

Agenda for a meeting of the Waikato District Community Wellbeing Trust to be held in the Te Piringa Boardroom, District Office, 15 Galileo Street, Ngaruawahia on **THURSDAY 22 FEBRUARY 2018** commencing at **9.30am.**

1. **APOLOGIES AND LEAVE OF ABSENCE**
2. **CONFLICT OF INTEREST AND DISCLOSURES**
3. **CONFIRMATION OF MINUTES** 2
Meeting held on 19 December 2017
4. **MEETING FRAMEWORK FOR 2018 CALENDAR YEAR** 5
5. **KIWI WEALTH LIMITED FUND PERFORMANCE REPORT TO 31 DECEMBER 2017** 7
6. **QUARTERLY CERTIFICATE OF COMPLIANCE FOR PERIOD ENDING 31 DECEMBER 2017** 10
7. **WAIKATO DISTRICT COUNCIL COMMUNITY WELLBEING TRUST - INTERIM PERFORMANCE REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2017** 12
8. **WAIKATO DISTRICT COUNCIL COMMUNITY WELLBEING TRUST DRAFT STATEMENT OF INTENT FOR THE YEAR ENDED 30 JUNE 2019** 16
9. **ANNUAL INVESTMENT MANDATE AND FUND MANAGER REVIEW** 32
Conference call with Kiwi Wealth Limited representative (Roger Browne)
10. **GENERAL BUSINESS**
Whangamarino Wetland Walkway
(Further Information to be distributed ahead of meeting)

MINUTES of a meeting of the Community Wellbeing Trust held in the Te Piringa Boardroom, District Office, 15 Galileo Street, Ngaruawahia on **TUESDAY 19 DECEMBER 2017** commencing at **1.01pm**.

Present:

Cr J Church (Chairperson)
Cr R McGuire
Ms J Muru
Ms E Bateup

Attending:

Ms A Diaz (Finance Manager)
Ms M Davis (Financial Accountant)
Ms L Van den Bemd
Ms E Wilson

APOLOGIES AND LEAVE OF ABSENCE

THAT an apology be received from His Worship the Mayor, Mr AM Sanson.

Resolved: (Cr McGuire / Ms Bateup)

CARRIED on the voices

WBT1712/1

DISCLOSURES OF INTEREST

There were no disclosures of interest.

CARRIED on the voices

WBT1712/2

CONFIRMATION OF MINUTES

ACTION: Add alternate investment fund performance paper and discussion to the February meeting Agenda.

Resolved: (Cr McGuire / Ms Muru)

THAT the minutes of a meeting of the **Community Wellbeing Trust** held on **Friday 25 September 2017** be confirmed as a true and correct record of that meeting.

CARRIED on the voices

WBT1712/3

Approved Grants and Payment Reconciliation December 2017

Agenda item 4

Onewhero project has changed from the original application so they will need to reapply for the funds granted.

ACTION: Lianne to write to Onewhero School to ask them to formally reapply with updated details of their project scope.

Resolved: (Ms Muru / Ms Bateup)

THAT the report from the Finance Manager be received;

AND THAT the Trust waives requirement for the lease extension for the Raglan Arts Council project..

CARRIED on the voices

WBT1712/4

Quarterly Certificate of Compliance for period ending 30 September 2017

Agenda item 5

Resolved: (Ms Bateup / Ms Muru)

THAT the report from the Finance Manager be received.

CARRIED on the voices

WBT1712/5

GMI Fund Performance to 30 September 2017

Agenda item 6

Independent review on performance report. Concern raised as an independent / charitable entity we should not be charged tax however it is included on Page 20. Should we get a refund or otherwise is PIE the right place to invest?

Question for GMI around weighting of the Trusts investments and whether it is appropriate from a risk and sustainability of funds perspective (query arising through “This was in large part due to a strong outperformance this month from Satellite (page 23 1st paragraph last sentence)”).

ACTION: Seek advice from tax team in relation to PIE investments. .

Resolved: (Cr McGuire / Ms Bateup)

THAT the report from the Finance Manager be received;

CARRIED on the voices

WBT1712/6

General

Agenda item 7

Nil

There being no further business the meeting was declared closed at **1.18pm.**

Minutes approved and confirmed this day of 2017.

Cr J Church
CHAIRPERSON

Open Meeting

To	Waikato District Community Wellbeing Trust
From	Tony Whittaker General Manager Strategy & Support
Date	31 January 2018
Prepared by	Alison Diaz Finance Manager
Chief Executive Approved	Y
Reference #	CVN0102 / 1896242
Report Title	Meeting framework for the 2018 calendar year

1. EXECUTIVE SUMMARY

The following report outlines the reporting framework for the year and proposes dates for the consideration of Trustees.

Meeting dates will be finalised once the availability of Trustees is confirmed.

2. RECOMMENDATION

THAT the report from the General Manager Strategy & Support be received;

AND THAT the meeting framework is adopted for the 2018 calendar year, subject to confirmation of Trustee availability.

3. ATTACHMENTS

Trust meeting schedule for 2018

WAIKATO DISTRICT COMMUNITY WELLBEING TRUST

Proposed Trust Meetings 2018

Proposed Date (TBC)	Key Meeting Topic
Thursday, 22 February 2018 <i>Confirmed</i>	<ul style="list-style-type: none"> ▪ Action points update ▪ Meeting framework for the 2018 calendar year ▪ Fund performance December 2017 ▪ Quarterly certificate of compliance December 2017 ▪ Six monthly accounts <ul style="list-style-type: none"> – Reimburse WDC for payments made on behalf of the Trust ▪ Draft Statement of Intent for 2018/19 <ul style="list-style-type: none"> – Investment Portfolio and Distribution Policy review ▪ Trustee conference call with Fund Manager (Kiwi Wealth) representative <ul style="list-style-type: none"> – Fund manager comparative performance
March 2018 <i>Suggested dates: Friday, 16 March or Friday, 23 March</i>	<ul style="list-style-type: none"> ▪ NO FORMAL MEETING ▪ Site visits
April 2018	<ul style="list-style-type: none"> ▪ NO FORMAL MEETING ▪ Following reports distributed via email: <ul style="list-style-type: none"> – Fund performance March 2018 – Quarterly certificate of compliance March 2018
May 2018 <i>Week commencing 28 May 2018 (must be after Council LTP hearings)</i>	<ul style="list-style-type: none"> ▪ Action points update ▪ Formal receipt of emailed reports ▪ Final Statement of Intent for 2018/19 ▪ Grant update ▪ Grant distribution for 2018/19 ▪ Feedback and photos from site visits
June 2018	No meetings, site visits or correspondence
July 2018	No meetings, site visits or correspondence
August 2018	<ul style="list-style-type: none"> ▪ NO FORMAL MEETING ▪ Following reports distributed via email: <ul style="list-style-type: none"> – Fund performance June 2018 – Quarterly certificate of compliance June 2018 – Annual review of Trust Deed compliance
September 2018 <i>Week commencing 17 September 2018</i>	<ul style="list-style-type: none"> ▪ Action points update ▪ Formal receipt of emailed reports ▪ Draft Annual Report (<i>adoption subject to audit sign-off December</i>)
October 2018	No meetings, site visits or correspondence
November 2018	<ul style="list-style-type: none"> ▪ NO FORMAL MEETING ▪ Following reports distributed via email: <ul style="list-style-type: none"> – Fund performance September 2018 – Quarterly certificate of compliance September 2018
December 2018 <i>Week commencing 03 December 2018</i>	<ul style="list-style-type: none"> ▪ Action points update ▪ Formal receipt of emailed reports ▪ Grant update ▪ Annual General Meeting <ul style="list-style-type: none"> – Ratify Annual Report for 2017/18 – Receive Audit Management Letter – Appointment of Auditors

Open Meeting

To	Waikato District Community Wellbeing Trust
From	Tony Whittaker General Manager Strategy & Support
Date	16 February 2018
Prepared by	Sharlene Jenkins PA General Manager Strategy & Support
Chief Executive Approved	Y
Reference #	CNV0102 / 1899205
Report Title	Kiwi Wealth Limited Fund Performance to 31 December 2017

1. EXECUTIVE SUMMARY

The investment fund performance for the quarter ended 31 December 2017 was 4.6% against a benchmark performance of 3.8%. The total return since inception is now 75.1% or 9.9% on an annualised basis.

The latest results for December provides a return of -0.1% against a benchmark performance of -0.2% an improvement of -0.1%.

The Trustees are familiar with the fact that the investment objectives and investment portfolio do assume that the performance for some months may be negative. As the markets have been turbulent in recent times, a long term view of the fund needs to be taken.

2. RECOMMENDATION

THAT the report from the General Manager Strategy & Support be received.

3. ATTACHMENTS

Kiwi Wealth Limited Fund Performance to 31 December 2017

Waikato District Community Wellbeing Trust

Investment Mandate

This is a balanced portfolio split 45/55 fixed interest/growth shares investments

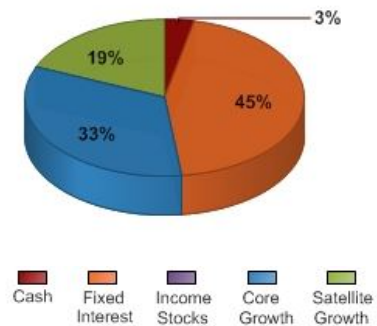
This mandate was last reviewed on 22 September 2017.

Asset Class	Ultimate Allocation	Target NZD Exposure
Cash	0.0%	
Fixed Interest	45.0%	100.0%
Income Stocks	0.0%	100.0%
Core Growth	27.5%	50.0%
Satellite Growth	27.5%	50.0%
Total	100.0%	

Portfolio Position

As at 31 December 2017, the total value of your investment portfolio is \$4,096,813. Your net contributions since inception in January 2012 have totalled \$2,286,537 (\$2,514,078 deposits less \$227,540 withdrawals).

Asset Class	Actual Value	Actual Allocation
Cash	\$138,351	3.4%
Fixed Interest	\$1,830,420	44.7%
Income Stocks	\$0	0.0%
Core Growth	\$1,368,056	33.4%
Satellite Growth	\$759,986	18.6%
Total	\$4,096,813	100.0%



Portfolio Performance

The Kiwi Wealth Growth Fund (Growth PIE) fell 0.4% after tax and fees, ahead of the benchmark which fell 0.5%. Currency impacted outright returns with around 50% of the Growth PIE exposed to the rise in the New Zealand dollar.

Core enjoyed a strong month during December. The alternatives funds (**GMO**, **AHL** and **ISAM**) generally benefitted from long positions in shares and commodities. Core Direct benefitted from both its macro driven positions and individual share selection. Satellite was slightly behind the benchmark in December. This was, in part, caused by under exposure to the energy sector, which significantly outperformed the broader index as oil prices rallied. The swift rotation away from growth and momentum shares to value shares early in the month also had a negative effect. However, share selections in the industrials sector and the improving outlook for the packaged food sector and Asian financials sector offset most of the laggards.

The Kiwi Wealth Fixed Interest Fund (Fixed Interest PIE) rose 0.1% after fees and taxes in December, underperforming the New Zealand Government Bond Index, which returned 0.2%. This underperformance was almost entirely a function of keeping average portfolio maturities lower. Shorter maturities have a lower sensitivity to declining interest rates and, therefore, rising bond prices (the two move inversely to each other).



Your return for the month of December was -0.1% against a benchmark of -0.2%. Your net contributions since 31 January 2012 have totalled \$2,286,537 (\$2,514,078 deposits less \$227,540 withdrawals). As of 31 December 2017 the total value of your portfolio is

\$4,096,813 . This is a simple return of 79.2% . The total return on each dollar invested at inception is 75.1% (after withholding tax, brokerage, and fees) , or 9.9% p.a. on an annualised basis .

	Loss/Gain				
	Last Month	Last 3 Months	Last 12 Months	Since Inception	Annualised
Consolidated Portfolio Inception date (31/01/2012)	-0.1%	4.6%	13.4%	75.1%	9.9%
45% NZ Bond, 55% MSCI	-0.2%	3.8%	11.7%	53.8%	7.5%
Cash Inception date (31/01/2012)	0.0%	0.5%	1.3%	17.9%	2.8%
45% NZ Bond, 55% MSCI	-0.2%	3.8%	11.7%	53.8%	7.5%
Fixed Interest Inception date (31/01/2012)	0.1%	1.1%	5.5%	40.2%	5.9%
100% NZ Bond	0.2%	1.0%	3.3%	15.4%	2.4%
Core Stocks Inception date (31/01/2012)	0.2%	7.3%	20.5%	103.1%	12.7%
MSCI	-0.5%	6.1%	19.0%	92.6%	11.7%
Satellite Stocks Inception date (31/01/2012)	-1.1%	9.4%	26.7%	179.6%	19.0%
MSCI	-0.5%	6.1%	19.0%	92.6%	11.7%

Investment Strategy

Market Review

The MSCI All Countries Index rose 1.4% in US dollars in December however, the rise in the Kiwi dollar over the month reduced the Index returns to -1.9% when measured in New Zealand dollars. Share markets continued to exhibit lower than normal levels of volatility and were buoyed by continued global economic strength and ample liquidity. The US Federal Reserve's (Fed) 25 basis point interest rate hike on 13 December was pretty much a given going into the month. Sure enough, interest rates on longer-maturity US government bonds were unchanged, as investors speculated that the hike would tamp down the prospect of future inflation. Instead, it was shorter-maturity interest rates that rose, with the market now pricing in roughly two further hikes in 2018.

Portfolio Changes

We are currently comfortable with just over 90% of the Growth PIE exposed to share market risk (via Core Global, Core Direct, and Satellite). The Alternative strategies provide some diversification to share market risk. Within our share exposure, we continue to favour shares within more cyclically exposed sectors such as consumer discretionary and technology, at the expense of those in sectors such as consumer staples, and energy.

In Fixed Interest, we remain positioned in shorter maturities waiting for a better entry point. On the company bond front, we purchased the new 5-year bond of phone and data giant, Vodafone (BBB+), which came in Aussie dollars cheap to global peers. We also added further term deposits and **Transpower** (AA-) in New Zealand dollars.

Open Meeting

To	Waikato District Community Wellbeing Trust
From	Tony Whittaker General Manager Strategy & Support
Date	16 February 2018
Prepared by	Sharlene Jenkins PA General Manager Strategy & Support
Chief Executive Approved	Y
Reference #	CVN0102 / 1899026
Report Title	Quarterly Certificate of Compliance for period ending 31 December 2017

1. EXECUTIVE SUMMARY

The Waikato District Community Wellbeing Trust's ("Wellbeing Trust") Statement of Intent requires the Trustees to consider certain compliance obligations. These obligations are considered by the Trustees at each meeting from performance reporting and associated discussion.

This report provides a quarterly certificate of compliance using the information that has been considered by the Trustees since the commencement of this financial year.

2. RECOMMENDATION

THAT the report from the General Manager Strategy & Support be received.

3. ATTACHMENTS

Quarterly Certificate of Compliance for period ending 30 December 2017

Waikato District Community Wellbeing Trust

Quarterly Certificate of Compliance

for period ending 31 December 2017

	Actual	Per Policy
Benchmark Portfolio (fixed interest : equities)	45 : 55	>45 : <55
Cap on value of single investments	Compliant	<7.5%
Grant distribution limit as % of net income after inflation	Compliant	<50%
Grant distribution cap as a % of capital	Compliant	<10%
Review of investment mandate (within last year)	Yes – at 13 February 2017 meeting	Annual
Applicant accountability reports received	Yes	Required upon completion of project

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Chairperson

Open Meeting

To	Waikato District Community Wellbeing Trust
From	Tony Whittaker General Manager Strategy & Support
Date	12 February 2018
Chief Executive Approved	Y
Reference #	CVN0102 / 1898899
Report Title	Waikato District Council Community Wellbeing Trust – Interim Performance Report for the 6 months ended 31 December 2017

I. EXECUTIVE SUMMARY

Attached are the Waikato District Council Community Wellbeing Trust (“Wellbeing Trust”) six month financial statements to 31 December 2017. The operating surplus is \$283,562 for the six months, compared to a full year surplus budget of \$144,350 as approved in the statement of intent.

