

Generate™

Dreams worth saving

Generate
KiwiSaver
Scheme

**Annual
Report**

For the
period ended
31 March 2019



Annual Report for the period ended
31 MARCH 2019

Your Generate KiwiSaver Scheme

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Generate KiwiSaver Scheme Highlights

All three Generate funds top the ranking tables for the year to 31 March 2019

In the latest Morningstar KiwiSaver Survey¹ to 31 March 2019, the Generate Growth fund was the only KiwiSaver fund in the multi-sector growth category to return double digits for the year with a 10.5% return after fees², ranking 1st out of 27 funds. It also ranked 1st out of 21 funds in this category over five years with a return of 10.8% per annum after fees. The Generate Conservative Fund was 2nd out of 19 funds for the year and 3rd out of 12 funds over five years in the KiwiSaver multi-sector moderate category. The Generate Focused Growth Fund was 3rd out of 10 funds for the year and 2nd out of 7 funds over five years in the KiwiSaver multi-sector aggressive category.

Materially lower fees for the growth funds

For the year to 31 March 2019 we achieved materially lower fees for the two growth funds. The Generate Growth Fund's fee for FY19 was 9.1% lower than FY18 and the Generate Focused Growth Fund's fee was 12.3% lower.

Awarded Gold Rating every year 2016 – 2019 by SuperRatings³

In its unique value for money assessment SuperRatings has awarded Generate a Gold Rating every year from 2016 to 2019. 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”.

Our advisers scored 95% for customer satisfaction⁴

We're proud to say that 95% 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”.

Responsible investing and a signatory to the United Nations Principles for Responsible Investment (UNRPI)

Generate launched a responsible investment policy and became a signatory to the UNRPI during the year. We are delighted to have taken these steps on behalf of members and your investments.

Generate is again one of the fastest growing KiwiSaver Schemes⁵

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 with 70,000 Kiwis in the Scheme.

Proud to have provided simple and effective KiwiSaver advice to so many of our new members

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 six years we have led our industry with more than 90% of all new Generate KiwiSaver members speaking to an adviser before they join.

¹ © 2019 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser.

² Morningstar rankings show returns after fees excluding any membership fees charged in dollar terms. Most schemes have such a fee and Generate charges \$36 per year for membership.

³ SuperRatings does not issue, sell, guarantee or underwrite this product. Go to www.superratings.com.au for details of its ratings criteria.

⁴ Generate New Member Survey for FY19 responses from 4,088 new members (74% rate 5 and 21% rate 4).

⁵ Workplace Savings Quarterly KiwiSaver Surveys. (ANZ and Fisher Funds Schemes are consolidated). At 23.07.18 the Generate KiwiSaver Scheme had 69,859 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.

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.

Government Contribution – the Government gives you \$521.43 every year, if you contribute \$1,042.86

This is effectively free money from the Government each year. If you can afford to contribute enough to get your Government Contribution 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%, 6%, 8% or 10% of your salary makes a huge difference

Once you have made the right fund choice the next best way to grow your KiwiSaver account is to increase your contribution rate. Again the difference between 3%, 4%, 6%, 8% or 10% 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 2018 to 31 March 2019.

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 30 September 2018 and is open for applications and available at www.generatekiwisaver.co.nz/pds

The 30 June 2019 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 2018 to 31 March 2019 were registered under the Financial Markets Conduct Act 2013 on 24 July 2019.

Information on contributions and Scheme participants

For the Year Ended 31 March 2019

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 2018	43,832 ¹	\$ 708,879,125
ADD		
New members to KiwiSaver	2,622	
Transferring from other KiwiSaver schemes	18,358	
Transferring from Australian Superannuation schemes	155	
Transferring from other retirement schemes	16	
LESS		
Retirement	104	
Death	28	
Transferring to an Australian Superannuation scheme	4	
Transfer out to other KiwiSaver schemes	2,217	
Other exits	119	
Members as at 31 March 2019	62,511²	\$ 1,196,262,714

¹ The number of members at the start of the year comprises 30,173 contributing members and 13,659 non-contributing members.

² The number of members at the end of the year comprises 42,887 contributing members and 19,624 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	42,495	\$79,336,689
Employer contributions	42,432	\$45,746,423
Crown contributions	42,423	\$16,709,804
Lump sum contributions	8,765	\$12,851,555
Other voluntary contributions	775	\$871,629
Transfers from other retirement schemes	16	\$874,977
Transfers in from other KiwiSaver schemes	18,421	\$322,187,126
Transfers in from Australian Superannuation schemes	155	\$5,440,249

Changes relating to the Scheme

The following is a summary of material changes relating to the Scheme made during the year ended 31 March 2019.

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 30 September 2018 an updated Product Disclosure Statement and Other Material Information document were issued to include the material changes to the SIPO below and the formal adoption of our Responsible Investment Policy. 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 30 September 2018 the Scheme's SIPO was amended with the material changes being:

- We extended our ability to invest in more international equities directly. This has - on average - helped bring our fees down for our growth funds.
- We broadened the Conservative Fund's mandate to allow investment in international equities directly. This provides better diversification for the Fund as previously its equity investments were constrained primarily to property and infrastructure investments in Australasia.
- We broadened the Focused Growth Fund's mandate to allow investment in fixed income. This fund has a high allocation to equities and in the past, the balance has always been held in cash. We think it makes sense for the Fund to be able to invest in fixed income products (bonds and term deposits) given the higher interest rates they typically offer over cash.

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	1,169
Retirement	243
Death	28
Transfer to other KiwiSaver schemes	2,217
Other payments	84
Significant financial hardship	376
Serious illness	23
Permanent emigration	26

Investment Performance

The investment performance of each of the Funds for the year ended 31 March 2019 was:

FUND	\$ Unit price on 31/03/18	\$ Unit price on 31/03/19	Return %*
Conservative Fund	1.2905	1.3905	8.07%
Growth Fund	1.5239	1.6777	10.49%
Focused Growth Fund	1.5965	1.7449	9.60%

* 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 2019:

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 or key personnel, administration manager, investment manager, custodian, securities registrar or auditor of the scheme.

Changes to the Board Members of the Supervisor

Public Trust

The following changes have been made since 1 April 2018.

1. Kirsty Campbell was appointed as a Board member on 1 April 2019.
2. Vicki Sykes was appointed as a Board Member on 1 April 2019.

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 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
Level 4
101 Lambton Quay
Wellington 6011

PO Box 5967
Wellington 6140

Freephone: 0800 347 257
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, QBE Centre
125 Queen Street
Auckland 1010

Telephone: 09 309 8926

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