

Fund Update



for the quarter ended 31 December 2017

Kiwi Wealth Master Trust - Kiwi Wealth Fixed Interest Fund

This is a replacement fund update made available on 21 June 2018. This replaces the fund update first made publicly available on 13 February 2018.

This replacement fund update has been prepared in order to make the following amendments:

- In the annual return graph, to correct the average annual market index return from 3.46% to 5.35%

What is the purpose of this update?

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

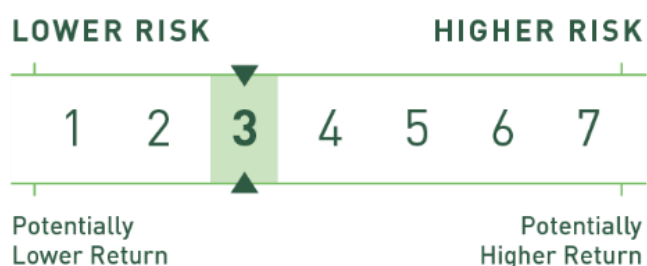
Description of this fund

The Fund provides investors with access to an actively managed diversified portfolio of New Zealand and global fixed interest investments of varying maturities. The investment objective is to generate steady income and some capital growth over the medium term and to outperform the S&P NZX New Zealand Government Bond Index in New Zealand dollars (NZD). The fund invests in domestic and global fixed interest investments.

Total value of the fund	\$500,004,023
The date the fund started	01/11/2014

What are the risks of investing?

Risk indicator for the Kiwi Wealth Fixed Interest 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.

The principal types of risks applying to the fund that could affect an investment and the fund's returns are the risks associated with the:

- assets in which the fund invests;
- active investment management of the fund;
- performance of other parties involved in the fund, or with whom a contract is entered into on behalf of the fund; and
- rules applying to the fund changing.

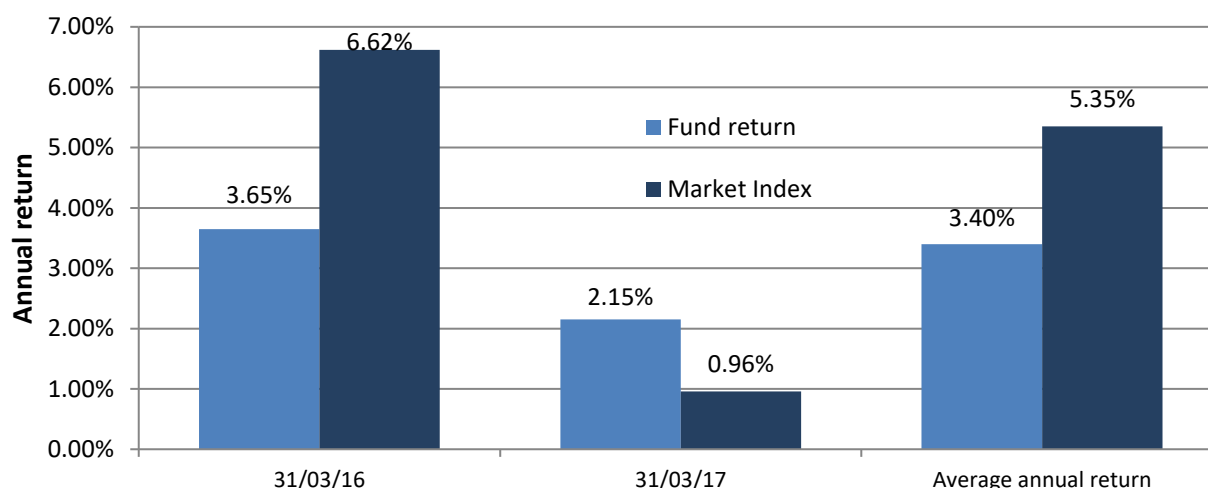
Other than circumstances that are already reflected in the risk indicator, the Manager is not aware of any circumstances that exist (or are likely to arise) that significantly increase the risk to returns for investors.

How has the fund performed?

	Past year
Annual return <i>(after deductions for charges and tax)</i>	3.56%
Annual return <i>(after deductions for charges but before tax)</i>	4.97%
Market index annual return <i>(reflects no deduction for charges and tax)</i>	5.50%

The market index return is the return of the S&P NZX New Zealand Government Bond Index in New Zealand dollars (NZD). Additional information about the market index is available in the Statement of Investment Policy and Objectives on the Disclose register at: <http://www.companiesoffice.govt.nz/disclose>.

Annual return graph



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 31 December 2017.

Important: This does not tell you how the fund will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

Note that market indices reflect no deduction for charges and tax.

What fees are investors charged?

