

## Investment Update for the Generate KiwiSaver Scheme: Stepping Stones 61-64 years old investment option

31 December 2019

This investment update was first made publicly available on 13 February 2020.

### What is the purpose of this update?

This document tells you how the Stepping Stones 61-64 years old investment option has performed and what fees were charged. The document will help you to compare the investment option with other investment options and funds. Generate Investment Management Ltd prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

### Description of this investment option

The objective of the Stepping Stones 61-64 years old investment option is to provide a conservative investment return over the long-term through investment in a portfolio of actively managed cash, fixed interest, property (including aged care) and infrastructure assets<sup>1</sup>, Australasian equities and International equities<sup>2</sup>. The investment option has a low to medium level of volatility.

	Stepping Stones 61-64
Total value of the investment option	\$7,544,655
Number of investors in the investment option	233
The date the investment option started	16 April 2013

### What are the risks of investing?

#### Risk indicator for Stepping Stones 61-64 years old investment option:



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the investment option'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.generatewealth.co.nz/survey>. 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 an investment option's future performance. The risk indicator is based on the returns data for the last five 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 investment updates.

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

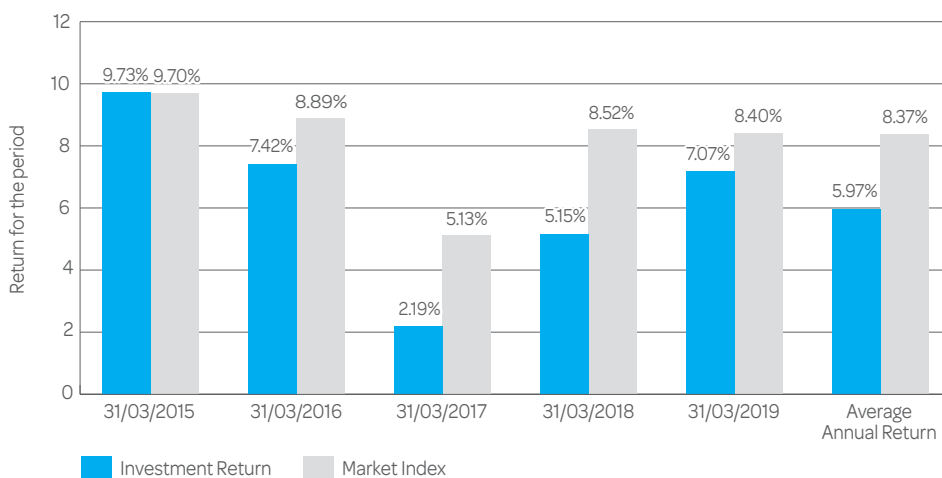
## How has the investment option performed?

	5 year p.a.	Past year
Annual return (after deductions for charges and tax)	6.48%	12.88%
Annual return (after deductions for charges but before tax)	7.58%	14.19%
Market index annual return (reflects no deduction for charges and tax)	8.32%	13.21%

The market index return reflects a composite of benchmark index returns, weighted for the investment option's target asset allocation, being the investment option's relevant benchmark since inception. All of the share market benchmark indices used include dividends but do not include imputation credits.

Additional information about the market index is available in the SIPO on the register at [business.govt.nz/disclose](http://business.govt.nz/disclose).

## Annual return graph



This shows the return after fund charges and tax for each year ending 31 March since the investment option started. The last bar shows the average annual return since the investment option started, up to 31 December 2019.

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

## What fees are investors charged?

Investors in the Stepping Stones 61–64 years old investment option are charged fund charges. In the year to 31 March these were:

	% of net asset value
<b>Total fund charges</b>	1.27%
Which are made up of:	
Total management and administration charges including:	
Manager's basic fee	1.00%
Other management and administration charges <sup>3</sup>	0.27%
Total performance based fees	0.00%
<b>Other charges</b>	\$ amount per investor
Membership Fee <sup>4</sup>	\$36.00 per year

A portion of the 'other management and administration charges' relate to management, performance and administration charges from investments in underlying funds. Some of these calculations are based on estimates.

Investors are not currently charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the PDS for more information about fees.

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

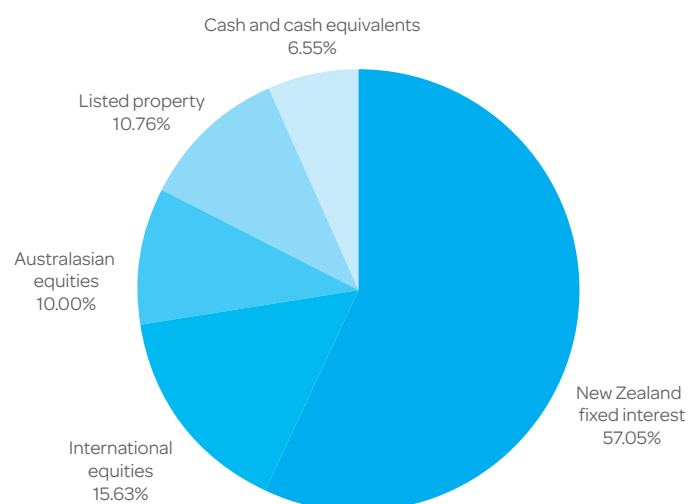
## Example of how this applies to an investor

Hannah had \$10,000 in the investment option at the start of the year and did not make any further contributions. At the end of the year, Hannah received a return after fund charges were deducted of \$1,288 (that is 12.88% of her initial \$10,000). Hannah also paid \$36 in other charges. This gives Hannah a total return after tax of \$1,252 for the year.

