

A little annual report for a big year.

ANNUAL REPORT FOR THE YEAR
ENDED 31 MARCH 2014

**Kiwi
Wealth.**

**Kiwi Wealth
KiwiSaver Scheme.**

Formerly called the Greater Manly KiwiSaver Scheme

This is the last annual report for the Gareth Morgan KiwiSaver Scheme. Well, yes and no.

On 1 April 2014 the Scheme changed its name to the Kiwi Wealth KiwiSaver Scheme. However, not a whole lot has actually changed for our members.

The same team is managing your investments, answering your phone calls and emails, and yes, putting this annual report together. But to avoid confusion we'll just refer to ourselves as 'the **Scheme**' from now on. You know what we mean.

While it was a relatively calm year for investment markets, there was still a lot going on in the world of KiwiSaver between 1 April 2013 and 31 March 2014 – from Aussie Super transfers, to periodic disclosure statements, to the appointment of new default providers. The Scheme itself reached, then smashed through, both the \$1 billion dollar and 80,000 member milestones. And along the way we achieved some pretty good returns for our members.

So it's been a big year, whichever way you look at it.

But enough big noting. Let's get into what happened with the Scheme and your money during the year. As in previous years we've put all the key information up front, leaving the more complex stuff for the back half of the report.

**Kiwi
Wealth.**

**Kiwi Wealth
KiwiSaver Scheme.**

Kiwi Wealth Limited is the issuer and manager of the Scheme and is a related company of Kiwibank Limited. Kiwibank Limited is a distributor but is not an issuer or promoter of the Scheme. Investments made in the Scheme do not represent bank deposits or other liabilities of Kiwibank Limited, New Zealand Post Limited or any other member of the New Zealand Post Group. They are subject to investment and other risks, including possible delays in payment of withdrawal amounts and loss of investment value. No person, including Kiwibank Limited, New Zealand Post Limited or any other member of the New Zealand Post Group, Kiwi Wealth Limited, Gareth Morgan Investments Limited Partnership, Public Trust as the trustee of the Scheme or any of their respective directors or board members, or the New Zealand Government guarantees the payment of members' interests in the Scheme or the payment of any earnings or returns on investment in the Scheme. The investment statement for the Scheme is available at www.kiwiwealth.co.nz or by calling 0800 427 384, or from your local Kiwibank or www.kiwibank.co.nz.

MONEY In and Out

Here's a summary of the money that was put into the Scheme and the money that was taken out of the Scheme between 1 April 2013 and 31 March 2014. The summary below includes all contributions, investment returns, taxes, fees and expenses. FUM stands for funds under management – the dollar value of the members' funds in the Scheme. Note we've rounded these figures to the nearest thousand.

Starting FUM – **\$928,346,000**

MONEY IN

Contributions – \$334,232,000

Investment income – \$151,510,000

MONEY OUT

Withdrawals and transfers – \$72,059,000

Fees and expenses – \$14,602,000

Tax – \$16,206,000

Ending FUM – **\$1,311,221,000**

These figures are taken from the Scheme's audited annual financial statements for the year ended 31 March 2014, which were signed on 28 May 2014.

MONEY Market review

The recovery continues, with a few bumps along the way.

While global economic recovery inched forward during the year, share markets surged ahead.

2013

April – June: Global share markets rose in April; however, doubts about how long US Federal Reserve money printing – quantitative easing – would last triggered a fall in the value of bonds and shares towards the latter half of both May and June.

July – August: The uncertainty over when quantitative easing would end saw markets fluctuate amidst a potential military strike in Syria and apprehension over the financial soundness of some emerging markets.

September: The markets found their feet in September and even an impending US Government shutdown, and bitter political wrangling over the US budget, couldn't dampen global share and bond markets. Strong gains were made in European, Japanese and emerging markets.

October – December: With crisis averted in the US and continued central bank activity around the world, global economies slowly but surely started to build momentum. The US and German stock exchanges reached record-breaking highs. By December, soaring share markets took the Fed's decision to begin withdrawing quantitative easing (from January) in its stride.

2014

January: Global share markets had their worst monthly performance since mid-2012. Emerging market shares bore the brunt of the sell-off.

February – March: Global share markets rallied strongly in February, although there was a much weaker tone to US economic data, which was put down to weather-related issues. This, along with a signal from the Chair of the US Federal Reserve that interest rates rises were near, caused a few ups and downs in share markets.