Investors in the Kiwi Wealth Fixed Interest Fund are charged fund charges. In the year to 31 March 2017 these were:

	% of net asset value
Total fund charges	0.01%
<i>Which are made up of -</i>	
Total management and administration charges	0.01%
<i>Including -</i>	
Manager's basic fee	0.00%
Other management and administration charges	0.01%
Total performance-based fees	0.00%
	Dollar amount per investor
Other charges	\$0.00

Investors are not charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds).

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

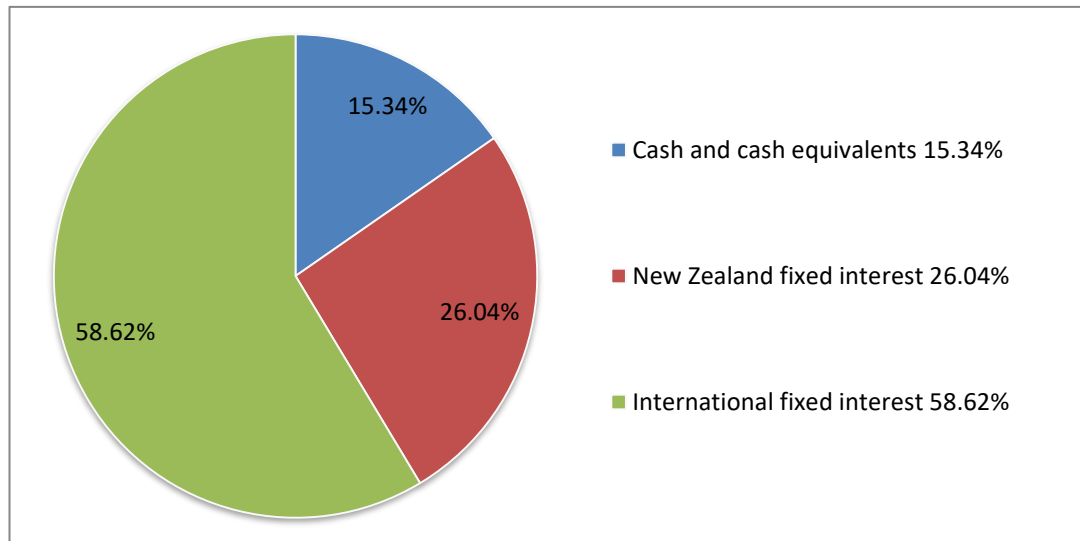
Example of how this applies to an investor

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 \$356 (that is 3.56% of her initial \$10,000). Alice also paid \$0.00 in other charges. This gives Alice a total return after tax of \$356 for the year.

What does the fund invest in?

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

Actual investment mix



Target investment mix

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

Cash and cash equivalents	0.00%
New Zealand fixed interest	100.00%
International fixed interest	0.00%
Australasian equities	0.00%
International equities	0.00%
Listed property	0.00%
Unlisted property	0.00%
Commodities	0.00%
Other	0.00%

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-	5.65%
2	KBN Norway Bond due 14/05/2021	Norway	International fixed interest	AAA	4.64%
3	Landwirtschaftliche Rentenbank 23/04/24	Germany	International fixed interest	AAA	4.58%
4	KfW Bankengruppe due 29/05/2020	Germany	International fixed interest	AAA	3.79%
5	World Bank (IBRD) 4.625% 10/06/2021	United States	International fixed interest	AAA	3.08%
6	PIMCO Global Bond Fund	Ireland	International fixed interest		2.34%
7	Svenska Handelsbanken AB 10/04/2019	Sweden	International fixed interest	AA-	2.07%
8	Asian Development Bank 28/01/20	Japan	International fixed interest	AAA	1.41%
9	Trans Power 06/09/19	New Zealand	New Zealand fixed Interest	AA-	1.30%
10	Kommunalbanken AS 14/02/24	Norway	International fixed interest	AAA	1.28%

The top 10 investments make up 30.14% of the fund.

Currency hedging

The Investment Manager actively manages currency risk. The New Zealand dollar exposure target for the fund is 100%, although the Investment Manager may vary from the target level. The maximum effective hedge ratio for foreign assets is 100% and the minimum is 0% although the Investment Manager typically expects this range to be closer to 100%.

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	5 years and 2 months	Head of Investment Strategy - Suncorp Investment Management	5 years
Diana Gordon	Head of Fixed Interest - Kiwi Wealth Investments Limited Partnership	5 years and 4 months	Senior High Yield Portfolio Manager, - Goldman Sachs Asset Management, New York	10 years and 10 months
Greg Hayton	Fixed Interest Trader - Kiwi Wealth Investments Limited Partnership	8 years and 2 months	Portfolio Administrator - Kiwi Wealth Investments Limited Partnership	1 year and 6 months
Rob Murray	Fixed Interest Credit Analyst - Kiwi Wealth Investments Limited Partnership	1 year 5 months	Vice President (Credit Analyst) - MV Credit	7 years

Further information

You can also obtain this information from the Manager using the contact details below.

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 31 January 2013 until 31 December 2014 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.