## What does the investment option invest in?

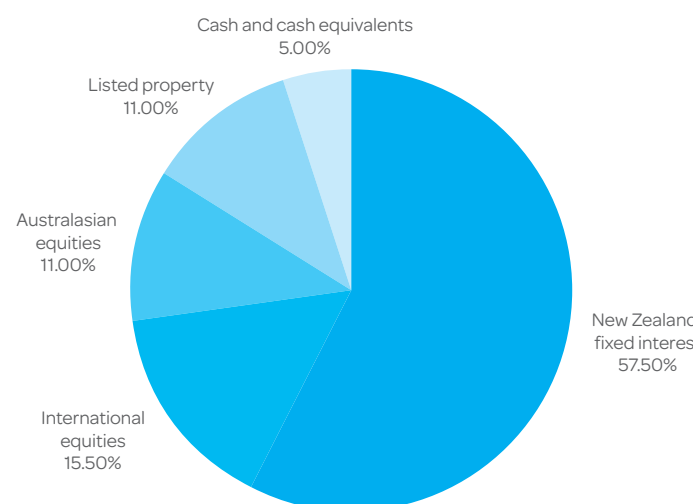
This shows the types of assets that the investment option invests in. <sup>1,2,5,6</sup>

### Actual investment mix



### Target investment mix

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



### Top 10 investments

Name	Percentage of investment option net assets	Type	Country	Credit rating (if applicable)
ASB On Call Cash Account	5.43%	Cash and cash equivalents	New Zealand	
Berkshire Hathaway	3.52%	International equities	U.S.A.	
Infratil	3.31%	Australasian equities	New Zealand	
Contact Energy	2.45%	Australasian equities	New Zealand	
Alphabet	2.23%	International equities	U.S.A.	
Arvida Group	2.14%	Listed property	New Zealand	
NAB Hybrid	2.06%	NZ Fixed Interest	Australia	BBB-
TR Group 2024 bonds	2.03%	NZ Fixed Interest	New Zealand	BBB-
Genesis Mar 2023 bonds	1.97%	NZ Fixed Interest	New Zealand	BBB+
Summerset Group Holdings	1.97%	Listed property	New Zealand	

The top 10 investments make up 27.11% of the investment option.

The investment option's net foreign currency exposure was 13% of net asset value on the 31 December 2019. At target the investment option's net foreign currency exposure is 8% of net asset value. More details on the approach to currency hedging is available in the SIPO on the register at [business.govt.nz/disclose](http://business.govt.nz/disclose).

## Key personnel

This shows the directors and 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
Sam Goldwater	Portfolio Manager/Investment Committee Member/Executive Director	6 years and 9 months	Led the investment management of a sizeable portfolio of family assets (previous)	7 years and 5 months
Henry Tongue	Chief Executive Officer/Investment Committee Member/Director	6 years and 9 months	Senior Portfolio Manager - Hultich Wealth Management (previous)	4 years and 3 months
Peter Brook	Investment Committee Chair/Director	6 years and 9 months	Board Member of Trust Investments Management (current)	15 years and 7 months
Nick Bowden	Investment Committee Member	3 years and 4 month	Director of Balthazar Capital Advisors (current)	7 years and 9 months

## Further information

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

## Notes

1. The Manager takes a broad view of what constitutes infrastructure assets. See the SIPO for further information.
2. International equities are through investments in underlying funds and investments in large capitalisation international stocks.
3. For some of the underlying funds that the investment option invests into estimates were used when deriving annual management fees, performance-based fees and operating costs. The management fee estimate is calculated by either (i) the annual management fees as a percentage of average NAV from the most recent period whereby the information is available or (ii) the sum of the investment option's monthly average investments in the underlying funds concerned, multiplied by the underlying funds' percentage annual management fees. Where otherwise not available the performance fees were calculated using the same performance criteria as that stated by the administrators of the underlying funds and applied to FY19 performance. Performance-based fees are subject to market movements and external manager performance and therefore are likely to differ from period to period. The operating costs for the relevant period for some of the underlying funds were not available. In these instances the operating costs estimate is calculated by either (i) the operating costs as a percentage of average NAV from the most recent period whereby the information is available or (ii) the estimate is the sum of the investment option's monthly average investments in the underlying funds concerned, multiplied by the underlying funds' percentage annual operating costs.
4. Membership fees are the monthly fixed dollar charges for membership in the Generate KiwiSaver Scheme. You will pay only \$3 each month even if you are invested in multiple funds within the Generate KiwiSaver Scheme.
5. 'Cash and cash equivalents' includes the value of foreign exchange hedging derivatives related to the investment option's off-shore investments.
6. Listed property includes investments in aged care companies.