

BNZ KIWISAVER SCHEME

Balanced Fund



Fund Update

For quarter ending 30 June 2019

This Fund Update was first made publicly available on 26 July 2019.

What is the purpose of this update?

This document tells you how the Balanced Fund (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.

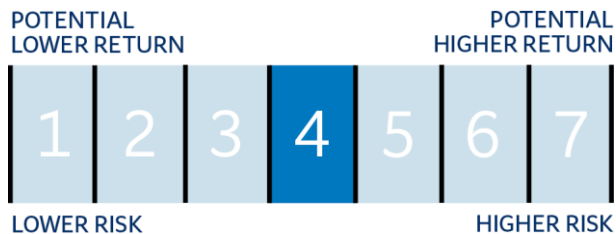
Description of this Fund

The Balanced Fund invests similar amounts in income assets which generally have lower levels of risk and return and growth assets which generally have higher levels of risk with the potential for higher returns. It aims to achieve a medium level of return over the medium to long term.

| | |
|---------------------------------|------------------|
| Total value of the Fund | \$398,563,259.60 |
| Number of investors in the Fund | 28,053 |
| Date the Fund started | 11 February 2013 |

What are the risks of investing?

Risk indicator for the Balanced 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 (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 30 June 2014 to 30 June 2019. 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.

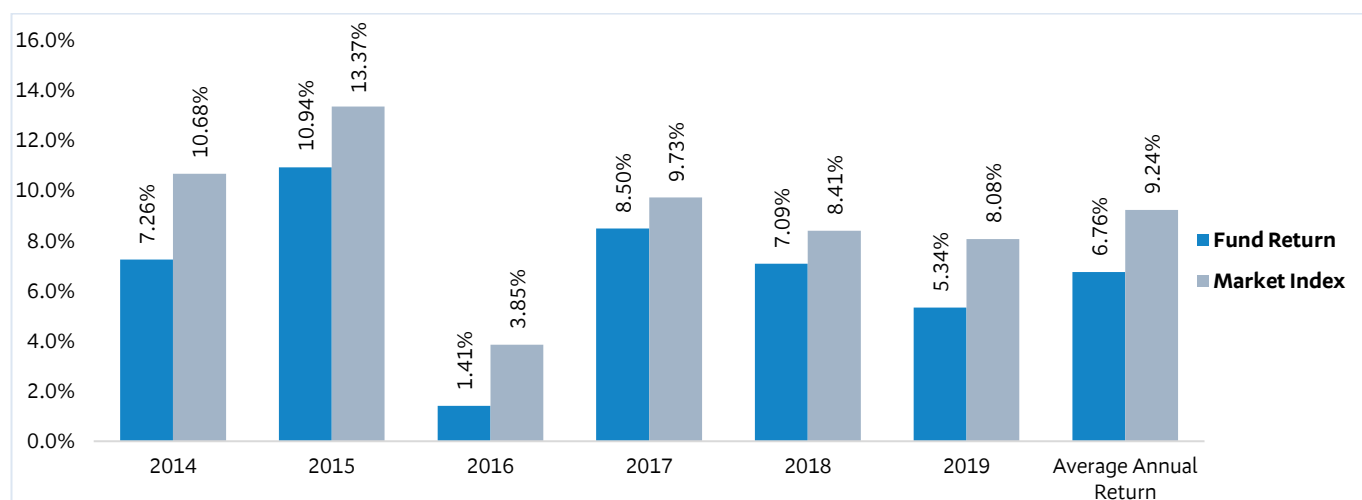
See the BNZ KiwiSaver Scheme Product Disclosure Statement (PDS) for more information about the risks associated with investing in this Fund.

How has the Fund performed?

| | Average over past 5 years | Past year |
|---|---------------------------|-----------|
| Annual return (after deductions for charges and tax) | 6.77% | 5.38% |
| Annual return (after deductions for charges but before tax) | 8.00% | 6.74% |
| Market index annual return (reflects no deductions for charges and tax) | 8.66% | 8.70% |

The market index (benchmark) return is based on a composite index made up of related market indices that represent the target investment mix (including currency hedging where relevant). Additional information can be located in the 'Statement of Investment Policy and Objectives' document available on the Scheme's Disclose Register entry at 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 30 June 2019.

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.

Market index returns do not include Fund charges or deductions for tax.

* The total management and administration fee for the Fund was reduced to 0.58% effective 13 May 2019. As a result, the total fund charges for the Fund for the year to 31 March 2020 are expected to be up to 42% lower.

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 PDS for more information about these fees. This can be accessed from the Disclose Register at 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 Balanced Fund are charged Fund charges. In the year to 31 March 2019 these were (excluding GST):

| | % of net asset value |
|--|-----------------------------------|
| Total fund charges* | 1.00% |
| <i>Which are made up of:</i> | |
| Total management and administration charges | 1.00% |
| <i>Including:</i> | |
| Manager's basic fee | 1.00% |
| Other management and administration charges | 0.00% |
| Total performance-based fees | 0.00% |
| | |
| Other charges | Dollar amount per investor |
| Member fees ¹ | \$23.40 p.a. |

Investors are charged member fees of \$1.95 per month (\$23.40 p.a.). No GST is currently payable on BNZ KiwiSaver Scheme charges above.

