



Fund Update

For quarter ending 31 December 2017

This Fund Update was first made publicly available on 25 January 2018.

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. BNZ Investment Services Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

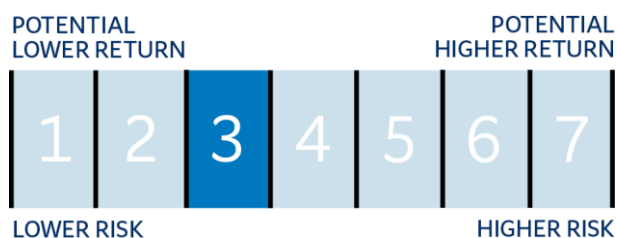
Description of this Fund

The Conservative Fund invests primarily in income assets which have lower levels of risks and returns. It has a small allocation to growth assets which have higher risks and returns. It aims to achieve relatively stable returns over the medium term.

Total value of the Fund	\$495,319,055.90
Number of investors in the Fund	57,496
Date the Fund started	11 February 2013

What are the risks of investing?

Risk indicator for the Conservative Fund¹



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 (volatility). 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 bnz.co.nz/whatfund. 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 31 December 2012 to 31 December 2017¹. 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.

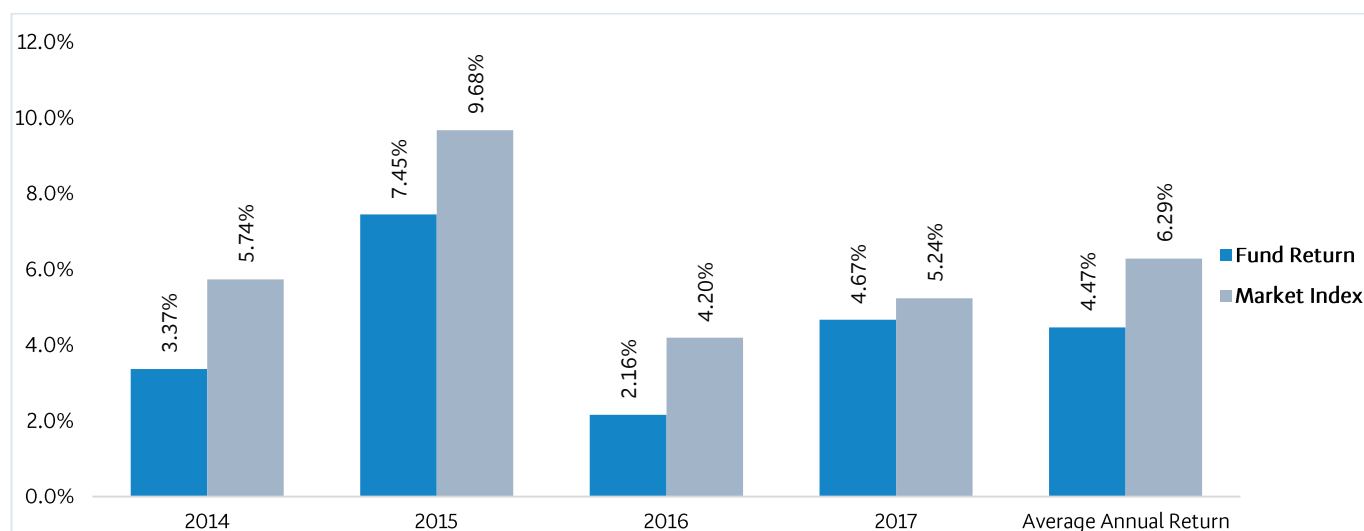
See the BNZ KiwiSaver Scheme product disclosure statement (PDS) for more information about the risks associated with investing in this Fund.

How has the Fund performed?

	Past year
Annual return (after deductions for charges and tax)	6.20%
Annual return (after deductions for charges but before tax)	7.28%
Market index annual return (reflects no deductions for charges and tax)	6.91%

The market index return is based on a composite index made up of related market indices. Additional information about the market index is available on the Scheme's Disclose Register entry at disclose-register.companiesoffice.govt.nz/disclose

Annual return graph



The graph 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 31 December 2017.

Important: This does not tell you how the Fund will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

Fund charges and tax do not apply to market index returns.

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). Investors are not currently charged individual actions fees.

See the BNZ KiwiSaver Scheme product disclosure statement for more information about these fees. This can be accessed from the Disclose register at disclose-register.companiesoffice.govt.nz/disclose

Small differences in fees and charges can have a big impact on your investment over the long term.

What fees are investors charged?

Investors in the Conservative Fund are charged Fund charges. In the year to 31 March 2017 these were:

	% of Net Asset Value
Total Fund charges	0.58%
<i>Which are made up of:</i>	
Total management and administration charges	0.58%
<i>Including:</i>	
Manager's basic fee	0.53%
Other management and administration charges	0.05%
Total Performance-based fees	0.00%
Other charges	Dollar amount per investor
Member fees ²	\$23.40 p.a.

