these standards, if applicable, when they become effective.

g) Translation of foreign currencies

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies at period-end exchange rates, are recognised in the statement of changes in net assets available for benefits.

Notes to the financial statements
For the year ended 31 March 2023

3. Amendment to the trust deed

There have been no amendments to the Trust Deed for the year ended 31 March 2023.

4. Financial assets

Financial assets are initially recognised at fair value plus, in case of a financial asset not at fair value through profit or loss, transaction costs. Transaction costs relating to the acquisition and incurrence of financial instruments at fair value through profit or loss are recognised in profit or loss as incurred.

The Scheme's financial assets, at initial recognition, are classified as subsequently measured at fair value through profit or loss or amortised cost.

Financial assets at fair value through profit or loss include investment assets at fair value through profit or loss.

Investment assets at fair value through profit or loss comprise of investments in the unlisted unit trusts or managed funds established under the Trust Deed Relating to the Issue of Units Other Than to the Public, for which New Zealand Funds Superannuation Limited is the trustee ('the Wholesale Trust'). As per IAS 26, the requirement is that all investment assets are measured at fair value, with gains or losses recognised in the statement of changes in net assets available for benefits. Such financial assets are included in this category because they are not held within a business model whose objective is to either collect the contractual cash flow or collect contractual cash flows and sell the financial assets. i.e., they are mandatorily measured at fair value through profit or loss.

Purchases and sales of investments are recognised on the trade date, the date on which the Scheme commits to purchase or sell the investment.

Financial assets at amortised cost include cash and cash equivalents and receivables from other unit trusts.

Cash and cash equivalents comprise short-term deposits and capital call accounts/call deposit accounts with banks.

Financial assets at amortised cost are measured at amortised cost using the effective interest method less the provision for expected credit losses (ECL). A general approach is applied by the Schemes in calculating an allowance for expected credit losses. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. For credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure.

In thousands of New Zealand dollars	Income Strategy		Inflation Strategy	
	2023	2022	2023	2022
Unallocated investment in wholesale units	264	49	-	94
PIE tax receivable	683	-	1,145	-
Total receivables	947	49	1,145	94

In thousands of New Zealand dollars	Growth Strategy		Balanced Fund		Total of the Scheme	
	2023	2022	2023	2022	2023	2022
Unallocated investment in Wholesale units	502	409	46	2	813	554
PIE tax receivable	4,693	-	-	-	6,520	-
Total receivables	5,195	409	46	2	7,333	554

5. Financial liabilities

Financial liabilities are initially recognised at fair value plus or minus, in the case of financial liabilities not at fair value through profit or loss, transaction costs directly attributable to their acquisition or issue. Transaction costs are expensed in profit or loss as incurred.

The Scheme's financial liabilities, at initial recognition, are classified as subsequently measured at amortised cost.

Financial liabilities at amortised costs include amounts payable to the Supervisor, the Manager, other service providers, payables to other unit trusts and other accruals. These liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of changes in net assets available for benefits when the liabilities are derecognised, as well as through the amortisation process.

In thousands of New Zealand dollars	Income Strategy		Inflation Strategy	
	2023	2022	2023	2022
Accruals	6	5	8	8
Administration fees payable	5	5	5	5
Benefits payable	131	125	95	96
Cost recoveries payable	9	-	-	-
Investment management fees payable	40	72	74	113
PIE tax payable	-	2,886	-	3,900
Supervisor fees payable	5	2	6	3
Unallocated investment in Wholesale units	-	-	59	-
Total payables	196	3,095	249	4,125

Notes to the financial statements
For the year ended 31 March 2023

5. Financial liabilities (continued)

In thousands of New Zealand dollars	Growth Strategy		Balanced Fund		Total of the Scheme	
	2023	2022	2023	2022	2023	2022
Accruals	37	41	-	-	51	54
Administration fees payable	30	30	-	-	40	40
Benefits payable	429	198	-	-	656	419
Cost recoveries payable	-	-	-	-	9	-
Investment management fees payable	328	450	-	-	442	635
PIE tax payable	-	14,769	63	16	63	21,571
Supervisor fees payable	24	12	-	-	35	17
Total payables	848	15,500	63	16	1,356	22,736

6. Financial instruments and risk management

a) Overview

The Scheme's risks discussed below are:

- (i) Market risk - the risk of loss arising from exposure to interest rate risk, currency risk and/or equity price risk;
- (ii) Credit risk - the risk of loss arising from a counterparty failing to meet its contractual obligations; and
- (iii) Liquidity risk - the risk that the Strategies are unable to meet payment obligations when due.