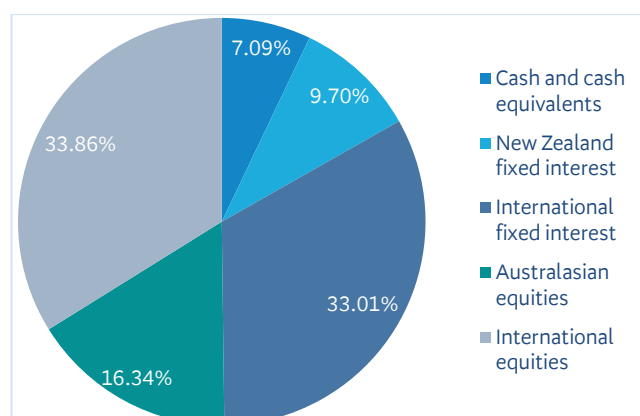
Example of how this applies to an investor

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 \$538.00 (that is 5.38% of his initial \$10,000). John also paid \$23.40 in other charges. This gives John a total return of \$514.60 for the year.

What does the Fund invest in?

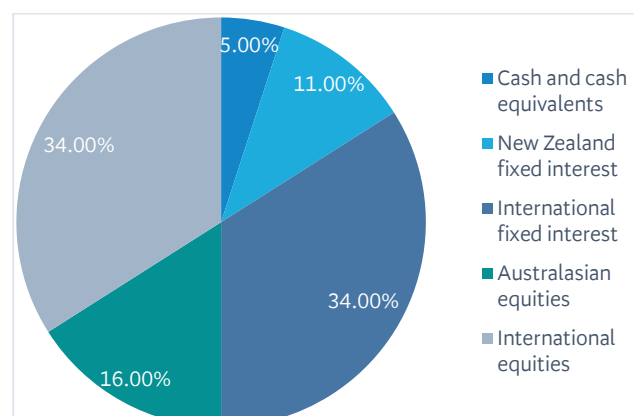
This shows the types of assets the Fund invests in.

Actual investment mix²



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

Target investment mix



Currency hedging

Currency hedging may be used to mitigate the impact of currency movements on investments in foreign securities. As at 30 June 2019, currency hedging is as follows:

- International fixed interest – 100% hedged to NZD
- International equities – 40% hedged to NZD (target 50%)
- Australian equities within the Australasian equity investment mix – 58% hedged to NZD (range between 0 - 100%)

The Statement of Investment Policy and Objectives (SIPO) sets out the policy for our currency hedging strategy in Section 5 and is available on the Scheme's Disclose Register entry at companiesoffice.govt.nz/disclose

Top 10 investments

| | Name | % of fund net assets | Type | Country | Credit rating (if applicable) |
|----|--|----------------------|------------------------------|---------------|-------------------------------|
| 1 | Mint Core Equities Fund | 8.48% | Australasian equities | New Zealand | |
| 2 | Nikko AM Wholesale Core Equity Fund | 7.94% | Australasian equities | New Zealand | |
| 3 | Nikko AM Wholesale NZ Cash Fund Two | 6.20% | Cash and cash equivalents | New Zealand | |
| 4 | Harbour NZ Core Fixed Interest WHS | 4.85% | New Zealand fixed interest | New Zealand | |
| 5 | AMP Capital NZ Fixed Interest PIE | 4.85% | New Zealand fixed interest | New Zealand | |
| 6 | Microsoft Corporation | 0.76% | International equities | United States | |
| 7 | NZD Cash Deposit (BNZ) | 0.73% | Cash and cash equivalents | New Zealand | AA- |
| 8 | Apple Inc | 0.68% | International equities | United States | |
| 9 | Japan (Government Of) 10Yr #344 0.1 09/20/2026 | 0.61% | International fixed interest | Japan | A+ |
| 10 | Amazon.Com Inc | 0.59% | International equities | United States | |

The top 10 investments make up 35.69% of the net asset value of the Fund³.

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 | 6 years, 0 months | Non-Executive Director, BNZ Life Insurance Limited (current position) | 15 years, 7 months |
| Xiaohui Zang | Director, BNZ Investment Services Limited | 1 year, 4 months | Financial Controller, BNZ (current position) | 2 years, 0 months |
| Richard Ansell | Director, BNZ Investment Services Limited | 0 years, 4 months | Chair, BNZ Investment Review Committee (current position) | 0 years, 4 months |
| Hayley Cassidy [New] | Director, BNZ Investment Services Limited | 0 years, 2 months | Chief General Counsel, BNZ (current position) | 0 years, 3 months |

Further information

You can also obtain this information, the PDS for the BNZ KiwiSaver Scheme, and some additional information from the offer register at 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. Member fees in the BNZ KiwiSaver Scheme were \$1.95 per member per month and were charged proportionately across funds where a member invests in more than one BNZ KiwiSaver Scheme fund. The member fee was removed effective 1 May 2019.
2. The actual investment mix allocations have been calculated including cash and cash equivalents held at our investment managers for operational and hedging purposes within the asset class to which they apply.
3. Cash and cash equivalents held at our investment managers for operational and hedging purposes are excluded from the top 10 investments.