

Fund Update for the Generate KiwiSaver Scheme Focused Growth Fund

30 June 2019

This fund update was first made publicly available on 26 July 2019.

What is the purpose of this update?

This document tells you how the Focused Growth Fund has performed and what fees were charged. The document will help you to compare the fund with other 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 fund

The objective of the Focused Growth Fund is to provide a growth investment return over the long-term through investment in a portfolio of actively managed cash, property (including aged care) and infrastructure assets¹, and international equities². The fund has a medium to high level of volatility.

| | Focused Growth Fund |
|---------------------------------|---------------------|
| Total value of the fund | \$661,403,816 |
| Number of investors in the fund | 43,092 |
| The date the fund started | 16 April 2013 |

What are the risks of investing?

Risk indicator for the Focused Growth Fund:



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.generatekiwisaver.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 a fund'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 fund updates.

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

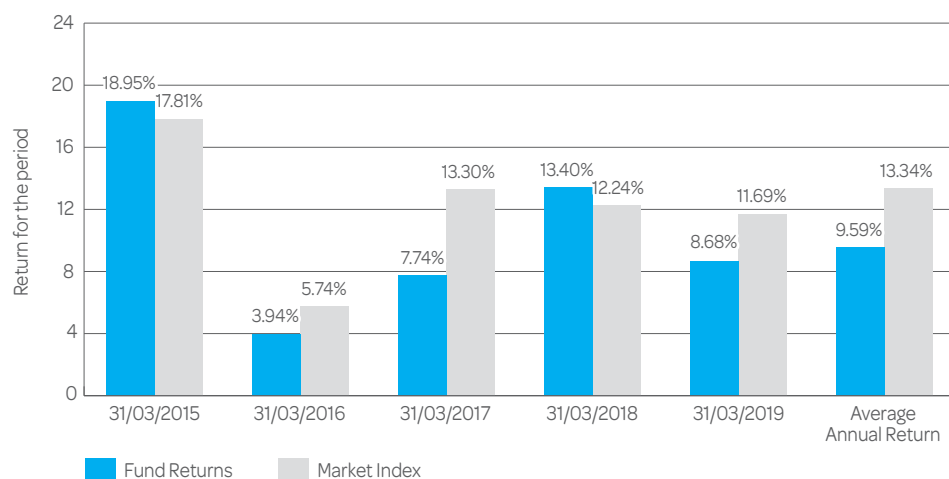
How has the fund performed?

| | 5 year p.a. | Past year |
|--|-------------|-----------|
| Annual return (after deductions for charges and tax) | 11.08% | 7.77% |
| Annual return (after deductions for charges but before tax) | 12.00% | 8.95% |
| Market index annual return (reflects no deduction for charges and tax) | 12.56% | 10.38% |

The market index return reflects a composite of benchmark index returns, weighted for the fund's target asset allocation. 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.

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 30 June 2019.

Important: This does not tell you how the fund 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 Focused Growth Fund are charged fund charges. In the year to 31 March 2019 these were:

| | % of net asset value |
|--|------------------------|
| Total fund charges | 1.64% |
| Which are made up of: | |
| Total management and administration charges including: | |
| Manager's basic fee | 1.00% |
| Other management and administration charges ³ | 0.64% |
| Total performance based fees | 0.00% |
| Other charges | \$ amount per investor |
| Membership Fee ⁴ | \$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.

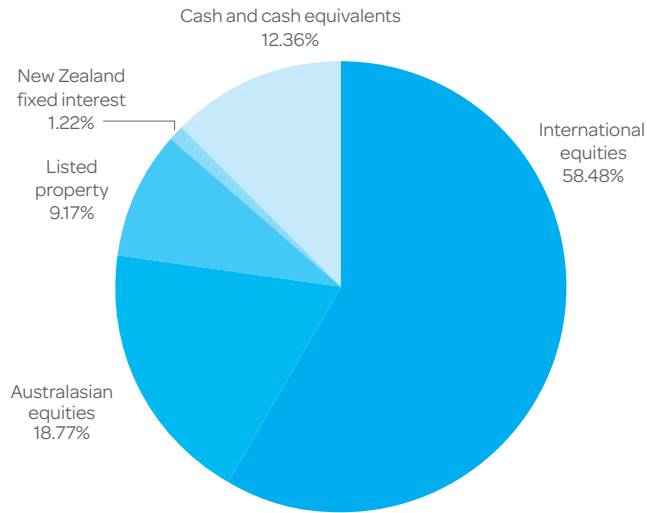
Example of how this applies to an investor