2. RECOMMENDATION

THAT the report from the **General Manager Strategy & Support** be received;

AND THAT the financial statements be provided to **Waikato District Council** in accordance with the **Local Government Act**;

AND FURTHER THAT the Trustees approve payment of **\$126,247.76** to the **Waikato District Council** to reimburse payments made on the **Waikato District Community Wellbeing Trust’s** behalf.

3. BACKGROUND

Pursuant to section 66 of the Local Government Act 2002, Council is required to receive regular financial reports from the Wellbeing Trust.

The Wellbeing Trust was established in May 2010 to receive, manage and distribute the funds received from the Waikato Foundation Trust. The funds were actually received in January 2012 by way of transfer to Gareth Morgan Investments (“GMI”) from the Foundation Trust, as GMI managed the funds for the Foundation Trust. Trustees of the Wellbeing Trust have adopted an investment policy intended to provide a long term sustainable return which protects the real value of the fund and provides for funds to be distributed to approved community projects, via an application process.

4. ISSUES

The Wellbeing Trust delivered a surplus of \$283,562 for the six months ended 31 December 2017. This is a positive result relative to budget given the performance of financial markets during this time. Although Trustees are aware that financial returns fluctuate from year to year, the Trustees take a long term view and their investment and distribution policy reflects this. Once reserves are built up by distributing only 50% of the earnings after an inflation adjustment, there will be opportunities for the Trustees to make distributions without using the fund's capital.

The financial performance year to date is above the budgeted assumption around a long term sustainable return of 7.26% (as provided by Kiwi Wealth Limited as Fund Manager – formerly Gareth Morgan Investments Limited). The return since inception of the Fund in May 2010 is 79.2% which equates to an annualised return of 9.9%. Hence, the reference above to the Trustee's acknowledging there will be years where performance will vary relative to this average, and in some times quite significantly. The Trustees are comfortable with the long term return delivered to date.

Three grant payments were made during the period: Holy Trinity Church \$10,017; Ngaruawahia RSA \$4,025; and Te Kauwhata Events Committee \$40,000. Grant commitments remaining total \$151,487. This does not include the amount previously approved for the Onewhero Old School Building Group.

5. OPTIONS CONSIDERED

The Trustees have the Governance responsibility for the Wellbeing Trust. Council is receiving this report as required under the Local Government Act.

6. CONSIDERATION OF VIEWS OF THOSE AFFECTED

The six month financial statements will be made available on Council's website.

7. CONCLUSION

The Wellbeing Trust is a Council Controlled Organisation, hence it is required to provide its six month report to Council. The performance of the fund, being a year to date surplus of \$283,562 is a favourable result relative to budget given the performance of financial markets during this time.

8. ATTACHMENTS

Waikato District Community Wellbeing Trust Interim Performance Report for the 6 months ended 31 December 2017

Waikato District Community Wellbeing Trust
Statement of financial performance
For the six months ended 31 December 2017

	6 mths		Full year	
	Actual \$ 2017/18	Actual \$ 2016/17	Budget \$ 2017/18	Actual \$ 2016/17
Revenue				
Finance income	75,032	3,067	52,582	4,543
Dividend income from portfolio of investments managed by Gareth Morgan Investments (GMI)	11,007	16,052	25,340	34,454
Realised gains on investments	125,655	50,558	-	115,374
Unrealised gains on investments	98,339	87,887	175,481	202,342
Total revenue	310,033	157,564	253,403	356,713
Expenses				
Audit fees				
- Current year	-	-	7,500	7,628
Other expenditure	12,429	11,055	25,711	22,825
Grants	14,042	96,104	75,842	178,798
Unrealised losses on investments	-	-	-	-
Total expenses	26,471	107,159	109,053	209,251
Surplus (deficit) for the period	283,562	50,405	144,350	147,462

Waikato District Community Wellbeing Trust
Statement of financial position
For the six months ended 31 December 2017

	6 mths		Full year	
	Actual \$ 2017/18	Actual \$ 2016/17	Budget \$ 2017/18	Actual \$ 2016/17
Assets				
Current assets				
Cash and cash equivalents	248,007	143,872	308,564	137,494
Other financial assets	3,849,761	3,526,431	3,354,531	3,662,173
Accrued interest	-	-	-	1
Total current assets	4,097,768	3,670,303	3,663,095	3,799,668
Total assets	4,097,768	3,670,303	3,663,095	3,799,668
Liabilities				
Current liabilities				
Creditors and other payables	182,687	163,629	85,784	128,149
Accrued expenses	27,789	-	7,540	67,788
Total current liabilities	210,476	163,629	93,324	195,937
Total liabilities	210,476	163,629	93,324	195,937
Total assets less total liabilities (net assets)	3,887,292	3,506,674	3,569,771	3,603,731
Trust equity				
Introductory fund	2,579,899	2,579,899	2,579,899	2,579,899
Capital maintenance fund	370,894	300,293	403,364	334,856
Accumulated funds	936,499	626,482	586,508	688,976
Total Trust equity	3,887,292	3,506,674	3,569,771	3,603,731

Waikato District Community Wellbeing Trust
Statement of cash flows
For the six months ended 31 December 2017

	6 mths		Full year	
	Actual	Actual	Budget	Actual
	\$	\$	\$	\$
	2017/18	2016/17	2017/18	2016/17
Cash flows from operating activities				
Cash was received from:				
Interest receipts	75,033	3,069	52,582	4,544
Dividends received	11,007	16,051	25,340	34,449
Cash was applied to:				
Payments to donees		-	(241,297)	(51,048)
Payments to suppliers	(11,932)	(11,165)	(33,162)	(29,921)
Net cash flows from operating activities	74,108	7,955	(196,537)	(41,976)
Cash flows from investing and financing activities				
Cash was received from:				
Sale of investments	1,622,939	1,156,795	194,728	2,309,402
Cash was applied to:				
Acquisition of investments	(1,621,860)	(1,302,434)	-	(2,410,862)
Net cash flows from investing and financing activities	1,079	(145,639)	194,728	(101,460)
Foreign exchange translation differences	(109)	(133)	-	(759)
Net increase (decrease) in cash for the year	75,078	(137,817)	(1,809)	(144,195)
Add opening bank accounts and cash	172,929	281,689	310,373	281,689
Closing bank accounts and cash	248,007	143,872	308,564	137,494

Open Meeting

To	Waikato District Community Wellbeing Trust
From	Tony Whittaker General Manager Strategy & Support
Date	12 February 2018
Chief Executive Approved	Y
Reference #	GOV1318 / 1898801
Report Title	Waikato District Community Wellbeing Trust Draft Statement of Intent for the year ended 30 June 2019

I. EXECUTIVE SUMMARY

Pursuant to section 64 of the Local Government Act 2002, a Council Controlled Organisation is required to provide a draft Statement of Intent to its shareholder (Council) by 01 March each year. Council then has the opportunity to provide feedback on the draft within two months of 01 March, after which time the Council Controlled Organisation must provide a completed Statement of Intent to the shareholder by 30 June.

2. RECOMMENDATION

THAT the report from the **General Manager Strategy & Support** be received;

AND THAT the **Waikato District Community Wellbeing Trust** approves the draft **Statement of Intent for the year ended 30 June 2019** for release to **Waikato District Council**;

AND FURTHER THAT the **Waikato District Community Wellbeing Trust** approve the **Investment Portfolio and Distribution Policy** with any amendments.

3. BACKGROUND

The Trustees of the Waikato District Community Wellbeing Trust (“Wellbeing Trust”) are required to present a Statement of Intent for the year ended 30 June 2019 to Council by 01 March 2018. This draft Statement of Intent retains the principles developed in the inaugural Statement of Intent which are:

- Ensure the real (inflation adjusted) value of the fund is protected;
- Ensure the total grants distributed do not exceed 50% of the accumulated retained net income after allowing for the CPI movement and expenses;
- Ensure no more than 10% of the capital is distributed in any one year;

- Identify opportunities to grow the fund;
- Have a process for promoting the fund availability and allocating the fund;
- Monitor performance of investments by receiving and considering financial information.

The Statement of Intent has been prepared based on a long term return on investment of 7.26% before fund manager fees (previously 6.88% after fund manager fees). The grant distributions are based on the formula above, which reflects the discussions between trustees and Kiwi Wealth Limited, whereby in future distributions will be based on the understood long term sustainable return (7.26%). Hence, distributions will not increase in years where the return is higher than 7.26%, which will also support distributions in years where returns are lower than 7.26% or even negative. This is a continuation of prior years' practice.

The Investment Portfolio and Distribution Policy provides guidance to the Trustees in terms of the management and distribution of the fund. A compliance issue experienced over the past year following a structural change to the way in which investments are made by Kiwi Wealth Limited needs to be considered by Trustees. Specifically, this relates to the PIE investment Framework whereby investment in excess of the 7.5% cap are sometimes experienced. This was addressed and changed by Trustees at a previous meeting and is now reflected in the updated policy.

The draft Statement of Intent will be considered by the Strategy & Finance Committee at their 28 February 2018 meeting.

4. OPTIONS CONSIDERED

The Trustees have the ability to approve or decline this Statement of Intent being presented to Council. In any event, a draft is required to be provided to Council by 01 March each year as required by section 64 of the Local Government Act 2002.

5. CONCLUSION

The Trustees are asked to consider the draft Statement of Intent for the Waikato District Community Wellbeing Trust for provision to Council.

6. ATTACHMENTS

- Waikato District Community Wellbeing Trust Draft Statement of Intent for the year ended 30 June 2019
- Investment Portfolio and Distribution Policy

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2019

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2019

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Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2019

Introduction

This Statement of Intent (SOI) is presented by the Waikato District Community Wellbeing Trust (the Trust) as required by Section 64(1) of the Local Government Act 2002.

The SOI forms the basis for the accountability of the Trustees of the Trust to Waikato District Council, and sets out the objectives, scope of activities undertaken, and performance targets by which the Trust will be measured.

The purpose of this statement of intent is to:

- State publicly the activities and intentions of this council controlled organisation for the year and the objectives to which those activities will contribute;
- Provide a basis for accountability and transparency.

This Statement of intent covers the year to 30 June 2019 and also includes prospective financial information for the following two financial years.

Jacqui Church (Chair)

Entity information

Legal name

Waikato District Community Wellbeing Trust.

Type of entity and legal basis

The Trust was incorporated on 1 November 2010 under the Charitable Trust Act 1957 and is domiciled in New Zealand. On the same date the Trust was registered in accordance with the Charities Act 2005 to give it charitable status.

The Trust was established by Waikato District Council (WDC) and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002, by virtue of WDC's right to appoint the Trustees.

Waikato District Community Wellbeing Trust

Statement of intent

For the year ending 30 June 2019

Objectives of the Trust

The principal activities of the Trust are undertaken to:

- Promote the social, environmental and cultural wellbeing of the Waikato district and its communities;
- Deliver on the aspirations and community outcomes of the Waikato district as identified and promoted by the community; and,
- Fund projects identified by Council's planning documents.

Governance

The Trust will be governed in accordance with the terms of the Trust Deed.

Objective

1. To comply with the terms of the Trust Deed and in particular with the duties of the Trust as set out in clause 11 of the Deed.

Clause 11 of the Deed lists the Trust's objectives as:

- a) To consider and approve projects submitted by Waikato District Council (Council);
- b) To publicise the projects and activities of the Trust;
- c) To actively promote the work of the Trust with a view to ensuring the long term operations of the Trust;
- d) To ensure information about the Trust's activities and objectives is available to people within the area and fosters a sense of community achievement and betterment;
- e) To develop appropriate funding allocation mechanisms; and,
- f) To be guided by a clearly defined set of principles.

Performance measure

1. Undertake an annual legal review of compliance with the Trust Deed; no later than two months after the end of the financial year.

Investment

The Trust will, in accordance with the Trust Deed, invest or reinvest part or parts of the Trust Fund not immediately required for the purposes of the Trust (whether income or capital) in investments or securities, as the Trust Board considers beneficial to the Trust Fund. The Trust will also seek other opportunities and avenues for growing the trust Fund. The intention of the Trustees is that the real value of the Trust Fund is preserved.

Objective

1. To adhere to the Trust's *Management of Investment Portfolio and Distribution Policy*.
2. To review, on an annual basis, the investment mandate and the performance of the portfolio manager.

Performance measure

1. At each quarterly meeting, review compliance with the Trust's *Management of Investment Portfolio and Distribution Policy* during that quarter.

Waikato District Community Wellbeing Trust

Statement of intent

For the year ending 30 June 2019

Fund disbursement

The Trust will, as appropriate, disburse funds towards projects that meet the Trust's criteria and meet the objectives of the Trust Deed...

Objective

1. As per the *Management of Investment Portfolio and Distribution Policy*, to distribute total grants that do not exceed 50% of the accumulated net income after allowing for accumulated expenses, inflation movements and prior year distributions.

Performance measures

1. A distribution process is undertaken that distributes the annual fund to eligible recipients in accordance with funding targets set up by the Trustees in accordance with the *Management of Investment Portfolio and Distribution Policy* for the current year
2. Six monthly reports are received from all successful applicants within the required time frames.

Portfolio and distribution policy compliance

Agreed targets

1. Ensure that the real (inflation adjusted) value of the Fund is protected.
2. Ensure that no more than 10% of the capital is distributed in any one year.
3. Ensure there is diversification of investments with a 2% cap on the value of any single investment in the portfolio.
4. The portfolio investment manager will report regularly to the Trustees.
5. The Trustees will annually review the performance of the portfolio manager.

Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of five Trustees who oversee the governance of the Trust.

The operation and administration of the Trust are undertaken by staff of WDC. Those staff are: Finance Manager, PA to the General Manager-Strategy & Support, Community Development Coordinator and Financial Accountant.

The Trustees are:

Mayor	Allan Sanson
Councillor	Jacqui Church (Chair)
Councillor	Rob McGuire
WDC appointee	Eileen Bateup
WDC appointee	Judi Muru

Main sources of the Trust's cash and resources

The Trust's introductory fund was provided by distribution of the capital fund of the Waikato Foundation Trust.

The proceeds of that distribution are invested in a portfolio of financial assets managed by Gareth Morgan Investments. The returns from the portfolio are the Trust's source of continuing revenue.