In the investment management of the Scheme and the Wholesale Trusts, NZ Funds uses an active management approach. The active management approach is designed to better meet the unitholder-orientated objectives of each Strategy and to take advantage of investment opportunities as they arise. NZ Funds' active management approach means it makes ongoing investment decisions, searches for emerging opportunities, buying or selling securities as deemed appropriate, and uses sophisticated instruments and techniques in seeking to achieve the investment objective of each Strategy.

Dynamic asset allocation

As part of NZ Funds' active management approach, each Strategy's asset allocation is dynamic (able to change over time) rather than strategic (a fixed allocation over time). Each Strategy has a target investment mix which represents the long-term asset allocation for that Strategy. NZ Funds considers variances from the target investment mix should opportunities present to enhance return or minimise risk over the short to medium term. NZ Funds regularly reviews the target investment mix for each of the Strategies to ensure that it continues to represent the long-term asset allocation of that Strategy.

NZ Funds' Investment team selects each Strategy's asset allocation at any time based on their investment knowledge and/or research, and considering each Strategy's investment objective and timeframe. Securities, currencies, commodities, derivatives and specialist investment managers can be used (where included in the authorised asset classes for a Strategy) to achieve a desired Strategy asset allocation. The way NZ Funds implements its active management approach may change over time as, for example, the nature of the investment opportunities it sees changes. This may result in the Strategies being constructed with different combinations of investments. To allow these changes to occur, each Strategy has a wide mandate.

Active risks

NZ Funds' active management approach and wide mandates mean the Scheme is subject to different risks (which may be considered higher risks) than a non-active (or passive) management approach. As a result, NZ Funds' active management approach may cause the returns and capital stability of a Strategy to significantly differ from the returns and capital stability of the underlying asset classes used.

Wide investment mandates

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

- (i) altering the proportion invested in each security or asset class;
- (ii) altering the manner in which a Strategy is exposed to each security or asset class;
- (iii) investing directly or indirectly;
- (iv) using derivatives and leverage;
- (v) using collective investment vehicles;
- (vi) using specialist investment managers (including hedge funds);
- (vii) using commodities and alternative assets (including digital assets, such as cryptocurrencies);
- (viii) taking foreign currency positions;
- (ix) applying hedging; or
- (x) taking short positions.

Notes to the financial statements
For the year ended 31 March 2023

6. Financial instruments and risk management (continued)

a) Overview (continued)

Investment managers

NZ Funds may select specialist investment managers (including hedge funds) where it considers that the manager's investment approach will help meet the objectives of the Strategies. Specialist investment managers can complement NZ Funds own investment skills and can provide Members with access to diverse investment approaches.

The appointment of specialist investment managers is subject to due diligence and an approval process. In addition, all specialist investment managers are subject to monitoring and review, including consideration of the manager's performance, portfolio composition, and statistical measures of effectiveness. The specialist investment managers may change over time as part of NZ Funds' active management approach. The current specialist investment managers NZ Funds works with can be found on its website at www.nzfunds.co.nz.

Derivatives

NZ Funds uses leverage (via derivatives) in managing the Strategies to seek to both increase returns (by taking active positions) and reduce risk (by taking hedge positions). The use of leverage may increase or decrease the risk of a Strategy. The use of leverage is managed through NZ Funds' active management approach and through the processes and policies surrounding its investment guidelines. The investment guidelines include estimates of the leverage that may be used in each authorised asset class. However, leverage is only used in seeking to achieve each Strategy's investment objective.

Foreign Currency

NZ Funds actively manage the foreign currency exposure of each Strategy. Where a Strategy holds assets denominated in a foreign currency, NZ Funds has the choice of whether to hedge back to the New Zealand dollar or retain a foreign currency exposure. Irrespective of whether a Strategy holds investments in that currency, a Strategy can also take active foreign currency positions by investing in non-New Zealand dollar cash or foreign currency derivatives.

