

# Harbour Income Fund Fund Update

for the quarter ended 30 September 2021

Harbour Investment Funds

This fund update was first made publicly available on 28 October 2021

## What is the purpose of this update?

This document tells you how the Harbour Income Fund has performed and what fees were charged. The document will help you compare the Fund with other funds. Harbour Asset Management Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

## Description of this fund

The Fund is designed to give a favourable level of income. The Fund invests predominantly in New Zealand investment grade fixed interest securities and Australasian equities which pay a sustainable dividend yield. Other tools, such as active management and scope to invest in sub investment grade securities may also be used to enhance returns.

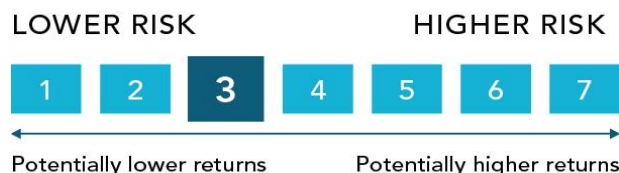
**Investment Objective:** The investment objective of the Fund is to exceed the Official Cash Rate (OCR) plus 3.5% pa over rolling three year periods.

**Benchmark:** 68% S&P/NZX A Grade Corporate Bond Total Return Index; 16% S&P/ASX200 Industrials Index (100% hedged to NZ dollars); and 16% S&P/NZX Portfolio Index.

**Total value of the Fund (NZD)** **\$249,534,520**

**The date the Fund started** **28 October 2015**

## What are the risks of investing?



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. 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 [www.sorted.org.nz](http://www.sorted.org.nz).

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the 5 years to 30 September 2021. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

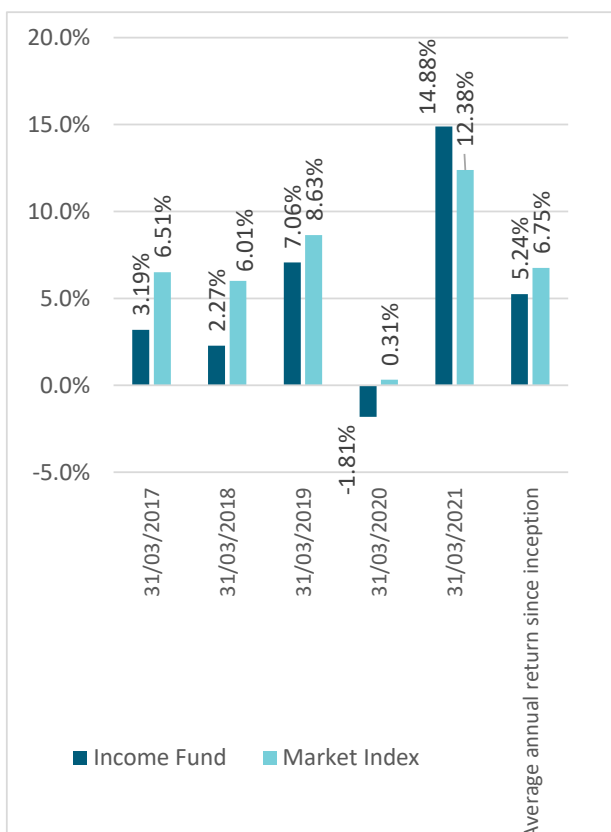
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this Fund.

## How has the Fund performed?

	Average over past 5 years	Past Year
<b>Annual Return<sup>1</sup></b> (after deductions for charges and tax)	<b>5.25%</b>	<b>10.21%</b>
<b>Annual Return<sup>1</sup></b> (after deductions for charges but before tax)	<b>6.27%</b>	<b>10.91%</b>
<b>Market index annual return<sup>1</sup></b> (reflects no deduction for charges and tax)	<b>6.15%</b>	<b>5.35%</b>

The market index annual return is based on the weighted average return of the market indices used to measure performance of the underlying fund. In this case the Market Index is 68% S&P/NZX A Grade Corporate Bond Total Return Index; 16% S&P/ASX200 Industrials Index (100% hedged to NZ dollars); and 16% S&P/NZX Portfolio Index. Additional information about the market index is available on the offer register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).

## Annual Return Graph<sup>2</sup>



This graph shows the return after Fund charges and tax for each year ending 31 March since the Fund since the Fund started.

The last bar shows the annualised annual return since the Fund since the Fund started, up to 30 September 21.

Market Index returns do not include any tax, expenses or charges.

**Important:** This does not tell you how the Fund will perform in the future. Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

## What fees are investors charged?

Investors in the Fund are charged fund charges. In the year to 30 June 2021 these were as follows:

	% of net asset value
<b>Total fund charges (Inc. GST)</b>	<b>0.69%</b>
Which are made up of:	
<b>Total management and administration</b>	<b>0.69%</b>
Including-	
Manager's basic fee	0.53%
Other management and administration charges <sup>3</sup>	0.16%
<b>Total Performance-based fees</b>	<b>0.00%</b>

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the PDS and Other Material Information Document OMI for more information about fees.