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2019

Prospective statement of financial performance

	FY Budget		FY Forecast		
	2017/18	2017/18	2018/19	2019/20	2020/21
	\$	\$	\$	\$	\$
Revenue					
Finance income	52,582	102,839	61,429	62,374	63,206
Dividend income from portfolio of investments managed by Gareth Morgan Investments (GMI)	25,340	24,107	28,937	29,382	29,774
Realised gains on investments	-	177,135	113,718	115,467	117,007
Unrealised gains on investments	175,481	243,355	100,519	102,065	103,426
Total revenue	253,403	547,436	304,603	309,288	313,413
Expenses					
Audit fees	7,500	7,700	7,700	7,700	7,700
Portfolio management fees	24,439	23,552	26,013	26,413	26,765
Other expenditure	1,272	909	1,150	1,163	1,174
Grants	75,842	145,529	217,258	76,108	77,397
Unrealised losses on investments	-	-	-	-	-
Total expenses	109,053	177,690	252,121	111,384	113,036
Surplus/(deficit) for the period	144,350	369,746	52,482	197,904	200,377

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2019

Prospective statement of financial position

	FY Budget		FY Forecast		
	2017/18	2017/18	2018/19	2019/20	2020/21
	\$	\$	\$	\$	\$
Assets					
Current assets					
Bank accounts and cash	308,564	326,470	290,439	245,161	343,430
Other financial assets	3,354,531	3,870,093	3,970,612	4,072,677	4,176,103
Accrued interest	-	-	-	-	-
Total current assets	3,663,095	4,196,563	4,261,051	4,317,838	4,519,533
Total assets	3,663,095	4,196,563	4,261,051	4,317,838	4,519,533
Liabilities					
Current liabilities					
Creditors and other payables	85,784	215,386	227,392	86,275	87,593
Accrued expenses	7,540	7,700	7,700	7,700	7,700
Total current liabilities	93,324	223,086	235,092	93,975	95,293
Total liabilities	93,324	223,086	235,092	93,975	95,293
Net assets	3,569,771	3,973,477	4,025,959	4,223,863	4,424,240
Equity					
Introductory fund	2,579,899	2,579,899	2,579,899	2,579,899	2,579,899
Capital maintenance fund	403,364	406,932	486,402	566,921	651,398
Accumulated funds	586,508	986,646	959,658	1,077,043	1,192,943
Total net assets / equity	3,569,771	3,973,477	4,025,959	4,223,863	4,424,240

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2019

Prospective statement of cash flows

	FY Budget		FY Forecast		
	2017/18	2017/18	2018/19	2019/20	2020/21
	\$	\$	\$	\$	\$
Cash flows from operating activities					
Cash was received from:					
Interest receipts	52,582	102,841	61,429	62,374	63,206
Dividends received	25,340	24,107	28,937	29,382	29,774
Cash was applied to:					
Payments to donees	(241,297)	(118,798)	(205,529)	(217,258)	(76,108)
Payments to suppliers	(33,162)	(31,744)	(34,587)	(35,245)	(35,613)
Net cash flows from operating activities	(196,537)	(23,594)	(149,750)	(160,747)	(18,741)
Cash flows from investing and financing activities					
Cash was received from (applied to):					
Sale (acquisition) of investments	194,728	177,135	113,718	115,467	117,007
Net cash flows from investing and financing activities	194,728	177,135	113,718	115,467	117,007
Foreign exchange translation differences	-	-	1	2	3
Net increase (decrease) in cash for the year	(1,809)	153,541	(36,031)	(45,278)	98,269
add opening bank accounts and cash	310,373	172,929	326,470	290,439	245,161
Closing bank accounts and cash	308,564	326,470	290,439	245,161	343,430

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2019

Statement of accounting policies

Basis of preparation

The Board of Trustees has elected to apply PBE SFR-A (PS) *Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)* for Tier 3 entities on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2million.

Notwithstanding the comments above, the following Tier 2 PBE accounting standards have been applied:

PBE IPSAS 4 The effects of changes in foreign exchange rates; and,
 PBE IPSAS 29 Financial instruments: recognition and measurement.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

Goods and services tax

The Trust is not registered for GST. All amounts in the performance report are inclusive of GST.

Significant accounting policies

Interest and dividend revenue

Interest revenue is recognised as it is earned during the year.
 Dividend revenue is recognised when the dividend is declared.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand Dollars using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at the end of the period exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in surplus (deficit) for the year.

Grant expenditure

All grants made by the Trust are classified as discretionary.

Discretionary grants are those grants where the Trust has no obligation to award on receipt of the grant application. Such grants are recognised as expenditure when approved without condition by the Board and the approval has been communicated to the applicant. Discretionary grants made subject to conditions are recognised as expenditure when all conditions have been met.

Income tax

The Trust has charitable status and is exempt from income tax.

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2019

Statement of accounting policies (cont)

Bank accounts and cash

Bank accounts and cash comprise cash on hand and deposits held at call with financial institutions.

Investment portfolio

Components of the investment portfolio are classified as financial assets at fair value through surplus (deficit) for the year. The reason for this classification is that the portfolio is comprised of identified financial instruments which are managed together and for which there is evidence of short-term profit-taking.

All financial assets in the portfolio are classified as a current asset.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus (deficit) for the year.

Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2019

Forecast assumptions

1. Portfolio income

GMI have estimated an average return on the portfolio of 7.26% per annum before expenses. The split of the total return between interest, dividends and gains/losses is estimated using proportions calculated from an average of past results.

2. Expenses

Audit fees are estimated at \$7,700 for each of the four forecast years.

Portfolio management fees are assumed at a rate of 0.61% of the opening portfolio value in each year.

Other expenditure comprises annual return fees, bank charges, custodial fees (portfolio) and audit disbursements.

3. Grants expenditure

It is assumed that for the current year all outstanding grants will be paid by 30 June 2018.

It is further assumed that in subsequent years 80% of the maximum allowable distribution will be approved and fully paid by year end.

The maximum allowable distribution is set out in the *Management of Investment Portfolio and Distribution Policy*. Total grants must not exceed 50% of the accumulated net income after allowing for accumulated expenses, inflation movements and prior year distributions.

4. Creditors and other payables

Creditors and other payables are made up of the amount owing to Waikato District Council and the June portfolio management fee.

It is assumed that the total year-end balance owing to WDC is paid in full in the following year.

5. Accrued expenses

Accrued expenses is made up of audit and bank fees.

6. Equity

The Trust was established with an initial capital contribution resulting from the transfer of 35% of funds previously held by the Waikato Foundation Trust as at 31 January 2012. This was recognised as revenue in that year and transferred to the introductory fund.

The capital maintenance fund is made up of accumulated annual charges transferred from accumulated funds to maintain the real value of the Trust fund.

The accumulated funds and capital maintenance funds together represent the total net increase in the fund value since the inception of the Trust.

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2019

Other financial disclosures

Ratios

The Local Government Act 2002 requires a statement of intent to include the projected ratio of equity to total assets.

The ratio of equity to total assets is forecast as follows:

2017/18	94.7%
2018/19	94.5%
2019/20	97.8%
2020/21	97.9%

Compensation

The Trustees will not seek any fees or expenses for work undertaken on behalf of Waikato District Community Wellbeing Trust.

Information to be provided to the Trustees

The Trustees will be provided with the following information:

- Within four months of the end of the financial year the audited financial statements plus a summary of how the Trust has performed against its objectives and performance targets;
- Quarterly reports on the performance of investments; and,
- A draft statement of intent for consideration in February of each year.

Waikato District Community Wellbeing Trust

Investment Portfolio and Distribution Policy

Investment Manager

The Trustees have appointed Kiwi Wealth Limited as a portfolio investment manager to attend to all matters relating to the investment of the trust funds.

The Trustees have agreed an investment mandate under which the manager will operate namely 45% of the total portfolio to be invested in New Zealand fixed interest securities and 55% to be diversified across a range of equities both in New Zealand and overseas.

The mandate determines that the degree of investment risk that the Trustees are prepared to accept, is medium to low.

The Trustees instruct that there is to be a diversification of investments with a 7.5% cap on the value of any single investment in the portfolio.

The portfolio investment manager will report regularly to the Trustees, the reports covering the following:

- Market conditions and trends
- Schedule of investments held showing cost price, current market value and % of individual investments to the total portfolio.
- Schedule showing income received

The Trustees will advise the portfolio manager of an anticipated amount that they wish to have available for distribution at least three months before distribution date.

The Trustees will annually review the performance of the portfolio manager but as a general principle would regard a three year average as a preferred measure of performance.

Trustees' Accounting Policy

In determining the annual return on the investment portfolio the total of dividends and interest received plus any growth in the value of investments will be taken into account.

The Trustees shall each year add to the base capital an amount equivalent to the annual rate of inflation such that the "real value" of the investment fund is protected.

Each year the Trustees will record a new base capital being the original capital received plus the amount of inflation reserve added in previous years. Each year the calculation for the inflation adjustment will be made on the new base capital figure.

Trustees' Distribution Policy

In determining the level of funds available for distribution in any one year the Trustees have taken advice from the portfolio manager as to what a five year average return per annum could conservatively be expected from the mandated portfolio. The figure provided was 7.26% per annum.

The Trustees have agreed that the total grant disbursement will not exceed 50% of the accumulated net income after allowing for accumulated expenses, inflation movements and prior year distributions.

The Trustees will ensure that no more than 10% of the capital is distributed in any one year and have regard to growing the fund when determining the distribution.

The Trustees recognise that investment returns will fluctuate from year to year and will have regard to this before determining whether to distribute up to the maximum allowed under the policy in any one year. The Trustees would seek to have an amount in retained profits equal to at least a one year distribution in accordance with this policy.

Open Meeting

To	Waikato District Community Wellbeing Trust
From	Tony Whittaker Strategy & Support General Manager
Date	16 February 2018
Chief Executive Approved	Y
Reference #	CVN0102 / 1898906
Report Title	Annual Investment Mandate and Fund Manager Review

I. EXECUTIVE SUMMARY

The Trustees have an annual teleconference with the Fund Manager, to review performance and investment objectives and risk profile, with a view to reconfirming or amending the investment portfolio mix. A conference call with Roger Browne from Kiwi Wealth Limited (formerly Gareth Morgan Investments Limited) has been arranged for this meeting.

Trustees have requested information comparing fund manager performance with other funds. This is challenging given the need to compare like investment portfolio mixes to ensure a valid comparison. Attached is a report from Morningstar who is an investment research company offering a number of services including fund performance analysis. Rather than resourcing specific fund manager comparison data, at a cost to the Trust, this information is provided to the Trustees to determine whether it might meet their requirements, particularly given the quantum of the investment.

2. RECOMMENDATION

THAT the report from the General Manager Strategy & Support be received.

3. ATTACHMENTS

- Email dated 05 February 2018 from Roger Browne, Kiwi Wealth Limited
- KiwiSaver Survey December Quarter 2017
- Waikato Portfolio Projection Report 02 February 2018
- Waikato Kiwi Wealth Risk Profile Chart 02 February 2018
- Service Disclosure Statement for the Private Portfolio Service 24 November 2015
- Kiwi Wealth Limited Responsible Investment Policy
- Kiwi Wealth Limited Primary Disclosure Statement

From: [Tony Whittaker](#)
To: [Sharlene Jenkins](#)
Subject: FW: Portfolio Discussion - Waikato District Community Wellbeing Trust
Date: Monday, 12 February 2018 5:02:15 p.m.
Attachments: [2017_12 KiwiSaver Survey_Q4_2017.pdf](#)
[Waikato PortfolioCF020218.pdf](#)
[Waikato RiskProfile020218.pdf](#)
[Service Disclosure Statement - 24 November 2015 \(002\).pdf](#)
[Kiwi Wealth Responsible Investment Policy.pdf](#)
[Roger Browne disclosure statements.pdf](#)
[image001.png](#)

From: Roger Browne [mailto:Roger.Browne@kiwiwealth.co.nz]
Sent: Monday, February 05, 2018 12:59 PM
To: Tony Whittaker
Subject: Portfolio Discussion - Waikato District Community Wellbeing Trust

Hi Tony,

Thanks for your call. I am happy for you to call me at 9.30am on Thursday 22 February. My contact number 021 2110 552

I have attached a number of documents for your interest.

Morningstar Fund Manager KiwiSaver Survey

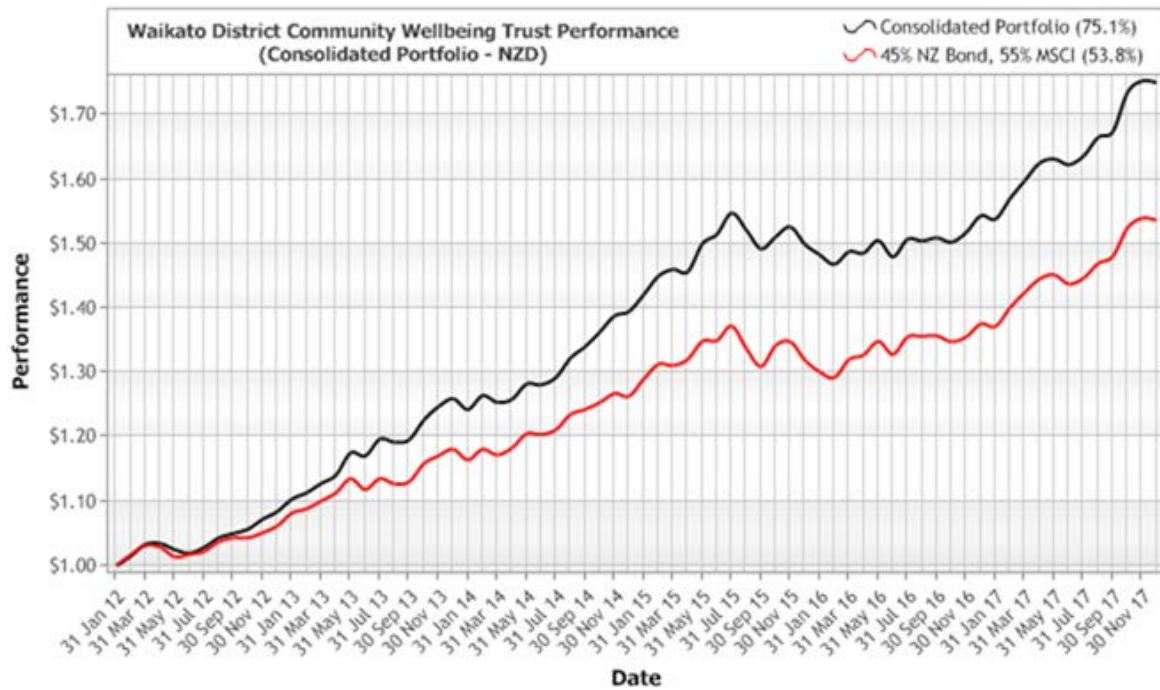
Attached is the most recent Morningstar KiwiSaver survey. Being a Kiwi Saver provider does result in more scrutiny of our returns data. The Private portfolio is very similar in structure, so Kiwi Saver is a good proxy for performance comparisons. We don't necessarily advocate looking over our shoulder at what peers are doing as our benchmarks can be different, as can the portfolio liquidity and quality. It is our client's understanding of our *benchmark* and our ability to deliver against that which is more important to us. The benchmark for managing global shares for example, is the world sharemarket index. That said, you may be interested in the research bearing in mind my comment above.

Highlights

KWKS Growth was #1 over 5 and 10 years (Aggressive Survey)

We aren't always at the top of the performance charts every year and don't expect to be, however believe it is that long term performance that is a better indicator of our strategy value add.

In terms of how we are doing against the agreed benchmark, being the red line, the chart indicates some significant value add.



What is the benchmark?

45% Fixed Interest:

We aim to perform better than a diversified government bond portfolio, that is a benchmark index for fixed interest where we invest 45% of your portfolio. The investments are in various quality corporate and government bonds.

55% Growth:

That benchmark is measured by the performance of a diversified world shares index – the MSCI. The portfolio is a very diversified mix of global shares across large liquid companies. Direct investment is across 1800 individual companies worldwide. The structure is very cost efficient as we are not paying other managers within the fund. We also apply a Responsible Investment Policy (attached).

We have agreed this is a balanced portfolio, reflecting longer term growth objectives with medium risk.

Questions to determine an appropriate mandate?

Purpose of the portfolio – income or growth or some combination. What drawings are required? The Portfolio CF document suggests drawings of between \$160k pa and \$190k pa inflation adjusted, would likely keep the capital inflation protected over the long term. I.e the buying power would remain the same. The only significant withdrawals since inception have been \$162k in July 15, and \$58k in June 17.

Investment timeframe - assume 10 years+

Risk tolerance - As a guide the balanced portfolio has an expected return as shown in the Risk Profile document. That being a return of 7.36%pa on average, with a range of return between negative 15% and positive 23% around 90% of the time. The actual return of the trust portfolio has been 9.9%pa after fees which is above the forecast figures. If you wish to mitigate downside risk, you can allocate more to fixed interest. The result will be lower expected long term return. If drawings are not anticipated, it doesn't seem prudent to have too much invested in low yielding fixed interest as chances are, over the long term, despite volatility, growth investments such as shares will outperform. The tax free nature of the trust does however make fixed interest returns relatively attractive for the risk, so an allocation of 45% while relatively high, can seem appropriate. A balanced strategy is a middle ground medium risk position.

