

Fund Update for the Generate KiwiSaver Scheme: Conservative Fund

30 September 2021

This fund update was first made publicly available on 29 October 2021.

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, Australasian equities and international equities. The fund has a low to medium level of volatility.

	Conservative Fund
Total value of the fund	\$523,606,641
Number of investors in the fund	24,689
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.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 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.

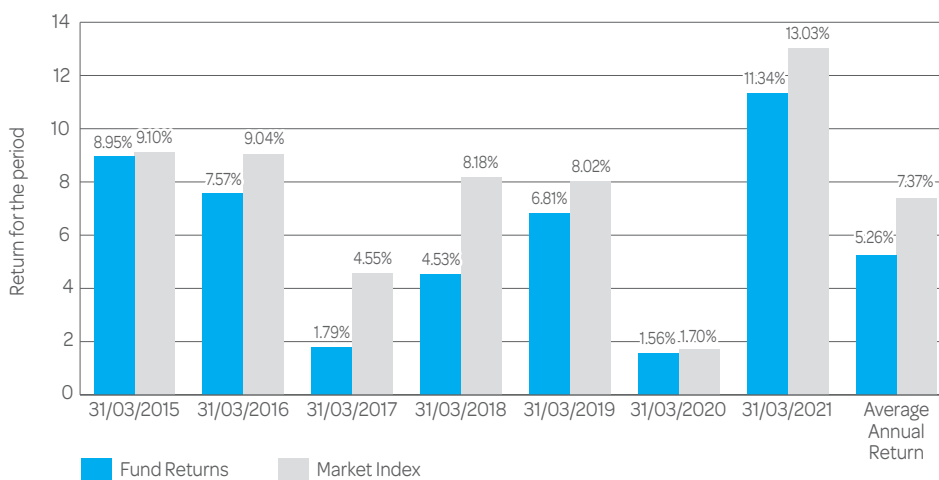
How has the fund performed?

	5 year p.a.	Past year
Annual return (after deductions for charges and tax)	4.95%	5.86%
Annual return (after deductions for charges but before tax)	5.79%	6.26%
Market index annual return (reflects no deduction for charges and tax)	6.43%	4.81%

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

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 2021.

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 2021 these were:

	% of net asset value
Total fund charges	1.21%
Which are made up of:	
Total management and administration charges including:	
Manager's basic fee	1.00%
Other management and administration charges	0.21%
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.

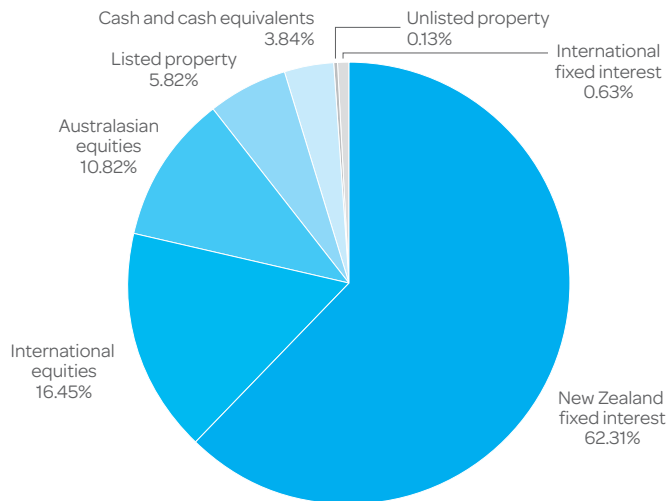
Example of how this applies to an investor

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 \$586 (that is 5.86% of her initial \$10,000). Hannah also paid \$36 in other charges. This gives Hannah a total return after tax of \$550 for the year.

What does the fund invest in?

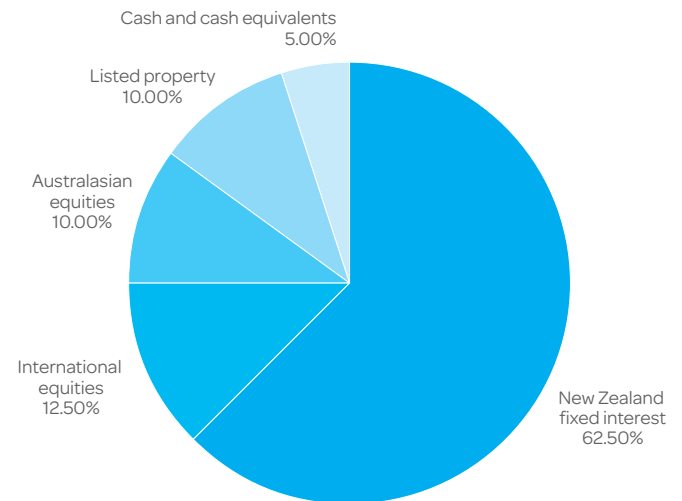
This shows the types of assets that the fund invests in. ^{1,3,4,5,6,7}

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 NZ Dollar Cash Account	3.75%	Cash and cash equivalents	New Zealand	A1
Infratil	3.16%	Australasian equities	New Zealand	
Kiwibank Term Deposit	2.97%	NZ Fixed Interest	New Zealand	
Vector Energy Mar 2024 bonds	2.33%	NZ Fixed Interest	New Zealand	BBB
Salvation Army Sep 2025 bonds	2.31%	NZ Fixed Interest	New Zealand	Unrated
TR Group Mar 2024 bonds	2.19%	NZ Fixed Interest	New Zealand	BBB-
Argosy Mar 2026 Green bonds	2.03%	NZ Fixed Interest	New Zealand	Unrated
Precinct Property May 2027 bonds	1.93%	NZ Fixed Interest	New Zealand	Unrated
Alphabet	1.91%	International equities	U.S.A.	
Avanti FRN Dec 2049	1.82%	NZ Fixed Interest	New Zealand	AAA

The top 10 investments make up 24.40% of the fund.

The fund's net foreign currency exposure was 10% of net asset value on the 30 September 2021. 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 personnel⁸

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	Lead Portfolio Manager/Investment Committee Member/Executive Director	8 years and 6 months	Led the investment management of a sizeable portfolio of family assets	7 years and 5 months
Daniel Frost	Portfolio Manager – Property & Infrastructure, Australasian Equities	3 years and 8 months	Senior Analyst, Macquarie Bank	5 years and 4 months
Andrew Bolland	Portfolio Manager – Property & Infrastructure, Australasian Equities	2 years and 2 months	Senior Analyst/Associate Portfolio Manager, Salt Funds Management	6 years and 2 months
Ayrton Oliver	Portfolio Manager – Fixed Income	0 years and 5 months	Vice President, JP Morgan Chief Investment Office, International Rates and FX Portfolio Management	7 years

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 are made up of directly held equity investments.
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.
6. For any unlisted property and infrastructure investments, the Manager needs approval from the Supervisor prior to investment.
7. Australasian equities includes an investment in unlisted New Zealand equities.
8. Due to the growth in the investment team this has resulted in an update of the key decision makers.