

# Generate™

*Dreams worth saving*

Generate  
KiwiSaver  
Scheme

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**Annual  
Report**

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For the  
period ended  
31 March 2017



Annual Report for the period ended  
**31 MARCH 2017**

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# Your Generate KiwiSaver Scheme

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# Generate KiwiSaver Scheme Highlights

## Investment Provider of the Year 2015 and 2016

Generate was voted the Investment Provider of the Year for 2015 and 2016 by the Professional Advisers Association. Advisers were asked to rate investment providers, not only on performance but also on the quality of our communications and offer documents, our services and education to clients and our services and support to advisers. We are delighted to have received this award in consecutive years and we are working hard to continually improve our service to you.

## Awarded Gold Rating for 2016 & 2017 by SuperRatings<sup>1</sup>

In its unique value for money assessment SuperRatings awarded Generate a Gold Rating for 2016 & 2017.

## Strong fund performance

As at 31 May 2017 all our funds outperformed the average return for the past three years in their respective categories. In the FundSource Diversified KiwiSaver Growth category over the past three years our Focused Growth Fund was ranked 3rd with an average return of 11.09% p.a and our Growth Fund ranked 9th with an average return of 10.21% p.a versus the category average of 8.86% p.a. Our Conservative Fund ranked 5th with a three year average return of 6.64% p.a versus the average of 5.21% p.a. in the FundSource Diversified KiwiSaver Conservative category.<sup>2</sup>

## Our advisers scored 85% for customer satisfaction

We're proud to say that 85% of new Generate KiwiSaver Members rated our Generate advisers 4 or 5 out of 5 when asked: "Can you rate the experience out of 5 – with 1 being not very informative or helpful and 5 being really valuable information and a good use of my time".<sup>3</sup>

## Generate breaks into the top ten KiwiSaver providers by members

Over the last two years Generate has had the fastest growing membership (in percentage terms) of any KiwiSaver provider and is now the 10th largest provider by members<sup>4</sup>. Over 33,000 Kiwis are now enjoying the benefits of Generate.<sup>5</sup>

## Proud to be Kiwis looking after your KiwiSaver savings

We're proud to be a New Zealand owned and operated KiwiSaver specialist. We strive to deliver a great product and industry leading service to try to help you to make the most of your KiwiSaver account. Over the last four years we have led our industry with more than 90% of all new Generate KiwiSaver members speaking to an adviser before they join.

<sup>1</sup> SuperRatings does not issue, sell, guarantee or underwrite this product. Go to [www.superratings.com.au](http://www.superratings.com.au) for details of its ratings criteria.

<sup>2</sup> FundSource Performance Tables May 2017.

<sup>3</sup> Generate New Member Survey from 01.11.15 to 04.07.17 responses from 15% of all new members (65% rate 5 and 20% rate 4).

<sup>4</sup> Workplace Savings Quarterly KiwiSaver Survey March 2017. (ANZ and Fisher Funds Schemes are consolidated).

<sup>5</sup> At the end of the KiwiSaver year to 30 June 2017, the Generate KiwiSaver Scheme had 33,290 members.

# Getting the most out of KiwiSaver and Generate

## Make sure you log in to your account

The Generate online account continues to get great feedback from members. It has some important features that other KiwiSaver online accounts don't have, including showing you all of your direct investments, giving you transparency into what you're investing in. However only 48% of Generate members have ever logged in to their online account... log in and take control of your KiwiSaver, know how it is progressing and where you're investing.

*"Just thought I'd pass on that the Generate website is awesome. Gave me excellent visibility and transparency on where my KS savings are at, allocation of value by asset class, transactions, everything and more. Very happy with my choice of KS provider!"*  
Frank – Auckland.