Collaborative process

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

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

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

Tools and techniques

In managing the Strategies, NZ Funds uses a wide range of investment tools and techniques including economic and financial modelling, quantitative screens and technical indicators. In using these tools and techniques, NZ Funds may consider, amongst other factors, investment themes, valuation metrics, mean reversion and/or momentum. In seeking to mitigate the downside, NZ Funds may invest with specialist investment managers, some of which have the potential to profit from asset price declines, such as trend following managers, managers who take short positions in shares, and derivative and option specialists.

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

While designed to mitigate the downside, these downside-orientated managers, tools and techniques may not be successful in mitigating the downside and may instead add to a Strategy's losses. NZ Funds may also use the same tools and techniques to seek to enhance the returns of a Strategy and, in doing so, the Strategy may be leveraged.

Strategy construction

As part of NZ Funds' active management, asset classes, securities and specialist investment managers are selected based on NZ Funds' analysis of those assets which will, in its opinion, in combination with the Strategy's other investments, help achieve the Strategy's objectives. In constructing the Strategies, NZ Funds considers different scenarios and may project how investments may react in those scenarios. NZ Funds may also consider historical volatility and correlations during both normal and stressed investment environments and may periodically revisit the assumptions used as economic and market conditions change.

6. Financial instruments and risk management (continued)

a) Overview (continued)

Balanced Fund

NZ Funds uses a passive investment approach when managing the Balanced Fund. This approach allocates funds using a combination of local and international indices. NZ Funds may choose to modify those indices or choose different indices to ensure the Balanced Fund meets NZ Funds' responsible investment policy. The Balanced Fund's investment mandate allows NZ Funds to take a variety of actions to manage the fund. The actions NZ Funds may take include (but are not limited to):

- (i) investing directly or indirectly;
- (ii) using derivatives; or
- (iii) applying hedging.

The Balanced Fund may also use derivatives to gain exposure to asset classes but does not use derivatives to create leverage. Where the Balanced Fund holds assets denominated in a foreign currency, NZ Funds hedges the foreign currency exposure of international fixed interest and Australian equities back to the New Zealand dollar, while international equities and/or international equity market futures are held in international currencies.

NZ Funds uses a passive investment approach in managing the Balanced Fund meaning it seeks to replicate the performance of chosen indices. It allocates clients' funds using a combination of local and international indices. It may choose to modify those indices or choose different indices. It targets a 50% allocation to bonds and 50% allocation to shares. The actual investment mix may deviate from the target allocation from time to time, due to factors such as funds flows or movements in securities prices. NZ Funds may allocate funds in line with the chosen indices by investing directly via a wholesale fund, via an index tracking futures contract or via an index tracking fund. The performance of the Balanced Fund may not replicate the chosen indices due to the practicalities of investment management, including the timing of purchases and sales, funds flows, liquidity and in order to meet NZ Funds' responsible investment policy.

Capital management

Capital is represented by the net assets of the Strategy. The Strategies are not subject to externally imposed capital requirements. Capital is managed through the risk management procedures as follows.

b) Risk mitigation structure

NZ Funds has policies, procedures and controls to cover the investment function.

Strategy management decisions are subject to daily transparency through NZ Funds' proprietary investment monitoring system. Regular meetings are held to cover:

- (i) investment research and portfolio management;
- (ii) investment guidelines and the Statement of Investment Policy and Objectives (SIPO) compliance; and
- (iii) overall investment governance.

NZ Funds' investment strategy review process commences with the Research & Portfolio Meeting which includes oversight of security research and portfolio management. The minutes of these meetings are tabled at the Investment Governance Committee meeting. The Investment Guidelines Meeting monitors compliance with the internal investment guidelines. Any material matters arising from these meetings are raised at the Investment Governance Committee meeting.

Overall responsibility for investment process review and monitoring rests with the Investment Governance Committee under delegated authority from the NZ Funds Board. The Investment Governance Committee meets regularly on scheduled dates to review investment matters including investment performance, risk indicators, the investment component of NZ Funds' risk register, investment counterparty risk, liquidity risk, redemption risk, stress testing, and the minutes of internal investment related meetings. Special meetings are also held on an as required basis. The Investment Governance Committee minutes are included as a standing item at the NZ Funds Board meeting.

