

**Kiwi Wealth Managed Funds  
Financial Statements  
For the year ended 31 March 2020**

**Kiwi Wealth Managed Funds  
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For the year ended 31 March 2020**

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# Kiwi Wealth Managed Funds Statements of Comprehensive Income For the year ended 31 March 2020

	Note	Conservative Fund		Balanced Fund		Growth Fund	
		2020	2019	2020	2019	2020	2019
<b>\$</b>							
<b>For the year ended 31 March</b>							
<b>Income</b>							
Interest income on financial assets at amortised cost	9	310	168	974	1,799	743	1,511
Net foreign currency gains/(losses) on cash and cash equivalents		-	-	10,407	(3,049)	9,486	(2,849)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss		(26,052)	50,119	(1,300,136)	93,976	(1,574,005)	(4,341)
<b>Total income</b>		<b>(25,742)</b>	<b>50,287</b>	<b>(1,288,755)</b>	<b>92,726</b>	<b>(1,563,776)</b>	<b>(5,679)</b>
<b>Expenses</b>							
Management fees	8	29,567	6,608	81,730	22,635	53,300	13,310
Other expenses		25	6	14	7	19	7
<b>Total operating expenses</b>		<b>29,592</b>	<b>6,614</b>	<b>81,744</b>	<b>22,642</b>	<b>53,319</b>	<b>13,317</b>
<b>Operating profit/(loss)</b>		<b>(55,334)</b>	<b>43,673</b>	<b>(1,370,499)</b>	<b>70,084</b>	<b>(1,617,095)</b>	<b>(18,996)</b>
<b>Profit/(loss) for the year attributable to Unitholders</b>		<b>(55,334)</b>	<b>43,673</b>	<b>(1,370,499)</b>	<b>70,084</b>	<b>(1,617,095)</b>	<b>(18,996)</b>
<b>Total comprehensive income/(loss) for the year attributable to Unitholders</b>		<b>(55,334)</b>	<b>43,673</b>	<b>(1,370,499)</b>	<b>70,084</b>	<b>(1,617,095)</b>	<b>(18,996)</b>

These statements are to be read in conjunction with the accompanying notes.

# Kiwi Wealth Managed Funds Statements of Changes in Net Assets Attributable to Unitholders For the year ended 31 March 2020

	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>\$</b>						
<b>For the year ended 31 March</b>						
<b>Net assets attributable to Unitholders at the beginning of the year</b>	<b>1,628,057</b>	<b>-</b>	<b>4,500,818</b>	<b>-</b>	<b>2,266,895</b>	<b>-</b>
Proceeds from units issued	11,079,350	1,981,261	20,367,366	4,499,030	14,344,519	2,505,046
Redemption of units	(2,393,620)	(391,236)	(5,405,064)	(52,637)	(3,266,798)	(213,755)
Unitholder tax rebates/(liabilities)	(15,817)	(5,641)	161	(15,659)	22,559	(5,400)
<b>Net increase/(decrease) from transaction in units</b>	<b>8,669,913</b>	<b>1,584,384</b>	<b>14,962,463</b>	<b>4,430,734</b>	<b>11,100,280</b>	<b>2,285,891</b>
Total comprehensive income/(loss) for the year attributable to Unitholders	(55,334)	43,673	(1,370,499)	70,084	(1,617,095)	(18,996)
<b>Net assets attributable to Unitholders at the end of the year</b>	<b>10,242,636</b>	<b>1,628,057</b>	<b>18,092,782</b>	<b>4,500,818</b>	<b>11,750,080</b>	<b>2,266,895</b>
<b>Units on issue</b>						
<b>For the year ended 31 March</b>						
Units on issue at the beginning of the year	1,575,041	-	4,431,409	-	2,269,517	-
Units issued	10,268,193	1,967,313	18,849,942	4,499,585	13,277,148	2,490,816
Units redeemed	(2,249,383)	(392,272)	(5,321,027)	(68,176)	(3,306,871)	(221,299)
<b>Units on issue at the end of the year</b>	<b>9,593,851</b>	<b>1,575,041</b>	<b>17,960,324</b>	<b>4,431,409</b>	<b>12,239,794</b>	<b>2,269,517</b>

These statements are to be read in conjunction with the accompanying notes.

# Kiwi Wealth Managed Funds Statements of Financial Position For the year ended 31 March 2020

\$	As at 31 March	Note	Conservative Fund		Balanced Fund		Growth Fund	
			2020	2019	2020	2019	2020	2019
<b>Assets</b>								
	Cash and cash equivalents		24,721	15,612	69,877	164,123	100,117	146,460
	Financial assets at fair value through profit or loss	7	10,233,938	1,484,451	18,139,177	4,376,202	11,757,233	2,279,622
	Contributions receivable		-	168,522	-	-	-	-
	Tax receivable on behalf of unitholders		-	-	42,716	-	57,306	-
	<b>Total assets</b>		<b>10,257,659</b>	<b>1,668,585</b>	<b>18,251,770</b>	<b>4,540,325</b>	<b>11,914,656</b>	<b>2,426,082</b>
<b>Liabilities</b>								
	Financial liabilities at fair value through profit or loss	7	-	-	145,727	1,992	155,179	2,206
	Management fees payable	8	5,737	887	13,261	3,085	9,397	1,831
	Withdrawals payable		-	34,000	-	18,771	-	149,750
	PIE tax payable		9,286	5,641	-	15,659	-	5,400
	<b>Total liabilities</b>		<b>15,023</b>	<b>40,528</b>	<b>158,988</b>	<b>39,507</b>	<b>164,576</b>	<b>159,187</b>
	<b>Net assets attributable to Unitholders</b>		<b>10,242,636</b>	<b>1,628,057</b>	<b>18,092,782</b>	<b>4,500,818</b>	<b>11,750,080</b>	<b>2,266,895</b>

The Directors of Kiwi Wealth Limited authorised these Financial Statements for issue on 31 July 2020.

Director 

Director 

These statements are to be read in conjunction with the accompanying notes.