My Disclosure Statements attached, our Service Disclosure details more about us.

Let me know any questions.

Regards Roger

Roger Browne | Authorised Financial Adviser
Kiwi Wealth Private Portfolio Service



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[Disclosure Statement](#)

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KiwiSaver Survey

December Quarter 2017

The fourth quarter of 2017 saw global markets continue to rise despite a local change in the government and continued offshore geopolitical uncertainty. The local share market finished the quarter with a return of 5.9% but was outpaced by the very strong 7.3% performance from global shares. It was a great finish to 2017 for KiwiSaver funds, with all options producing positive results. Average multisector category returns ranged from 5.82% for the aggressive category to 1.90% for the conservative category.

Chris Douglas
|30-Jan-18|

Morningstar's quarterly KiwiSaver Survey is designed to help New Zealand investors assess the performance and other key characteristics of their KiwiSaver superannuation options. The accompanying tables show KiwiSaver fund returns for the trailing one, three, and five years to 31 Dec 2017.

We hope you find it survey helpful and welcome any feedback.

Market Commentary

2017 was a great year for those investing in equities. The year finished with our local share market (S&P/NZX 50) delivering a result of 22.04%, despite some political uncertainty during the fourth quarter and a change in government. In fact, local investors shrugged off any uncertainty with a fourth quarter return of 5.90%.

Global equity markets also performed exceptionally well in 2017 as represented by the MSCI World Index, which posted an annual return of 20.01% and a quarterly result of 7.27%. Again, that was despite some geopolitical concerns between North Korea and the United States. But these results were trumped by the return of the MSCI Emerging Markets Index, which includes countries like Brazil, China, and India and was up a whopping 34.60% in 2017.

In other areas, Australian equities finished the year in fine form, with the S&P/ASX 200 up 9.06% for the quarter and 18.4% for the year, led by very strong performance from resource and mining companies. New Zealand listed property also posted a very respectable 9.11%, despite falling 4.71% in the final quarter of 2017. Our local property market was the only place that posted a negative return in the fourth quarter.

Fixed-income markets also posted healthy returns; the domestic fixed-income market delivered a quarterly return of 1.62% and annual return 5.62%, whereas global fixed income had a slightly more subdued 0.98% quarterly result and 4.02% for the year. In currency markets, the New Zealand dollar finished the year lower against all major currencies.

Quarterly Fund Manager Results

The strong performance of equity markets during the fourth quarter of 2017 resulted in KiwiSaver funds with a bias to growth assets outperforming their more defensive-minded counterparts. In general, it was an impressive quarter for KiwiSaver funds, with all options producing positive results during the three months. Average multisector Morningstar Category returns ranged from 5.82% for the aggressive category to 1.90% for the conservative category.

Top performers in the quarter against their peer group includes **Milford KiwiSaver Conservative** 2.53% (multisector conservative), **ASB KiwiSaver Scheme's Moderate** 2.96% (multisector moderate), **Milford KiwiSaver Balanced** 4.39% (multisector balanced), **Generate KiwiSaver Growth Fund** 6.23% (multisector growth), and **Booster KiwiSaver Geared Growth** 7.82% (multisector aggressive).

Pleasingly, all KiwiSaver funds managed to produce positive returns in the year across the multisector categories. During the past 12 months, the aggressive category has delivered 13.56% versus 3.63% for the conservative category.

It is most appropriate to evaluate the performance of a KiwiSaver scheme by studying its long-term returns. **Milford Active Growth KiwiSaver** tops all multisector categories during the trailing 10 years. This approach started off with a much greater bias to Australasian equities, but it has become more diversified as it has grown. Asset allocation does move around, and the strong performance has come from a bias to growth assets and exposure to Australasian credit.

Fisher Funds KiwiSaver Growth is another top performer from the growth and aggressive category in the trailing 10 years

to 30 Sept 2017. This approach has also evolved over time, from a small-cap portfolio of New Zealand, Australian, and global companies to a much more diverse and large-cap portfolio. **ANZ KiwiSaver** has been a notable performer, while **Aon Russell Lifepoints** has been one of the most consistent KiwiSaver performers across all multisector categories over the long term. Most of their options appear at or near the top of our multisector categories.

New Year's Resolution: Check your KiwiSaver Risk Profile

One of the best ways to ensure you can meet your retirement goals with KiwiSaver is to check your risk profile and ensure you are in the right fund for your time horizon and willingness to take on risk. Ideally, if you have a very long time till retirement, you should be looking at a growth-orientated KiwiSaver scheme (those in our multisector growth and aggressive categories). The performance may exhibit more ups and downs, but over the long term these funds should provide you with a better return.

And the evidence is there. The multisector growth and aggressive categories have out-performed those in the multisector conservative and moderate categories in seven of the past 10 calendar years. So, seek advice, or ask your KiwiSaver provider if they think you are in the right risk profile.

Market Share

KiwiSaver assets on the Morningstar database grew to NZD 45.6 billion at 31 Dec 2017 from NZD 35.7 billion at 31 Dec 2016. ANZ leads the market share with more than NZD 11.6 billion, accumulating NZD 2.2 billion in the past year. ASB remains in second position, with a market share of 18.3%. Westpac holds third spot ahead of AMP, while Fisher Funds sits in fifth spot.

The six largest KiwiSaver providers account for approximately 83% of assets on our database.

About This Survey

This survey groups KiwiSaver options according to their mix of income and growth assets, or "asset allocation." This is one of the most important decisions to make when saving for

retirement. The term “income assets” refers to cash and fixed-interest securities that generally produce stable and reliable returns but offer little opportunity for long-term capital growth. Returns from “growth assets” such as property and shares will be erratic—as recent market volatility has demonstrated—but over time have shown greater capacity for increasing in value. The mixture of income and growth assets is the major determinant of potential return and volatility.

Investors may notice differences between the returns published in this survey and those they see elsewhere. There are several possible reasons for this. First, the returns published here are after fees but before tax. Second, we take the associated tax credit into consideration when calculating and publishing these returns, while some fund managers base their published performance figures on month-end unit prices only. ■■

Chris Douglas is director of manager research ratings with Morningstar.

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Morningstar KiwiSaver Report: 31 December 2017

Please note:

- Past performance is not a guide to future performance. This year's best performers can easily be next year's worst.
- Understanding your risk profile, and the mix of growth and income assets is critical.
- Fees are the one constant that will always eat away at your returns. Take a close look at the cost of your KiwiSaver Scheme.

Snapshot

	Assets NZ\$M	Total Returns % p.a.				Member Fee \$/year	Total Annual Fund Charge 2017		Growth Assets %
		1-year	3-year	5-Year	10-Year		NZ Domiciled Assets %	%	
Default Options									
AMP (Default)	1388.2	6.3	5.1	5.6	4.8	23.40	0.42	68.7	20.3
ANZ Default Conservative (Default)	1065.5	6.0	5.2	6.0	5.9	24.00	0.55	42.0	20.5
ASB Conservative (Default)	3662.6	6.7	5.8	5.9	5.5	30.00	0.39	62.4	20.1
BNZ Conservative	498.1	7.3	5.5	--	--	23.40	0.58	54.4	20.0
Booster (Default)	48.0	6.2	5.4	--	--	*****	0.38	60.7	19.1
Fisher TWO Cash Enhanced (Default)	733.7	6.3	5.5	5.8	5.4	28.44	0.56	68.2	17.4
Kiwi Wealth Default	141.7	7.2	5.4	--	--	***	0.91	54.5	20.2
Mercer Conservative (Default)*	1089.7	6.4	5.8	6.6	5.7	30.00	0.63	55.1	21.0
Westpac Defensive (Default)	144.2	6.5	5.2	--	--	27.00	0.54	64.3	19.3
Peer Group Averages									
Default Options	8771.7	6.6	5.5	6.0	5.5	26.61**	0.55	60.66	19.8
Conservative (Including Default Options)	11330.2	6.6	5.5	6.5	5.9	27.00**	0.76	50.84	19.0
Moderate	6695.6	8.5	6.2	6.9	5.9	24.00**	1.01	45.53	34.4
Balanced	10322.4	11.8	8.1	9.5	6.4	25.50**	1.10	36.34	54.0
Growth	12530.1	15.7	10.0	11.7	7.3	24**	1.22	31.48	74.5
Aggressive	2456.6	18.5	10.7	12.3	5.7	30.00**	1.36	21.44	89.4
Quick Stats									
KiwiSaver Total Market Size		\$m	45,758						
Increase in Market Size last 3 months		\$m	2,519						
Largest Providers		\$m	11,634	ANZ/OneAnswer					
		\$m	8,356	ASB					
Number of Providers			16						
Number of Products			146						
Highest 3-month Performance this Quarter		%	7.8						
Lowest 3-Month Performance this Quarter		%	0.0						
Highest 12-Month Performance this Quarter		%	24.2						
Lowest 12-Month Performance this Quarter		%	1.6						
							Estimated KiwiSaver Market Asset Allocation %		
							Cash & NZ Bonds		33.4
							International Bonds		18.6
							NZ Unlisted Property		0.5
							NZ Listed Property		2.2
							International Listed Property		1.8
							NZ Shares		10.5
							Australian Shares		5.3
							International Shares		26.5
							Other		1.2
							Proportion in Income Assets:		52.0
							Proportion in Growth Assets:		48.0

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Multi Sector Options

	Assets NZ\$M	Total Returns % p.a				Member Fee \$/year	Total Annual Fund Charge 2017 %	NZ Domiciled Assets %	Growth Assets %				
		1-year	3-year	5-Year	10-Year								
Conservative													
AMP (Default)	1388.2	6.3	(12)	5.1	(13)	5.6	(12)	4.8	(10)	23.40	0.42	68.7	20.3
AMP ANZ Conservative	3.3	6.0	(19)	--	--	--	--	--	--	23.40	1.11	42.1	20.3
ANZ Conservative	706.6	6.0	(18)	4.9	(15)	5.8	(10)	5.7	(6)	24.00	0.94	42.1	20.3
ANZ Default Conservative (Default)	1064.3	6.0	(17)	5.2	(12)	6.0	(6)	5.9	(3)	24.00	0.55	42.0	20.5
Aon Russell Lifepoints 2015	4.9	8.0	(2)	6.3	(2)	7.4	(2)	6.8	(2)	49.80	1.05	22.0	20.3
Aon Russell Lifepoints Conservative	75.2	8.0	(2)	6.2	(3)	7.1	(3)	7.2	(1)	49.80	1.04	22.0	20.3
ASB Conservative (Default)	3662.6	6.7	(7)	5.8	(4)	5.9	(7)	5.5	(8)	30.00	0.39	62.4	20.1
BNZ Conservative	495.3	7.3	(4)	5.5	(7)	--	--	--	--	23.40	0.58	54.4	20.0
BNZ First Home Buyer	65.0	5.8	(20)	--	--	--	--	--	--	24.00	0.50	74.2	14.3
Booster (Default)	48.0	6.2	(14)	5.4	(10)	--	--	--	--	****	0.38	60.7	19.1
FANZ Lifestages Income	60.2	4.3	(21)	--	--	--	--	--	--	24.00	1.22	39.9	19.6
Fisher Conservative	595.2	6.5	(9)	5.6	(6)	6.1	(5)	--	--	36.00	0.99	63.7	18.4
Fisher TWO Cash Enhanced (Default)	732.5	6.3	(12)	5.5	(8)	5.8	(8)	5.4	(9)	28.44	0.56	68.2	17.4
Kiwi Wealth Conservative	584.1	7.1	(6)	4.8	(16)	5.7	(11)	5.6	(7)	***	1.11	32.9	16.0
Kiwi Wealth Default	141.7	7.2	(5)	5.4	(9)	--	--	--	--	***	0.91	54.5	20.2
Mercer Conservative (Default)*	1089.7	6.4	(10)	5.8	(5)	6.6	(4)	5.7	(5)	30.00	0.63	55.1	21.0
Milford Conservative	41.7	8.6	(1)	7.1	(1)	10.1	(1)	--	--	36.00	0.96	47.2	13.9
NZ Defence Force Conservative	2.0	6.1	(15)	--	--	--	--	--	--	30.00	0.84	55.1	21.0
OneAnswer Conservative	414.9	6.1	(15)	5.0	(14)	5.8	(9)	5.8	(4)	24.00	0.93	42.1	20.3
Simplicity Conservative	11.8	6.4	(11)	--	--	--	--	--	--	30.00	0.31	54.1	17.2
Westpac Defensive (Default)	143.2	6.5	(8)	5.2	(11)	--	--	--	--	27.00	0.54	64.3	19.3
Average		6.6		5.5		6.5		5.9		27.00**	0.76	50.8	19.0
Morningstar NZ Multi Sector Conservative Index		6.7		5.9		5.9		5.6					17.8

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Multi Sector Options

	Assets NZ\$M	Total Returns % p.a.					Member Fee \$/year	Total Annual Fund Charge 2017 %	NZ Domiciled Assets %	Growth Assets %			
		1-year	3-year	5-Year	10-Year								
Moderate													
AMP Income Generator	2.1	8.6	(7)	--	--	--	23.40	1.26	58.9	46.2			
AMP ASB Moderate	1.1	8.7	(6)	--	--	--	23.40	1.16	52.4	40.0			
AMP Nikko AM Conservative	1.4	8.9	(5)	--	--	--	23.40	1.36	11.1	31.6			
AMP LS Conservative	335.1	6.5	(19)	4.5	(14)	5.1	(10)	5.3	(9)	23.40	1.06	55.7	25.1
AMP LS Moderate	433.9	8.6	(9)	5.4	(12)	6.2	(6)	5.1	(10)	23.40	1.18	50.0	38.6
ANZ Conservative Balanced	895.8	8.6	(10)	6.2	(7)	7.5	(4)	6.4	(3)	24.00	0.94	37.8	35.3
ANZ Default Conservative Balanced	36.2	8.5	(11)	6.2	(8)	7.4	(5)	6.2	(4)	24.00	0.95	37.9	34.9
Aon Russell Lifepoints Moderate	20.8	11.4	(1)	8.1	(1)	9.2	(1)	7.4	(1)	49.80	1.10	25.9	40.4
ASB Moderate	1421.2	9.7	(3)	7.6	(2)	7.9	(2)	6.1	(5)	30.00	0.57	52.4	40.0
BNZ Moderate	333.4	10.2	(2)	7.0	(3)	--	--	--	--	23.40	0.90	35.6	35.1
Booster AC Conservative	16.5	7.3	(17)	6.0	(9)	--	--	--	--	*****	1.17	6.1	34.8
Booster Moderate	140.7	7.6	(15)	5.8	(10)	5.5	(9)	5.4	(8)	*****	1.11	52.4	28.0
Fisher TWO Conservative	129.8	6.9	(18)	5.7	(11)	6.2	(7)	5.6	(6)	28.44	0.98	68.1	25.0
Generate Conservative	116.9	7.9	(14)	6.5	(5)	--	--	--	--	36.00	1.26	86.3	25.6
Mercer Moderate*	67.4	8.1	(12)	--	--	--	--	--	--	30.00	0.78	49.2	36.5
NZ Defence Force Moderate	2.7	7.9	(13)	--	--	--	--	--	--	30.00	0.99	49.2	36.5
OneAnswer Conservative Balanced	163.3	8.6	(7)	6.2	(6)	7.6	(3)	6.5	(2)	24.00	0.93	37.8	35.3
Westpac Conservative	2294.5	7.3	(16)	5.4	(12)	6.0	(8)	5.5	(7)	27.00	0.71	53.0	24.9
Westpac Moderate	282.7	9.6	(4)	6.5	(4)	--	--	--	--	27.00	0.78	45.3	39.2
Average		8.5		6.2		6.9		5.9		24.00**	1.01	45.5	34.4
Morningstar NZ Multi Sector Moderate Index		8.8		6.9		7.3		6.1					30.5

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Multi Sector Options (continued)