Going global with stocks and bonds

2013-14 was a very strong year for global shares. However, performance from fixed interest investments was more muted, with the almost 30-year bull market in bonds coming to an end.

It's no surprise that our investment portfolios with a relatively high exposure to shares did exceptionally well over the year. However as the returns on page 5 show, we had strong performance relative to benchmark across all the investment portfolios.

While we have always invested in overseas share markets, August 2013 marked a milestone for us as we purchased our first non-NZ denominated bond. That distinction went to **DirectTV** – the premier satellite video provider in the US.

For full details of where we invest your money, check the 'Investment Position' section of your online reports.

Which direction suits you?

We've developed a tool to help you understand the right investment direction for you. Your investment direction is made up of the Kiwi Wealth KiwiSaver Scheme investment portfolio, or combination of investment portfolios, that suits you, based on your appetite for risk together with your investment timeframe. Take the test now to check which investment direction best suits you. You'll find it at www.kiwiwealth.co.nz/risk-profile.

MONEY Investment returns

Returns information for the Scheme's investment portfolios is available at www.kiwiwealth.co.nz/returns and is updated monthly. Over the page we've shown the investment returns calculated for the year ended 31 March 2014 and since we started investing money for our members in October 2007.

The benchmarks in the table are the comparable market returns for each investment portfolio. Our goal is to beat benchmark returns. We won't achieve that every year, and we may deviate from the benchmark asset allocation (sometimes for long periods of time), but that's what we strive for. You can find out more about our benchmarks on our website at www.kiwiwealth.co.nz/benchmarks.

The returns are shown after all taxes, fees, and charges have been deducted, so they reflect what you'd get in your hand. We have calculated these returns according to the same method we use to calculate our periodic disclosure statements.

We use the highest Prescribed Investor Rate (**PIR**) in calculating investment returns, which currently is 28%. The PIR is the rate at which your scheme investment income is taxed. If your PIR is lower than 28%, your actual returns will usually be higher.

Year ended 31 March 2014		Since KiwiSaver started in 2007	
		Overall	Annualised (per year) ¹
Growth investment portfolio	17.34%	19.62%	2.79%
Benchmark	12.32%	-4.04%	-0.63%
We beat the benchmark by	5.02%	23.66%	3.42%
Balanced investment portfolio	10.81%	26.35%	3.66%
Benchmark	7.71%	9.01%	1.34%
We beat the benchmark by	3.10%	17.34%	2.32%
Conservative investment portfolio	4.29%	27.51%	3.81%
Benchmark	1.57%	15.81%	2.28%
We beat the benchmark by	2.72%	11.70%	1.53%
CashPlus investment portfolio ²	2.15%	4.72%	2.55%
Benchmark	0.65%	1.78%	0.97%
We beat the benchmark by	1.50%	2.94%	1.58%
Cash investment portfolio ³	2.59%	4.07%	2.60%
Benchmark	1.63%	2.55%	1.60%
We beat the benchmark by	0.96%	1.52%	1.00%

1. We convert the returns over the whole period into a 'per year' figure that takes into account the compounding nature of investment returns.
2. The CashPlus investment portfolio was introduced on 1 June 2012.
3. The Cash investment portfolio was introduced on 12 September 2012.

*So the bottom line is that each investment portfolio made strong gains and also beat its benchmark for the year. **Result!***

It's been a big year for the Scheme!

Here's a quick run-down of the main events:

April 2013

The start of the financial year saw our membership rise to 65,000 members and climbing...

June 2013

In June, we passed a major milestone when the total dollar value of members' funds in the Scheme hit \$1 billion. It also brought the total FUM (funds under management) managed by GMI to \$2 billion. (The other billion came from our super scheme and private portfolio service, in case you were wondering.)

July 2013

Our membership numbers ticked over the 70,000 mark this month.

July also saw new rules for transferring superannuation savings across the Tasman take effect. These rules now mean that if you worked in Australia after 1992, and have Australian super savings, you can apply to bring them back to New Zealand by transferring them into your KiwiSaver account. Good news for the many Kiwis who have spent time working across the ditch.

September 2013

We waved a fond farewell to GMI founders Gareth Morgan and Andrew Gawith, who stepped down from the board of GMI on 16 September. Gareth remains Chair of the Investment Governance Committee.

October 2013

We published the first 'periodic disclosure statements' for each of the Scheme's investment portfolios on 21 October. New regulations now require all KiwiSaver providers to publish, in a standardised format, these regular reports for each of their investment funds.

January 2014

Our Scheme's membership scaled new heights in January, reaching 80,000 members.