The NZ Funds Board meets regularly on scheduled dates. Special Board Meetings to discuss specific matters are held on an as required basis. In addition to the Investment Governance Committee minutes and associated reports, the NZ Funds Board reviews NZ Funds' risk register overview which summarises the major risks and controls (including those related to investment management). The NZ Funds Board also receives a direct report from the Chief Investment Officer at each meeting.

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

Investment guidelines

NZ Funds has developed internal investment guidelines which assist in the oversight of each Strategy. These guidelines are designed to help ensure that each Strategy invests in accordance with its investment objective and timeframe. The guidelines set out the ranges within which each Strategy will usually (but not always) invest in each authorised asset class, and also address other investment matters such as the ability of a Strategy to use leverage and the level of liquidity that a Strategy will target. The internal investment guidelines can be exceeded from time to time over the course of an economic cycle.

The exceeding of an investment guideline, or a deviation from the target investment mix for a Strategy, does not amount to a limit break. However, the purchase of an unauthorised asset class constitutes a SIPO limit break. Guidelines, and any changes to them, must be approved by the Investment Governance Committee and ratified by the NZ Funds Board.

The guidelines set out the ranges within which each Strategy will usually invest in each authorised asset class, and also address other investment matters such as the ability of a Strategy to use leverage and the level of liquidity that a Strategy will target. The internal investment guidelines can be exceeded from time to time over the course of an economic cycle. The exceeding of an investment guideline, or a deviation from the target investment mix for a Strategy, does not amount to a SIPO limit break. However, the purchase of an unauthorised asset class constitutes a SIPO limit break.

Investment guidelines, and any changes to them, must be approved by the Investment Governance Committee and ratified by the NZ Funds

Investment performance

The Investment Governance Committee is responsible for monitoring and reviewing investment performance and reports to the NZ Funds Board. Strategy performance is monitored through NZ Funds' proprietary investment monitoring system. The system generates a daily attribution report which includes daily, month-to-date and year-to-date performance reports for each Strategy and individual investments held by each Strategy. Performance is measured on an absolute basis (after fees), and on a relative basis (before fees) against term deposits and one or more, or a combination of, relevant market indices. Investment performance is also considered from a unitholder's perspective by taking recommended portfolio allocations into account when assessing performance outcomes.

6. Financial instruments and risk management (continued)

c) Risk measurement

The Scheme's risks are measured by:

- (i) Using an assessment of the expected loss likely to arise for a given market movement; and/or
- (ii) Using actual historical volatility of the Scheme; and/or
- (iii) Using statistical modelling which may or may not be adjusted for NZ Funds' active investment management approach; and/or
- (iv) Using practical industry or corporate knowledge.

d) Market risk

The Scheme identifies three components of market risk: interest rate risk, currency risk and equity price risk. NZ Funds manage these risks by ensuring that all investment activities are transacted in accordance with established policies and procedures.

In incurring market risk, the Scheme and the Scheme's investments in the Wholesale Trusts, may use an active management approach. This may expose the Scheme to active management risk. Active management risk is the risk of loss arising from investment decisions made by NZ Funds. Additionally, the Scheme's ability to directly or indirectly use leverage, and/or derivatives, and/or take short positions may increase these risks.

The Scheme's exposure to investment in the Wholesale Trusts is set out in Note 9 *Related party*.

(i) Currency risk

Currency risk is the risk of loss arising from exposure to foreign currency. Currency risk is incurred by the Scheme through trading activities and holding investment assets. NZ Funds actively monitors the currency risk exposure and takes actions as necessary.

The Scheme has no direct currency exposure in the current year (2022: nil). Indirect currency exposure is considered part of equity price risk.

(ii) Equity price risk

Equity price risk is the risk of loss arising from exposure to equity prices. Equity price risk is incurred by the Scheme through trading activities and holding investment assets.

Sensitivity to the equity price risk is expressed as the impact on carrying values of a range of changes in equity prices, as set out below in the table Increase/(Decrease) in net assets available for benefits based on the estimated equity price movement. This sensitivity has been calculated using the historical volatility of the asset classes that the Wholesale Trusts have indirectly invested into, and a one standard deviation move is assumed.