Hannah had \$10,000 in the fund 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 \$777 (that is 7.77% of her initial \$10,000). Hannah also paid \$36 in other charges. This gives Hannah a total return after tax of \$741 for the year.

What does the fund invest in?

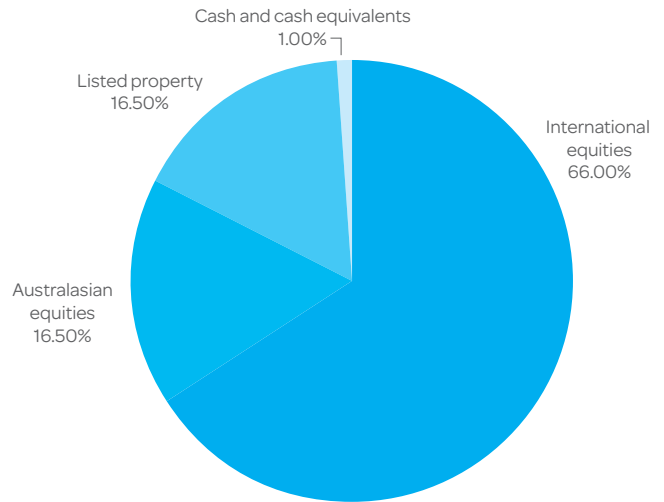
This shows the types of assets that the fund invests in.^{1,2,5,6}

Actual investment mix



Target investment mix

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



Top 10 investments

| Name | Percentage of fund net assets | Type | Country | Credit rating (if applicable) |
|--------------------------------------|-------------------------------|---------------------------|----------------|-------------------------------|
| Berkshire Hathaway | 10.10% | International equities | U.S.A. | |
| ASB On Call Cash Account | 8.49% | Cash and cash equivalents | New Zealand | |
| Magellan Global Fund | 7.84% | Diversified fund | Australia | |
| Platinum International Fund | 7.67% | Diversified fund | Australia | |
| T Rowe Price Global Equity Fund | 7.49% | Diversified fund | Australia | |
| Infratil | 5.39% | Australasian equities | New Zealand | |
| Contact Energy | 4.88% | Australasian equities | New Zealand | |
| Mercury Energy | 4.43% | Australasian equities | New Zealand | |
| Worldwide Healthcare Trust | 4.05% | Diversified fund | United Kingdom | |
| Jupiter European Opportunities Trust | 3.00% | Diversified fund | United Kingdom | |

The top 10 investments make up 63.34% of the fund.

The fund's net foreign currency exposure was 28% of net asset value on the 30 June 2019. At target the fund's net foreign currency exposure is 33% 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.

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 3 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 3 months | Senior Portfolio Manager - Hultich Wealth Management (previous) | 4 years and 3 months |
| Peter Brook | Investment Committee Chair/Director | 6 years and 3 months | Board Member of Trust Investments Management (current) | 15 years and 1 month |
| Nick Bowden | Investment Committee Member | 2 years and 10 months | Director of Balthazar Capital Advisors (current) | 7 years and 3 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.

Notes

1. The Manager takes a broad view of what constitutes infrastructure assets. See the SIPO for further information.
2. International equities are predominantly investments in underlying funds. They also include an investment in Berkshire Hathaway Inc. and investments in other large capitalisation international stocks.
3. For some of the underlying funds that the fund 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 fund'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 fund'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 fund's off-shore investments.
6. Listed Property includes investments in aged care companies.