

## 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 Income 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.

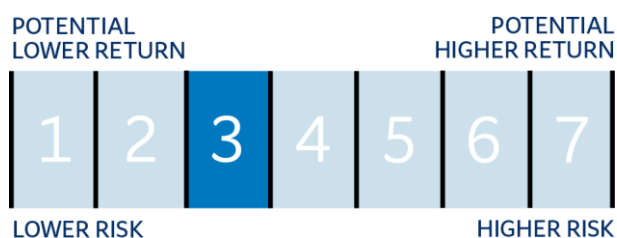
#### Description of this Fund

The Income Fund invests mostly in income assets, which generally have lower levels of risk and potential returns. It also has a modest allocation to growth assets, which generally have higher levels of risk with the potential for higher returns. It aims to achieve relatively stable returns over the short to medium term.

Total value of the Fund	\$6,346,174.69
Date the Fund started	29 March 2018

#### What are the risks of investing?

##### Risk indicator<sup>1</sup> for the Income 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 [sorted.org.nz](http://sorted.org.nz). 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 YouWealth Product Disclosure Statement (PDS) for more information about the risks associated with investing in this Fund.

#### How has the Fund performed?

	Past year
<b>Annual return</b> (after deductions for charges and tax)	4.24%
<b>Annual return</b> (after deductions for charges but before tax)	5.53%
<b>Market index annual return</b> (reflects no deductions for charges and tax)	7.45%

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](http://companiesoffice.govt.nz/disclose)

No annual return graph is available for this Fund because contributions have not been received for the full disclosure year 31 March 2018 to 31 March 2019. Contributions were first accepted into the Fund on 21 May 2018.

## What fees are investors charged?

Investors in the Income Fund are charged Fund charges. In the year to 31 March 2019 these were (excluding GST):

	% of net asset value
<b>Total fund charges*</b>	<b>1.10%</b>
<i>Which are made up of:</i>	
<b>Total management and administration charges</b>	<b>1.10%</b>
<i>Including:</i>	
Manager’s basic fee	1.10%
Other management and administration charges	0.00%
<b>Total performance-based fees</b>	<b>0.00%</b>

\* The total management and administration fee for the Fund was reduced to 0.78% 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 29% 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 YouWealth PDS for more information about these fees. This can be accessed from the Disclose Register at [companiesoffice.govt.nz/disclose](http://companiesoffice.govt.nz/disclose)

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

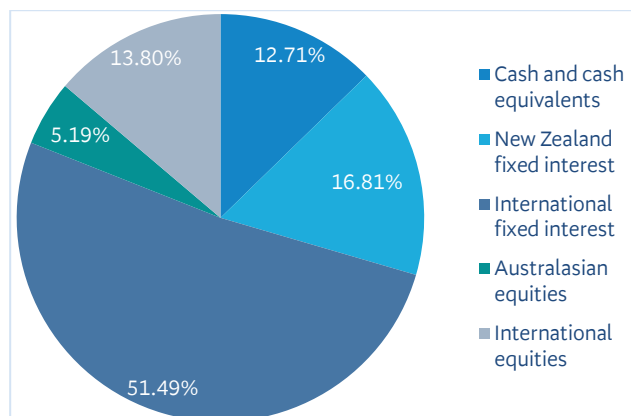
## Example of how this applies to an investor

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 \$424.00 (that is 4.24% of his initial \$10,000). John also paid \$0.00 in other charges. This gives John a total return of \$424.00 for the year.

## What does the Fund invest in?

This shows the types of assets the Fund invests in.

### Actual investment mix\*

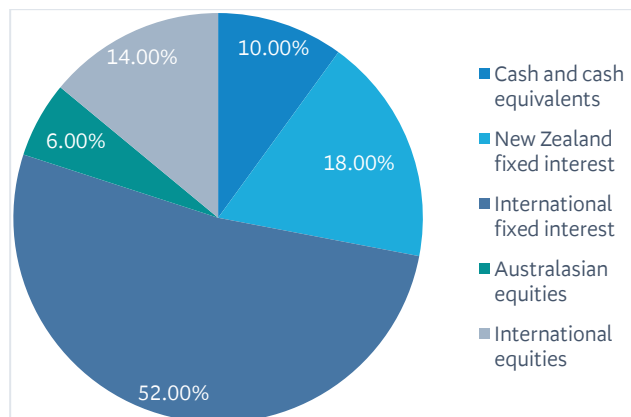


\* The percentage of cash and cash equivalents in this graph may differ to those stated in the Top 10 investments table as they can include operating and fund accruals.

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

### Target investment mix

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



## 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](http://companiesoffice.govt.nz/disclose)

## Top 10 investments

	Name	% of fund net assets	Type	Country	Credit rating (if applicable)
1	Nikko AM Wholesale NZ Cash Fund Two	11.57%	Cash and cash equivalents	New Zealand	
2	Harbour NZ Core Fixed Interest WHS	8.41%	New Zealand fixed interest	New Zealand	
3	AMP Capital NZ Fixed Interest PIE	8.40%	New Zealand fixed interest	New Zealand	
4	Mint Core Equities Fund	2.69%	Australasian equities	New Zealand	
5	Nikko AM Wholesale Core Equity Fund	2.52%	Australasian equities	New Zealand	
6	Japan (Government Of) 10Yr #344 0.1 09/20/2026	0.95%	International fixed interest	Japan	A+
7	NZD Cash Deposit (BNZ)	0.80%	Cash and cash equivalents	New Zealand	AA-
8	Japan (Government Of) 5Yr #139 0.1 03/20/2024	0.70%	International fixed interest	Japan	A+
9	Treasury Note 2.625 08/31/2020	0.58%	International fixed interest	United States	AA+
10	Treasury Note (Old) 2.125 05/15/2022	0.58%	International fixed interest	United States	AA+

The top 10 investments make up 37.20% of the net asset value of the Fund<sup>3</sup>.

## 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 YouWealth, and some additional information from the offer register at [companiesoffice.govt.nz/disclose](https://companiesoffice.govt.nz/disclose).

## Contact details

If you have any question about this Fund or any of the YouWealth Funds, please contact a BNZ Financial Advisor. Alternatively, call us on 0800 275 269 or visit our website at [bnz.co.nz/youwealth](https://bnz.co.nz/youwealth).

## Notes

- 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.
- 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.
- Cash and cash equivalents held at our investment managers for operational and hedging purposes are excluded from the top 10 investments.