	Assets NZ\$M	Total Returns % p.a.					Member Fee \$/year	Total Annual Fund Charge 2017		NZ Domiciled Assets		Growth Assets	
		1-year	%	3-year	5-Year	10-Year		%	%	%	%		
Balanced													
AMP Fisher TWO Balanced	39.3	10.7	(23)	7.6	(14)	8.6	(14)	6.0	(12)	23.40	1.37	57.3	51.4
AMP Global Multi-Asset	10.3	5.3	(25)	--	--	--	--	--	--	23.40	1.58	36.5	43.2
AMP Responsible Inv Bal	5.0	11.5	(13)	--	--	--	--	--	--	23.40	1.37	38.0	57.3
AMP ASB Balanced	4.6	12.6	(9)	--	--	--	--	--	--	23.40	1.16	36.8	60.1
AMP LS Balanced	883.2	12.0	(10)	7.0	(17)	8.0	(15)	5.4	(15)	23.40	1.25	39.2	58.8
AMP LS Moderate Balanced	606.5	10.2	(24)	6.2	(19)	7.2	(17)	5.1	(16)	23.40	1.24	45.7	48.4
ANZ Balanced	1929.1	11.2	(16)	7.6	(15)	9.3	(11)	6.9	(4)	24.00	0.99	31.4	50.4
ANZ Default Balanced	114.5	11.2	(18)	7.5	(16)	9.1	(12)	6.5	(10)	24.00	1.00	31.6	50.2
Aon ANZ Balanced	29.6	11.8	(11)	7.9	(10)	9.3	(10)	7.7	(1)	49.80	1.31	22.8	60.3
Aon Russell Lifepoints 2025	19.2	11.0	(22)	8.0	(9)	9.5	(8)	6.7	(6)	49.80	1.12	24.9	36.4
Aon Russell Lifepoints 2035	18.3	14.5	(2)	9.8	(3)	11.6	(2)	6.9	(5)	49.80	1.19	26.8	56.4
Aon Russell Lifepoints Balanced	125.6	14.9	(1)	10.0	(2)	11.4	(3)	7.3	(2)	49.80	1.18	27.8	60.4
ASB Balanced	1275.1	13.3	(4)	9.6	(4)	10.3	(4)	6.6	(8)	30.00	0.62	36.8	60.1
BNZ Balanced	265.8	12.6	(8)	8.3	(8)	--	--	--	--	23.40	1.00	32.4	49.6
Booster Balanced	414.0	11.2	(19)	7.8	(11)	7.9	(16)	5.6	(14)	*****	1.21	38.8	53.7
Booster SRI Balanced	32.8	11.2	(16)	8.6	(5)	--	--	--	--	*****	1.31	39.5	52.6
Fisher TWO Balanced	654.0	11.2	(19)	7.7	(12)	8.7	(13)	6.1	(11)	28.44	1.05	57.3	51.4
Kiwi Wealth Balanced	1429.2	13.1	(7)	6.8	(18)	9.7	(6)	6.5	(9)	***	1.13	20.0	54.8
Mercer Balanced*	328.0	11.3	(15)	8.4	(6)	9.7	(5)	6.0	(13)	30.00	0.93	37.2	57.0
Milford Balanced	190.7	13.3	(5)	10.2	(1)	12.1	(1)	--	--	36.00	1.20	32.2	57.7
NZ Defence Force Balanced	36.1	11.1	(21)	--	--	--	--	--	--	30.00	1.14	37.2	57.0
OneAnswer Balanced	511.0	11.3	(14)	7.7	(13)	9.4	(9)	7.1	(3)	24.00	0.98	31.4	50.4
Simplicity Balanced	50.2	11.5	(12)	--	--	--	--	--	--	30.00	0.31	35.6	52.7
Summer Investment Selection	45.4	14.2	(3)	--	--	--	--	--	--	****	--	51.3	61.1
Westpac Balanced	1304.9	13.2	(6)	8.3	(7)	9.5	(7)	6.6	(7)	27.00	0.84	39.5	58.8
Average		11.8		8.1		9.5		6.4		25.50**	1.10	36.3	54.0
Morningstar NZ Multi Sector Balanced Index		12.5		9.1		9.7		6.2					53.7

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Multi Sector Options (continued)

	Assets NZ\$M	Total Returns % p.a					Member Fee \$/year	Total Annual Fund Charge 2017		NZ Domiciled Assets %	Growth Assets %		
		1-year	3-year	5-Year	10-Year	%		%					
Growth													
AMP ANZ Balanced Plus	240.1	13.9	(26)	8.5	(20)	10.5	(16)	7.4	(6)	23.40	1.18	25.1	65.6
AMP ANZ Growth	7.1	16.3	(9)	--	--	--	--	--	--	23.40	1.31	20.6	80.0
AMP ASB Growth	4.6	15.6	(13)	--	--	--	--	--	--	23.40	1.23	31.6	80.3
AMP Nikko AM Balanced	46.9	15.5	(17)	9.7	(14)	10.4	(17)	6.3	(15)	23.40	1.53	44.3	73.3
AMP Nikko AM Growth	3.6	17.8	(2)	--	--	--	--	--	--	23.40	2.02	12.3	83.2
AMP LS Growth	685.3	15.4	(18)	8.3	(21)	9.6	(18)	5.0	(17)	23.40	1.29	32.8	78.7
ANZ Balanced Growth	1647.9	13.9	(25)	9.0	(18)	11.0	(12)	7.4	(7)	24.00	1.05	25.7	65.1
ANZ Default Balanced Growth	123.9	14.1	(23)	8.9	(19)	10.8	(13)	6.7	(14)	24.00	1.05	26.1	64.9
ANZ Default Growth	110.3	16.8	(6)	10.2	(10)	12.5	(7)	7.0	(10)	24.00	1.11	21.0	79.6
ANZ Growth	2592.8	16.7	(7)	10.2	(9)	12.7	(6)	7.8	(4)	24.00	1.10	20.6	80.0
Aon Nikko AM Balanced	8.5	15.6	(15)	10.0	(11)	10.5	(15)	6.9	(11)	49.80	1.47	44.3	73.3
Aon Milford	131.0	15.5	(16)	11.8	(2)	13.9	(2)	--	--	49.80	1.16	43.3	75.0
Aon Russell Lifepoints 2045	16.5	17.3	(4)	11.2	(5)	13.3	(3)	6.8	(12)	49.80	1.23	29.7	72.3
Aon Russell Lifepoints Growth	36.4	17.5	(3)	11.3	(4)	13.0	(4)	7.3	(8)	49.80	1.26	29.7	75.3
ASB Growth	1573.3	16.4	(8)	11.4	(3)	12.4	(8)	6.8	(12)	30.00	0.66	31.6	80.3
BNZ Growth	260.1	15.8	(12)	9.8	(13)	--	--	--	--	23.40	1.10	35.5	68.8
Booster Balanced Growth	239.0	14.2	(22)	9.3	(15)	9.6	(19)	--	--	*****	1.26	34.2	73.3
Fisher Growth	1503.2	16.1	(10)	10.5	(7)	11.5	(9)	7.9	(2)	36.00	1.45	40.5	74.8
Fisher TWO Growth	297.5	14.2	(20)	9.1	(16)	10.6	(14)	5.9	(16)	28.44	1.17	50.5	68.0
Generate Growth	240.1	19.1	(1)	10.7	(6)	--	--	--	--	36.00	1.57	38.3	75.2
Mercer Growth*	64.1	14.5	(19)	--	--	--	--	--	--	30.00	1.07	27.9	75.3
Milford Active Growth	846.1	15.6	(13)	11.9	(1)	14.0	(1)	12.8	(1)	36.00	1.08	43.3	75.0
NZ Defence Force Growth	11.7	14.2	(21)	--	--	--	--	--	--	30.00	1.28	27.9	75.3
OneAnswer Balanced Growth	454.2	14.1	(23)	9.0	(17)	11.1	(11)	7.6	(5)	24.00	1.03	25.7	65.1
OneAnswer Growth	353.0	16.9	(5)	10.3	(8)	12.8	(5)	7.9	(3)	24.00	1.08	20.6	80.0
Westpac Growth	1032.8	16.0	(11)	9.8	(12)	11.4	(10)	7.2	(9)	27.00	0.90	35.4	78.4
Average		15.7		10.0		11.7		7.3		24.00**	1.22	31.5	74.5
Morningstar NZ Multi Sector Growth Index		15.3		10.5		11.3		6.6					71.7

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Multi Sector Options (continued)

	Assets NZ\$M	Total Returns % p.a.				Member Fee \$/year	Total Annual Fund Charge 2017		Growth Assets %				
		1-year	3-year	5-Year	10-Year		NZ Domiciled Assets %						
Aggressive													
AMP LS Aggressive	291.7	17.1	(5)	9.1	(6)	10.6	(5)	4.9	(3)	23.40	1.39	27.2	89.0
Booster AC Growth	55.3	17.1	(5)	10.5	(4)	--	--	--	--	*****	1.30	13.4	85.5
Booster Geared Growth	13.1	22.5	(2)	13.2	(1)	13.3	(2)	--	--	*****	2.62	19.8	97.2
Booster High Growth	199.8	16.1	(9)	10.2	(5)	11.1	(4)	4.9	(4)	*****	1.31	28.8	83.5
Generate Focused Growth	299.0	23.9	(1)	11.7	(2)	--	--	--	--	36.00	1.74	17.1	94.5
Kiwi Wealth Growth	1242.1	19.2	(3)	8.4	(7)	13.5	(1)	6.6	(1)	***	1.18	9.2	90.8
Mercer High Growth*	146.1	17.2	(4)	11.6	(3)	13.0	(3)	6.6	(2)	30.00	1.10	27.0	90.2
NZ Defence Force High Growth	11.8	16.9	(7)	--	--	--	--	--	--	30.00	1.31	27.0	90.2
Simplicity Growth	197.8	16.4	(8)	--	--	--	--	--	--	30.00	0.31	23.4	83.8
Average		18.5		10.7		12.3		5.7		30.00**	1.36	21.4	89.4
Morningstar NZ Multi Sector Aggressive Index		17.8		11.8		12.9		6.3					85.3

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Morningstar KiwiSaver Report: 31 December 2017

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Single Sector Options

	Assets NZ\$M	Total Returns % p.a.					Member Fee \$/year	Total Annual Fund Charge 2017		NZ Domiciled Assets %	Growth Assets %		
		1-year	3-year	5-Year	10-Year								
Cash													
AMP Cash	82.5	1.6	(14)	2.2	(13)	2.4	(11)	3.3	(6)	23.40	0.85	100.0	0.0
ANZ Cash	358.1	2.3	(5)	2.7	(2)	2.9	(3)	--	--	24.00	0.41	100.0	0.0
ANZ Default Cash	5.1	2.3	(6)	2.6	(6)	2.9	(4)	3.5	(4)	24.00	0.42	100.0	0.0
Aon ANZ Cash	3.9	1.9	(11)	2.2	(12)	2.4	(12)	3.2	(10)	49.80	0.78	100.0	0.0
Aon Nikko AM Cash	1.6	2.3	(4)	2.6	(5)	2.9	(4)	3.7	(2)	49.80	0.79	100.0	0.0
ASB NZ Cash	424.3	2.0	(9)	2.6	(8)	2.8	(8)	3.3	(7)	30.00	0.34	100.0	0.0
BNZ Cash	130.4	2.5	(3)	2.6	(6)	--	--	--	--	23.40	0.30	100.0	0.0
Booster Enhanced Income	15.9	1.8	(13)	2.3	(11)	2.7	(10)	3.7	(1)	*****	0.82	100.0	0.0
Fisher TWO Preservation	27.0	2.5	(2)	2.7	(3)	2.9	(2)	3.6	(3)	28.44	0.66	100.0	0.0
Kiwi Wealth Cash	136.7	2.8	(1)	3.1	(1)	3.3	(1)	--	--	***	0.70	100.0	0.0
Mercer Cash*	15.2	2.0	(10)	2.6	(9)	2.9	(4)	3.4	(5)	30.00	0.37	100.0	0.0
NZ Defence Force Cash	0.3	1.9	(11)	--	--	--	--	--	--	30.00	0.57	100.0	0.0
OneAnswer Cash	36.6	2.2	(8)	2.6	(10)	2.8	(9)	3.2	(8)	24.00	0.54	100.0	0.0
Westpac Cash	318.5	2.2	(7)	2.7	(3)	2.9	(4)	3.2	(9)	27.00	0.44	100.0	0.0
Fixed Interest													
AMP NZ Fixed Interest	0.4	5.2	--	--	--	--	--	--	--	23.40	0.85	93.4	0.0
AMP International Fixed	0.4	2.2	--	--	--	--	--	--	--	23.40	1.00	--	0.0
OneAnswer International Fixed Interest	2.4	2.3	3.2	3.9	5.7	5.7	5.7	5.7	5.7	24.00	0.83	0.1	0.0
OneAnswer New Zealand Fixed Interest	6.6	5.1	4.7	3.8	5.5	5.5	5.5	5.5	5.5	24.00	0.62	100.0	0.0
International Share													
AMP International Shares	2.6	19.4	(5)	--	--	--	--	--	--	23.40	1.40	--	100.0
AMP Passive International	2.3	18.8	(7)	--	--	--	--	--	--	23.40	0.93	1.8	98.3
FANZ Lifestages High Growth	53.0	17.6	(9)	--	--	--	--	--	--	24.00	1.42	18.2	98.5
Booster International Share	11.2	18.7	(8)	11.4	(2)	13.7	(2)	--	--	*****	1.36	3.0	97.0
Fisher TWO Equity	98.7	19.3	(6)	10.6	(4)	12.6	(3)	4.9	(2)	28.44	1.29	32.1	93.0
Mercer Shares*	16.8	21.0	(2)	--	--	--	--	--	--	30.00	0.96	25.0	98.9
NZ Defence Force Shares	5.2	20.8	(3)	--	--	--	--	--	--	30.00	1.16	25.0	98.9
OneAnswer International Share	45.9	24.2	(1)	14.0	(1)	15.5	(1)	7.5	(1)	24.00	1.10	0.1	99.9
OneAnswer Sustainable Growth	7.2	20.6	(4)	10.6	(3)	12.2	(4)	--	--	24.00	1.45	2.5	97.5
Property													
AMP Property	1.4	9.8	--	--	--	--	--	--	--	23.40	1.20	--	100.0
OneAnswer Australasian Property	17.9	13.4	10.4	13.0	8.1	8.1	8.1	8.1	8.1	24.00	1.07	0.1	99.9
OneAnswer International Property	8.3	8.0	5.5	9.8	5.4	5.4	5.4	5.4	5.4	24.00	1.08	0.1	99.9

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Single Sector Options (continued)

	Assets NZ\$M	Total Returns % p.a					Member Fee \$/year	Total Annual Fund Charge 2017		NZ Domiciled Assets		Australian Assets	
		1-year	3-year	5-Year	10-Year	%		%	%	%			
Australasian Equity													
AMP Australasian Shares	1.1	16.6	(4)	--	--	--	23.40	1.17	79.2	20.8			
Booster Socially Responsible	35.0	16.9	(3)	11.2	(3)	9.8	*****	1.36	30.8	4.7			
Booster Trans-Tasman Share	7.1	17.1	(2)	12.5	(2)	6.5	*****	1.23	61.5	38.5			
OneAnswer Australasian Share	28.3	20.4	(1)	12.7	(1)	15.5	24.00	1.07	91.4	8.6			
Miscellaneous													
Booster Capital Guaranteed	46.6	2.8		2.7	--	--	*****	0.90					
Booster Options	94.0	11.3		8.3	--	--	*****	1.15					
Kiwi Wealth Cash Plus	92.1	3.2		3.1	3.3	--	***	0.80					
NZ Funds Growth	101.0	17.0		6.7	11.7	--	36.00	2.26					
NZ Funds Income	21.8	4.4		3.9	3.8	--	36.00	1.14					
NZ Funds Inflation	76.2	8.3		3.7	5.7	--	36.00	1.36					
Westpac Capital Protect Plan 1	13.0	21.1		12.1	14.4	--	27.00	1.58					
Westpac Capital Protect Plan 2	10.7	21.1		12.1	14.4	--	27.00	1.58					
Westpac Capital Protect Plan 3	16.7	21.2		12.1	14.4	--	27.00	1.58					
Westpac Capital Protect Plan 4	23.9	21.2		12.1	14.4	--	27.00	1.58					
Westpac Capital Protect Plan 5	19.7	21.2		12.1	14.4	--	27.00	1.58					