## Fund choice – Conservative, Growth or Focused Growth

The difference between a conservative fund and a growth fund, over a lifetime, can be hundreds of thousands of dollars for your retirement. Things change in life so it's important to regularly check you are in the right fund. Use our online risk profiler or contact your adviser to see if you're making the most of your KiwiSaver. [www.generatekiwisaver.co.nz/survey](http://www.generatekiwisaver.co.nz/survey).

## MTC's – the Government gives you \$521.43 every year, if you contribute \$1,042.86

Only 53% of eligible Generate members got the full MTC for the KiwiSaver year to 30 June 2017. This is effectively free money from the Government. If you can afford to contribute you should. It doesn't matter if you're not working you can still contribute directly to the Scheme. If you are finding it hard to afford the one-off lump sum or life gets too busy to get it organised, consider setting up a direct debit of \$20 a week so you don't miss out on this generous benefit.

## Contribution rates – 3%, 4% or 8% of your salary makes a huge difference

Once you have made the right fund choice the next best way to maximise your KiwiSaver account is to increase your contribution rate. Again the difference between 3%, 4% or 8% over a lifetime, can be hundreds of thousands of dollars for your retirement. If you can afford it you really should consider increasing your contributions. See our website for more details or speak with your adviser.

## Aussie Super – Worked in Australia?

If you like the performance and service of Generate consider bringing your Aussie Super back and investing it in your Generate KiwiSaver fund. We don't charge any additional fees for this service so please give us a call, we're here to help!

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# Details of the Scheme

The Generate KiwiSaver Scheme (the “Scheme”) comprises three Funds and two life cycle investment options.

The Funds are the Conservative Fund, the Growth Fund and the Focused Growth Fund. The life cycle investment options are Stepping Stones and Stepping Stones Growth. This annual report for the Scheme covers the period 1 April 2016 to 31 March 2017.

The Scheme is a registered KiwiSaver scheme.

The Manager of the Scheme is Generate Investment Management Limited (“Generate”), who is also the investment manager of the Scheme.

For more information about our investment team, investment philosophy and historical investment returns please refer to our website [www.generatekiwisaver.co.nz](http://www.generatekiwisaver.co.nz).

The Supervisor of the Scheme is Public Trust (the “Supervisor”).

The 31 July 2017 product disclosure statement for the Scheme is open for applications and available at [www.generatekiwisaver.co.nz/forms-and-downloads](http://www.generatekiwisaver.co.nz/forms-and-downloads).

The 31 March 2017 quarterly fund update for each Fund is currently available at [www.generatekiwisaver.co.nz/fund-updates](http://www.generatekiwisaver.co.nz/fund-updates).

The 31 March 2017 financial statements and auditor’s report for the Scheme have been registered under the Financial Markets Conduct Act 2013 and are available at [www.generatekiwisaver.co.nz/forms-and-downloads](http://www.generatekiwisaver.co.nz/forms-and-downloads).

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# Information on contributions and Scheme participants

For the Year Ended 31 March 2017

## Membership Summary

The table below sets out the changes in membership of the Scheme during the year.

<b>MEMBERSHIP SUMMARY</b>	<b>Number of Members</b>	<b>Funds Under Management (\$)</b>
Total members as at 1 April 2016	17,609 <sup>1</sup>	\$ 176,043,578
<b>ADD</b>		
New members to KiwiSaver	2,741	
Transferring from other KiwiSaver schemes	11,285	
Transferring from Australian Superannuation schemes	87	
Transferring from other retirement schemes	32	
<b>LESS</b>		
Retirements	19	
Deaths	10	
Transferring to an Australian Superannuation scheme	1	
Transfer out to other KiwiSaver schemes	1,564	
Other exits	17	
<b>Members as at 31 March 2017</b>	<b>30,143<sup>2</sup></b>	<b>\$ 396,459,186</b>

<sup>1</sup> The number of members at the start of the year comprises 9,668 contributing members and 7,941 non-contributing members.

<sup>2</sup> The number of members at the end of the year comprises 19,857 contributing members and 10,286 non-contributing members.