March 2014

March was a busy month for both the Scheme and GMI. At the start of the month, we welcomed Dame Alison Paterson and Alistair Nicholson as new directors of the GMI Board, filling the spots left vacant when Gareth and Andrew departed in September 2013.

On 28 March, we were delighted to learn that the Government had awarded our Scheme default provider status. This means that from 1 July 2014, new KiwiSaver members who don't actively select a provider will be allocated to either our Scheme or a scheme from one of the eight other default providers.

Last but not least, on 1 April 2014 we changed the name of our Scheme from Gareth Morgan KiwiSaver Scheme to the Kiwi Wealth KiwiSaver Scheme. The name of the Scheme's manager also changed, from Gareth Morgan KiwiSaver Limited to Kiwi Wealth Limited.

MONEY How much is in the Scheme?

All these numbers are as at 31 March 2014.

Total members' funds
in the Scheme:

\$1,311,221,000

Yes, that's one billion three hundred and eleven million, two hundred and twenty one thousand dollars in our members' accounts.

Average member
account balance:

\$15,755

Members

MEMBERS In and Out

Number of members
as at 31 March 2013:

64,150

Number of members
who left us:

4,172

of which 1,084 made
an over 65s retirement
withdrawal and left
KiwiSaver completely.

Number of members
who joined us:

23,250

Total membership
as at 31 March 2014:

83,228

Statutory information

For the year ended 31 March 2014

Gareth Morgan KiwiSaver Limited as manager (subsequently renamed Kiwi Wealth Limited) (**Manager**) of the Gareth Morgan KiwiSaver Scheme (subsequently renamed the Kiwi Wealth KiwiSaver Scheme) (**Scheme**) reports as follows:

About the Scheme

As at 31 March 2014:

- (i) the Manager is the manager, promoter, registrar and administration manager;
- (ii) Public Trust is the trustee;
- (iii) Gareth Morgan Investments Limited Partnership is the investment manager (**Investment Manager**);
- (iv) JBWere (NZ) Nominees Limited is the custodian; and
- (v) PricewaterhouseCoopers is the auditor.

The most recent prospectus for the Scheme was registered with the Registrar of Financial Service Providers on 1 July 2014. The previous version of the prospectus was registered on 17 September 2013 and amended on 1 April 2014.

Investment performance

The returns of each of the Scheme's investment portfolios for the financial year ended 31 March 2014 and since inception (when we first started investing money for our members back in October 2007) are shown below. Note the inception date for the CashPlus investment portfolio was 1 June 2012 and the inception date for the Cash investment portfolio was 12 September 2012.

We have calculated these returns according to the same method we use to calculate our periodic disclosure statements. The returns are after all fees, costs, charges and tax at the applicable rate.

For more information visit www.kiwiwealth.co.nz/periodic-disclosure-statements.

Scheme Investment Portfolios	Year ended 31 March 2014		Since inception (p.a.)	
	17.5% PIR	28% PIR	17.5% PIR	28% PIR
Cash	2.97%	2.59%	2.99%	2.60%
CashPlus	2.37%	2.15%	2.72%	2.55%
Conservative	4.68%	4.29%	4.40%	3.81%
Balanced	11.69%	10.81%	4.25%	3.66%
Growth	18.31%	17.34%	3.31%	2.79%

Fees

The total amount of fees charged by the Manager during the financial year:

	Year ended 31 March 2014 \$
Direct	
Manager fees	11,943,238
Indirect	
Brokerage	2,650,648
Other expenses	7,776
Total amount of fees and expenses charged	14,601,662

Other regular fees and expenses (including audit, legal advice, postage, printing reports and disclosure materials, and maintaining accounts and member registers) are paid for by the Manager.

Membership

Changes in the numbers of Scheme members during the financial year:

	Year ended 31 March 2014 Number of Members
Contributing members at the start of the year	45,238
Total entries for the year (including existing members resuming contributions)	27,324
Total permanent exits and temporary exits for the year (including members stopping contributions)	16,221
Members on contributions holidays at the end of the year	1,697
Other non-contributing members (not on contributions holidays) at the end of the year	25,190

Withdrawals

The number of members of the Scheme who made a withdrawal during the financial year, and the total amount withdrawn by those members:

	Year ended 31 March 2014	
	Number of Members	\$000s
First home (and second chance) withdrawal	407	7,086
Significant financial hardship	382	2,296
Serious illness	37	648
Permanent emigration	82	833
End payment date (retirement) withdrawal	1,541	25,651