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Market Share Analysis

	AUM, Dec 2017				AUM, Dec 2016				AUM, Dec 2015				AUM, Dec 2014		
	\$M	%	Rank	Rank Change	\$M	%	Rank	Rank Change	\$M	%	Rank	Rank Change	\$M	%	Rank
By Provider															
AMP	5084.0	11.1	(4)		4377.0	11.9	(4)	▼	3878.7	12.6	(3)		3440.1	13.7	(3)
ANZ/OneAnswer	11634.1	25.4	(1)		9448.5	25.7	(1)		7946.2	25.7	(1)		6320.8	25.3	(1)
Aon	491.6	1.1	(12)	▼	407.7	1.1	(11)		360.0	1.2	(11)		301.5	1.2	(11)
ASB	8356.5	18.3	(2)		6744.3	18.4	(2)		5696.3	18.4	(2)		4676.3	18.7	(2)
BNZ	1550.1	3.4	(8)	▲	1055.7	2.9	(9)		736.2	2.4	(9)		450.7	1.8	(9)
Booster	1369.0	3.0	(9)	▼	1114.5	3.0	(8)		958.8	3.1	(8)		800.7	3.2	(8)
Fisher Funds	4038.0	8.8	(5)		3350.5	9.1	(5)		2885.6	9.3	(5)		2431.8	9.7	(5)
FANZ	113.2	0.2	(15)	▼	86.1	0.2	(14)		--	--			--	--	
Generate	656.0	1.4	(11)	▲	343.3	0.9	(12)		139.4	0.5	(12)	▲	36.1	0.1	(13)
Kiwi Wealth	3625.8	7.9	(6)		2865.3	7.8	(6)		2463.9	8.0	(6)		1972.4	7.9	(6)
Mercer	1797.0	3.9	(7)		1562.4	4.3	(7)		1350.0	4.4	(7)		1024.1	4.1	(7)
Milford	1078.5	2.4	(10)		747.2	2.0	(10)		530.0	1.7	(10)		390.9	1.6	(10)
NZ Funds	199.0	0.4	(14)	▼	153.4	0.4	(13)		126.6	0.4	(13)	▼	91.1	0.4	(12)
Simplicity	259.8	0.6	(13)	▲	68.6	0.2	(15)		--	--			--	--	
Westpac	5460.5	11.9	(3)		4410.7	12.0	(3)	▲	3688.0	11.9	(4)		3009.5	12.0	(4)
Forsyth Barr IML	45.4	0.1	(16)		--	--			--	--			--	--	
Closed/Merged Providers															
Brook, Mid 2014													--	--	
FirstChoice, End 2014									31.6	0.1	(14)		--	--	
Staples Rodway					--	--			59.2	0.2	(14)		51.8	0.2	(13)
Forsyth Barr					--	--			27.4	0.1	(16)		22.2	0.1	(15)
Total	45,758				36,735				30,878				25,020		

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Portfolio Projection Report

Date: 2 February 2018

Prepared for:

Waikato

Portfolio Details:

<i>Start Year</i>	2018	<i>Value at the Start</i>	4,096,000
<i>Accumulation Period -1 Years</i>	2017	<i>Target End Value</i>	0
<i>Portfolio Horizon 26 Years</i>	2044	<i>Assumed Tax Rate</i>	0.00%
		<i>Assumed Fee</i>	0.55%

Cashflow Input as todays dollars and indexed to inflation

<i>Annual Contribution in Accumulation period</i>	0
<i>Annual Withdrawal in Decumulation period</i>	-195,000
<i>Annual Withdrawal in Decumulation if Shock</i>	-160,000

Portfolio Asset Allocation

<i>% Growth</i>	55%
<i>% Defensive</i>	45%

Investment Return Assumptions

Model Long Run Return Inputs

Inflation	2.50%
Cash	5.00%
Fixed Income	5.75%
Growth/Equities	8.50%
Active Return	0.69%

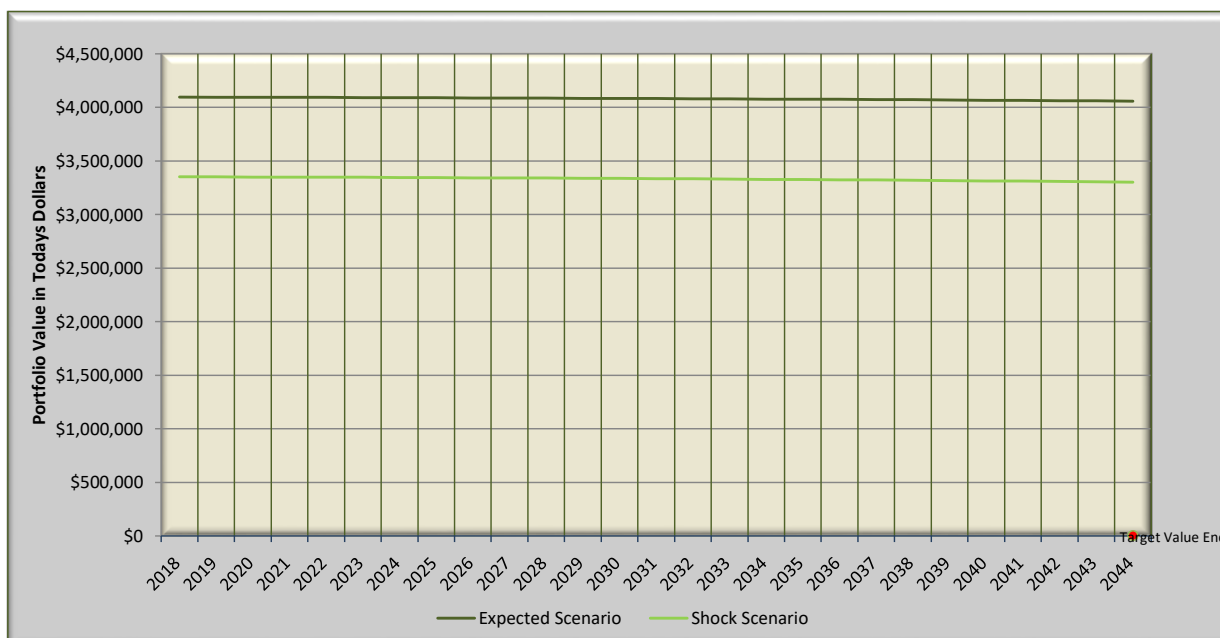
Model Returns & Cash Analysis

	Annual %	Annual \$
Gross Return	7.9%	325,530
<i>Less Fee (GST Incl)</i>	0.6%	24,050
<i>Less Tax</i>	0.0%	-
Net in the Hand	7.4%	301,480
<i>Less Inflation</i>	2.5%	102,400
Real after Inflation	4.9%	199,080

One off Payments Detail

Year	Amount	Year	Amount

Chart of Projected Portfolio Value in Todays Dollars



Summary

The Chart shows the expected value of the portfolio in today's dollars over the horizon in relation to a targeted end value.

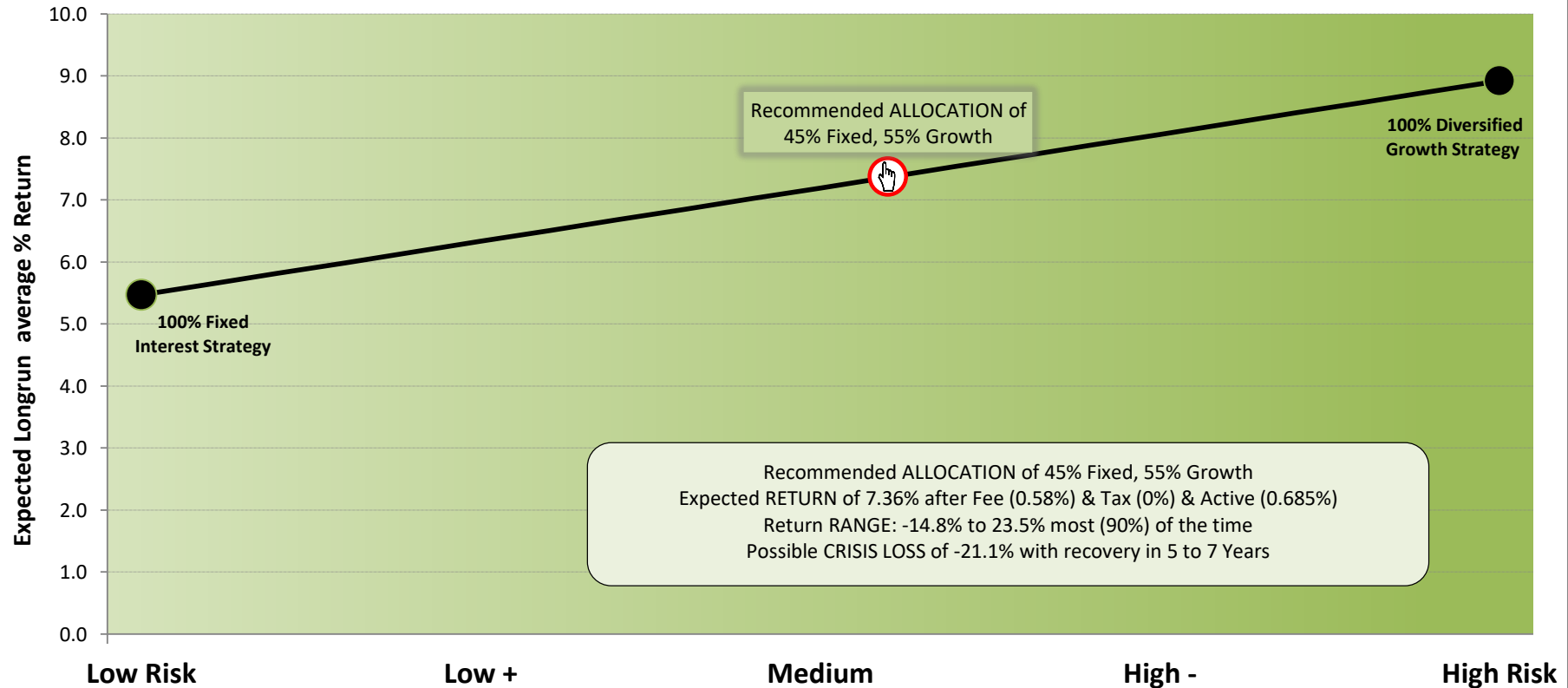
It is based on two scenarios:

- 1) The "Expected Scenario" shows what would happen if the assumed returns and contributions/withdrawals occur
- 2) The 'Shock Scenario' shows the same portfolio but with a one off shock if growth assets were to fall by 1/3rd in 2018

The projection estimates that the Portfolio would be different from the end target, in today's dollars, by 4,057,800 and 3,302,000 if there was a shock.

Note: This report is only for the purposes of client discussion with a Kiwi Wealth Private Wealth Adviser in the course of providing authorised investment advice. The report should not be the sole basis for making investment decisions and must be considered in the context of wider investor objectives and the inherent uncertainty of investment returns. Investments should be regularly reviewed as circumstances change.

Kiwi Wealth Risk Profile Chart



Kiwi Wealth Risk Profile is based on assumptions and the results shown in this chart are estimates only. Assumptions used to prepare this chart are:

- A portfolio mandate of 45% Fixed, 55% Growth with Kiwi Wealth management fees of 0.58% and your current tax rate of 0 %
- Future risk will be similar to past risk. Past risk has been estimated by using 20 years of historical market data.
- Returns are based on long term 50 year averages. Return assumptions are: real rate of 2.5% + inflation rate of 2.5% + a risk premium.
- Risk premia assumed are: Shares = 3.5%, Fixed Interest = 0.75%.
- Active management value add of 0.685% has been included



Service Disclosure Statement (SDS) for the Private Portfolio Service

Prepared on 24 November 2015

The Private Portfolio Service is provided by Gareth Morgan Investments Limited Partnership (GMI)

This document gives you important information about this service to help you decide whether you want to invest using this service. GMI has prepared this document in accordance with the Financial Markets Conduct Act 2013. GMI's advisers and Kiwibank Limited's Wealth Advisers can also give you financial advice to help you decide if this service is appropriate for you.

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1. What is this?

This is a discretionary investment management service (**DIMS**) provided by GMI. Under a DIMS, the provider invests your money on your behalf in financial products, such as funds, shares, bank deposits and government bonds, and charges fees for the service. You will hold the financial products through a custodian. The types of investments that GMI can invest your money in, and the fees, are described in the Investment Proposal that must be made available to you.

You will be relying on the investment decisions that GMI makes. The value of the investments made for you may go up or down.

2. Who provides this service?

GMI is a New Zealand owned and operated investment management business. It is licensed to provide a DIMS under the Financial Markets Conduct Act 2013 (FMCA). GMI is owned by Kiwi Wealth Management Limited which is owned by Kiwi Group Holdings Limited – the same company which owns Kiwibank Limited. As Kiwi Group Holdings is owned by New Zealand Post Limited, GMI is part of the NZ Post Group. Your Portfolio does not represent deposits or liabilities of Kiwibank Limited (other than where your Portfolio makes investments with Kiwibank Limited).

The board of directors (**Board**) of GMI General Partner Limited (the managing partner of GMI) are responsible for the actions of GMI. The Investment Management Team make the investment decisions about the financial products held in the Private Portfolio Service, within the approved investment guidelines.

Profiles of the Board and the Investment Management Team are available on our website www.gmi.co.nz.

GMI's contact details are listed in section 10.

Who else is involved?

	Name	Role
Custodian	Portfolio Custodial Nominees Limited (PCN).	To safeguard the assets of the service for the clients of the service, to keep accurate records of clients' holdings in the service and report to clients regularly on their holdings. PCN is a related company of GMI and a permitted custodian under GMI's DIMS licence conditions.

PCN may be contacted using GMI's contact details in section 10.

3. How the Private Portfolio Service works

If you have at least \$100,000 to invest, you can invest in the Private Portfolio Service. You choose, with help from one of our Authorised Financial Advisers, the percentage of your money you want allocated to each of GMI's two strategies (Growth and Fixed Interest). This is called your **Investment Allocation**. GMI's Investment Management Team choose, monitor, and change the investments within each strategy, with the objective of delivering (or exceeding) the performance objective for each strategy.

The investment strategies

Our investment strategy is to carefully grow your wealth by allocating your Portfolio across our Growth and Fixed Interest strategies in line with your Investment Authority.

We are an active global investment manager with a focus on preserving capital and careful growth through actively managed portfolios that are globally diversified and liquid.

The Growth strategy aims to deliver long-term growth, by building a diversified and liquid global portfolio that actively invests in a broad range of higher volatility investments (i.e. investments for which returns may vary by greater degrees, and with greater frequency).

The Investment Management Team makes a top down allocation to countries, sectors, currencies and investment styles, and a bottom up allocation to individual investments. The Growth

strategy may contain any investments consistent with the approved Growth strategy investment guidelines, including shares, funds, exchange traded funds, commodities, currencies and derivatives.

The Fixed Interest strategy seeks to provide a lower-risk diversified strategy that generates income with less volatility than the Growth strategy. The Fixed Interest strategy may invest in any fixed interest investments (e.g. government and corporate bonds, term deposits and cash) consistent with the approved Fixed Interest strategy investment guidelines, including derivatives and investments in credit markets.