# Kiwi Wealth Managed Funds Statements of Cash Flows For the year ended 31 March 2020

	Note	Conservative Fund		Balanced Fund		Growth Fund	
		2020	2019	2020	2019	2020	2019
<b>\$</b>							
<b>For the year ended 31 March</b>							
<b>Cash flows from operating activities</b>							
<i>Cash was provided from</i>							
Proceeds from sale of financial instruments at fair value through profit or loss		113,159	331,639	2,629,457	324,267	1,262,944	96,335
Interest income received		310	168	974	1,799	743	1,511
<i>Cash was applied to</i>							
Purchase of financial instruments at fair value through profit or loss		(8,887,698)	(1,765,971)	(17,548,833)	(4,604,501)	(12,161,587)	(2,378,092)
Management fees paid		(24,717)	(5,721)	(71,554)	(19,550)	(45,734)	(11,479)
Administration and other expenses paid		(25)	(6)	(14)	(7)	(19)	(7)
<b>Net cash (outflow)/inflow from operating activities</b>	10	<b>(8,798,971)</b>	<b>(1,439,891)</b>	<b>(14,989,970)</b>	<b>(4,297,992)</b>	<b>(10,943,653)</b>	<b>(2,291,732)</b>
<b>Cash flows from financing activities</b>							
<i>Cash was provided from</i>							
Proceeds from units issued		11,247,872	1,812,739	20,367,366	4,499,030	14,344,519	2,505,046
<i>Cash was applied to</i>							
Redemptions of units		(2,427,620)	(357,236)	(5,423,835)	(33,866)	(3,416,548)	(64,005)
Unitholders tax liabilities		(12,172)	-	(58,214)	-	(40,147)	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>8,808,080</b>	<b>1,455,503</b>	<b>14,885,317</b>	<b>4,465,164</b>	<b>10,887,824</b>	<b>2,441,041</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9,109</b>	<b>15,612</b>	<b>(104,653)</b>	<b>167,172</b>	<b>(55,829)</b>	<b>149,309</b>
Cash and cash equivalents at the beginning of the financial year		15,612	-	164,123	-	146,460	-
Foreign exchange (losses)/gains on cash and cash equivalents denominated in foreign currencies		-	-	10,407	(3,049)	9,486	(2,849)
<b>Cash and cash equivalents at the end of the financial year</b>		<b>24,721</b>	<b>15,612</b>	<b>69,877</b>	<b>164,123</b>	<b>100,117</b>	<b>146,460</b>
The cash balances of the Funds comprise of:							
Cash and cash equivalents		24,721	15,612	69,877	164,123	100,117	146,460
Cash and cash equivalents		24,721	15,612	69,877	164,123	100,117	146,460

These statements are to be read in conjunction with the accompanying notes.

# Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020

## 1. General information

### Reporting Entities

These financial statements are for the year ended 31 March 2020 and have been prepared for the Conservative Fund, Balanced Fund and Growth Fund (the Funds) which have been established under Kiwi Wealth Managed Funds (the Scheme). The Scheme was registered as a Managed Investment Scheme in accordance with the Financial Markets Conduct Act 2013 on 10 May 2018.

The Funds, which are separate legal entities are open-ended investment funds domiciled in New Zealand and established in Wellington under a Master Trust Deed and Establishment Deeds supplemental to the Master Trust Deed, dated 4 May 2018. Each Fund was established on the date of its Establishment Deed and will terminate in accordance with the provisions of the Master Trust Deed. The Funds commenced operations on 31 July 2018.

The principal activity of the Funds is investment, either via investments in other managed funds or holding investments directly.

The objectives of the Funds are as follows:

- \* Conservative Fund: To exceed the returns an investor would receive from investing 85% of their funds in cash and New Zealand fixed interest assets, and 15% in global shares.
- \* Balanced Fund: To exceed the returns an investor would receive from investing 45% of their funds in cash and New Zealand fixed interest assets, and 55% in global shares.
- \* Growth Fund: To exceed the returns an investor would receive from investing 85% of their funds in global shares and 15% in cash and New Zealand fixed interest assets

The Funds are managed by Kiwi Wealth Limited (the Manager). The Manager has delegated the investment management to Kiwi Wealth Investments Limited Partnership (KWILP). The registered office for the Manager and KWILP is Level 9, 20 Customhouse Quay, Wellington, 6011, New Zealand.

These financial statements were authorised for issue by the Board of Directors of the Manager on 31 July 2020.

At balance date, the Funds gain investment exposure by investing into the Kiwi Wealth Fixed Interest Fund and the Kiwi Wealth Growth Fund (Related Party Funds). The Related Party Funds are wholesale managed funds established under the Kiwi Wealth Master Trust. The manager of the Kiwi Wealth Master Trust is Kiwi Investment Management Limited, a related party of the Manager.

### Statutory Base

The Funds are established under the Scheme which is a Managed Investment Scheme as defined by the Financial Markets Conduct Act 2013 and as at 31 March 2020, the Scheme and Funds are subject to the provisions of that Act.

The Financial Statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Trust Deed.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied throughout the year presented, unless otherwise stated.

### 2.1 Basis of preparation

The impact of the ongoing coronavirus pandemic (COVID-19) has been considered as part of the preparation of the financial statements and it remains appropriate that these are prepared on a going concern basis.

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP, the Funds are for-profit entities. These Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices as appropriate for for-profit entities and International Financial Reporting Standards (IFRS). These Financial Statements have been prepared under the historical cost method, except for financial assets and liabilities held at fair value through profit or loss.

The preparation of Financial Statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Directors of the Manager to exercise their judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 3.

# Kiwi Wealth Managed Funds

## Notes to the Financial Statements

### For the year ended 31 March 2020

#### 2. Summary of significant accounting policies (continued)

##### 2.1 Basis of preparation (continued)

The Financial Statements have been prepared for the year from 1 April 2019, to 31 March 2020. The comparatives presented are for the period from 4 May 2018 (date of establishment) to 31 March 2019. There are no standards, amendments to standards or interpretations that are effective for the year beginning on 1 April 2019 that have a material effect on the Financial Statements of the Funds.

##### 2.2 Financial Instruments

###### (a) Classification

###### Financial Assets

Financial assets are recognised initially at fair value. After initial recognition, financial assets are measured at fair value or amortised cost, determined on the basis of both (a) the Fund's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset.

###### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Funds are primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. All financial assets at fair value through profit or loss are mandatorily measured at fair value through profit or loss.

Financial assets at fair value through profit or loss comprise of foreign exchange forward contracts and investments in unlisted funds.

###### (ii) Financial assets at amortised cost

(a) **Cash and cash equivalents** include cash in hand, deposits held at call with banks, deposits and overdraw balances with brokers in New Zealand dollars and foreign currencies. Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the Funds' main income generating activity. Financing activities are those activities that result in changes in the size and composition of unitholders' funds.

(b) **Receivables** are amounts representing assets owing to the Funds and may include contributions receivable.

###### Financial Liabilities

###### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial liabilities is managed and performance is evaluated on a fair value basis. All financial liabilities are mandatorily measured at fair value through profit or loss. Foreign exchange contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss.

###### (ii) Financial liabilities at amortised cost

(a) **Payables** are amounts representing liabilities and accrued expenses owing by the Funds at balance date and may include related party fees.



# Kiwi Wealth Managed Funds

## Notes to the Financial Statements

### For the year ended 31 March 2020

#### 2.2 Financial instruments (continued)

##### (b) Recognition, derecognition and measurement

###### (i) Financial assets and liabilities at fair value through profit or loss

The Funds recognise financial assets and liabilities at fair value through profit or loss on the date they become parties to the contractual agreement. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value.

###### (ii) Financial assets and liabilities at amortised cost

The Funds recognise financial assets and liabilities at amortised cost on the date they become parties to the contractual agreement. Financial assets and liabilities at amortised cost are initially recognised at fair value net of transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. Subsequent to initial recognition, all financial assets and liabilities at amortised cost are measured at amortised cost. At each reporting date, the Funds measure the loss allowance of the financial assets at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12 month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income is calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired.

##### (c) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

###### Fair value in an active market

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used by the Funds are the last traded market price for both financial assets and financial liabilities where the last traded prices falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management determine the point within the bid-ask spread that is most representative of fair value. The quoted market price used for fixed interest securities is the current mid price.

###### Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each balance date. Valuation techniques used include the use of recent comparable market transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The fair value of a forward contract is determined as the net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

# Kiwi Wealth Managed Funds

## Notes to the Financial Statements

### For the year ended 31 March 2020

#### 2.2 Financial Instruments (continued)

##### (c) Fair value estimation (continued)

The Funds' investments in other funds are subject to the terms and conditions of the respective funds' offering documentation. The investments in other funds are primarily valued based on the latest available redemption price of such units for each other fund investment, as determined by the other funds' administrators. The Manager reviews the details of the reported information obtained from the other funds and considers: the liquidity of the other fund or its underlying investments; the value date of the net asset value provided; and restrictions on redemptions; and the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information is obtained from the other funds' administrators.

The rights of the Funds to request redemption of their investments in other funds may vary in frequency from daily to weekly redemptions. As a result, the carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Funds may be materially affected by the actions of other investors who have invested in other funds in which the Funds have invested.

If necessary, the Funds make adjustments to the net asset value of various other fund investments to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the Statements of Comprehensive Income include the change in fair value of each other fund.

Market values have fluctuated based on market volatility associated with investments values during the recent market downturn impacting closing positions at the 31 March 2020. No issues have been encountered pre and post 31 March 2020 relating to valuation methodologies applied. Further, there have been no movements between fair value hierarchies.

#### 2.3 Offsetting financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### 2.4 Net assets attributable to unitholders

The Funds issue units that are redeemable at the Unitholders' option. NZ IAS 32 Financial Instruments: Presentation permits the classification of units issued by the Funds as equity due to the following specified criteria being met:

- each unit represents an individual share in an individual Fund and does not extend to a right in the underlying assets of the Fund or Funds;
- the individual Funds have an obligation to deliver to the Unitholders a pro-rata share of the net assets of the individual Fund only on liquidation;
- all units issued by each individual Fund have identical features;
- all units issued can be put back to the individual Fund at any time for cash based on the redemption price and the Funds have no other contractual obligations to deliver cash or another financial asset;
- the Funds have no obligation to redeem the units for any other financial assets but cash;
- the expected cash flows attributable to the units are based substantially on the profit or loss of the individual Fund; and
- the fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if Unitholders exercised their right to put the units back to the individual Fund.

The Funds are valued weekly and the redemptions are paid weekly at the redemption price after appropriate notice has been received.

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds and any initial service fee (if any). Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the holder's option at prices based on the Funds' net asset value per unit at the time of issue or redemption adjusted for a margin spread ranging from a maximum of 11bps to 12bps for the respective Funds. The margin spreads on applications and redemptions are to cover costs associated with the transactions. The margin spreads are reviewed periodically and may change from time to time. The Funds' net asset value per unit is calculated by dividing the net assets attributable to the holders of the Fund with the total number of outstanding units of the Fund. In accordance with the provisions of the offering documents, investment positions are valued based at the appropriate market value for the purpose of determining the net asset value per unit for subscriptions and redemptions.

#### 2.5 Investment income

##### Interest income

Interest earned on financial assets at amortised cost, including cash and cash equivalents are included as Interest income in the Statements of Comprehensive Income on a time proportion basis using the effective interest method.

##### Dividend and distribution income

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded in the Statements of Net Assets Attributable to Unitholders as a unitholder tax liability. Trust distributions are recognised on a present entitlement basis.

# Kiwi Wealth Managed Funds

## Notes to the Financial Statements

### For the year ended 31 March 2020

#### 2.5 Investment income (continued)

*Net gains and losses on financial assets at fair value through profit or loss*

Realised and unrealised gains and losses are reflected in the Statements of Comprehensive Income as net gain/(loss) on financial instruments held at fair value through profit or loss.

Unrealised gains or losses include the change in net market value of investments held as at balance date and the reversal of prior periods unrealised gains or losses on investments that have been realised in the current year. Realised gains or losses are calculated based on the gross sale proceeds and the weighted average cost of the investments sold.

#### 2.6 Interest expense

Interest expense is included in the Statements of Comprehensive Income on a time proportion basis using the effective interest method. Interest expense includes net interest paid or payable on cash and cash equivalents in overdraft during the year.

#### 2.7 Expenses

All expenses, including the Funds' management fees, are recognised in the Statements of Comprehensive Income on an accruals basis.

#### 2.8 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Funds' financial statements are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The functional currency for the Funds is the New Zealand dollar, which reflects the currency in which the Funds operate and are regulated. The Funds' investors are generally domiciled in New Zealand, with the subscriptions and redemptions of the units denominated in New Zealand dollars. The performance of the Funds is measured in New Zealand dollars. The Manager considers the New Zealand dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in New Zealand dollars, which is also the Funds' presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at balance date.

Foreign exchange gains and losses resulting from translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within 'net foreign currency gains or losses on cash and cash equivalents'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statements of Comprehensive Income within 'net gain/(loss) on financial assets and liabilities at fair value through profit or loss'.

#### 2.9 Income tax

The Funds qualify as and have each elected to be a Portfolio Investment Entity (PIE) for tax purposes. Under the PIE regime income is effectively taxed in the hands of the Unitholders and therefore the Funds have no income tax expense. Accordingly, no income tax expense is recognised in the Statements of Comprehensive Income. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in Unitholder tax liabilities in the Statements of Changes in Net Assets Attributable to Unitholders.

Under the PIE regime, the Manager attributes the taxable income of the Funds to Unitholders in accordance with the proportion of their interest in the Funds. The income attributed to each Unitholder quarterly, is taxed at the Unitholder's "prescribed investor rate" which is capped at 28% on redemptions.

Unitholder tax liabilities disclosed in the Statements of Changes in Net Assets Attributable to Unitholders consists of withdrawals to meet Unitholder tax liabilities under the PIE regime and any resident and foreign withholding taxes deducted at source.

#### 2.10 Distribution to unitholders

Distributions may be made from the Funds in accordance with the terms of the Trust Deed, the relevant Establishment Deed and the distribution policy for the fund. Amounts that are not distributed, remain invested as part of the assets of the relevant Fund. Proposed distributions to unitholders are recognised in the Statements of Changes in Net Assets Attributable to Unitholders when they are appropriately authorised and no longer at the discretion of the Funds' Manager.

The Manager does not currently intend to make distributions from the Funds but reserves the right to amend its policy in the future.

#### 2.11 Goods and services tax (GST)

The Funds are not registered for GST. The Statements of Comprehensive Income and Statements of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Statements of Financial Position are stated inclusive of GST.

# Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020

## 3. Critical accounting estimates and judgements

The Manager of the Funds makes estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below. Estimates are continually evaluated and are based on historical experience among other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Fair value of securities not quoted in an active market*

The valuation models employed use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair value of investments in other funds have been fair valued in accordance with the policies set out above in note 2.2 (c).

For certain other financial instruments, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the short term nature of these financial instruments.

*Net assets attributable to Unitholders*

The Funds classify units as equity instruments in accordance with revised NZ IAS 32, 'Financial Instruments: Presentation'. The Funds continue to assess the classification of the redeemable units to ensure they have all the features or meet all the conditions set out in paragraphs 16A and 16B of NZ IAS 32.

