

Simplicity KiwiSaver Scheme

Conservative fund

Fund update

This update was first made publicly available on 31 October 2016



Fund update

Quarter ending 30 September 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. Simplicity NZ 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

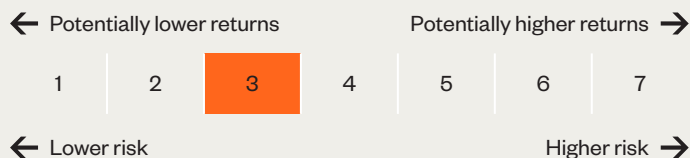
The Conservative Fund provides investors with a limited exposure to growth assets, but most of its investments are in income assets. As a result, the return from the Fund is likely to be lower over the longer term (10 years or more) than the Balanced or Growth Funds, but the value of its investments are unlikely to fluctuate as much as the Balanced or Growth Funds.

Total value of the fund	\$ 755,754.79
Number of investors	26
The date the fund started	1 September 2016

What are the risks of investing?

Risk indicator for the Conservative Fund¹:

Risk indicator



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. 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 <https://www.sorted.org.nz/guides/kiwisaver-which-fund-suits>



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 the past 5 years. 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 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)	Not applicable
Annual return (after deductions for charges but before tax)	Not applicable
Market index annual return (reflects no deduction for charges and tax)	9.41%

The market index annual return is a composite index, calculated using the return of each asset class index the fund invests in, weighted by the fund's benchmark asset allocation. See the Statement of Investment Policy and Objectives (SIPO) for details of the fund's benchmark asset allocation and the asset class indices.

Additional information about the market index is available on the Disclose Register:

<http://www.business.govt.nz/disclose>

What fees are investors charged?

Total value of the fund	0.31%
Which are made up of	
Total management and administration charges	0.31%
Including:	
Manager's basic fee	0.30%
Other management and administration charges	0.01%
Total performance-based fees	0.00%
Other charges	Dollar amount per investor
Administration Fee	\$30 per year



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

Example of how this applies to an investor

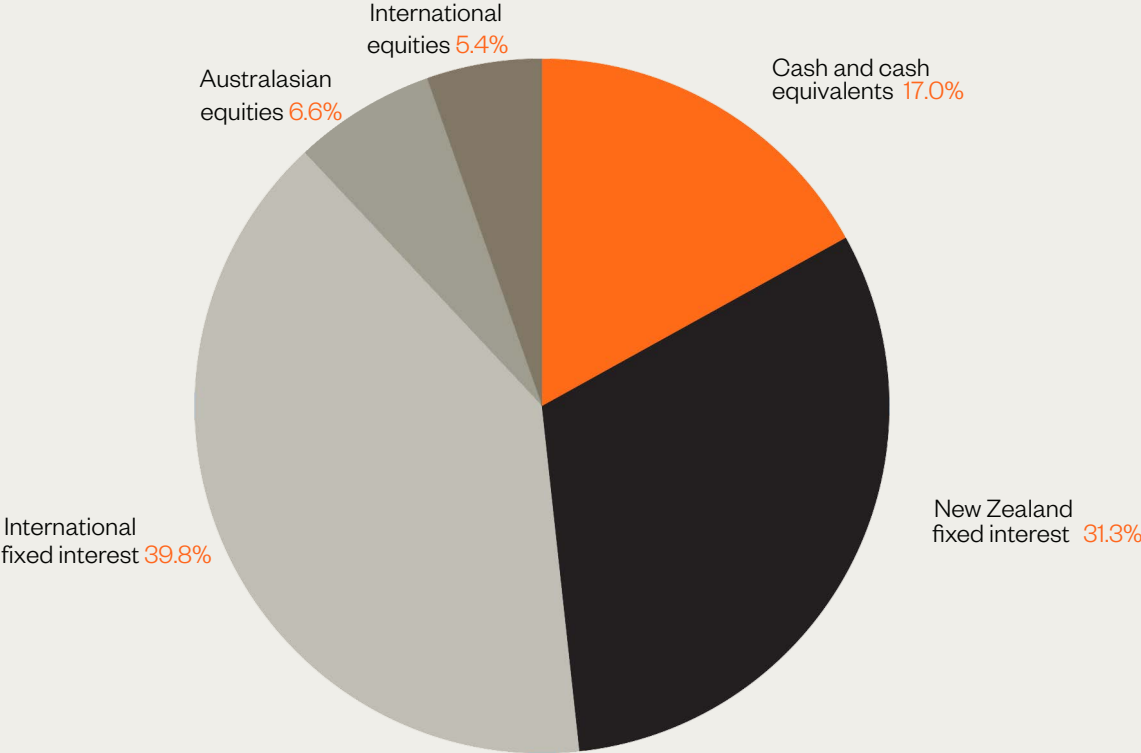
Small differences in fees and charges can have a big impact on your investment over the long term