Contributions

The total amount of each type of contribution received by the Manager for the financial year and the number of members credited with each type of contribution:

	Year ended 31 March 2014	
	Number of Members	\$000s
Employee contributions	51,290	102,155
Employer contributions	49,709	55,750
Government contributions	59,267	31,727
Transfers from other KiwiSaver schemes	12,335	93,894
Transfers from registered superannuation schemes (non-KiwiSaver)	209	15,561
Transfers from Australian superannuation schemes	144	2,965
Voluntary contributions paid via Inland Revenue	3,419	8,004
Voluntary contributions paid directly to the Scheme	13,344	24,176

The total amount of members' accumulations at the end of the financial year and the number of members with accumulations:

	Year ended 31 March 2014	
	Number of Members	\$000s
Members' accumulations	80,964	1,311,221

The number of members who transferred money from an Australian complying superannuation scheme to the Scheme and the total amount of those transfers are shown in the contributions table on page 11.

Changes relating to the Scheme

During the year to 31 March 2014, there were no changes to the trust deed, the terms of offer of interest in the Scheme, or the investment objectives and policy for the Scheme and each of its investment portfolios.

Other changes during the year

Changes to the Trustee

On 30 April 2013:

- Robin Hill completed his term as a board member of Public Trust.

30 June 2013:

- Trevor Janes completed his term as a board member and chair of Public Trust.

On 1 July 2013:

- Sarah Roberts was appointed as chair of the board of Public Trust.

On 1 November 2013:

- Fiona Oliver was appointed deputy chair of the board of Public Trust.
- Diana Puketapu and David Tapsell were appointed as board members of Public Trust.

Changes to the Manager and Investment Manager

On 5 July 2013:

- Stuart Lindsay Bremner ceased to be a director of the Manager and the Investment Manager.
- Brian Joseph Roche was appointed as a director of the Manager and the Investment Manager.

On 16 September 2013:

- Gareth Huw Thomas Morgan and Andrew Masters Gawith ceased to be directors of the Manager and the Investment Manager.

On 3 March 2014:

- Dame Alison Mae Paterson and Alistair Jeffrey Nicholson were appointed as directors of the Manager and the Investment Manager.

Changes after year-end

On 1 April 2014:

- a number of changes to the Scheme were implemented, including the renaming of the Scheme to Kiwi Wealth KiwiSaver Scheme and the commencement of the Scheme operating on a weekly investment cycle. Further details can be found on the 'Scheme Documents' page of our website at www.kiwiwealth.co.nz/scheme-documents.

On 1 July 2014:

- the Manager was appointed by the New Zealand Government as a default KiwiSaver scheme under an instrument of appointment and on the same date the Default investment portfolio was added as an investment portfolio in which members of the Scheme may have their accumulations invested;
- the investment guidelines of the Scheme were removed from the management agreement between the Manager and the Trustee and on the same date the Manager and the Trustee agreed a separate statement of investment policy and objectives for each investment portfolio and the Scheme.

Financial statements and auditors' report

Financial statements for the year ended 31 March 2014 that comply with the Financial Reporting Act 1993 were signed on 28 May 2014 and registered under that act on 30 May 2014. An unmodified auditors' report on those financial statements was also signed on 28 May 2014 and did not refer to a fundamental uncertainty and was not qualified in any way.

The summary financial statements for the Scheme for the year ended 31 March 2014 and preceding periods are included in the Scheme's prospectus dated 1 July 2014.

The most recent prospectus, and financial statements and other documents of, or relating to, the Scheme, are filed on a public register at the Companies Office of the Ministry of Business, Innovation and Employment and are available for public inspection (including online at <http://www.business.govt.nz/companies> under 'search other registers').

You can obtain a copy of the full financial statements, auditors' report, an estimate of your benefits, or a copy of the most recent registered prospectus relating to the Scheme, from the Manager via its website www.kiwiwealth.co.nz or on request by calling 0800 427 384.

Manager's statement

The Manager states that:

- (i) all the benefits required to be paid from the Scheme in accordance with the terms of the trust deed of the Scheme and the KiwiSaver scheme rules have been paid;
- (ii) the market value of the assets of the Scheme at the close of the year ended 31 March 2014 equalled or exceeded the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at the close of that financial year;
- (iii) there is a scheme provider agreement between the Commissioner of Inland Revenue and the Manager that remained in force throughout the year ended 31 March 2014;
- (iv) there was no fee increase during the year ended 31 March 2014 by any person listed in clause 2 of the KiwiSaver scheme rules; and
- (v) contributions received in respect of each member, including contributions paid by way of the Commissioner of Inland Revenue in respect of that member, have been applied in accordance with the trust deed of the Scheme and the KiwiSaver Act 2006.