# Kiwi Wealth Managed Funds

## Notes to the Financial Statements

### For the year ended 31 March 2020

#### 4. Derivative financial instruments

##### 4.1 Forward foreign currency contracts

Forward currency contracts are primarily used by the Funds to economically hedge against foreign exchange rate risks on its non New Zealand denominated securities. Forward foreign currency contracts are contractual obligations to buy or sell one currency on a future date in exchange for a second currency at a specified forward foreign exchange rate which is established in an organised market. The forward contracts are agreed between the parties to the contract and are not traded on an exchange. The Funds' open positions in forward contracts at balance date are outlined below:

\$	As at 31 March	Conservative Fund		Balanced Fund		Growth Fund	
		2020	2019	2020	2019	2020	2019
	<b>Forward exchange contracts (notional value in NZ\$)</b>						
	Sell AUD/Buy NZD	-	-	51,389	9,981	54,721	11,063
	Sell CAD/Buy NZD	-	-	76,493	14,684	81,455	16,278
	Sell CHF/Buy NZD	-	-	77,941	12,873	82,996	14,270
	Sell DKK/Buy NZD	-	-	15,903	2,636	16,934	2,922
	Sell EUR/Buy NZD	-	-	241,187	48,631	256,831	53,910
	Sell GBP/Buy NZD	-	-	116,668	25,120	124,235	27,846
	Sell HKD/Buy NZD	-	-	119,398	24,590	127,143	27,259
	Sell JPY/Buy NZD	-	-	195,961	34,799	208,671	38,576
	Sell NOK/Buy NZD	-	-	4,185	1,083	4,457	1,201
	Sell SEK/Buy NZD	-	-	20,976	3,995	22,337	4,429
	Sell SGD/Buy NZD	-	-	10,073	1,934	10,727	2,144
	Sell USD/Buy NZD	-	-	1,805,880	300,020	1,923,012	332,583
		-	-	<b>2,736,054</b>	<b>480,346</b>	<b>2,913,519</b>	<b>532,481</b>
	<b>Forward exchange contracts (fair value in NZ\$)</b>						
	Sell AUD/Buy NZD	-	-	(28)	(68)	(30)	(76)
	Sell CAD/Buy NZD	-	-	(2,121)	(28)	(2,258)	(31)
	Sell CHF/Buy NZD	-	-	(2,413)	(72)	(2,569)	(79)
	Sell DKK/Buy NZD	-	-	(563)	20	(599)	22
	Sell EUR/Buy NZD	-	-	(8,144)	346	(8,672)	383
	Sell GBP/Buy NZD	-	-	(2,702)	196	(2,878)	217
	Sell HKD/Buy NZD	-	-	(7,874)	(110)	(8,385)	(122)
	Sell JPY/Buy NZD	-	-	(6,353)	(385)	(6,765)	(426)
	Sell NOK/Buy NZD	-	-	103	4	109	5
	Sell SEK/Buy NZD	-	-	(400)	24	(426)	26
	Sell SGD/Buy NZD	-	-	(401)	(3)	(427)	(3)
	Sell USD/Buy NZD	-	-	(114,831)	(1,326)	(122,279)	(1,469)
		-	-	<b>(145,727)</b>	<b>(1,402)</b>	<b>(155,179)</b>	<b>(1,553)</b>

# Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020

## 5. Financial risk management

### 5.1 Financial risk factors

The Trust Deed for the Funds requires the Manager to invest the assets of each Fund in accordance with the Statement of Investment Policy and Objectives. The Funds' activities expose them to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

All securities investments present a risk of loss of capital. The Funds hold financial instruments such as unlisted unit trusts where the maximum loss of capital is limited to the carrying value of those positions. The maximum loss of capital on forward foreign exchange contracts is limited to the notional amount of currency that is contracted to be delivered under each contract.

The Funds are also indirectly exposed to risk factors such as credit risk and interest rate risk via its investments in the Kiwi Wealth Fixed Interest Fund and the Kiwi Wealth Growth Fund (refer to the Related parties note 8). However the risk management note outlined below is not prepared on a look-through basis.

In addition to internal risk management carried out by the Manager and the Investment Manager, financial risk is also managed by the setting of an investment policy, agreed with and monitored by the Supervisor and set out in the Funds' Statement of Investment Policy and Objectives.

The Manager uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

#### 5.1.1 Market risk

##### (a) Price risk

The Funds are exposed to price risk due to their investments in managed funds and listed equities for which prices in the future are uncertain. The Funds manage their price risk by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits.

The table below summarises the sensitivity of the Funds' net assets attributable to Unitholders to movements in prices including the effect of movements in foreign currency exchange rates, as at 31 March. If prices for the Funds' investments had increased or decreased by 10% with all other variables held constant, this would have had the following impact on the Statement of Comprehensive Income and Net Assets Attributable to Unitholders:

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>As at 31 March</b>						
10% increase in prices	1,023,294	148,445	1,813,918	437,561	1,175,723	227,897
10% decrease in prices	(1,023,294)	(148,445)	(1,813,918)	(437,561)	(1,175,723)	(227,897)
An additional variable of 20% was selected for market price risk sensitivity as this is a reasonably expected movement taking into account the impacts of COVID-19.						
<b>\$</b>	<b>Conservative Fund</b>		<b>Balanced Fund</b>		<b>Growth Fund</b>	
<b>As at 31 March</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>
20% increase in prices	2,046,588		3,627,835		2,351,447	
20% decrease in prices	(2,046,588)		(3,627,835)		(2,351,447)	

# Kiwi Wealth Managed Funds

## Notes to the Financial Statements

### For the year ended 31 March 2020

#### 5.1.1 Market risk (continued)

##### (b) Foreign exchange risk

Foreign currency risk, as defined in NZ IFRS 7, "Financial Instruments: Disclosures", arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. NZ IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk, not foreign currency risk.

The Funds may enter into foreign exchange derivatives to hedge the foreign currency risk implicit in the value of the portfolio securities denominated in foreign currency. As the nature of these contracts is to manage the foreign exchange risk, they are accounted for by marking to market at balance date in a manner consistent with the valuation of the underlying securities.

At the balance date the Fund had the following foreign currency exposures due to holdings of monetary assets and liabilities (expressed in NZD equivalents):

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>As at 31 March</b>						
<b>Monetary assets and liabilities</b>						
Australian Dollar (AUD)	-	-	(51,404)	(10,049)	(54,738)	(11,139)
Canadian Dollar (CAD)	-	-	(78,591)	(14,710)	(83,688)	(16,307)
Swiss Franc (CHF)	-	-	(80,270)	(12,922)	(85,476)	(14,325)
Danish Krona (DKK)	-	-	(16,453)	(2,612)	(17,520)	(2,895)
Euro (EUR)	-	-	(249,135)	(48,213)	(265,295)	(53,446)
Great British Pound (GBP)	-	-	(119,312)	(24,906)	(127,050)	(27,609)
Hong Kong Dollars (HKD)	-	-	(127,264)	(24,693)	(135,519)	(27,373)
Japanese Yen (JPY)	-	-	(202,120)	(35,127)	(215,230)	(38,940)
Norwegian Krona (NOK)	-	-	(4,082)	(1,078)	(4,346)	(1,196)
Swedish Krona (SEK)	-	-	(21,364)	(3,967)	(22,750)	(4,397)
Singapore Dollars (SGD)	-	-	(10,470)	(1,937)	(11,150)	(2,147)
United States Dollars (USD)	-	-	(1,920,443)	(301,480)	(2,045,007)	(334,202)

The table below summarises the impact on the Statements of Comprehensive Income and Net Assets Attributable to Unitholders on monetary assets at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

An impact of 15% (2019: 10%) change in exchange rates is summarised as this is a reasonably expected movement taking into account the impacts of COVID-19.