Increase/(decrease) in net assets available for benefits based on the estimated equity price movement

	Change in equity price relative to exposure to equity price risk	\$ Impact given market prices increase	\$ Impact given market prices decrease	Change in equity price relative to exposure to equity price risk	\$ Impact given market prices increase	\$ Impact given market prices decrease
	2023 %	2023 \$000	2023 \$000	2022 %	2022 \$000	2022 \$000
Income Strategy	7.72	7,238	(7,238)	6.2	5,696	(5,696)
Inflation Strategy	13.03	16,906	(16,906)	12.8	16,149	(16,149)
Growth Strategy	18.90	94,436	(94,436)	18.8	91,257	(91,257)
Balanced Fund	8.35	861	(861)	7.5	197	(197)
Total of the Scheme		119,441	(119,441)		113,299	(113,299)

Actual trading results are likely to differ from the sensitivity analysis required by NZ IFRS 7 *Financial Instruments: Disclosures* and the differences could be significant.

Notes to the financial statements
For the year ended 31 March 2023

6. Financial instruments and risk management (continued)

(iii) Interest rate risk

Interest rate risk is the risk of loss arising from exposure to interest rates and is incurred by the Scheme through trading activities, holding investment assets and cash and cash equivalents. Interest rate risk is addressed within equity risk, NZ Funds actively monitors interest rate risk exposure. This includes regular review of interest rates applicable to cash balances. The Scheme has no significant direct investments subject to interest rate risk.

e) Credit risk

The Scheme's cash and cash equivalents are not past due or impaired. No ECL allowance has been recorded for the Scheme's receivables. The carrying amount of these assets best represents their maximum credit risk exposure at balance date.

The Scheme has cash and cash equivalents with ANZ Bank New Zealand Limited which has a Standard and Poor's short-term credit rating of AA-. The Scheme's remaining assets are with unrated counterparties.

Direct credit risk

In thousands of New Zealand dollars	Income Strategy		Inflation Strategy	
	2023	2022	2023	2022
Breakdown of credit exposure				
Cash and cash equivalents	25	68	45	100
Receivables	947	49	1,145	94
Total credit exposure net of provision for impairment	972	117	1,190	194

In thousands of New Zealand dollars	Growth Strategy		Balanced Fund		Total of the Scheme	
	2023	2022	2023	2022	2023	2022
Breakdown of credit exposure						
Cash and cash equivalents	398	582	8	69	476	819
Receivables	5,195	409	46	2	7,333	554
Total credit exposure net of provision for impairment	5,593	991	54	71	7,809	1,373

f) Liquidity risk

The Scheme is exposed to liquidity risk because of the possibility that the Scheme could be required to pay its liabilities or redeem its units earlier than expected, and/or because the Scheme's financial instruments are not saleable within a given timeframe, and/or because the Scheme's financial instruments are not saleable for fair value within a given timeframe. The Scheme is exposed to unit redemptions on a regular basis.

Notes to the financial statements
For the year ended 31 March 2023

6. Financial instruments and risk management (continued)

f) Liquidity risk (continued)

As set out in Note 8 *Net assets available for benefits*, provided the Members satisfy the redemption requirements of the Scheme, there is no requirement for them to provide a redemption notice prior to an intention to redeem.

Contractual maturity analysis of financial assets and financial liabilities

In thousands of New Zealand dollars	Income Strategy		Inflation Strategy	
	2023	2022	2023	2022
Financial assets				
On demand/due within 30 days				
Cash and cash equivalents	25	68	45	100
Receivables	947	49	1,145	94
Investment assets at fair value through profit or loss	93,754	92,163	129,744	126,658
Total	94,726	92,280	130,934	126,852
Financial liabilities				
On demand/due within 30 days				
Payables	196	3,095	249	4,125
Total	196	3,095	249	4,125