We may trade (buy or sell investments) at any time to capitalise on developments in the markets. This may be to invest portions of each strategy in cash at any time to preserve capital when markets are expected to be weak, and for liquidity, or to reduce cash holdings and purchase more growth or fixed interest investments when markets are improving. Both strategies must be invested according to guidelines set by the Board (through its sub-committees), which place limits on the exposure to individual issuers and certain types of investments.

We use currency hedging to reduce the risk on returns that can arise from the change in value of one currency against another.

The benchmark for hedging exposure to foreign currencies through the Growth strategy is currently 50%, meaning that the New Zealand dollar exposure is 50%

of the portfolio. We may hedge more or less than the 50% benchmark, depending on market conditions. For the Fixed Interest strategy, currency exposure is usually fully New Zealand dollar hedged. We have discretion to adjust the currency hedges and exposures.

Amendments to the investment strategy (e.g. permitted investments, approach to portfolio composition), are overseen by our Investment Governance Committee based on recommendations made by our Investment Management Team. We will notify you of any changes.

The Investment Management Team

GMI has an experienced in-house Investment Management Team who decide the themes for, and specific investments to hold in, each strategy. Up-to-date profiles of the Investment Management Team are available on our website at any time.

The Adviser Team

We have a dedicated team of Authorised Financial Advisers who are able to assist you in determining whether the Private Portfolio Service is appropriate for you, and who can recommend an Investment Allocation to help meet your identified financial goals.

The Operations Team

GMI operates its own investment platform, and has a team of specialists who ensure your money and investments are accounted for, and who provide regular reports on the valuation and movements of the investments in your Portfolio.

Fees and expenses

GMI charges fees for, and incurs expenses in, providing you with the Private Portfolio Service. These fees and expenses, which are summarised below, are deducted from your holdings. The fees may change in the future. We will give you one month's prior notice before we increase our fees, introduce new fees, or change the way we deduct expenses if it is likely to increase the amount of expenses you pay.

One-off establishment fee: You will be charged a one-off establishment fee of \$537.50 (including GST¹) to cover the costs of setting up your Portfolio.

Annual management fee: Depending on the size of your Portfolio and your Investment Allocation, you will be charged an ongoing annual management fee of between 0.27% and 1.64% of your Portfolio, including GST^{1,2}.

The fees slide incrementally, depending on your Portfolio value at the end of each month.

¹ Half of each fee is GST exempt which means GST is effectively charged at 7.5%.

² In most cases the management fee is fully tax deductible. Minimum monthly fees of (including GST) \$72 (Portfolios up to \$500,000) or \$268.75 (Portfolios \$500,000 and over) apply. If your Portfolio value drops below \$100,000, these minimum monthly fees may exceed 1.64% of your Portfolio.

Other fees and expenses

In addition, you will be charged sub-custody fees, brokerage, capital costs of acquiring or disposing of assets, and costs for hedging. Any fund we select for your portfolio may charge management and trustee fees. Those fees may be charged either directly to your client account or reflected in the return of those funds.

You may also be charged other fees on an individual basis for investor-specific decisions or actions (such as changing your client type).

More information

Further detail on fees and expenses can be found in the Investment Proposal provided to you.

Becoming a client

The terms of the Private Portfolio Service are set out in the agreement you enter with GMI (**Client Agreement**). To join the service, you must complete an application form. By signing the application form you enter into the Client Agreement and grant GMI the authority to manage your money (your **Investment Authority**).

The investment strategy to be applied in respect of you is described in the

Investment Proposal that has been made available to you. The Investment Proposal also contains your Investment Authority and sets out how GMI proposes to manage your investment. You can obtain a copy of your Investment Proposal from GMI at any time using the contact details set out in section 10. Your Investment Authority authorises GMI to invest your money in accordance with your Investment Allocation, and to use its discretion to buy, sell and vote on the specific investments held in your Portfolio.

The Investment Authority ends when you terminate the Client Agreement by giving us written notice.

The investments in your Portfolio will be held by (and in the name of) PCN on your behalf and for your benefit. PCN will also exercise any rights over these financial products, such as voting rights, on GMI's instruction. Because the Investment Authority you grant us gives us full discretion to deal with the investments (also known as 'financial products') in your Portfolio, you cannot give instructions to exercise rights over (such as voting rights), or to take any specific actions (such as buying or selling) relating to, your financial products. You also do not have a right to be consulted on, or countermand, GMI's decisions.

PCN holds these investments in pooled accounts with banks and sub-custodians. The main sub-custodian PCN uses is JBWere (NZ) Nominees Limited.

Regular transaction cycle

We operate on a regular transaction cycle (weekly for our related funds (see section 5) and monthly for directly held assets). This means that, unless otherwise agreed with you, transactions usually occur during the next relevant cycle after instructions are received or the need to transact otherwise arises.

Deposits

You can make deposits by cheque, or by bank transfer, and may be able to make deposits in foreign currencies. Any deposits you make will be banked in the custodian's trust account and you will earn interest (if applicable) from when they are deposited until they are invested according to your Investment Allocation.

GMI's standard approach is to invest your funds in full at the earliest available opportunity. This is usually during the next regular transaction cycle (which starts at the beginning of each month), unless you have agreed otherwise with a GMI adviser.

Please see the Go-to Guide for further details on how to make deposits.

Withdrawals

Once the required authority forms have been completed, you can make withdrawals (either one-off or regular) by emailing or writing to GMI at the addresses in section 10. Unless GMI agrees otherwise, all withdrawals will be paid in New Zealand dollars to your nominated bank account.

GMI may need to ask you for more information before it can pay a withdrawal to you, to comply with regulatory requirements.

Termination

When you terminate the Client Agreement, usually GMI will sell the investments held in your Portfolio and pay the proceeds to your bank account. In some circumstances (for example, if you hold illiquid or unmarketable investments) GMI may not be able to sell certain investments. GMI will either transfer those investments into your name (if it is possible to do so) or hold them on your behalf.

If you want GMI to transfer the investments to you instead of selling them, GMI will transfer them into your name if it is possible for us to do so.

GMI will sell or transfer your investments during its regular transaction cycle, so it may take a few weeks to receive the proceeds of your investment.

4. Risks of using this service

Investing through this service has risks. Under this service, you give up control over investment decisions, and rely on GMI's decisions. All investments have a degree of risk. The value of your financial products may go down as well as up. You may not achieve the returns you expect and may not receive all your investment back.

The table below outlines what we see as the key risks associated with investing

in the Private Portfolio Service, how likely we think it is that they'll arise and how severe the impact would be on you if each risk arose.

These risks are predominantly associated with the nature of the Private Portfolio Service and the frequency with which GMI processes withdrawals and deposits.

Risk	Likelihood	Significance
Portfolios are rebalanced at the regular transaction cycle, so there may be some delay between you instructing GMI to sell, or amend, your Portfolio and when that is actually implemented. This delay may result in a significant loss in value if there is an adverse market event during that time.	Low. Large-scale adverse market events are rare.	Potentially high. Depending on the portfolio allocation a large market event could result in significant losses.
There is a possibility that the Portfolio could include specific investments for which there is no market for re-sale (such as an impaired asset), reducing the value of the Portfolio.	Low. GMI actively monitors assets held and the companies issuing them.	Low. Portfolios are well diversified so the impact of any impaired asset would be small overall.
GMI may pool assets for trading purposes. We may not be able to sell all the financial products held for a client when they exit as the amount they hold might be below the minimum parcel size for trading.	Low. GMI mitigates this risk by trading assets between exiting and entering clients of the service.	Medium. There would be a delay in receiving the proceeds until GMI could either trade with another client or combine with another client trade to meet the minimum parcel size.
Assets directly held are taxed differently than those held through a portfolio investment entity (PIE), which may impact the tax status of investments held outside the DIMS. The tax treatment of derivatives (see below) may also differ from the tax treatment that is applicable to the underlying asset for which the derivative is in place.	Potentially high if assets directly held. If you hold other investments, or use a trust structure, you should obtain specific tax advice on your situation.	Potentially high. If the trading activities of the Private Portfolio Service impact the tax status of other assets held.

Risk	Likelihood	Significance
<p>GMI uses an active investment management style for the Private Portfolio Service. This approach may not result in the return you or GMI expects. The day-to-day decisions GMI makes about what assets to buy and sell, and the mix of investments in the investment strategies and active asset allocation may not work in your favour.</p>	<p>Low. GMI operates within agreed investment guidelines for each of the investment strategies. This means it must keep each investment strategy within its allowed asset allocation limits, and must only invest in permitted asset classes.</p>	<p>Medium. As the strategies are well diversified the impact of a poor individual investment decision would be small. However, if we fail to move quickly to minimise losses in a market downturn or take advantage of a market upturn, the impact may be significant.</p>
<p>When investing overseas, exchange rate movements can negatively impact the value of your investments. As some of the investments held through the Private Portfolio Service are in assets denominated in a foreign currency, the value of the assets can be affected by movements between the New Zealand dollar and the relevant foreign currencies.</p>	<p>Medium. GMI generally hedges all fixed interest currency risk and 50% of the growth investment currency risk. GMI also actively manages the currency exposure of the underlying assets held through the Private Portfolio Service.</p>	<p>Medium. If we have large exposure to a foreign currency which suffers a significant depreciation in value, or if the New Zealand dollar falls markedly.</p>
<p>Permitted derivatives (such as forward foreign exchange contracts and interest rate swaps) may be used to manage market risk and exposure. The use of derivatives may not remove all exposure to risks and can also increase risk in some circumstances. There is also a risk that the party with whom the derivative contract is made either defaults on that contract or fails to meet its obligations.</p>	<p>Low. We use derivatives for managing portfolio risk and exposure, and only enter into counterparty arrangements with large and reputable companies, approved by our Investment Governance Committee.</p>	<p>Medium. Generally any loss arising from the derivative contract would be offset by a gain on the underlying contract, however should a counterparty fail to meet its obligations the impact could be significant.</p>

In addition, each investment strategy has different levels of risks relating to the financial products being invested in and their management. For example, the Growth strategy invests in riskier assets such as shares and commodities with greater movements in value up and down. Other information on risks is contained in section 4 of the Investment Proposal provided to you, titled 'Risks'.

5. GMI's conflicts of interest

GMI will purchase investments issued by a related party or where a related party is the counterparty for the service only where the transaction fits within our investment guidelines for exposure and credit risk and GMI certifies that the transaction is conducted at arms' length on standard commercial terms and is in the best interests of affected clients of the Private Portfolio Service.

If GMI, or a related party, receives any commission or other financial benefit in relation to financial products acquired for the service it is apportioned between the client portfolios that hold those financial products. We do not consider this will be a conflict of interest as any such commissions or financial benefits will only influence GMI's investment decisions to the extent that it supports our investment strategy to carefully grow your wealth.

GMI is a related party of Kiwibank Limited (**Kiwibank**) and of New Zealand Post Limited (**NZ Post**). As at the date of this disclosure statement the Fixed Interest strategy invests in the GMI Fixed Interest Fund and the Growth strategy may invest in the GMI Growth Fund which are both issued by GMI Wealth Limited

(a subsidiary company of GMI). The GMI Fixed Interest Fund holds investments issued by Kiwibank and NZ Post. As these are all related party investments, GMI has certified (or will certify prior to making investment) that these have been entered into on arms' length terms and are in the best interests of affected clients. Any commissions received in respect of investments made by the GMI Fixed Interest Fund are paid back into the GMI Fixed Interest Fund and allocated amongst investors in the Fixed Interest strategy, proportional to their share of the holding of the GMI Fixed Interest Fund. Similarly, any commissions received in respect of investments made by the GMI Growth Fund will be paid back into the GMI Growth Fund and allocated amongst investors in the Growth strategy, proportional to their share of the holding of the GMI Growth Fund.

GMI currently has a broking relationship with the Financial Markets division of Kiwibank. Any deal done through the Kiwibank trading desk must be done on a competitive quote basis.

All related party transactions are reported to GMI's audit committee and to the FMA quarterly.

6. Tax

Taxes may affect your returns under this service. Your tax obligations will differ according to the nature of the investments. You are responsible for meeting any tax obligations that arise. You should seek professional advice on your tax obligations.

Withholding tax (resident or non-resident, as applicable) and/or PIE tax may be deducted by the custodian or an issuer from returns on the financial products in your Portfolio. Your Portfolio may also generate other taxable income from which the custodian does not deduct taxes. You are responsible for meeting the tax liability on that income.

7. How to complain

You can make a complaint about the service by completing the complaints form on GMI's website www.gmi.co.nz/pages/complaints.aspx, or by calling, emailing or writing to us at the address in section 10.

We are a member of an external dispute resolution scheme – the Insurance & Financial Services Ombudsman Scheme (IFSO Scheme). If we are unable to resolve your complaint, you may be able to refer it to the IFSO.

The IFSO will not charge a fee to you to investigate or resolve a complaint. Information about the IFSO and the types of complaints it can consider is available at www.ifso.nz. You can contact the IFSO by phoning **0800 888 202** or by writing to them at:

Insurance & Financial Services
Ombudsman Scheme
PO Box 10-845
Wellington 6143

8. Where you can find more information

The Client Agreement sets out the terms of, and contains important information about, the Private Portfolio Service. Other important information can be found free of charge as follows:

Source of information	Type of information
GMI's public website	General information about GMI, the Private Portfolio Service and the people involved in providing it.
GMI's monthly report on the client website	Details of the financial products held and their current value, transactions, fees and expenses for the period.
Annual report	Details of the financial products held and their current value, transactions, fees and expenses for the period, historic performance and asset class composition.
Annual tax summary report	Details of all items of taxable income, tax deductions, and details of tax deductible expenditure that may be claimable to enable you or your accountant to complete your tax return.
Go-to Guide	General information about fees, expenses, making deposits and withdrawals and using the service.

Anyone can view the GMI website at any time, and we will provide a copy of the Go-to Guide to clients on joining the service or to prospective clients on request.

Only clients can access their monthly reports, and we'll send each client their annual report and annual tax summary report each year. A further copy may be available on request at no charge.

To request information, please contact us using the contact information set out in section 10.

9. How to enter into Client Agreement

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GARETH MORGAN
INVESTMENTS

You can enter a Client Agreement with GMI by completing the relevant application form and information forms and returning them to GMI. This includes confirming your Investment Allocation and granting your Investment Authority to GMI.

10. Contact information

GMI's contact details are:

Phone:

0800 427 384, or 0064 4 494 6079

Postal address:

Freepost 210729,
PO Box 10 068,
Wellington 6143

Email address:

contactus@gmi.co.nz

Website:

www.gmi.co.nz

PCN can be contacted using GMI's contact details.

Gareth Morgan Investments

Level 10 | 109 Featherston Street | Freepost 210729 | PO Box 10068 | Wellington 6143 | New Zealand
Tel: 0800 427 384 | Fax: 64 4 473 0643 | contactus@gmi.co.nz



Responsible Investment Policy

This document is owned by Kiwi Wealth

1. Background and governance

Kiwi Wealth Investments Limited Partnership (KWILP) manages investments for financial products and services offered by itself and its subsidiaries (the Kiwi Wealth Group). KWILP is principally an active investment manager of global investments.

This document sets out the Kiwi Wealth Group's policy for Responsible Investing (RI), which is currently limited to specification of investment exclusions. This policy is intended to cover other relevant RI policy commitments in future.

The Investment Governance Committee (IGC) is a subcommittee of the Board of the General Partner of KWILP. Its role is to provide governance oversight in respect of KWILP investment management activities and to bring material issues to the attention of the KWILP Board.

This policy will be reviewed at least annually by the IGC and approved by the Boards of the Kiwi Wealth Group.

2. Objective

The objective of the RI Policy is to set out how the Kiwi Wealth Group will incorporate RI principles and practises into its investment decisions. This includes decisions to invest in securities and decisions to appoint investment managers.

The RI Policy is provided to relevant staff who are responsible for managing, monitoring or implementing the investment processes of the Kiwi Wealth Group; such staff are responsible for implementing the policy under the guidance of the CIO. The policy will be made readily accessible to all staff and clients.