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>As at 31 March</b>						
<b>Monetary assets</b>						
Exchange rates increased by 15% (2019: 10%)	-	-	375,771	43,790	400,144	48,543
Exchange rates decreased by 15% (2019: 10%)	-	-	(508,396)	(53,522)	(541,371)	(59,331)

## Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020

### 5.1.1 Market risk (continued)

#### (c) Interest rate risk

The Funds hold cash and cash equivalents in New Zealand dollars that expose the Funds to cash flow interest rate risk.

The table below summarises the impact on the Statements of Comprehensive Income and Net Assets Attributable to Unitholders had the relevant interest rates increased or decreased by 1% at balance date with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in interest rates with regard to historical volatility.

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>As at 31 March</b>						
Increase of 1%	247	156	699	1,641	1,001	1,465
Decrease of 1%	(247)	(156)	(699)	(1,641)	(1,001)	(1,465)

These movements arise substantially from the cash flow variability from cash and cash equivalents.

In addition to the Funds' direct exposure to interest rate changes on the fair value of financial asset and liabilities and on the cash flows of cash and cash equivalents shown above, the Funds are all indirectly affected by the impact of interest rate changes on the earnings of their investments in the Kiwi Wealth Fixed Interest Fund and the Kiwi Wealth Growth Fund, which forms part of the Price Risk sensitivity (see above). Therefore, the above sensitivity analysis may not fully indicate the total effect on the Funds' net assets attributable to unitholders of future movements in interest rates.

A variable of 1% (2019: 1%) was selected as this remains a reasonably expected movement taking into account the impacts of COVID-19.



## Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020

### 5.1.2 Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Funds. The maximum credit risk of financial instruments is considered to be the carrying amount on the Statements of Financial Position for which there is a risk of non-recovery. The Funds may require collateral or other security to support financial instruments with credit risk. Financial instruments that subject the Funds to credit risk consist primarily of cash equivalents, debt securities, trade and other receivables including amounts receivable for unsettled investment trades. All transactions in listed securities are settled/paid for upon delivery using approved brokers.

The Funds measure credit risk and expected credit losses using the probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 31 March 2020, all amounts due and cash held with counterparties with a credit rating of AA- or higher. Management consider the probability of default to be low as these instruments have a strong capacity to meet their contractual obligations in the near term. There is no risk of default relating to contributions receivable by the Funds as this receivable has arisen only due to timing between the date of receipt of the funds and when the units are allocated and the receipts processed. The Funds may invest cash and term deposits with banks registered in New Zealand and internationally. Management considers the probability of default for the cash and term deposits to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As such, no loss allowance is deemed necessary on 12-month expected credit losses.

The following table sets out the equivalent Standard and Poor's credit rating for cash and cash equivalents held by the Funds.

\$ As at 31 March	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
Cash and cash equivalents	24,721	15,612	69,877	164,123	100,117	146,460
High Grade	24,721	15,612	69,877	164,123	100,117	146,460

AA-

In accordance with the Funds' Statement of Investment Policy and Objectives, the Manager monitors the Funds' asset allocations on a monthly basis and compliance is reported to the Investment Governance Committee periodically.

The Funds are indirectly exposed to credit risk through their investments in the Kiwi Wealth Fixed Interest Fund and the Kiwi Wealth Growth Fund, which forms part of the price risk sensitivity. The forward foreign exchange contracts as disclosed in note 4.1 are with New Zealand Registered Banks with a AA- Standard and Poor's credit rating.

## Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020

### 5.1.3 Liquidity risk

Liquidity risk is the risk that the Funds will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments and liabilities as they fall due, including unit redemptions and repurchases as they fall due.

The Funds' investment policy is designed to maintain sufficient liquidity to settle redemption requests. Liquidity requirements are reviewed weekly by the Manager.

The Funds' financial liabilities consist of trade, withdrawals payables, other payables and payables to related parties which are short term in nature and classified as current liabilities at balance date. Trade and other payables will generally be settled within 90 days.

The Funds currently invest in wholesale funds available under the Kiwi Wealth Master Trust (see note 8). The wholesale funds each maintain liquidity to cover reasonably foreseeable redemptions under normal market conditions. The manager of the Kiwi Wealth Master Trust, may in certain circumstances suspend redemptions in one or more wholesale funds if the manager believes it is not practical or desirable or would be prejudicial to the general interests of the unit holders of the relevant wholesale fund(s), for the redemptions to be made.

The following table analyses each of the Funds' financial liabilities and derivative financial instruments in a loss position based on a contractual maturity basis rather than on an expected maturity basis, as the expected maturities for such contracts are not considered to be essential to an understanding of the timing of cash flows. The amounts in the table are the contractual undiscounted cash flows.

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>As at 31 March</b>						
<b>Financial liabilities at fair value through profit or loss</b>						
7 days to 1 month	-	-	145,727	1,992	155,179	2,206
<b>Management fees payable</b>						
7 days to 1 month	5,737	887	13,261	3,085	9,397	1,831
<b>Withdrawals payable</b>						
1 - 7 days	-	34,000	-	18,771	-	149,750

The required cash outflow to settle the forward currency contracts which are in a loss position at balance date, will be the fair value as at 31 March 2020, if it was settled on that date. It is expected that the actual undiscounted cash flows will be different, given that the instrument is marked to market. All the open currency contracts which are in a loss position at 31 March 2020, will mature within 6 months after balance date.

### 5.2 Capital risk management

The Funds' capital is represented by the net assets attributable to Unitholders. The Manager's objective when managing capital is to provide returns for Unitholders through investing the Funds in accordance with the Statement of Investment Policy and Objectives.

The Manager may suspend redemptions where the Manager in good faith forms the opinion that it is not practicable, or would be materially prejudicial to the general interests of Unitholders in the relevant Fund or Funds, or is not desirable for the protection of the relevant Fund or Funds, for the Supervisor to realise assets or borrow in order to permit redemption of units.

The Funds do not have any externally imposed capital requirements. Units may be redeemed weekly subject to the receipt of a valid redemption request.

Neither the Supervisor, the Manager, or any other party guarantee the units offered by the Funds, the performance or returns of the Funds or the repayment of capital.

## Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020

### 5.3 Offsetting and amounts subject to master netting arrangements and similar agreements

As at 31 March 2020, the following Funds were subject to an International Swaps and Derivatives Association (ISDA) arrangement with Bank of New Zealand. According to the terms of the ISDA arrangement all the derivatives are settled net. The following tables present the Funds' financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements. The tables are presented by type of financial instrument.

