

BNZ KIWISAVER SCHEME

How Money is Managed



19 March 2018

This document provides additional information on how money is managed in the BNZ KiwiSaver Scheme (Scheme), including details of underlying investment managers and underlying investment funds. It should be read with the current Scheme Product Disclosure Statement (PDS), the Statement of Investment Policy and Objectives (SIPO) and any other information available at bnz.co.nz/kiwisaver or held on the Scheme's Disclose Register entry at disclose-register.companiesoffice.govt.nz/disclose

Investment approach

BNZ Investment Services Limited (BNZISL) is the Manager of the Scheme and decides how the assets of the funds in the BNZ KiwiSaver Scheme (Funds) are invested. BNZISL currently utilises the skills and experience of an investment consultant to choose a range of underlying investment managers that ultimately choose the underlying investments the Funds invest in. Each of the Funds will also hold cash for liquidity purposes in an interest-bearing bank account with BNZ.

Underlying investment managers

The current underlying investment manager(s) and underlying investment fund(s) are detailed below. The underlying investment managers or the underlying investment funds can be added to, removed or changed without prior notice.

Asset Class	Underlying Investment Manager(s)	Underlying Investment Funds(s)
Cash and cash equivalents	Nikko Asset Management New Zealand Limited	Nikko AM Wholesale NZ Cash Fund Two
New Zealand fixed interest	<ul style="list-style-type: none"> AMP Investment Management (N.Z.) Limited Harbour Asset Management Limited 	<ul style="list-style-type: none"> AMP Capital NZ Fixed Interest Fund Harbour NZ Core Fixed Interest Fund - Wholesale
International fixed interest	<ul style="list-style-type: none"> Russell Investment Management Limited 	Russell Investments Global Bond Fund
Australasian equities	<ul style="list-style-type: none"> Mint Asset Management Limited Nikko Asset Management New Zealand Limited 	<ul style="list-style-type: none"> Mint Core Equities Fund Nikko AM Wholesale Core Equity Fund
International equities	<ul style="list-style-type: none"> MLC Investments Limited 	JANA Multi-Manager Global Share Trust

A brief description of each underlying investment manager is provided below (in alphabetical order). These descriptions have been provided to us by each underlying investment manager. For further information please refer to their respective websites.

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AMP Investment Management (N.Z.) Limited (AMP Capital)

AMP Capital is a leading specialist investment manager with a global network of offices in developed and emerging markets. As a majority owned subsidiary of AMP Limited, AMP Capital is part of the AMP group, sharing a history that dates back to 1849.

AMP Capital has over 70 years' experience managing investments for Australian, New Zealand and international investors. During this time, it has evolved from a traditional funds management organisation to a broad-based investment management company, providing services to all sectors of the financial services industry. In New Zealand, AMP Capital has approximately 75 staff in Auckland and Wellington.

AMP Capital is an active fund manager and aims to deliver outstanding investment outcomes, with a focus on returns and risk management. Investment decisions are based on rigorous and repeatable research and modelling, leveraging the depth of investment knowledge across AMP Capital. AMP Capital's team of investment professionals and global partners operate across a broad range of asset classes. Through a network of international offices, AMP Capital offers global reach for some of the best investment opportunities the world has to offer. It has experienced investment professionals on the ground in the major markets, sourcing and managing investment opportunities for investors. AMP Capital is a signatory to the UN Principles for Responsible Investment.

Harbour Asset Management Limited (Harbour)

Established in December 2009, Harbour is a highly rated New Zealand-based funds management firm. Harbour manages Australasian equities and New Zealand fixed interest securities, as well as multi-asset solutions.

Harbour's clients include large government institutions, corporate superannuation funds, community trusts, charities, family offices, philanthropic groups, iwi, KiwiSaver providers and retail investors. Years of experience as a team and lessons learned over many market cycles have helped Harbour craft robust and disciplined investment processes for equities and fixed interest securities. Environmental, Social and Governance (ESG) considerations play a key role in Harbour's investment decisions. Harbour is a signatory to the UN Principles for Responsible Investment.

Mint Asset Management Limited (Mint)

Mint is an independent, boutique fund manager established in 2006 and based in Auckland, New Zealand. The business is wholly owned by its employees and looks to provide investors with access to a team of experienced and successful investment professionals. Mint sees the key strengths of its business as its size, structure and independence.