## Contributions Summary

The table below sets out the contributions made to the Scheme during the year.

<b>CONTRIBUTION SOURCE</b>	<b>Number of Members</b>	<b>Amount (\$)</b>
Member contributions	19,342	\$29,606,161
Employer contributions	19,209	\$18,478,803
Crown contributions	15,283	\$6,454,513
Lump sum contributions	4,068	\$5,200,840
Other voluntary contributions	674	\$788,728
Transfers from other retirement schemes	21	\$778,682
Transfers in from other schemes	11,945	\$164,678,466
Transfers in from Australian Superannuation schemes	109	\$2,735,197

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# Changes relating to the Scheme

The following is a summary of material changes relating to the Scheme made during the year ended 31 March 2017.

## Governing Document

On 25 August 2016 the Scheme's Trust Deed, our Governing Document, was amended so that it complies with the Financial Markets Conduct Act 2013 (FMCA).

## Terms of the offer of interests in the Scheme

On 31 August 2016 the Scheme transitioned to the FMCA. From that date the terms of offer of interests in the Scheme were governed by the FMCA (in addition to the terms which are governed by the KiwiSaver Act 2006). The terms did not change but the manner in which the terms were disclosed did change. A product disclosure statement for the Scheme was issued on 6 September 2016 together with the Other Material Information document and quarterly fund updates. These documents replace the prospectus and investment statement and are available at [www.generatekiwisaver.co.nz](http://www.generatekiwisaver.co.nz) and on the Disclose Register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose). On 31 July 2017 an updated Product Disclosure Statement and Other Material Information document were issued to include the material changes to the SIPO below and changing the life cycle fund names from life stages to Stepping Stones.

## The Statement of Investment Policy and Objectives (SIPO)

On 30 August 2016 the Scheme's SIPO was amended so that it complies with the FMCA.

On 31 July 2017 the Scheme's SIPO was amended with the material changes being:

- We broadened our definition of infrastructure assets to include telecoms, transport and logistics companies. This gives us a wider universe to invest into and find value from;
- We now have the ability to invest into a limited number of large cap international stocks that are typically held by at least one of our IEMs;
- We increased the maximum percentage of an IEM that the Scheme can have invested from 5% to 7.5%; and
- We have changed the name of our life cycle investment options from life stages and life stages growth to Stepping Stones and Stepping Stones Growth.

The Scheme SIPO is available at [www.generatekiwisaver.co.nz/forms-and-downloads](http://www.generatekiwisaver.co.nz/forms-and-downloads).

## Related Party Transactions

All related party transactions with the Scheme were on arm's length terms. There were no material changes to the nature or scale of the Scheme's related party transactions.

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# Other information for particular types of managed funds

## Withdrawals

The table below sets out the withdrawals from the Scheme during the year.

<b>WITHDRAWAL SUMMARY</b>	<b>Number of Members</b>
First home	382
Retirement	46
Death	10
Transfer to other KiwiSaver schemes	1,564
Other payments	1
Significant financial hardship	113
Serious illness	8
Permanent emigration	1

## Investment Performance

The investment performance of each of the Funds for the year ended 31 March 2017 was:

<b>FUND</b>	<b>\$ Unit price on 31/03/16</b>	<b>\$ Unit price on 31/03/17</b>	<b>Return %*</b>
Conservative Fund	1.2006	1.2261	2.41%
Growth Fund	1.2827	1.3643	6.73%
Focused Growth Fund	1.2862	1.3944	8.78%

\* Returns are before tax and after fees (excluding the administration fee of \$36 p.a.). Past performance is not necessarily an indicator of future performance. No returns are guaranteed or assured by any person.

Returns since inception and the current unit prices are available at [www.generatekiwisaver.co.nz](http://www.generatekiwisaver.co.nz).