	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<i>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</i>						
Gross amounts of recognised financial assets	-	-	103	590	109	653
Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position	-	-	-	-	-	-
<b>Net amounts of financial assets presented in the Statement of Financial Position</b>	<b>-</b>	<b>-</b>	<b>103</b>	<b>590</b>	<b>109</b>	<b>653</b>
<i>Related amounts not set-off in the Statement of Financial Position</i>						
Financial instruments	-	-	(103)	(590)	(109)	(653)
<b>Net amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</i>						
Gross amounts of recognised financial liabilities	-	-	(145,830)	(1,992)	(155,288)	(2,206)
Gross amounts of recognised financial assets set-off in the Statement of Financial Position	-	-	-	-	-	-
<b>Net amounts of financial liabilities presented in the Statement of Financial Position</b>	<b>-</b>	<b>-</b>	<b>(145,830)</b>	<b>(1,992)</b>	<b>(155,288)</b>	<b>(2,206)</b>
<i>Related amounts not set-off in the Statement of Financial Position</i>						
Financial instruments	-	-	103	590	109	653
<b>Net amount</b>	<b>-</b>	<b>-</b>	<b>(145,727)</b>	<b>(1,402)</b>	<b>(155,179)</b>	<b>(1,553)</b>

Each party has the option to settle all open contracts on a net basis in the event of default by the other party. Per the terms of the ISDA agreement, an event of default includes the following:

- \* failure by a party to make a payment when due
- \* failure by a party to perform an obligation required by the agreement (other than payment) if such failure is not remedied within 30 days after such notice of such failure is given to the party
- \* bankruptcy

The related amounts not set-off in the Statement of Financial Position represent amounts that have not been offset in the Statement of Financial Position but could be expected to be offset in the event of default by either the Fund or its counterparty to the derivative contract. For financial instruments this is the maximum value of assets and liabilities that could be offset. For cash collateral this is the value of cash that could be withheld by the counterparty to settle derivative liabilities.

## Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020

### 6. Fair value estimation

All financial assets and financial liabilities included in the Statements of Financial Position, are carried at amounts that represent or approximate fair value. The fair value of financial assets traded in active markets are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Funds is the last traded price. The price used for unlisted unit trusts is the published withdrawal price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

NZ IFRS 13 requires the Funds to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- \* Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- \* Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- \* Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Funds' financial assets and financial liabilities (by class) measured at fair value at year end:

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>As at 31 March</b>						
<b>Level 2 Assets</b>						
Financial assets at fair value through profit or loss	-	-	-	590	-	653
Forward foreign exchange contracts	10,232,938	1,484,451	18,139,177	4,375,612	11,757,233	2,278,969
Unlisted funds						
<b>Total Level 2 Assets</b>	<b>10,232,938</b>	<b>1,484,451</b>	<b>18,139,177</b>	<b>4,376,202</b>	<b>11,757,233</b>	<b>2,279,622</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>10,232,938</b>	<b>1,484,451</b>	<b>18,139,177</b>	<b>4,376,202</b>	<b>11,757,233</b>	<b>2,279,622</b>
<b>\$</b>						
<b>As at 31 March</b>						
<b>Level 2 Liabilities</b>						
Financial liabilities at fair value through profit or loss	-	-	145,727	1,992	155,179	2,206
Forward foreign exchange contracts	-	-	145,727	1,992	155,179	2,206
<b>Total Level 2 Liabilities</b>	<b>-</b>	<b>-</b>	<b>145,727</b>	<b>1,992</b>	<b>155,179</b>	<b>2,206</b>
<b>Total financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>145,727</b>	<b>1,992</b>	<b>155,179</b>	<b>2,206</b>

The Balanced Fund and the Growth Fund hold investments in forward currency contracts. The fair value of forward foreign exchange contracts is calculated from spot exchange rates and forward points supplied by WM/Reuters or Bloomberg. This measurement basis falls within Level 2 of the fair value hierarchy as all inputs used to calculate the fair value are based on observable market data.

The investments in the Related Party Funds are not quoted in an active market (see note 8.2 for more details). The Related Party Funds classified in Level 2 were fair valued using the net asset value of the underlying fund, as reported by the Related Party Fund's administrator. For the Related Party Funds, management believes the Funds could have redeemed their investments at the net asset value per unit at balance date.

## Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020

### 7. Financial instruments

Financial assets at fair value through profit or loss

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>As at 31 March</b>						
<i>Mandatorily measured at fair value through profit or loss</i>						
Forward foreign exchange contracts	10,232,938	-	18,139,177	590	11,757,233	653
Unlisted funds		1,484,451		4,375,612		2,278,969
<i>Total mandatorily measured at fair value through profit or loss</i>	<b>10,232,938</b>	<b>1,484,451</b>	<b>18,139,177</b>	<b>4,376,202</b>	<b>11,757,233</b>	<b>2,279,622</b>
Total financial assets at fair value through profit or loss	<b>10,232,938</b>	<b>1,484,451</b>	<b>18,139,177</b>	<b>4,376,202</b>	<b>11,757,233</b>	<b>2,279,622</b>

Financial liabilities at fair value through profit or loss

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>As at 31 March</b>						
<i>Mandatorily measured at fair value through profit or loss</i>						
Forward foreign exchange contracts	-	-	145,727	1,992	155,179	2,206
<i>Total mandatorily measured at fair value through profit or loss</i>	<b>-</b>	<b>-</b>	<b>145,727</b>	<b>1,992</b>	<b>155,179</b>	<b>2,206</b>
Total financial liabilities at fair value through profit or loss	<b>-</b>	<b>-</b>	<b>145,727</b>	<b>1,992</b>	<b>155,179</b>	<b>2,206</b>

## Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020

### 7. Financial instruments (continued)

#### Financial instruments by category

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>As at 31 March</b>						
<b>Financial assets at fair value through profit or loss</b>						
Financial assets mandatorily measured at fair value through profit or loss	10,232,938	1,484,451	18,139,177	4,376,202	11,757,233	2,279,622
<b>Total assets at fair value through the profit or loss</b>	<b>10,232,938</b>	<b>1,484,451</b>	<b>18,139,177</b>	<b>4,376,202</b>	<b>11,757,233</b>	<b>2,279,622</b>
<b>Financial assets at amortised cost</b>						
Cash and cash equivalents	24,721	15,612	69,877	164,123	100,117	146,460
Contributions receivable	-	168,522	-	-	-	-
<b>Total financial assets at amortised cost</b>	<b>24,721</b>	<b>184,134</b>	<b>69,877</b>	<b>164,123</b>	<b>100,117</b>	<b>146,460</b>
<b>Total financial assets</b>	<b>10,257,659</b>	<b>1,668,585</b>	<b>18,209,054</b>	<b>4,540,325</b>	<b>11,857,350</b>	<b>2,426,082</b>
<b>\$</b>						
<b>As at 31 March</b>						
<b>Financial liabilities at fair value through profit or loss</b>						
Financial liabilities mandatorily measured at fair value through profit or loss	-	-	145,727	1,992	155,179	2,206
<b>Total financial liabilities at fair value through the profit or loss</b>	<b>-</b>	<b>-</b>	<b>145,727</b>	<b>1,992</b>	<b>155,179</b>	<b>2,206</b>
<b>Financial liabilities at amortised cost</b>						
Management fees payable	5,737	887	13,261	3,085	9,397	1,831
Withdrawals payable	-	34,000	-	18,771	-	149,750
<b>Total financial liabilities at amortised cost</b>	<b>5,737</b>	<b>34,887</b>	<b>13,261</b>	<b>21,856</b>	<b>9,397</b>	<b>151,581</b>
<b>Total financial liabilities</b>	<b>5,737</b>	<b>34,887</b>	<b>158,988</b>	<b>23,848</b>	<b>164,576</b>	<b>153,787</b>

# Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020

## 8. Related parties

### 8.1 Key management and key management personnel

Kiwi Wealth Limited is the Manager of Kiwi Wealth Managed Funds. In accordance with the Trust Deed, management fees are calculated based on the net asset values of the Funds which are calculated weekly and paid monthly. Management fees are a related party expense paid to Kiwi Wealth Limited and are shown in the Statements of Comprehensive Income under "Management fees". Management fees payable are shown in the Statements of Financial Position.

