

Fund Update

for the quarter ended 31 December 2019



Kiwi Wealth Managed Funds - Conservative Fund

This fund update was first made publicly available on 11 February 2020.

What is the purpose of this update?

This document tells you how the Kiwi Wealth Managed Funds Conservative Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Kiwi Wealth Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this fund

The Conservative Fund is invested up to 20% in shares and other growth assets, with the remainder invested in cash and fixed interest assets. Its objective is to exceed the returns you would receive from investing 85% of your funds in New Zealand fixed interest assets and cash, and 15% in global shares, through active asset allocation and active selection of shares and other growth assets, fixed interest and cash assets.

| | |
|----------------------------------|--------------|
| Total value of the fund | \$6,669,885 |
| The date the fund started | 31 July 2018 |

What are the risks of investing?

Risk indicator for the Conservative Fund:¹



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

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at <https://www.sorted.org.nz/tools/investor-kickstarter>.

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

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

See the product disclosure statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

| | Past year |
|---|-----------|
| Annual return <i>(after deductions for charges and tax)</i> | 6.90% |
| Annual return <i>(after deductions for charges but before tax)</i> | 8.10% |
| Market index annual return <i>(reflects no deduction for charges and tax)</i> | 7.64% |

The market index return is the strategic asset allocation weighted benchmark index return, where the benchmark indices are defined in the Statement of Investment Policy and Objectives. Additional information about the market index is available on the Disclose offer register at <https://disclose-register.companiesoffice.govt.nz/>.

What fees are investors charged?

Investors in the Conservative Fund are charged fund charges. Based on the PDS dated 21 June 2019, these are expected to be:

| | % of net asset value |
|--|-----------------------------------|
| Total fund charges | 0.74% |
| Which are made up of - | |
| Total management and administration charges | 0.74% |
| Including - | |
| Manager's basic fee | 0.70% |
| Other management and administration charges ² | 0.04% |
| Total performance-based fees | 0.00% |
| | Dollar amount per investor |
| Other charges | \$0 |

An estimate has been used to calculate the underlying fund fees which are included in 'Other management and administration charges'. Further information on fees can be found in the Kiwi Wealth Managed Funds PDS.

Investors are also charged individual action fees for specific actions or decisions (for example, a buy/sell spread applies to each contribution/withdrawal). See the Kiwi Wealth Managed Funds PDS for more information about those fees.

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

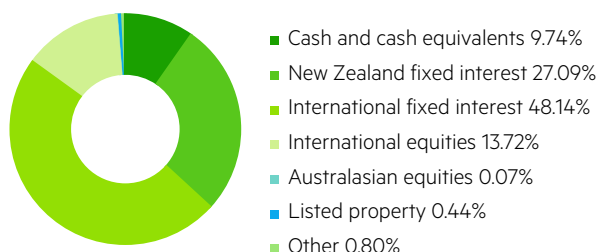
Example of how this applies to an investor

Alice had \$10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Alice received a return after fund charges were deducted of \$690 (that is 6.90% of her initial \$10,000). Alice also paid \$0 in other charges. This gives Alice a total return after tax of \$690 for the year.

What does the Fund invest in?

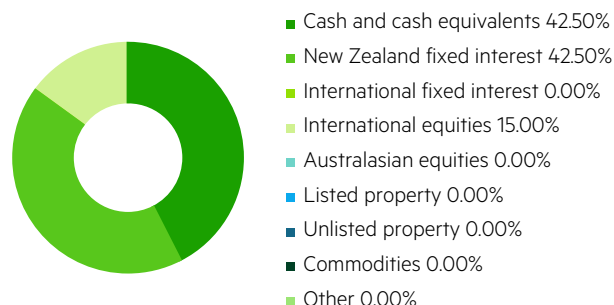
Actual investment mix

This shows the types of assets that the fund invests in.³



Target Investment Mix

This shows the mix of assets that the fund generally intends to invest in.



