

Fund Update

BNZ KiwiSaver Scheme

Conservative Fund



Fund Update for period to 30 September 2016

This Fund Update was first made publicly available on 31 October 2016.

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 | \$322,513,871.51 |
| Number of investors in the fund | 45,201 |
| 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/risk profile](http://bnz.co.nz/risk-profile). 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 September 2011 to 30 September 2016¹. 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.

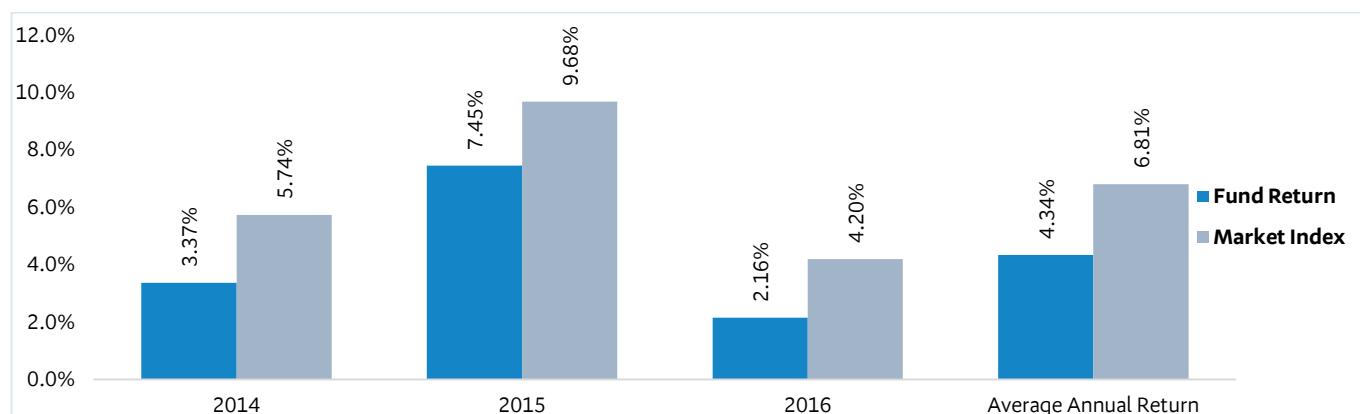
See the BNZ KiwiSaver Scheme product disclosure statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

| | Past year |
|---|-----------|
| Annual return (after deductions for charges and tax) | 6.07% |
| Annual return (after deductions for charges but before tax) | 7.61% |
| Market index annual return (reflects no deductions for charges and tax) | 8.16% |

The market index return is based on a composite index calculated using the underlying benchmark indices. Additional information about the market index is available on the Disclose register.

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 September 2016.

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.

What fees are investors charged?

Investors in the Conservative Fund are charged fund charges. In the year to 31 March 2016 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% |
| | Dollar amount per investor |
| Member fees ² | \$23.40 p.a. |

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

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 business.govt.nz/disclose.

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

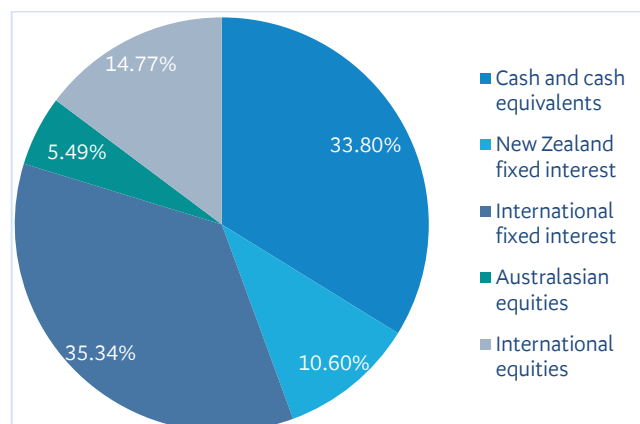
Example of how this applies to an investor

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 \$607.00 (that is 6.07% of his initial \$10,000). John also paid \$23.40 in other charges. This gives John a total return of \$583.60 for the year.

What does the fund invest in?

This shows the types of assets the fund invests in.

Actual investment mix



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 | 10.00% |
| International fixed interest | 35.00% |
| Australasian equities | 5.00% |
| International equities | 15.00% |
| Listed property | 0.00% |
| Unlisted property | 0.00% |
| Commodities | 0.00% |
| Other | 0.00% |

Top 10 investments

| | Name | % of Fund Net Assets | Type | Country | Credit Rating (if applicable) |
|---|--|----------------------|------------------------------|-------------|-------------------------------|
| 1 | Russell Global Bond Fund | 35.34% | International fixed interest | Australia | |
| 2 | Nikko AM Wholesale NZ Cash Fund Two | 33.10% | Cash and cash equivalents | New Zealand | |
| 3 | Russell Global Opportunities Fund - NZD Hedged | 14.77% | International equities | Australia | |
| 4 | Russell Investments NZ Fixed Interest Fund | 10.60% | New Zealand fixed interest | New Zealand | |
| 5 | Russell Investments NZ Shares Fund | 5.49% | Australasian equities | New Zealand | |
| 6 | Cash Deposit (BNZ Bank) | 0.70% | Cash and cash equivalents | New Zealand | AA- |

The top 10 investments make up 100.00% 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 | 3 years, 3 months | Non-Executive Director, BNZ Life Insurance Limited (current position) | 12 years, 10 months |
| Shelley Ruha | Director, BNZ Investment Services Limited | 4 years, 3 months | Director - BNZ Partners, BNZ (current position) | 2 years, 3 months |
| Christopher Reid | Director, BNZ Investment Services Limited | 4 years, 3 months | Chief General Counsel, BNZ (current position) | 7 years, 3 months |
| Jacqueline Farman | Director, BNZ Investment Services Limited | 1 year, 9 months | Financial Controller, BNZ (current position) | 2 years, 6 months |
| Tony Arthur | Director, BNZ Investment Services Limited | 0 years, 11 months | National Sales Director, Retail and Marketing, BNZ (current position) | 3 years, 3 months |

Further information

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

Contact details

Tel: 0800 269 5494

Website: 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.