

Simplicity KiwiSaver Scheme

Conservative Fund

Fund update

This update was first made publicly available on 28 September 2020



Fund update

Quarter ending 30 September 2020

What is the purpose of this update?

This document tells you how the Simplicity KiwiSaver Conservative Fund (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

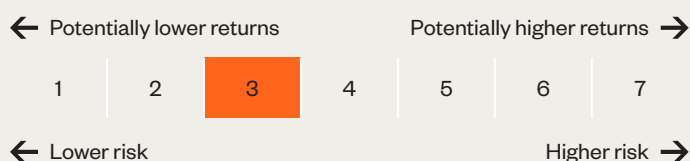
The Conservative Fund provides investors with a limited exposure to growth assets, but most of its investments are in income assets. As a result, the return from the Fund is likely to be lower over the longer term (10 years or more) than the Balanced or Growth Funds, but the value of its investments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

Total value of the fund	\$ 146,958,682
Number of investors	3,406
The date the fund started	1 September 2016

What are the risks of investing?

Risk indicator for the Conservative Fund ¹:

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 the fund's future performance. As the fund has not been in existence for five years, the risk indicator is based on five year information including actual performance figures from 1 September 2016, and market returns data for the period prior to that date. As a result of this, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund. 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

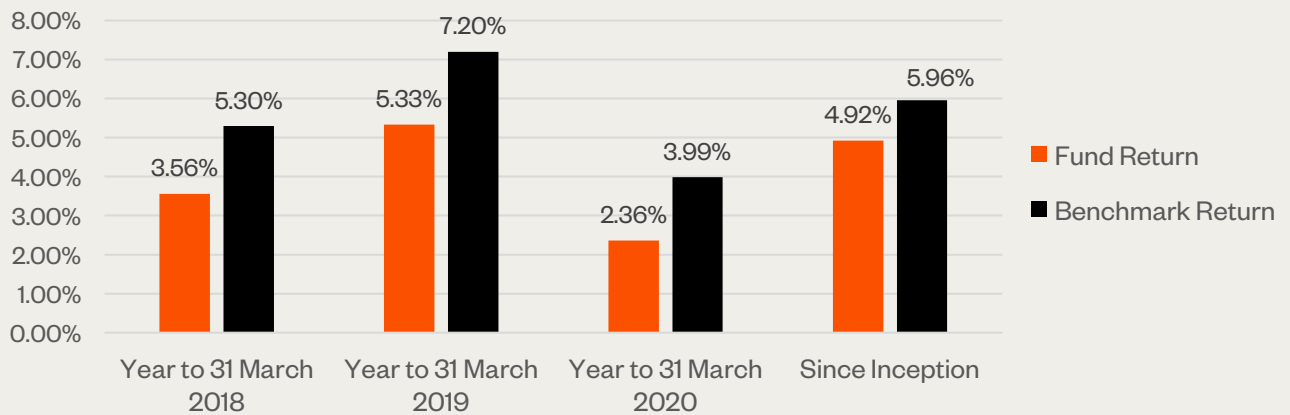
Annual return (after deductions for charges and tax)	4.99%
Annual return (after deductions for charges but before tax)	6.21%
Market index annual return (reflects no deduction for charges and tax)	5.89%

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.companiesoffice.govt.nz/disclose>

Annual Return Graph



This 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 2020.

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 2020 these were:

Total fund charges (including GST)	0.27%
Which are made up of	
Total management and administration charges	0.27%
Including:	
Manager's basic fee	0.26%
Other management and administration charges ²	0.01%
Total performance-based fees	0.00%
Other charges	Dollar amount per investor
Administration Fee ³	\$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.