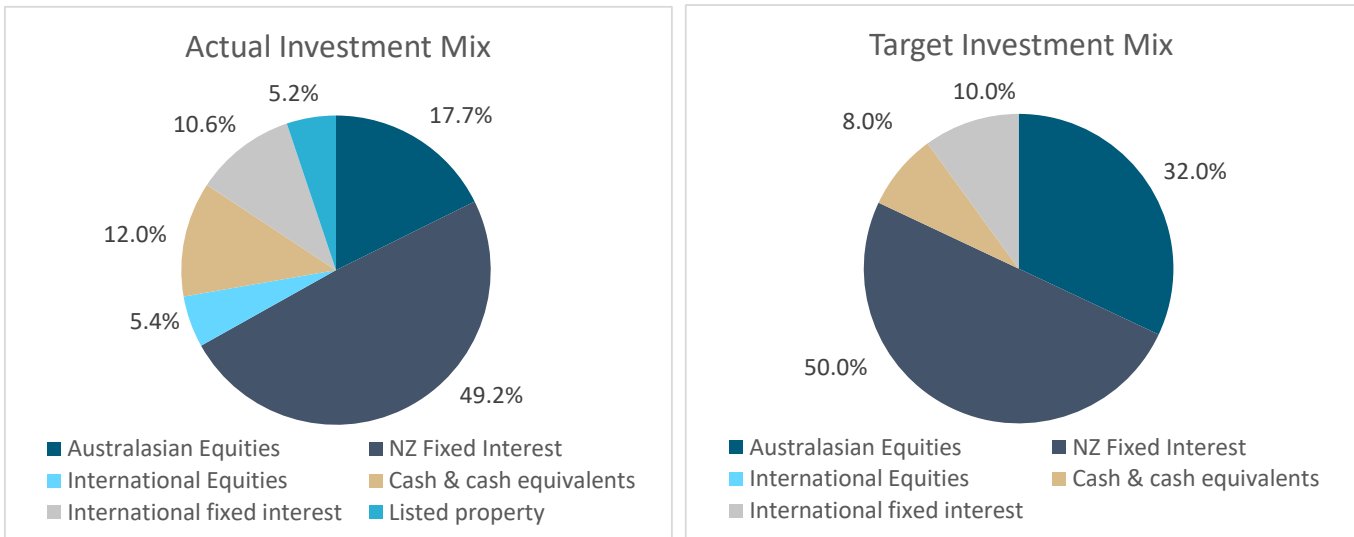
## Example of how this applies to an investor

Small differences in fees and charges can have a big impact on your investment over the long term.

Jenny had \$10,000 in the Harbour Income Fund at the start of the year and did not make any further contributions. At the end of the year, Jenny received a return, after fund charges were deducted, of \$1,091 (that is 10.91% of her initial \$10,000). This gives Jenny a total return after tax of \$1,021 for the year.

## What does the Fund invest in?

This shows the types of assets that the fund invests in.




Actual asset allocation to 30 September 2021. Actual asset allocation will vary from the target asset allocation as market conditions change and if we pursue tactical investment opportunities.

## Top 10 investments

Name	% of Fund net assets	Type	Country	Credit Rating
ANZ NZD Cash	8.88%	Cash and cash equivalents	NZ	AA
NZGS Index Linked Bond 20/09/2030 3.00%	5.48%	New Zealand fixed interest	NZ	AA+
NZGS Index Linked Bond 20/09/2025 2.00%	4.45%	New Zealand fixed interest	NZ	AA+
Bank of New Zealand 08/06/2026 1.884%	3.97%	New Zealand fixed interest	NZ	AA+
iShares MSCI EMU ESG Screened UCITS ETF	3.43%	International equities	IE	
NZ Government Stock 15/05/2024 0.50%	2.17%	New Zealand fixed interest	NZ	AA+
Asian Development Bank 30/05/24 3.50%	2.13%	New Zealand fixed interest	NZ	AAA
JP Morgan AUD Cash	2.05%	Cash and cash equivalents	AU	AA
Revolution Private Debt Fund II	1.87%	International fixed interest	AU	
Westpac NZ Limited 29/07/2024 2.22%	1.75%	New Zealand fixed interest	NZ	AA-

The top 10 investments make up **36.2%** of the net asset value of the Fund.

## Key Personnel

Name	Current Position	Time in current position	Previous position	Time in previous position
Mark Brown 	Director, Head of Fixed Income	11 years and 0 months	AXA/Alliance Bernstein, Head of Fixed Interest	16 years & 5 months
Craig Stent 	Executive Director & Head of Equities	11 years and 9 months	Alliance Bernstein, Research Analyst	7 years & 3 months

## Further information

You can also obtain this information, the PDS for the Harbour Income Fund, and some additional information from the offer register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).

## Notes:

1. Returns to 30 September 2021.
2. The bar chart shows fund returns after the deduction of fees and tax, however the market index returns are shown before any fees or tax is deducted.
3. Other fees: these charges cover the general management of the Fund e.g. administration, Supervisor, legal, and audit fees and costs required to comply with relevant legislation. These charges are based on audited financial statements to 30 June 2021 and includes any applicable GST.  
More information on these charges can be found in the PDS and the other material information document (OMI) on the Disclose Register.

## Hyperlinks to Harbour documents:

Links to the latest PDS, SIPO & OMI for the Harbour Funds can be found on the Harbour website:  
<https://www.harbourasset.co.nz/our-funds/investor-documents/>