In thousands of New Zealand dollars	Growth Strategy		Balanced Fund		Total of the Scheme	
	2023	2022	2023	2022	2023	2022
Financial assets						
On demand/due within 30 days						
Cash and cash equivalents	398	582	8	69	477	819
Receivables	5,195	409	46	2	7,333	554
Investment assets at fair value through profit or loss	499,661	485,666	10,315	2,616	733,474	707,103
Total	505,254	486,657	10,369	2,687	741,284	708,476
Financial liabilities						
On demand/due within 30 days						
Payables	848	15,500	63	16	1,356	22,736
Total	848	15,500	63	16	1,356	22,736

Notes to the financial statements
For the year ended 31 March 2023

7. Fair valuation of financial instruments

Investment assets and derivatives recognised at fair value are categorised according to the fair value hierarchy that show the extent of judgment used in determining their fair value. The techniques used by the Scheme to value its financial instruments at 31 March 2023 are consistent with the prior year and remain as follows:

Level 1: Fair value of financial instruments is based on the last quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value for financial instruments that are either unlisted or listed but not in active markets is based on valuation techniques. The Scheme's investment assets and some derivatives are classified as Level 2. The Scheme has direct investments in unlisted unit trusts which are not quoted in an active market. Investments in these unit trusts are valued based on the Net Asset Value per unit calculated by the administrator or manager of these unit trusts on a regular basis.

Level 3: Fair value of financial instruments where no observable market data for significant inputs is available is based on the valuation techniques.

The Scheme does not have direct investments in financial instruments classified as Level 3. There were no transfers between Level 2 and Level 3 during the reporting period.

Level 2 investment

In thousands of New Zealand dollars	Income Strategy Level 2		Inflation Strategy Level 2		Growth Strategy Level 2		Balanced Fund Level 2		Total of the Scheme Level 2	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Investment assets at fair value through profit or loss:									
Unlisted unit trusts	93,754	92,163	129,744	126,658	499,661	485,666	10,315	2,616	733,474	707,103

Notes to the financial statements
For the year ended 31 March 2023

8. Net assets available for benefits

Members cannot generally withdraw from the Scheme before they reach the age of eligibility for New Zealand Superannuation (currently 65). Early withdrawals from the Scheme are permitted in limited circumstances.

Net assets available for benefits is represented by the assets less liabilities other than the Scheme's present obligation to pay benefits to Members and has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities as at balance date. Accrued benefits include amounts allocated to Members' accounts. As all accrued benefits are allocated to Members, no amounts have been allocated to reserves.

Upon receiving a valid redemption notice, and provided that the Member satisfies the redemption requirements of the Scheme, the Scheme will redeem units in accordance with the Trust Deed. Proceeds are paid to the Member within 20 days of a redemption request being received and processed by the Administration Manager. The total expected cash outflow on redemption equals the amount of net assets available for benefits of the Scheme.

In thousands	Income Strategy		Inflation Strategy	
	2023	2022	2023	2022
Units on issue at the beginning of the year (in number of units)	55,145	38,895	64,475	44,592
Units issued (in number of units)	22,293	32,349	23,271	29,341
Units redeemed (in number of units)	(16,394)	(16,099)	(9,143)	(9,458)
Units on issue at the end of the year (in number of units)	61,044	55,145	78,603	64,475
In thousands of New Zealand dollars				
Net assets available for benefits				
Balance at the beginning of the year (in \$000)	89,185	63,427	122,727	100,762
Change in accrued benefits (in \$000)	5,345	25,758	7,957	21,965
Balance at the end of the year (in \$000)	94,530	89,185	130,684	122,727
Represented by:				
Balance allocated to Members' accounts (in \$000)	94,530	89,185	130,684	122,727
Balance not yet allocated to Members' accounts (in \$000)	-	-	-	-
Net assets available for benefits (in \$000)	94,530	89,185	130,684	122,727
Net assets available for benefits per unit (\$)	1.55	1.62	1.66	1.90

