

Fund Update for the Generate KiwiSaver Scheme: Conservative Fund

30 September 2019

This fund update was first made publicly available on 29 October 2019.

What is the purpose of this update?

This document tells you how the Conservative 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 Conservative Fund is to provide a conservative investment return through investment in a portfolio of actively managed cash, fixed interest, property (including aged care) and infrastructure assets¹, and international equities. The fund has a low to medium level of volatility.

| | Conservative Fund |
|---------------------------------|-------------------|
| Total value of the fund | \$260,639,738 |
| Number of investors in the fund | 15,931 |
| The date the fund started | 16 April 2013 |

What are the risks of investing?

Risk indicator for the Conservative 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.

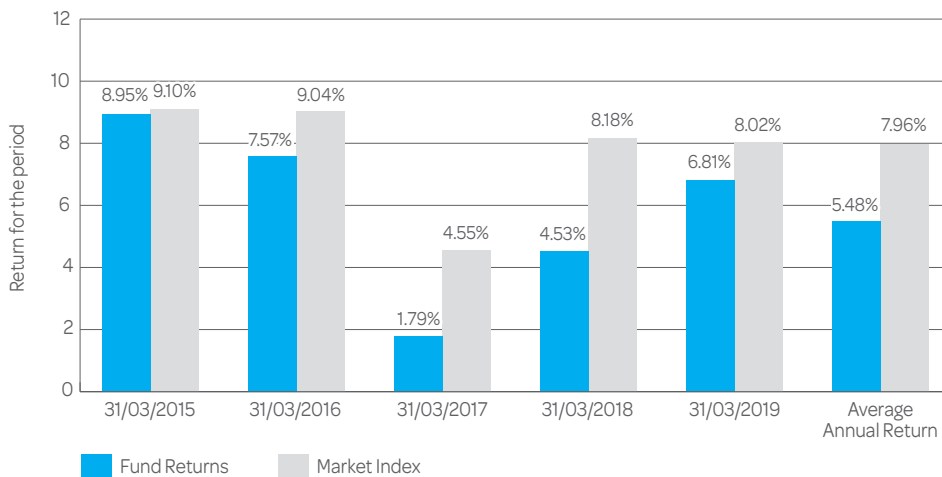
How has the fund performed?

| | 5 year p.a. | Past year |
|--|-------------|-----------|
| Annual return (after deductions for charges and tax) | 6.38% | 7.73% |
| Annual return (after deductions for charges but before tax) | 7.54% | 9.06% |
| Market index annual return (reflects no deduction for charges and tax) | 8.32% | 8.15% |

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 September 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 Conservative Fund are charged fund charges. In the year to 31 March 2019 these were:

| | % of net asset value |
|--|------------------------|
| Total fund charges | 1.25% |
| Which are made up of: | |
| Total management and administration charges including: | |
| Manager's basic fee | 1.00% |
| Other management and administration charges | 0.25% |
| Total performance based fees | 0.00% |
| Other charges | \$ amount per investor |
| Membership Fee ² | \$36.00 per year |

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.

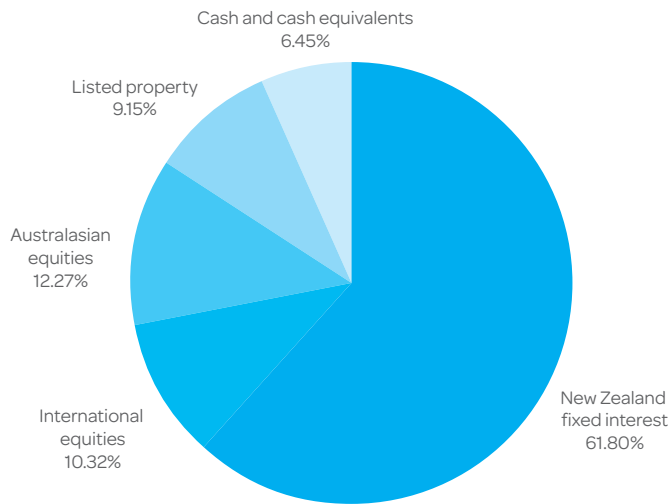
Example of how this applies to an investor

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 \$773 (that is 7.73% of her initial \$10,000). Hannah also paid \$36 in other charges. This gives Hannah a total return after tax of \$737 for the year.

What does the fund invest in?

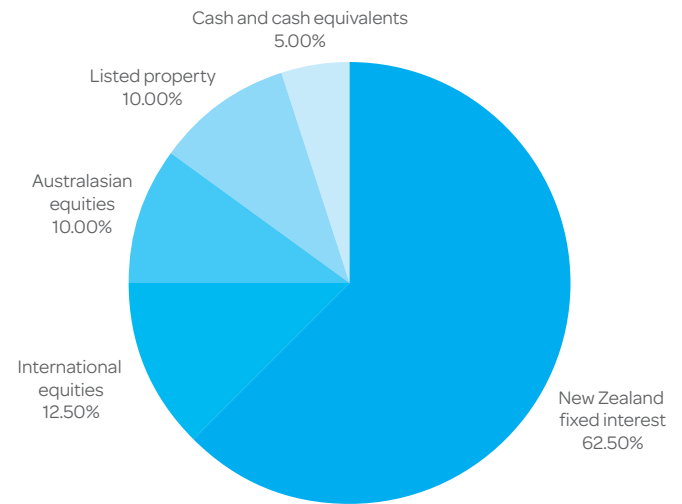
This shows the types of assets that the fund invests in.^{1,3,4,5}

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) |
|---------------------------------------|-------------------------------|---------------------------|-------------|-------------------------------|
| ASB On Call Cash Account | 5.62% | Cash and cash equivalents | New Zealand | |
| Infratil | 4.22% | Australasian equities | New Zealand | |
| Westpac Term Deposit 2.45% March 2020 | 3.85% | NZ Fixed Interest | New Zealand | |
| Berkshire Hathaway | 3.28% | International equities | U.S.A. | |
| Contact Energy | 3.01% | Australasian equities | New Zealand | |
| NAB Hybrid | 2.54% | NZ Fixed Interest | Australia | BBB- |
| Alphabet | 2.44% | International equities | U.S.A. | |
| TR Group 2024 bonds | 2.42% | NZ Fixed Interest | New Zealand | BBB- |
| Argosy Green bonds 2026 | 2.20% | NZ Fixed Interest | New Zealand | Unrated |
| Arvida Group | 2.06% | Listed property | New Zealand | |

The top 10 investments make up 31.64% of the fund.

The fund's net foreign currency exposure was 7% of net asset value on the 30 September 2019. At target the fund's net foreign currency exposure is 6.25% 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 6 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 6 months | Senior Portfolio Manager - Hujlich Wealth Management (previous) | 4 years and 3 months |
| Peter Brook | Investment Committee Chair/Director | 6 years and 6 months | Board Member of Trust Investments Management (current) | 15 years and 4 months |
| Nick Bowden | Investment Committee Member | 3 years and 1 month | Director of Balthazar Capital Advisors (current) | 7 years and 6 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. 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.
3. International equities includes an investment in Berkshire Hathaway Inc. and investments in other large capitalisation international stocks.
4. 'Cash and cash equivalents' includes the value of foreign exchange hedging derivatives related to the fund's off-shore investments.
5. Listed property includes investments in aged care companies.