The management fee rates as a percentage of the net asset value excluding GST are as follows:

Kiwi Wealth Managed Funds - Conservative Fund	0.70%
Kiwi Wealth Managed Funds - Balanced Fund	0.80%
Kiwi Wealth Managed Funds - Growth Fund	0.90%

The total of the Supervisor's fee, the Administration fees and costs of obtaining professional services such as audit fees are absorbed by the Management fees and paid by the Manager on behalf of the Funds.

Public Trust is the Supervisor of the Funds. The Supervisor fees are paid to the Supervisor by the Manager.

Audit fees for the year have been paid by the Manager on behalf of the Funds. The total audit fee for the period ended 31 March 2020 for all the Funds was \$52,133 (2019: \$50,925) and \$2,205 (2019: \$2,153) (excluding GST) for the statutory audit of the financial statements and registry audit respectively.

Kiwi Wealth Limited is a wholly owned subsidiary of Kiwi Wealth Investments Limited Partnership. Kiwi Wealth Investments Limited Partnership is owned by Kiwi Wealth Management Limited. Kiwi Wealth Management Limited is a wholly owned subsidiary of Kiwi Group Holdings Limited (which in return is owned by New Zealand Post Limited, Guardians of the New Zealand Superannuation Fund, and the Accident Compensation Corporation). Kiwi Group Holdings Limited also owns Kiwibank Limited.

As at 31 March 2020, the Manager held no units in the Kiwi Wealth Managed Funds.

### Transactions with key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. This includes the Board and members of the senior leadership team.

The table below shows the contributions and withdrawals made by key management personnel:

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>For the year ended 31 March</b>						
Contributions	-	-	-	-	23,000	-
Withdrawals	-	-	-	-	-	-

Other than transactions noted above for the directors and other key management personnel there have been transfers between portfolios relating to rebalancing.

The table below shows key management personnel fund balances:

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>For the year ended 31 March</b>						
Key management personnel fund balances	-	-	-	-	20,000	-

## Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020

### 8.2 Related party investments

The Conservative Fund, Balanced Fund and Growth Fund invest into the Kiwi Wealth Fixed Interest Fund and the Kiwi Wealth Growth Fund.

The Kiwi Wealth Fixed Interest Fund and Kiwi Wealth Growth Fund are wholesale managed funds established under the Kiwi Wealth Master Trust. The manager of the Kiwi Wealth Master Trust is Kiwi Investment Management Limited, a related party of the Manager.

Investments held by the Kiwi Wealth Managed Funds in the Related Party Funds as at 31 March are outlined below:

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>As at 31 March</b>						
Kiwi Wealth Fixed Interest Fund	8,493,664	1,237,019	7,160,401	1,815,113	826,871	-
Kiwi Wealth Growth Fund	1,739,274	247,432	10,978,775	2,560,498	10,930,362	2,278,969
	<b>10,232,938</b>	<b>1,484,451</b>	<b>18,139,176</b>	<b>4,375,611</b>	<b>11,757,233</b>	<b>2,278,969</b>

In accordance with the Financial Markets Conduct Act 2013, the Related Party Fund transactions are effected on commercial arm's length terms.

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
<b>As at 31 March</b>						
Purchase of financial instruments at fair value through profit or loss	8,887,698	1,765,971	17,532,188	4,582,449	12,143,982	2,357,106
Sale of financial assets at fair value through profit or loss	(113,159)	(331,639)	(2,738,454)	(291,959)	(1,375,139)	(60,323)



## Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020

### 9. Interest income/(expense)

\$ For the year ended 31 March	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
Interest income on financial assets at amortised cost was earned from the following:						
Cash and cash equivalents	310	168	974	1,799	743	1,511
	<b>310</b>	<b>168</b>	<b>974</b>	<b>1,799</b>	<b>743</b>	<b>1,511</b>

### 10. Reconciliation of operating profit/(loss) to net cash outflow from operating activities

\$	Conservative Fund		Balanced Fund		Growth Fund	
	2020	2019	2020	2019	2020	2019
For the year ended 31 March						
Operating profit/(loss)	(55,334)	43,673	(1,370,499)	70,084	(1,617,095)	(18,996)
<b>Adjustments for non-cash items</b>						
Net unrealised changes in the fair value of financial assets and liabilities	31,953	(48,344)	1,084,789	(88,079)	1,331,121	15,629
Net foreign currency gain/(loss) on cash and cash equivalents	-	-	(10,407)	3,049	(9,486)	2,849
	<b>31,953</b>	<b>(48,344)</b>	<b>1,074,382</b>	<b>(85,030)</b>	<b>1,321,635</b>	<b>18,478</b>
<b>Movements in working capital items</b>						
Increase/(decrease) in trade and other payables	4,850	887	10,176	3,085	7,566	1,831
(Increase)/decrease in net cost of investments	(8,780,440)	(1,436,107)	(14,704,029)	(4,286,131)	(10,655,759)	(2,293,045)
	<b>(8,775,590)</b>	<b>(1,435,220)</b>	<b>(14,693,853)</b>	<b>(4,283,046)</b>	<b>(10,648,193)</b>	<b>(2,291,214)</b>
	<b>(8,743,637)</b>	<b>(1,483,564)</b>	<b>(13,619,471)</b>	<b>(4,368,076)</b>	<b>(9,326,558)</b>	<b>(2,272,736)</b>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(8,798,971)</b>	<b>(1,439,891)</b>	<b>(14,989,970)</b>	<b>(4,297,992)</b>	<b>(10,943,653)</b>	<b>(2,291,732)</b>

## **Kiwi Wealth Managed Funds Notes to the Financial Statements For the year ended 31 March 2020**

### **11. Assets and liabilities not carried at fair value but for which fair value is disclosed**

All financial assets and liabilities not measured at fair value through profit or loss are carried at amortised cost and their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents referred to in Note 9 include cash on hand, deposits held with banks and brokers and other short-term investments in an active market. Outstanding settlements represent the contractual amount due by the Funds for settlement of trades.

### **12. Commitments and contingent liabilities**

There are no material commitments or contingencies as at 31 March 2020 (31 March 2019: nil).

### **13. Events occurring after balance date**

Although market volatility has continued as a result of COVID-19 there were no events subsequent to balance date which require adjustment to or disclosure in these financial statements.



## *Independent auditor's report*

To the unitholders of Kiwi Wealth Managed Conservative Fund, Kiwi Wealth Managed Balanced Fund, Kiwi Wealth Managed Growth Fund (collectively referred to as the "Funds").