Paul Brock
Director
Kiwi Wealth Limited



Date: 4 July 2014

Dame Alison Paterson
Director
Kiwi Wealth Limited



Date: 4 July 2014

Trustee's statement

Public Trust certifies that, in respect of the year ended 31 March 2014, it is satisfied that the Manager has not breached an issuer obligation (as defined in section 4(1) of the Securities Trustees and Statutory Supervisors Act 2011) in a material respect.

Dennis Church
Corporate Trustee Services
Public Trust



Date: 4 July 2014

Questions and complaints

Any questions? Direct any questions about the Scheme to:

Member Services Team
Kiwi Wealth Limited
PO Box 10068
Level 10, 109 Featherston Street
Wellington 6143
Phone: **0800 427 384**
Email: questions@kiwiwealth.co.nz

Any problems? Direct any complaints about the Scheme to:

Our Member Services Team at the contact details above,
or email complaints@kiwiwealth.co.nz

You can also contact the Trustee at:

General Manager
Corporate Trustee Services
Public Trust
PO Box 5067
Level 10, 141 Willis Street
Wellington 6145
Phone: **0800 371 471**

We are a member of an approved dispute resolution scheme operated by the Insurance and Savings Ombudsman (ISO). The Trustee is a member of an approved dispute resolution scheme operated by Financial Services Complaints Limited (FSCL). If we or the Trustee cannot agree with you on how to resolve your complaint, you can contact ISO or FSCL. Both these schemes are available at no cost to you and will help us resolve any disagreements.

Insurance and Savings Ombudsman

PO Box 10-845, Wellington 6143
Level 11, Classic House, 15-17 Murphy Street,
Wellington 6011
Phone: **0800 888 202**
Email: info@iombudsman.org.nz

Financial Services Complaints Limited

PO Box 5967, Wellington 6145

Level 4, 101 Lambton Quay, Wellington 6145

Phone: **0800 347 257**

Email: info@fscl.org.nz

Alternatively, you can contact the Financial Markets Authority:

Financial Markets Authority

PO Box 106 672, Auckland 1143

Phone: **0800 434 567** or submit a complaint via their website at www.fma.govt.nz

Still in front for customer satisfaction

We were once again stoked to receive the results of the annual **Nielsen Company survey** of members of the top KiwiSaver providers in December 2013. For the **fourth year running** we were the hands-down winner for customer satisfaction.

ONLINE ACCOUNT MANAGEMENT FACILITIES

79% of our members surveyed rated us very good or excellent for online account management facilities. The next best result was 65%.

CUSTOMER SERVICE

75% of our members surveyed rated us very good or excellent for customer service. The next best result was 66%.

OPENNESS AND TRANSPARENCY

77% of our members surveyed rated us very good or excellent for openness and transparency of fees. The next best result was 59%.

82% of our members surveyed rated us very good or excellent for openness and transparency of returns. The next best result was 59%.

Member recommendations

Our Scheme was the most likely KiwiSaver scheme to be recommended by its members.

COMMUNICATION

82% of our members surveyed rated us very good or excellent for ongoing communication. The next best result was 55%.

Source: The Nielsen Company survey of the members of the top nine KiwiSaver providers, December 2013 (the top providers are those with the largest number of members).

What you said

Here are some of the nice things members said about the Scheme in the 2013 Nielsen Company KiwiSaver provider survey.

"[Your Scheme] is fantastic because it's incredibly transparent. Its website and communications allow me to accurately assess what investments, returns and risks they are taking. This allows you to tailor your Scheme choice and external investments to ideally match your investment profile."

"Good communications. Good returns. Monthly updates by text as well as email. Excellent online systems."

"Simply the best – transparency, information, online facility."

"... they are one of the best around, and give a clear report every month."

"Excellent service, [you] make it easy to understand, and I know how much I have at a given time."

"It has given me all the info I needed in layman's terms, not jargon."

"A good all round, easy to understand, good communicator with updates and performance."

"The returns are reasonable, the fees are transparent, the communication is great."

*"The most refreshing annual report I have ever read.
(Well, the only one I have read, they normally get thrown out)."*

Member comment on our 2013 annual report – we had to slip that one in!

Kiwi Wealth KiwiSaver Scheme

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