Top 10 investments

| | Name | Country | Type | Credit rating (if applicable) | Percentage of fund net assets |
|----|--|---------------|------------------------------|-------------------------------|-------------------------------|
| 1 | Westpac NZD Account | New Zealand | Cash and cash equivalents | AA- | 4.84% |
| 2 | Landwirtschaftliche Rentenbank 23/4/2024 | Germany | International fixed interest | AAA | 4.04% |
| 3 | New Zealand Local Government Funding Agency Bond 14/4/2033 | New Zealand | New Zealand fixed interest | AA+ | 3.35% |
| 4 | United States Treasury Note 15/5/2029 | United States | International fixed interest | AA+ | 3.06% |
| 5 | Kommunalbanken AS 20/8/2025 | Norway | International fixed interest | AAA | 2.86% |
| 6 | Housing New Zealand Ltd 18/10/2028 | New Zealand | New Zealand fixed interest | AA+ | 2.68% |
| 7 | New Zealand Local Government Funding Agency Bond 15/4/2027 | New Zealand | New Zealand fixed interest | AA+ | 2.46% |
| 8 | Kreditanstalt fuer Wiederaufbau 7/3/2023 | Germany | International fixed interest | AAA | 2.22% |
| 9 | International Bank for Reconstruction & Development 2/2/2023 | United States | International fixed interest | AAA | 1.38% |
| 10 | Nordic Investment Bank 2/9/2025 | Finland | International fixed interest | AAA | 1.27% |

The top 10 investments make up 28.16% of the fund.

Currency hedging

Currency hedging can apply to some of the asset classes this fund invests in. The level of currency hedging for foreign assets is managed between 0% and 100% with a New Zealand Dollar target exposure of 90% of the net asset value of the fund. This may change over time depending on the Manager's view of the relative strength (or weakness) of the New Zealand dollar. As at 31 December 2019 the actual New Zealand Dollar exposure was 93% of the net asset value of the fund. The fund's exposure to assets denominated in foreign currencies was 42% of the net asset value of the fund, of which 84% was hedged. This means the fund's unhedged foreign currency exposure was 7% of the net asset value of the fund. Additional information about the hedging policy can be found in the Statement of Investment Policy and Objectives which is available on the Disclose offer register at <https://disclose-register.companiesoffice.govt.nz/>.

Key personnel

This shows the employees who have the most influence on the investment decisions of the fund.

| Name | Current position | Time in current position | Previous or other position | Time in previous or other position |
|-------------------------|--|--------------------------|---|------------------------------------|
| Simon O'Grady | Chief Investment Officer - Kiwi Wealth Investments Limited Partnership | 7 years and 2 months | Head of Investment Strategy - Suncorp Investment Management | 5 Years |
| Diana Gordon | Head of Fixed Interest - Kiwi Wealth Investments Limited Partnership | 7 years and 4 months | Senior High Yield Portfolio Manager, - Goldman Sachs Asset Management, New York | 10 years and 10 months |
| Nathan Field | Portfolio Manager, Equities - Kiwi Wealth Investments Limited Partnership | 9 years and 7 months | Senior Equity Analyst - ABN Amro, Sydney | 4 years and 6 months |
| Steffan Berridge | Senior Quantitative Strategist - Kiwi Wealth Investments Limited Partnership | 6 years and 3 months | Portfolio Manager - Man Group PLC | 9 years |

Further information

You can also obtain this information, the PDS for the Kiwi Wealth Managed Funds and some additional information from the offer register at <https://disclose-register.companiesoffice.govt.nz/>.

Notes

1. Market index returns as well as the fund's actual returns have been used to fill in the risk indicator, as this fund has not yet been in operation for five years. Market index returns have been used from 1 January 2015 to 31 July 2018 and actual returns after that. As a result of those returns being used, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund.
2. An estimate has been used to calculate the underlying fund fees which are included in 'Other management and administration charges'. Underlying fund fees have been estimated using end of month holdings and the total expense ratio (TER) stated in the underlying funds' disclosure statements.
3. Other is comprised of alternative investments: investments that fall outside the main asset classes and can include absolute return funds and commodity investments.

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The Product Disclosure Statement for the Kiwi Wealth Managed Funds is available on our website at www.kiwiwealth.co.nz or by calling 0800 427 384