## Manager's Statement

Generate as the Manager of the Scheme confirms that for the year ended 31 March 2017:

All the benefits required to be paid from the Scheme in accordance with the terms of the Governing Document and the KiwiSaver scheme rules have been paid; and the market value of the Scheme property at the balance date equalled (or exceeded) the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date and, where necessary, had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at the balance date.



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# Changes to persons involved in the Scheme

## Key Personnel of the Manager

### Generate Investment Management Limited

On 6 September 2016, Warren Couillault stepped down as a director and Investment Committee member. On 6 September 2016 Scott Weenink was appointed as a director.

On 6 September 2016 Jonty Edgar stepped down from the Investment Committee and on 6 September 2016 Nick Bowden was appointed to the Investment Committee. Edward Glennie was a senior manager from 2 February 2017 until 19 May 2017.

### Administrator

On 1 September 2016 Aon New Zealand Limited was replaced by MMC Limited as the securities registrar and administrator of the Scheme.

### Board Members of the Supervisor

Public Trust

The following changes have been made since 1 April 2016.

1. Dianne McAteer was appointed as a Board Member on 1 November 2016
2. Bevan Killik was appointed as a Board Member on 1 November 2016
3. Graham Naylor was appointed as a Board Member on 1 November 2016
4. Ian Fitzgerald was appointed as a Board Member on 22 May 2017
5. Sue McCormack stepped down as a Board Member on 30 April 2016
6. Dinu Harry stepped down as a Board Member on 31 October 2016
7. Diana Puketapu stepped down as a Board Member on 31 October 2016

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# How to find further information

Further information about the Scheme is available on the Disclose Register at: [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose)

The information on the Disclose Register is provided in two sections, under 'Schemes' and 'Offers'.

1. The 'Schemes' section includes information such as the Governing Document (Trust Deed), the financial statements and the SIPO.
2. The 'Offers' section includes information such as the product disclosure statement, quarterly fund updates, historic fund returns and other material information.

This information is also available on our website [www.generatekiwisaver.co.nz](http://www.generatekiwisaver.co.nz) or you can request it via email at [info@generatekiwisaver.co.nz](mailto:info@generatekiwisaver.co.nz) or Freephone on 0800 855 322. This information is provided at no charge to you.

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# Contact details and complaints

If you have any questions or complaints about your investment please contact us:

Compliance Officer  
Generate Investment Management Limited  
Level 2  
32 Market Place  
Viaduct  
Auckland Central 1010

PO Box 91609  
Victoria Street West  
Auckland 1142

Freephone: 0800 855 322  
Email: [info@generatekiwisaver.co.nz](mailto:info@generatekiwisaver.co.nz)  
Website: [generatekiwisaver.co.nz](http://generatekiwisaver.co.nz)

You may also contact the Supervisor at:

Relationship Manager  
Corporate Trustee Services  
Public Trust  
Level 9  
34 Shortland Street  
Auckland 1010

PO Box 1598  
Shortland Street  
Auckland 1140

Freephone: 0800 371 471

If we or the Supervisor are unable to resolve your complaint, you may contact our external dispute resolution scheme. We are members of Financial Services Complaints Limited (FSCL). You can contact FSCL at:

Financial Services Complaints Limited  
4th Floor  
101 Lambton Quay  
Wellington 6145

PO Box 5967  
Wellington 6145

Freephone: 0800 347 247  
Email: [info@fscl.org.nz](mailto:info@fscl.org.nz)

FSCL will not charge a fee to any complainant to investigate or resolve a complaint.

Full details of how to access the FSCL scheme can be obtained from its website [fscl.org.nz](http://fscl.org.nz). There is no cost to you to use the services of FSCL.

You may contact the securities registrar at:

MMC Limited  
Level 25, Queen's Rise  
125 Queen Street  
Auckland Central

Telephone: 09 309 8926

**Generate**

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[generatekiwisaver.co.nz](http://generatekiwisaver.co.nz)