Mint is an active manager and uses its own research to invest in companies it believes to be undervalued. Once invested, these positions are monitored continuously to ensure the fundamentals behind the decision to invest have not changed. As a result, the portfolios reflect their best investment ideas and are structured to provide sustainable income and capital growth, with a strong emphasis on risk management. Mint is a signatory to the UN Principles for Responsible Investment.

MLC Investments Limited (MLC)

MLC has been looking after the investment needs of generations of Australians. MLC is a member of the National Australia Bank Limited Group of companies (NAB Group).

MLC believes that the best way to manage its portfolios is to employ the skills of multiple specialist investment managers. It has appointed JANA Investment Advisers Pty Limited (JANA), to advise on and manage the JANA Multi-Manager Global Share Trust's investments. In 2017, the NAB Group sold part of its interest in JANA, but retains a minority interest.

JANA advises a large number of institutional clients, including industry funds, public sector funds, corporate funds, charities and foundations. JANA is also one of the largest implemented consulting businesses in Australia.

JANA's investment experts have extensive knowledge and experience designing and managing portfolios using a multi-manager investment approach. JANA has the experience and resources to find some of the best investment managers from around the world. JANA's investment managers may be specialist in-house managers, external managers or a combination of both.

JANA researches hundreds of investment managers from around the world and selects from the best for its portfolios. It then combines them in the portfolios so they complement each other. This multi-manager approach helps to reduce risk and deliver more consistent returns.

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MLC Investments Limited (MLC) continued

To make sure the portfolios are working hard for investors, JANA continuously reviews and actively manages them. JANA may adjust the investment managers because of its assessment of the future market environment has altered or because it has found new ways to balance risk and return in the portfolio. JANA delivers better returns by avoiding unnecessary costs. It does this by carefully managing cash flows, tax and changes in the portfolios. JANA is a signatory to the UN Principles for Responsible Investment.

Nikko Asset Management New Zealand Limited

Nikko Asset Management New Zealand Limited is a wholly owned subsidiary of Nikko Asset Management International Limited, which in turn is a wholly owned subsidiary of Nikko Asset Management Co. Limited (Nikko AM), headquartered in Tokyo, Japan. Nikko AM is a dedicated global asset manager with over 200 investment professionals across the world's major financial centres. As one of the largest investment managers in New Zealand, Nikko AM NZ believes investments are best managed by sector specialists within a comprehensive risk management framework. Nikko AM NZ manages the investment of cash and cash equivalents and Australasian equities from its Auckland office. Nikko AM is a signatory to the UN Principles for Responsible Investment.

Russell Investment Management Limited (Russell Investments)

Founded in 1936, Russell Investments is a global asset manager and one of only a few firms that offers actively managed, multi-asset portfolios and services that include advice, investments and implementation. Russell Investments has five distinct capabilities: capital market insights, manager research, asset allocation, portfolio implementation and factor exposures. Russell Investments uses these capabilities to help institutional investors, financial advisers and individuals working with their advisers achieve their desired investment outcomes.

Russell Investments adopts a multi-manager investment approach that brings together specialist underlying investment managers with different, but complementary, investment styles. This approach gives exposure to different types of investments, geographic regions and investment managers.

Russell Investments chooses underlying investment managers following a robust research process, which involves meeting the investment management teams face-to-face and scrutinising their investment process. They monitor all of the underlying investment managers who may be added to, removed or changed without notice. Russell Investments has a responsible investment policy that is reviewed annually. Additionally, Russell Investments is a signatory to the UN Principles for Responsible Investment.

This document has been prepared to meet the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 (FMCA). Investments made in the BNZ KiwiSaver Scheme do not represent deposits or other liabilities of Bank of New Zealand ("BNZ") or any other member of the National Australia Bank Limited group, and are subject to investment risk, including possible delays in repayment and loss of income and principal invested. None of BNZ or any other member of the National Australia Bank Limited group, the Supervisor, any director of any of them, the Crown or any other person guarantees (either fully or in part) the performance or returns of BNZ KiwiSaver Scheme or the repayment of capital. National Australia Bank Limited, the ultimate parent of BNZ, is not a registered bank in New Zealand, but is a licensed bank in Australia and is therefore subject to the supervision of the Australian Prudential Regulation Authority. BNZ Authorised Financial Advisers' Disclosure Statements are available on request and free of charge.