Ben 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, Ben received a return after fund charges were deducted of \$941² (that is 9.41% of his initial \$10,000). Ben also paid \$30 in other charges. This gives Ben a total return after tax of \$911 for the year.

What does the fund invest in?

This shows the types of assets that the fund invests in.

Actual investment mix



Target investment mix

Cash and cash equivalents	2%	International equities	12%
New Zealand fixed interest	39%	Listed property	0%
International fixed interest	39%	Unlisted property	0%
Australasian equities	8%	Commodities	0%



Top 10 investments

Asset Name	% of fund net assets	Type	Country	Credit rating
Vanguard International Fixed Interest Index Fund	19.91%	International Fixed Interest	AU	N/A
Vanguard International Credit Securities Fund	19.84%	International Fixed Interest	AU	N/A
Cash on call	16.90%	Cash & Cash Equivalents	NZ	A-1+
New Zealand govt bond 3% 15 April 2020	15.85%	New Zealand Fixed Interest	NZ	AA+
New Zealand govt bond 5.5% 15 April 2023	8.51%	New Zealand Fixed Interest	NZ	AA+
Vanguard International Shares Index Fund	5.38%	International Equities	AU	N/A
New Zealand govt bond 4.5% 15 April 2027	5.37%	New Zealand Fixed Interest	NZ	AA+
Vanguard Australian Shares Index Fund	2.96%	Australasian Equities	AU	N/A
New Zealand govt bond 6.0% 15 May 2021	1.59%	New Zealand Fixed Interest	NZ	AA+
Auckland International Airport	0.72%	Australasian Equities	NZ	N/A

The top ten investments make up 97.0% of the fund. All international investments are 100% New Zealand dollar hedged.

Key personnel

Name	Current position	Term	Previous position	Term
Sam Stubbs	Managing Director, Simplicity	5 months	Chief Executive Officer, TOWER Investments	5 years and 1 month
Mark Fitz-gerald	Director, Simplicity	4 months	Senior Management, Westpac NZ	3 years and 5 months
Jenene Crossan	Director, Simplicity	3 months	Founder, Director & CEO, Flossie.com (current)	4 years and 10 months
Kirsty Campbell	Director, Simplicity	3 months	Head of Supervision, Financial Markets Authority	1 year and 6 months
Andrew Lance	Chief Operating Officer, Simplicity	3 months	Head of Institutional, Fisher Funds	2 years

Further information

You can also obtain this information, the PDS for the Simplicity KiwiSaver Scheme and some additional information from the offer register at <http://www.business.govt.nz/disclose>

Notes

1. As the fund started on 1 September 2016, actual returns for the fund are not available. To calculate the risk indicator for the five-year period ending 30 September 2016, market index returns have been used up to 31 August 2016 with actual fund returns used for the balance of the period. As a result of those market returns, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund.
2. As the fund started on the date noted above, this calculation is based on the market index return for the period.