Example of how this applies to an investor

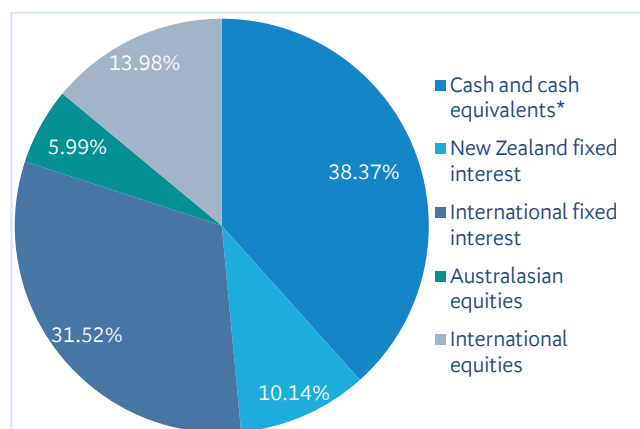
John had \$10,000 in the Fund at the start of the year and did not make any further contributions. At the end of the year, John received a return after Fund charges were deducted of \$620.00 (that is 6.20% of his initial \$10,000). John also paid \$23.40 in other charges. This gives John a total return of \$596.60 for the year.

Investors are charged member fees of \$1.95 per month (\$23.40 p.a.).

What does the Fund invest in?

This shows the types of assets the Fund invests in.

Actual investment mix



* The percentage of cash and cash equivalents may differ to those stated in the Top 10 investments table as they can include operating and fund accruals.

Target investment mix

This shows the mix of assets that the Fund generally intends to invest in.

Cash and cash equivalents	35.00%
New Zealand fixed interest	11.00%
International fixed interest	34.00%
Australasian equities	6.00%
International equities	14.00%
Listed property	0.00%
Unlisted property	0.00%
Commodities	0.00%
Other	0.00%

Currency hedging

Currency hedging may be used to mitigate the impact of currency movements on investments in foreign securities. The foreign currency exposure in fixed interest investments is fully hedged to the New Zealand dollar to the greatest extent practicable. International equities may be between 0% and 100% hedged to the New Zealand dollar. Investments in Australian equities held via the Australasian Equity asset class may be hedged to the New Zealand dollar at the discretion of the underlying investment manager(s) for that asset class.

Top 10 investments

	Name	% of Fund Net Assets	Type	Country	Credit Rating (if applicable)
1	Nikko AM Wholesale NZ Cash Fund Two	37.61%	Cash and cash equivalents	New Zealand	
2	Russell Global Bond Fund	31.52%	International fixed interest	Australia	
3	Russell Investments NZ Fixed Interest Fund	10.14%	New Zealand fixed interest	New Zealand	
4	Russell Investments NZ Shares Fund	5.99%	Australasian equities	New Zealand	
5	NZD Cash Deposit (BNZ Bank)	0.80%	Cash and cash equivalents	New Zealand	AA-
6	AUD Cash Deposit (National Australia Bank) ³	0.33%	Cash and cash equivalents	Australia	AA-
7	Alphabet	0.27%	International equities	United States	
8	Nestlé	0.26%	International equities	Switzerland	
9	Facebook	0.22%	International equities	United States	
10	Visa	0.19%	International equities	United States	

The top 10 investments make up 87.33% of the net asset value of the Fund.

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 position
Richard Morath	Director, BNZ Investment Services Limited	4 years, 6 months	Non-Executive Director, BNZ Life Insurance Limited (current position)	14 years, 1 months
Shelley Ruha	Director, BNZ Investment Services Limited	5 years, 6 months	Director - BNZ Partners, BNZ (current position)	3 years, 6 months
Christopher Reid	Director, BNZ Investment Services Limited	5 years, 6 months	Chief General Counsel, BNZ (current position)	8 years, 6 months

Further information

You can also obtain this information, the PDS for BNZ KiwiSaver Scheme, and some additional information from the offer register at disclose-register.companiesoffice.govt.nz/disclose

Contact details

If you have any questions about this Fund, call us on 0800 269 5494 or visit our website at bnz.co.nz/kiwisaver.

Notes

1. As the Fund has not been in existence for 5 years, a combination of actual returns and market index returns have been used to calculate the Fund's risk indicator. The risk indicator, therefore, may provide a less reliable indicator of the potential future volatility of the Fund.
2. Member fees in the BNZ KiwiSaver Scheme are \$1.95 per member per month and are charged proportionately across funds where a member invests in more than one BNZ KiwiSaver Scheme fund.
3. This cash deposit is an asset of a related underlying fund that this Fund invests in and is held specifically to maintain exposures to international equity investments.