We have audited the Funds' financial statements which comprise:

- the statements of financial position as at 31 March 2020;
- the statements of comprehensive income for the year ended;
- the statements of changes in net assets attributable to unitholders for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### *Our opinion*

In our opinion, the Funds' financial statements present fairly, in all material respects, the financial position of the Funds as at 31 March 2020, their financial performance and their cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Funds in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have provided the following services to Kiwi Wealth Limited, the Funds' Manager: supervisor reporting, registry and net tangible asset compliance assurance services. These services and relationships have not impaired our independence as auditor of the Funds.

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### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Funds' financial statements of the current year. These matters were addressed in the context of our audit of the Funds' financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter																									
<p><i>Valuation and existence of financial assets and financial liabilities held at fair value through profit or loss (FVTPL)</i></p> <p>As at 31 March 2020, financial assets held at FVTPL amounted to:</p> <table border="1"> <thead> <tr> <th>Fund</th> <th>31/03/2020 (\$)</th> <th>31/03/2019 (\$)</th> </tr> </thead> <tbody> <tr> <td>Balanced</td> <td>18,139,177</td> <td>4,376,202</td> </tr> <tr> <td>Conservative</td> <td>10,232,938</td> <td>1,484,451</td> </tr> <tr> <td>Growth</td> <td>11,757,233</td> <td>2,279,622</td> </tr> </tbody> </table> <p>As at 31 March 2020, financial liabilities held at FVTPL amounted to:</p> <table border="1"> <thead> <tr> <th>Fund</th> <th>31/03/2020 (\$)</th> <th>31/03/2019 (\$)</th> </tr> </thead> <tbody> <tr> <td>Balanced</td> <td>145,727</td> <td>1,992</td> </tr> <tr> <td>Conservative</td> <td>0</td> <td>0</td> </tr> <tr> <td>Growth</td> <td>155,179</td> <td>2,206</td> </tr> </tbody> </table> <p>Financial assets and financial liabilities held at FVTPL are included in note 7 of the financial statements.</p> <p>This was an area of focus as it represents the substantial majority of the net assets of the Funds.</p> <p>As at 31 March 2020, the majority of the financial assets held by the Funds comprise investments in unlisted unit trusts.</p>	Fund	31/03/2020 (\$)	31/03/2019 (\$)	Balanced	18,139,177	4,376,202	Conservative	10,232,938	1,484,451	Growth	11,757,233	2,279,622	Fund	31/03/2020 (\$)	31/03/2019 (\$)	Balanced	145,727	1,992	Conservative	0	0	Growth	155,179	2,206	<p>We assessed the processes employed by the Manager for recording and valuing the financial assets and financial liabilities at FVTPL including the relevant controls operated by the third party service organisation. The third party service organisation include the Administrator and the Custodian.</p> <p>Our assessment of the business processes included:</p> <ul style="list-style-type: none"> <li>• Updating our understanding of the business processes over classification, recognition and measurement of financial assets and financial liabilities held at FVTPL.</li> <li>• Obtaining the Administrator’s internal controls reports over administration and registry services for the year ended 31 March 2020. We evaluated the sufficiency and appropriateness of the evidence provided by the controls reports over the design and operating effectiveness of the internal control environment operated by the Administrator.</li> <li>• Evaluating the design and operating effectiveness of controls in place at the Custodian.</li> </ul> <p>Evaluating the design and operating effectiveness of controls in place at the Manager, which included but was not limited to evaluating the appropriateness of users authorising investment transactions, evaluating system controls that limit transacting above total holdings and the review of bank reconciliations.</p> <p><i>Valuation</i></p> <p>For valuation of the investments in unlisted unit trusts we evaluated whether the redemption price represents fair value by comparing the valuation of the investments in unlisted unit trusts to the Net Asset Value per unit calculated based on the audited financial statements of the unlisted unit trusts.</p>	
Fund	31/03/2020 (\$)	31/03/2019 (\$)																								
Balanced	18,139,177	4,376,202																								
Conservative	10,232,938	1,484,451																								
Growth	11,757,233	2,279,622																								
Fund	31/03/2020 (\$)	31/03/2019 (\$)																								
Balanced	145,727	1,992																								
Conservative	0	0																								
Growth	155,179	2,206																								

<p>The fair values of the unlisted unit trusts are based on the redemption prices established by the respective investment fund administrators and categorised as level 2 in the fair value hierarchy. In assessing the fair value, the Manager uses information provided by the investment fund administrators including the financial statements of the underlying funds and recent transaction prices.</p> <p>As at 31 March 2020, all of the financial liabilities held by the Funds comprise forward foreign exchange contracts.</p> <p>The fair values of the forward foreign exchange contracts are based spot and forward rates identified by the respective investment fund administrators and categorised as level 2 in the fair value hierarchy. In assessing the fair value, the Manager uses information provided by the investment fund administrators.</p> <p>Management assessed the impact of COVID-19 on the Funds' financial statements including investments at fair value through profit or loss and included additional disclosures in Note 2 and Note 5 to the financial statements.</p>	<p>For valuation of the financial liabilities we used our valuation experts to:</p> <ul style="list-style-type: none"> <li>• test 100% of the forward foreign exchange derivatives by evaluating the spot and forward rates; and</li> <li>• test 100% of exchange traded derivatives</li> </ul> <p><b>Existence</b></p> <p>For existence of unlisted unit trust, we agreed the number of units of financial assets at FVTPL held by the Funds at 31 March 2020 to a confirmation obtained directly from the Custodian.</p> <p>For existence of the forward foreign exchange contracts, we have tested all of the derivative positions to counterparty confirmations.</p> <p>We have considered the impact of COVID-19 on the valuation of investments, including the disclosures in the financial statements.</p> <p>From the procedures performed, we have no matters to report.</p>
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**Our audit approach**  
Overview

	<p>An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. We determine materiality for the Funds separately.</p> <p>Our materiality for each of the Funds is calculated based on 1% of the net assets.</p> <p>We chose net assets as the benchmark for the Funds because, in our view, it is the benchmark against which the performance of the Funds is most commonly measured by readers, and is a generally accepted benchmark for a fund.</p> <p>Because of the significance of the investments to the financial statements, we have determined there is one key audit matter: valuation and existence of investments at fair value through profit or loss</p>
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### Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the Funds' financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the Funds' financial statements as a whole.

### Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Funds' financial statements as a whole, taking into account the structure of the Funds, the types of investments held by the Funds, the accounting processes and controls, the use of third party service providers and the industry in which the Funds operate.

Kiwi Wealth Limited ("the Manager") is responsible for the governance and control activities of the Funds. The Manager has appointed Public Trust ("the Custodian") to act as Custodian of the Funds' investments. The Manager has delegated the investment management to Kiwi Wealth Investments Limited Partnership (KWILP). The Manager has outsourced investment accounting and registry services to MMC Limited (the "Administrator").

In establishing our overall audit approach, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the control environment in place at the Manager, the Administrator and the Custodian.

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### *Information other than the financial statements and auditor's report*

The Manager is responsible for the annual report.

Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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### *Responsibilities of the Manager for the financial statements*

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the Manager is responsible for assessing the Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Funds or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.

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### *Who we report to*

This report is made solely to the Funds' unitholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than each Fund's unitholder, as a body, for our audit work, for this report or for the opinions we have formed.

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The engagement partner on the audit resulting in this independent auditor's report is Christopher Ussher.

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
3 August 2020

Wellington