In thousands	Growth Strategy		Balanced Fund		Total of the Scheme	
	2023	2022	2023	2022	2023	2022
Units on issue at the beginning of the year (in number of units)	178,226	139,889	2,757	-	300,603	223,376
Units issued (in number of units)	73,047	73,082	12,817	4,599	131,428	139,371
Units redeemed (in number of units)	(21,989)	(34,745)	(4,637)	(1,842)	(52,163)	(62,144)
Units on issue at the end of the year (in number of units)	229,284	178,226	10,937	2,757	379,868	300,603
In thousands of New Zealand dollars						
Net assets available for benefits						
Balance at the beginning of the year (in \$000)	471,157	482,607	2,671	-	685,740	646,796
Change in accrued benefits (in \$000)	33,249	(11,450)	7,635	2,671	54,187	38,944
Balance at the end of the year (in \$000)	504,406	471,157	10,306	2,671	739,927	685,740
Represented by:						
Balance allocated to Members' accounts (in \$000)	504,406	471,157	10,306	2,671	739,927	685,740
Balance not yet allocated to Members' accounts (in \$000)	-	-	-	-	-	-
Net assets available for benefits (in \$000)	504,406	471,157	10,306	2,671	739,927	685,740
Net assets available for benefits per unit (\$)	2.20	2.64	0.94	0.97	1.95	2.28

There were Member contributions to the Scheme of \$3,536,933 (2022: \$2,992,811) received but not yet allocated at 31 March 2023. These were subsequently allocated as issued units in the following year.

Notes to the financial statements
For the year ended 31 March 2023

9. Related party

Overview

NZ Funds is the manager and issuer of the Scheme. NZ Funds' senior management are significant indirect shareholders in NZ Funds.

Underlying investment portfolios and their Trustee

The Scheme invests substantially all of its assets into the Wholesale Trusts. The Wholesale Trusts are New Zealand unit trusts, for which NZ Funds is the Manager and New Zealand Funds Superannuation Limited is the Trustee. New Zealand Funds Superannuation Limited is a wholly owned subsidiary of NZ Funds.

The Strategies are investment entities as defined by NZ IFRS 10 *Consolidated Financial Statements* and, as such, do not consolidate any of the Wholesale Trusts they invest in. Instead, investments in the Wholesale Trusts are classified at fair value through profit or loss and measured at fair value.

The gross value of investment transactions in the Wholesale Trusts for the year and the balance of investments are detailed in Table 1 as follows:

Table 1

In thousands of New Zealand dollars	Purchases		(Redemptions)		Balance of investments	
	2023	2022	2023	2022	2023	2022
Income Strategy	21,543	36,434	(17,151)	(11,601)	93,754	92,163
Inflation Strategy	28,954	46,641	(10,109)	(8,431)	129,744	126,658
Growth Strategy	133,358	167,006	(35,496)	(65,281)	499,661	485,666
Balanced Fund	10,008	4,131	(2,447)	(1,471)	10,315	2,616
Total of the Scheme	193,864	254,212	(65,204)	(86,784)	733,474	707,103

The Wholesale Trusts are resident in New Zealand and have a principal place of business in New Zealand and the following Strategies have/had equal to or more than a 50% ownership of certain Wholesale Trusts. These Strategies' investments in the Wholesale Trusts as a percentage are detailed in Table 1A below:

Table 1A

	Investment	Percentage ownership	
		2023	2022
Income Strategy	Wholesale Investment Trust 1	100%	100%
Inflation Strategy	Wholesale Investment Trust 2	100%	100%
Growth Strategy	Wholesale Investment Trust 3	100%	100%
Balanced Fund*	Wholesale Investment Trust 4	100%	100%

* Balanced fund ownership began in August 2021.

The Scheme incurs fees and expenses for a range of services it receives from various service providers. Fees and expenses are accrued as services are rendered.

Administration fees are deducted from Members' accounts and recognised as part of membership activities in the statement of changes in net assets available for benefits. Administration fees payable on behalf of Members are recognised in the statement of net assets available for benefits.

Management fees, reimbursable expenses and manager's expense contributions incurred or received during the year are detailed below.