3. Purpose

As an active investment manager, KWILP has the discretion to actively choose individual securities and investments and exclude companies who act significantly against its investment principles. KWILP seeks to create risk-efficient portfolios through allocating to a range of investment opportunities.

KWILP believes that RI principles can be used in the investment process to enhance performance in the long term, and that investment opportunities involving highly unethical products and services or unethical corporate behaviour, where engagement does not offer a viable option, should be excluded from investment regardless of the strength of the investment case.

This policy sets out the ethical principles, and identifies grounds for excluding companies from funds managed by the Kiwi Wealth Group.

4. Basis for investment exclusions

Companies who act significantly against the principles of the Kiwi Wealth Group, our clients and our shareholders, and where engagement does not offer the potential of a viable resolution, will be excluded.

KWILP will identify companies for exclusion on behalf of the Kiwi Wealth Group based on significantly unethical products and/or services and/or corporate behaviour.

KWILP will attempt to identify industries and/or companies:

- to be excluded for both direct and indirect investment, deemed “zero tolerance”.
- to be excluded from direct holdings on the basis of poor ESG behaviour, including under an investment management agreement (IMA).
- industries and/or companies where enhanced sensitivity is appropriate in direct investment decisions are made by KWILP.

KWILP will ensure that when active investment management delegations are made through the use of collective fund vehicles or IMAs, that the delegated manager uses this policy or has their own policy of similar standard in place. When passive delegations are made, only the zero tolerance exclusions need be observed.

This policy recognises that identifying product involvement and unethical behaviour is an inexact science, requiring appropriate measures and thresholds to be defined and proper disclosure by companies or investigative reports. In addition, the magnitude of these issues may vary through time, and evidence may not be available until after the fact. The policy also recognises that limited exceptions may be made to certain areas of exclusion, for example relating to immateriality or significant mitigating circumstances, through referring to the underlying principles.

5. Investment exclusions

a. Zero tolerance exclusions

Companies which are involved in any of the following product areas will be excluded for both direct and indirect investment:

- Tobacco – the tobacco industry’s products are both highly addictive and highly deleterious to health. In addition, their products are aggressively marketed in emerging economies, amounting to widespread human victimisation. We exclude companies where tobacco is the primary industry.
- Controversial and nuclear weapons – controversial and nuclear weapons are characterised by being particularly likely to cause civilian casualties either due to their intended usage or due to unintended casualties. This category covers weapons such as cluster bombs, landmines, depleted uranium weapons, chemical and biological weapons, nuclear weapons. We exclude any company identified as being involved in this category.
- Whaling and whale meat processing – the whaling industry has decimated many whale populations. The New Zealand government is strongly committed to anti-whaling efforts and whaling remains a deeply unpopular industry in New Zealand. We exclude any company identified as being involved in this category.

b. ESG exclusions

KWILP will identify a list of companies, if any, exhibiting highly unethical behaviour, particularly in the context of:

- abuse of the environment
- human rights abuses
- endemic illegal activities, whether by New Zealand or local law.

These companies will be excluded from directly held investments only, including where such investments may be made by another investment manager under an IMA.

c. Areas of sensitivity

The following industries will be treated as areas of sensitivity in respect of decisions for direct investments made by KWILP. These industries are identified as having high propensity to victimise people and/or the environment:

- defence and firearms
- gambling services
- thermal coal
- nuclear power
- palm oil.

Investments may be made in these sensitive areas in special cases where the general ethical concerns for the industry in question have been sufficiently mitigated by the company.

6. External managers

In appointing an investment manager under an IMA, or investing in a collective investment vehicle, the Kiwi Wealth Group will:

- for active managers, ensure such manager has an appropriate RI Policy in place of at least similar standard to this Policy.
- prefer to use managers who are committed to Responsible Investment evidenced by having an RI policy, being a PRI signatory or similar.

7. Asset class scope

The policy applies to the ownership of securities issued by or specific to excluded companies, including but not limited to equities, bonds, options, contracts for difference, total return swaps, convertible bonds.

The policy does not apply to widely-traded index derivatives, short positions in excluded companies, or investments where hedging positions create an immaterial or negative net exposure to excluded companies.

8. Divestment

If an entity in the Kiwi Wealth Group has chosen to invest in a security or collective investment vehicle that is subsequently deemed excluded under this policy, the holding will be divested from the relevant fund within six months of becoming an exclusion, or as soon as is practical and cost-effective to do so.

If an entity in the Kiwi Wealth Group has chosen to engage another manager under an IMA that is subsequently deemed unsuitable under this policy and no resolution is possible, the contract will be terminated within six months of becoming unsuitable, or as soon as is practical and cost-effective to do so.

9. Decisions, monitoring and reporting

The CIO of KWILP is responsible for decisions, monitoring and updates related to the Exclusion List and related processes on the basis of this policy, and for demonstrating that such policy has been observed. KWILP portfolio managers under the guidance of the CIO are responsible for implementing the policy.

Exclusion lists will be reviewed on a regular basis, being at least annually. Existing portfolios will be reviewed against exclusion lists whenever there is an update and on a regular basis, being at least annually. Relevant statistics related to exclusion lists and portfolio compliance will be reported to the IGC.

Primary disclosure statement

[AUTHORISED FINANCIAL ADVISER]

Name and registration number of Authorised Financial Adviser: Roger Browne – FSP122304

Address: PO Box 50617, Porirua 5240, New Zealand

Telephone: 04 494 6431 Fax: 04 473 0643 Email: roger.browne@kiwiwealth.co.nz

This disclosure statement was prepared on:

7 September 2017

01. It is important that you read this document

This information will help you to choose a financial adviser that best suits your needs. It will also provide some useful information about the financial adviser that you choose.

In addition to the information that I must disclose to you in this statement, I must also disclose other information to you in a separate disclosure statement, including information about the types of services I provide, the fees that I charge and any actual or potential conflicts of interest. If I have not provided that information to you at the same time as I give you this statement, I must provide it to you as soon as I can.

02. What sort of adviser am I?

I am an Authorised Financial Adviser. This means I have been authorised by the Financial Markets Authority (the government agency that monitors financial advisers) to provide the financial adviser services described below.

03. How can I help you?

I have been authorised to provide you with financial adviser services of the following categories:

- Investment Planning Services
- Financial Advice

When I do this I will be able to give you advice/provide a service about:

- Financial products provided by only 1 organisation;
- Financial products provided by a small number of organisations (2-5 organisations);
- Financial products provided by a broad range of organisations (more than 5 organisations).

04. How do I get paid for the services that I provide to you?

I am required to tell you the specific fees, commissions, extra payments, and other benefits that I have received or will, or may, receive in relation to the services that I provide to you. I must tell you these things before I give you advice or, if that is not practicable, as soon as practicable after I give you that advice.

Payment type	Description
<input type="checkbox"/> Fees only	My services are only paid for by the fees that you pay. I do not receive payments from other people or organisations that might influence my advice.
<input checked="" type="checkbox"/> Fees	My services are paid for by the fees that you pay as well as in other ways.
<input type="checkbox"/> Commissions	There are situations in which my employer and I will be paid by other organisations. How much that payment will be depends on the decisions that you make.
<input checked="" type="checkbox"/> Extra payments from my employer	I may receive extra payments from my employer depending on the decisions that you make.
<input type="checkbox"/> Non-financial benefits from other organisations	Other organisations may give me and my employer non-financial benefits depending on the decisions that you make.

05. What are my obligations?

As an Authorised Financial Adviser I must comply with the Code of Professional Conduct for Authorised Financial Advisers. I also have other obligations under the Financial Advisers Act 2008 (including regulations made under that Act) and under the general law.

06. What should you do if something goes wrong?

If you have a problem, concern or complaint about any part of my service, please tell me or my internal complaints scheme so my internal complaints scheme can try to fix the problem.

You may contact the internal complaints scheme by calling, emailing, or writing to us at the address above. Alternatively you can visit the contact us page on our website, www.kiwiwealth.co.nz, and fill in our online complaints form.

If we cannot agree on how to fix the issue, or if you decide not to use the internal complaints scheme, you can contact the Insurance and Financial Services Ombudsman Scheme. This service will cost you nothing, and will help us resolve any disagreements.

You can contact the Insurance and Financial Services Ombudsman at –

Address: Office of the IFSO, PO Box 10-845, Wellington 6143, NEW ZEALAND

Telephone: 0800 888 202

Email: info@ifso.nz

07. If you need to know more, where can you get more information?

If you have a question about anything in this disclosure statement or would like to know anything more about me, please ask me. If you have a question about financial advisers generally, you can contact the Financial Markets Authority at –

Telephone: 0800 434 566

Website: www.fma.govt.nz

08. How am I regulated by the Government?

You can check that I am a registered financial service provider and an Authorised Financial Adviser at www.fspr.govt.nz. The Financial Markets Authority authorises and regulates financial advisers. Contact the Financial Markets Authority for more information, including financial tips and warnings. You can report information or complain about my conduct to the Financial Markets Authority, but in the event of a disagreement, you may choose first to use the dispute resolution procedures described above (under What should you do if something goes wrong?).

09. Declaration

I, **Roger Browne**, declare that, to the best of my knowledge and belief, the information contained in this disclosure statement is true and complete and complies with the disclosure requirements in the Financial Advisers Act 2008 and the Financial Advisers (Disclosure) Regulations 2010.

Signed:



Secondary disclosure statement

[AUTHORISED FINANCIAL ADVISER]

Name and registration number of Authorised Financial Adviser: Roger Browne – FSP122304

Address: PO Box 50617, Porirua 5240, New Zealand

Telephone: 04 494 6431 Fax: 04 473 0643 Email: roger.browne@kiwiwealth.co.nz

This disclosure statement was prepared on:

7 September 2017

01. My employer and their products and services

I am employed by Kiwi Wealth Investments Limited Partnership (formerly known as Gareth Morgan Investments Limited Partnership), who in conjunction with Kiwi Wealth Limited trade as Kiwi Wealth. KWILP (formerly GMILP) and Kiwi Wealth Limited are associated entities of Kiwibank Limited and members of the Kiwibank QFE Group. Kiwi Wealth offer the Kiwi Wealth Private Portfolio Service (a discretionary investment management service, which can include investing in the Kiwi Wealth Fixed Interest Fund and the Kiwi Wealth Growth Fund), the Kiwi Wealth KiwiSaver Scheme and the Kiwi Wealth Super Scheme.

02. Scope of service

My scope of service is limited to investment and related matters. If you require advice on broader aspects of your financial situation, such as personal risk management or formal debt management, I recommend that you speak to an Authorised Financial Adviser who is appropriately qualified and specialises in those particular areas. I am not qualified to provide advice on taxation, legal or insurance matters. I recommend that you seek independent legal and/or taxation advice.

My statement of advice to you will summarise the information you have provided to me about your financial position and your objectives and goals; I will set out a recommendation on an appropriate strategy to reach your goals considering this information. The advice I provide to you will be limited to the information you provide to me. It is important that my understanding of your financial situation, objectives and goals is accurate and up to date. I encourage you to let me know if any of your information I have used to prepare an advice or recommendation is incorrect or if there is other relevant information I should consider

03. Financial adviser service provided

I provide financial advice in relation to investments, where I can offer an opinion to you on whether your existing investment portfolio structure is suitable, based on your risk tolerance and investment needs. I can give advice on classes of investments and individual investments including, but not limited to, the Kiwi Wealth Private Portfolio Service, the Kiwi Wealth KiwiSaver Scheme or the Kiwi Wealth Super Scheme. The advice I give is not limited to securities of a particular issuer or issuers.

I provide an investment planning service to assist clients and members in the setting of an appropriate investment mandate for their circumstances within the Kiwi Wealth Private Portfolio Service, the Kiwi Wealth KiwiSaver Scheme or the Kiwi Wealth Super Scheme. This is based on an analysis of your current and future overall financial situation and identification of your investment goals. My recommendation or advice is limited by the information you provide to us.

04. Further information

More information about the Kiwi Wealth Private Portfolio Service, which can include the Kiwi Wealth Fixed Interest Fund and the Kiwi Wealth Growth Fund, is available by contacting us or on our website at www.kiwiwealth.co.nz. The Product Disclosure Statements for the Kiwi Wealth KiwiSaver Scheme and the Kiwi Wealth Super Scheme are available at www.kiwiwealth.co.nz.

05. My remuneration

I do not receive any fee or commission for the advice I provide. My remuneration is comprised of a fixed salary; and potentially, a discretionary bonus. The discretionary bonus may be awarded when Kiwi Wealth's earnings reach a target level set by the Kiwi Wealth Board. The amount of the bonus payment I may receive is based on both company and individual performance. Where awarded, this bonus is paid from a dedicated pool of revenue, rather than from fees attributed to the adviser.

Employees of Kiwi Wealth (including myself, **Roger Browne**) and any associated persons do not receive

any trail commission, upfront commission or fee income from any third parties.

06. Fees

KIWI WEALTH PRIVATE PORTFOLIO SERVICE

We charge a one-off establishment fee of \$500 (\$537.50 including GST) to cover the costs of setting up your Portfolio. From then on there is one annual management fee which is charged monthly.*

(Note: GST is added to 50% of both the establishment and management fees charged. The establishment fee and the management fees shown here are inclusive of GST).

There are two fee structures:

- **Annual management fee**
Portfolios \$100,000 - \$500,000
- **Annual management fee**
Portfolios \$500,000 and over

Annual management fee Portfolios \$100,000 - \$500,000

For portfolios valued between \$100,000 and \$500,000, our annual management fee is calculated in two parts depending on how your Portfolio is structured:

1. If your Portfolio Investment Allocation includes the Fixed Interest strategy, the fee charged on this part is 0.91% per year.
2. If your Portfolio Investment Allocation includes the Growth strategy, the fee charged on this part slides down from 1.64%** per year down to 1.08% per year, depending on the total value of your Portfolio.

There is a minimum monthly fee of \$72.

The following table illustrates the fee for various Growth strategy portfolio values.

Portfolio size	Annual management fee	Portfolio size	Annual management fee
\$100,000	1.64%	\$300,000	1.37%
\$125,000	1.61%	\$325,000	1.32%
\$150,000	1.58%	\$350,000	1.29%
\$175,000	1.54%	\$375,000	1.26%
\$200,000	1.51%	\$400,000	1.21%
\$225,000	1.47%	\$425,000	1.18%
\$250,000	1.43%	\$450,000	1.15%
\$275,000	1.40%	\$475,000	1.11%
		\$500,000	1.08%

* Fees are calculated incrementally, depending on your Portfolio value at the end of each month.

** If your Portfolio value drops below \$100,000, these minimum monthly fees may exceed 1.64% of your Portfolio.

Annual management fee Portfolios \$500,000 and over

For portfolios valued over \$500,000, our annual management fee is based on your Portfolio value and Investment Allocation. The fee slides incrementally from 1.08% per year to 0.54% per year for the Growth strategy and from 0.54% per year to 0.27% per year for the Fixed Interest strategy.

There is a minimum monthly fee of \$268.75.

Growth strategy	Annual management fee
First \$500,000	1.08%
Second \$500,000	0.75%
Third \$500,000	0.65%
Any further funds	0.54%

Fixed Interest strategy	Annual management fee
First \$1,000,000	0.54%
Any further funds	0.27%

THE SCHEMES

The fees payable on the Schemes offered by Kiwi Wealth as at the date of this disclosure statement are:

Scheme name	Fee	Minimum
Kiwi Wealth KiwiSaver Scheme	Up to 1% p.a.	\$50 p.a.
Kiwi Wealth Super Scheme	Up to 1.5% p.a.	\$120 p.a.

The percentage fees shown above are subject to the minimum dollar amounts shown. Further information about fees and expenses or charges payable to third parties is detailed in the investment statements for the Schemes.

07. Other interests and relationships

Other than relationships and interests disclosed above (including the fee Kiwi Wealth charges for its products and services), I am not aware of any conflicts of interest that may influence the adviser service I provide to you.