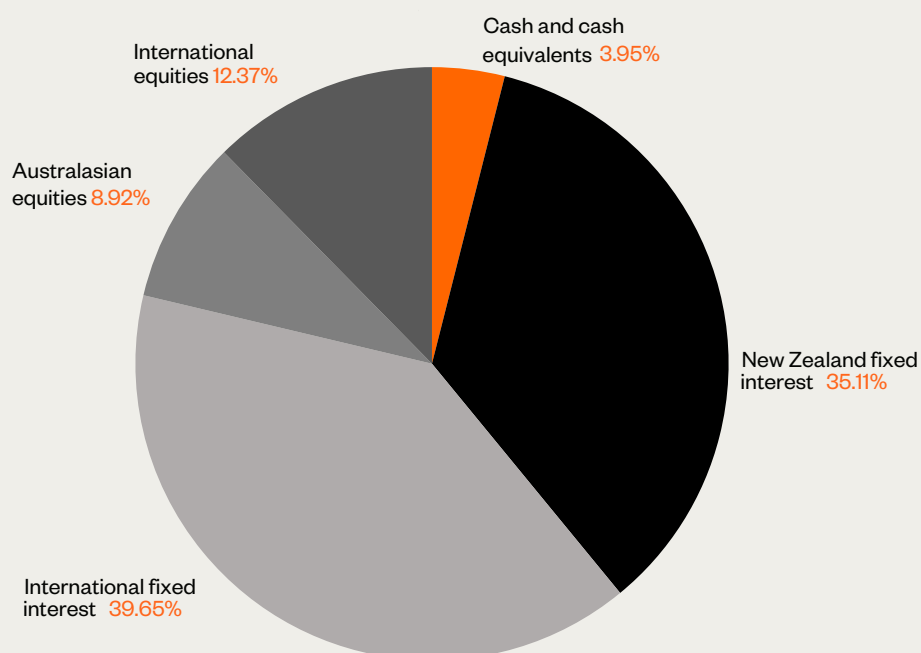
Mia had \$10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Mia received a return after fund charges were deducted of \$621 (that is 6.21% of her initial \$10,000). Mia also paid \$30 in other charges. This gives Mia a total return after tax of \$469 for the period.



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	12.5%
New Zealand fixed interest	36%	Listed property	0%
International fixed interest	40%	Unlisted property	0%
Australasian equities	9.5%	Commodities	0%

Top 10 investments

Asset Name	% of fund net assets	Type	Country	Credit rating
Vanguard Ethically Conscious Global Bond Index Fund	39.65%	International Fixed Interest	AU	N/A
Vanguard Ethically Conscious International Shares Index Fund NZD hedged	8.09%	International Equities	AU	N/A
Vanguard Ethically Conscious International Shares Index Fund AUD	4.29%	International Equities	AU	N/A
New Zealand govt bond 3.0% 20 April 2029	4.21%	New Zealand Fixed Interest	NZ	AA+
LGFA bond 5.5% 15 April 2023	4.15%	New Zealand Fixed Interest	NZ	AA+
New Zealand govt bond 2.75% 15 April 2037	3.64%	New Zealand Fixed Interest	NZ	AA+
LGFA bond 2.75% 15 April 2025	3.24%	New Zealand Fixed Interest	NZ	AA+
Cash on call	3.13%	Cash & Cash Equivalents	NZ	AA+
New Zealand govt bond 1.5% 15 May 2031	2.64%	New Zealand Fixed Interest	NZ	AA+
LGFA bond 6.0% 15 May 2021	2.50%	New Zealand Fixed Interest	NZ	AA+

The top ten investments make up 75.54% of the fund. The fund's exposure to assets denominated in foreign currencies was 54.32%, of which 90.65% was hedged. This means the fund's unhedged foreign currency exposure was 5.08% of the net asset value of the fund.



Key personnel

Name	Current position	Term	Previous or other current position	Term
Sam Stubbs	Managing Director, Simplicity	4 years and 6 months	Chief Executive Officer, TOWER Investments	5 years and 1 month
Joy Marslin	Director, Simplicity	3 years and 10 months	Head of Private Wealth Management, Westpac NZ	3 years and 7 months
Reuben Halper	Director, Simplicity	3 years and 6 months	Agency Lead, Google New Zealand (current)	5 years
Mel Hewitson	Director, Simplicity	1 year and 7 months	Independent Director, Heritage Trustee Company (current)	2 years and 6 months
Anna Tierney	Director, Simplicity	1 year and 7 months	Forensic accountant & risk consultant (current)	15 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.companiesoffice.govt.nz/disclose>

Notes

1. As the fund started on 1 September 2016, actual returns for the fund are not available until then. To calculate the risk indicator for the five-year period ending 30 September 2020, 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. Other management and administration charges include a 0.01% estimated fee which covers administration costs incurred by the Vanguard underlying funds. This estimate is based on actual annual costs reported by Vanguard in its most recent annual report dated 30 June 2019 with additional details provided by Vanguard, and anticipated investment levels in the underlying funds in accordance with the Scheme's SIPO.
3. On 2 March 2020 the annual Administration Fee was reduced to \$20.