

Fund Update

BNZ KiwiSaver Scheme

Moderate Fund



Fund Update for period to 31 December 2016

This Fund Update was first made publicly available on 20 February 2017.

What is the purpose of this update?

This document tells you how the Moderate 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.

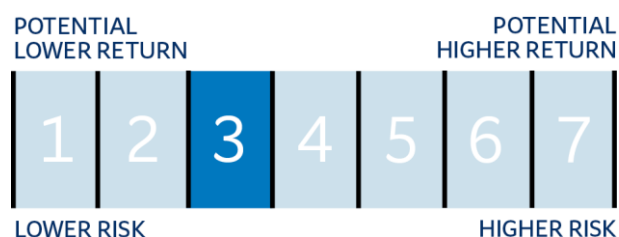
Description of this fund

The Moderate Fund invests in income assets which have lower levels of risks and returns. It also has an allocation to growth assets which have higher risks and returns. It aims to achieve moderate returns over the medium term.

Total value of the fund	\$239,822,219.10
Number of investors in the fund	26,951
Date the fund started	11 February 2013

What are the risks of investing?

Risk indicator for the Moderate 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/riskprofile. 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 2011 to 31 December 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.

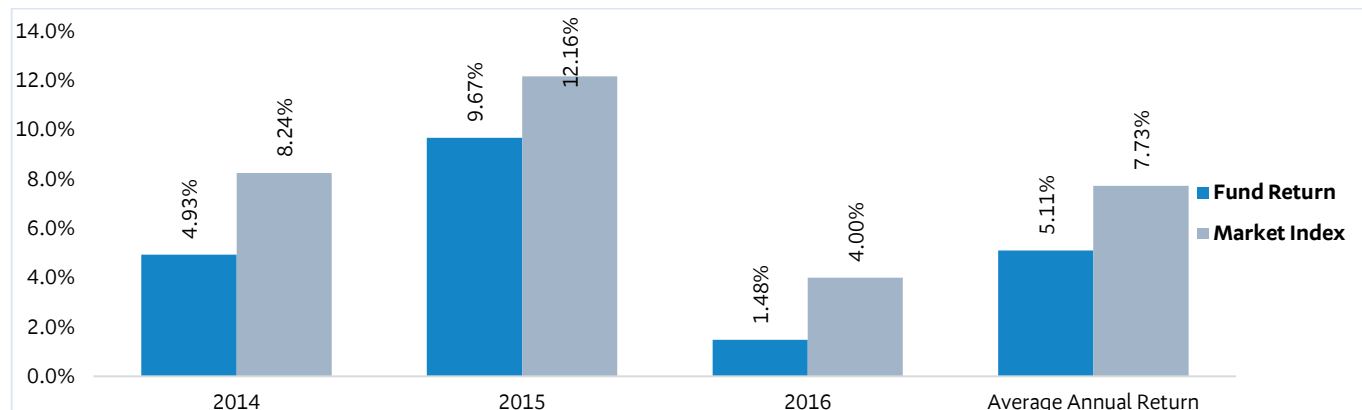
How has the fund performed?

	Past year
Annual return (after deductions for charges and tax)	5.17%
Annual return (after deductions for charges but before tax)	6.53%
Market index annual return (reflects no deductions for charges and tax)	7.03%

The market index return is based on a composite index made up of the benchmark indices. The composition of the market index for this Fund has changed since the previous Fund Update was prepared for this Fund.

BNZ Investment Services Limited considers the new composite index to be an appropriate market index as it reflects the change to the hedging policy in December 2016 affecting the Fund, whereby we now seek to hedge 50% (previously 100%) of investments in International Equities to the greatest extent practicable. 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 31 December 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 Moderate Fund are charged fund charges. In the year to 31 March 2016 these were:

	% of net asset value
Total fund charges	0.90%
<i>Which are made up of:</i>	
Total management and administration charges	0.90%
<i>Including:</i>	
Manager's basic fee	0.85%
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.

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.

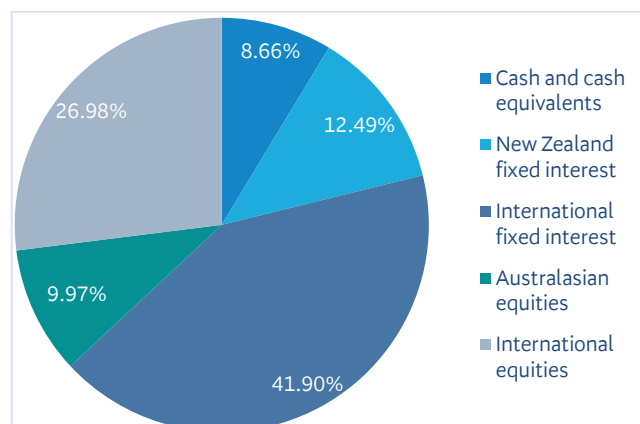
Example of how this applies to an investor

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 \$517.00 (that is 5.17% of his initial \$10,000). John also paid \$23.40 in other charges. This gives John a total return of \$493.60 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	10.00%
New Zealand fixed interest	14.00%
International fixed interest	41.00%
Australasian equities	11.00%
International equities	24.00%
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	41.90%	International fixed interest	Australia	
2	Russell Global Opportunities Fund - NZD Hedged	13.52%	International equities	Australia	
3	Russell Global Opportunities Fund	13.46%	International equities	Australia	
4	Russell Investments NZ Fixed Interest Fund	12.49%	New Zealand fixed interest	New Zealand	
5	Russell Investments NZ Shares Fund	9.97%	Australasian equities	New Zealand	
6	Nikko AM Wholesale NZ Cash Fund Two	8.09%	Cash and cash equivalents	New Zealand	
7	Cash Deposit (BNZ Bank)	0.57%	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, 6 months	Non-Executive Director, BNZ Life Insurance Limited (current position)	13 years, 1 months
Shelley Ruha	Director, BNZ Investment Services Limited	4 years, 6 months	Director - BNZ Partners, BNZ (current position)	2 years, 6 months
Christopher Reid	Director, BNZ Investment Services Limited	4 years, 6 months	Chief General Counsel, BNZ (current position)	7 years, 6 months
Jacqueline Farman	Director, BNZ Investment Services Limited	2 years, 0 months	Financial Controller, BNZ (current position)	2 years, 9 months
Tony Arthur	Director, BNZ Investment Services Limited	1 year, 2 months	National Sales Director, Retail and Marketing, BNZ (current position)	3 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 business.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.