

Generate™

Dreams worth saving

Generate
KiwiSaver
Scheme

**Annual
Report**

For the
period ended
31 March 2018



Annual Report for the period ended
31 MARCH 2018

Your Generate KiwiSaver Scheme

Year in review...

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Generate KiwiSaver Scheme Highlights

Awarded Gold Rating for third year in a row by SuperRatings¹

In its unique value for money assessment, SuperRatings has awarded Generate a Gold Rating for 2016, 2017 & 2018. The ratings methodology looks for KiwiSaver schemes that “offer the greater potential to maximise the retirement savings of its members in a well serviced, secure environment whilst offering suitable, well priced benefits such as member education and quality impartial financial advice”.

Investment Provider of the Year 2015 and 2016 and Investment Provider Representative of the Year 2017

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. The award was changed in 2017 to the Investment Provider Representative of the Year and Generate again won the vote.

Strong fund performance

As at 30 June 2018 all of our funds outperformed the average return for the past five years in their respective categories. In the FundSource Diversified KiwiSaver Growth category over the past year our Focused Growth Fund was ranked 1st with a return of 17.63% and our Growth Fund ranked 5th with a return of 15.20% versus the category average of 12.25%. Our Conservative Fund ranked 1st for the one year return with a return of 7.86% versus the average of 4.87% in the FundSource Diversified KiwiSaver Defensive category.²

Our advisers scored 96% for customer satisfaction

We're proud to say that 96% of new Generate KiwiSaver Members surveyed 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”.³

Generate is again one of the fastest growing KiwiSaver Schemes

Over the last three years Generate has had the fastest growing membership (in percentage terms) of all KiwiSaver providers who are members of Workplace Savings. Generate is the 10th largest provider by members. 50,000 Kiwis are now enjoying the benefits of Generate.⁵

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.

¹ SuperRatings does not issue, sell, guarantee or underwrite this product. Go to www.superratings.com.au for details of its ratings criteria.

² FundSource Performance Tables June 2018.

³ Generate New Member Survey for FY18 responses from 22% of all new members (77% rate 5 and 19% rate 4).

⁴ Workplace Savings Quarterly KiwiSaver Surveys. (ANZ and Fisher Funds Schemes are consolidated).

⁵ At 30.07.18 the Generate KiwiSaver Scheme had 49,917 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, many Generate members have still not 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

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

Approximately 58% of eligible Generate members got the full MTC for the KiwiSaver year to 30 June 2018. While 83% of eligible Generate members received some form of MTC. 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 account. We don't charge any additional fees for this service so please give us a call. We're here to help!

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 2017 to 31 March 2018.

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

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

The current product disclosure statement for the Scheme is dated 31 July 2017 and is open for applications and available at www.generatekiwisaver.co.nz/forms-and-downloads

The 30 June 2018 quarterly fund update for each Fund is currently available at www.generatekiwisaver.co.nz/fund-updates

The latest financial statements and auditor’s report for the scheme for the financial year 1 April 2017 to 31 March 2018 were registered under the Financial Markets Conduct Act 2013 on 18 July 2018.

Information on contributions and Scheme participants

For the Year Ended 31 March 2018

Membership Summary

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

MEMBERSHIP SUMMARY	Number of Members	Funds Under Management (\$)
Total members as at 1 April 2017	30,143 ¹	\$396,459,186
ADD		
New members to KiwiSaver	2,096	
Transferring from other KiwiSaver schemes	13,956	
Transferring from Australian Superannuation schemes	66	
Transferring from other retirement schemes	14	
LESS		
Retirement	35	
Death	22	
Transferring to an Australian Superannuation scheme	2	
Transfer out to other KiwiSaver schemes	2,339	
Other exits	45	
Members as at 31 March 2018	43,832 ²	\$708,879,125

¹ The number of members at the start of the year comprises 19,857 contributing members and 10,286 non-contributing members.

² The number of members at the end of the year comprises 30,173 contributing members and 13,659 non-contributing members.

Contributions Summary

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

CONTRIBUTION SOURCE	Number of Members	Amount (\$)
Member contributions	29,068	\$49,614,027
Employer contributions	28,909	\$29,793,245
Crown contributions	28,252	\$10,900,149
Lump sum contributions	6,222	\$9,566,275
Other voluntary contributions	1,417	\$740,659
Transfers from other retirement schemes	24	\$656,653
Transfers in from other schemes	13,956	\$197,901,616
Transfers in from Australian Superannuation schemes	214	\$6,848,822

Changes relating to the Scheme

The following is a summary of material changes relating to the Scheme made during the year ended 31 March 2018.

Governing Document

There have been no changes to the Scheme's Trust Deed, our governing document, during the period.

Terms of the offer of interests in the Scheme

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 investment option names from life stages to Stepping Stones. These documents are available at www.generatekiwisaver.co.nz and on the Disclose Register at www.companiesoffice.govt.nz/disclose

The Statement of Investment Policy and Objectives (SIPO)

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 directly 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.

On 11 July 2018, the Scheme's SIPO was amended to allow the Investment Executive to alter the relevant foreign exchange hedging ratio for a relevant currency by up to +/- 15% of either side of the long term foreign exchange hedging target at the time the trade is executed. In order for the Investment Executive to modify a foreign exchange hedging ratio by more than +/- 15% unanimous Investment Committee approval is required.

The Scheme SIPO is available at 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.

Other information for particular types of managed funds

Withdrawals

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

WITHDRAWAL SUMMARY	Number of Members
First home	563
Retirement	40
Death	22
Transfer to other KiwiSaver schemes	2,339
Other payments	20
Significant financial hardship	241
Serious illness	20
Permanent emigration	9

Investment Performance

The investment performance of each of the Funds for the year ended 31 March 2018 was:

FUND	\$ Unit price on 31/03/17	\$ Unit price on 31/03/18	Return %*
Conservative Fund	1.2261	1.2905	5.57%
Growth Fund	1.3643	1.5239	12.11%
Focused Growth Fund	1.3944	1.5965	14.84%

* 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.

Manager's Statement

Generate as the Manager of the Scheme confirms that for the year ended 31 March 2018:

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.

Changes to persons involved in the Scheme

There were no changes to the manager, its directors, administration manager, investment manager, custodian, securities registrar or auditor of the scheme.

Changes to the Key Personnel of the Manager

Edward Glennie was a senior manager from 20 February 2017 until 19 May 2017.

Changes to the Board Members of the Supervisor

Public Trust

The following changes have been made since 1 April 2017.

1. Ian Fitzgerald was appointed as a Board member on 22 May 2017
2. Huei Min (Lyn) Lim stepped down as a Board Member on 30 June 2017
3. Sarah Roberts stepped down as a Board Member on 31 August 2017

How to find further information

Further information about the Scheme is available on the Disclose Register at: 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 or you can request it via email at info@generatekiwisaver.co.nz or Freephone on 0800 855 322. This information is provided at no charge to you.

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
Website: www.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: complaints@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.

You may contact the securities registrar at:

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

Telephone: 09 309 8926

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