Table 2

In thousands of New Zealand dollars	Income Strategy		Inflation Strategy	
	2023	2022	2023	2022
Management fees incurred and investment expense reimbursement	636	697	1,061	1,138

In thousands of New Zealand dollars	Growth Strategy		Balanced Fund		Total of the Scheme	
	2023	2022	2023	2022	2023	2022
Management fees incurred and investment expense reimbursement	4,470	5,361	-	-	6,167	7,196

Notes to the financial statements
For the year ended 31 March 2023

9. Related party (continued)

The outstanding net investment management fees, expense reimbursements and manager's expense contributions as at 31 March 2023 and 31 March 2022 are payable or receivable on normal trading terms as follows:

Table 2A

In thousands of New Zealand dollars	Income Strategy		Inflation Strategy	
	2023	2022	2023	2022
Net amount payable to/(receivable from) NZ Funds at reporting date	49	72	74	112

In thousands of New Zealand dollars	Growth Strategy		Balanced Fund		Total of the Scheme	
	2023	2022	2023	2022	2023	2022
Net amount payable to/(receivable from) NZ Funds at reporting date	328	450	-	-	451	634

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. No related party debts were forgiven or written off during the year (2022: nil).

The Scheme does not employ key management personnel. Management services are provided by NZ Funds. The following is a summary of significant investment transactions in the Scheme during the year, and the investment balances in the Scheme, by key management personnel employed by NZ Funds, and their close family members.

Table 3

In thousands of New Zealand dollars	Balance of holdings		Net contributions/ (withdrawals)	
	2023	2022	2023	2022
Income Strategy	562	821	(230)	372
Inflation Strategy	868	1,067	(78)	384
Growth Strategy	6,601	6,990	857	530
Balanced Fund	-	-	-	2
Total of the Scheme	8,031	8,878	549	1,288

Contributions by key management personnel include Member, government and employer contributions.

10. Capital commitments and contingent liabilities

No significant capital commitments or contingent liabilities exist as at 31 March 2023 (2022: nil) for the Scheme.

11. Vested benefits

Vested benefits are benefits, the rights of which, under the conditions of the Scheme, are not conditional on continued membership. Vested benefits as at 31 March 2023 for the Income Strategy are \$94,530,388 (2022: \$89,185,469), Inflation Strategy are \$130,684,079 (2022: \$122,726,726), the Growth Strategy are \$504,405,627 (2022: \$471,155,946) and the Balanced Fund are \$10,306,540 (2022: \$2,671,492).

12. Guarantees

No guarantees exist as at 31 March 2023 for the Scheme (2022: nil).

Notes to the financial statements
For the year ended 31 March 2023

13. Membership movements

The number of Members and their movement in the Scheme are detailed below:

	Opening balance 1 April 2022	New Members	(With- drawals)	Closing balance 31 March 2023
Income Strategy	16,415	4,197	1,345	19,267
Inflation Strategy	15,979	4,169	1,316	18,832
Growth Strategy	17,901	4,534	1,543	20,892
Balanced Fund	109	318	48	379
Total of the Scheme	50,404	13,218	4,252	59,370

	Opening balance 1 April 2021	New Members	(With- drawals)	Closing balance 31 March 2022
Income Strategy	13,655	4,358	1,598	16,415
Inflation Strategy	12,976	4,378	1,375	15,979
Growth Strategy	14,375	5,179	1,653	17,901
Balanced Fund	-	117	8	109
TOTAL OF THE SCHEME	41,006	14,032	4,634	50,404

Members with investments in more than one Strategy, at the Scheme level, are represented as having only one membership. Therefore, the total membership and Member movements in the Scheme will not equal to the subtotal of each individual Strategy.

14. Subsequent events

There have been no other material events after balance date that require adjustment or disclosure in the financial statements.

Directory

Supervisor

The New Zealand Guardian Trust Company Limited
Level 6, 191 Queen Street
PO Box 274
Auckland 1140
T. 09 909 5100
E. ct-auckland@nzgt.co.nz

Manager

New Zealand Funds Management Limited
Level 16, 21 Queen Street
Private Bag 92163
Auckland 1142
T. 09 377 2277 or 0508 733 337
E. info@nzfunds.co.nz
W. www.nzfunds.co.nz

Administration manager

Link Market Services
Level 30, PwC Tower
15 Customs Street West
PO Box 92050
Auckland 1142
T. 0800 693 5494
E. NZFKiwi@linkmarketservices.com

Auditor

Ernst & Young
EY Building
2 Takutai Square
Britomart
Auckland 1010

Solicitor

Russell McVeagh
Vero Centre
48 Shortland Street, PO Box 8
Auckland 1140

Solicitor

Bell Gully
Vero Centre
48 Shortland Street, PO Box 4199
Auckland 1140