



KIWISAVER STAR RATINGS

WHAT IS KIWISAVER?

KiwiSaver is a work-based savings scheme which commenced in July 2007 as a way to encourage New Zealanders to save for their retirement. Kiwis can elect to contribute a certain percentage of their salary (3%, 4% or 8%) with their employer also contributing at least 3% of their gross salary.

Some benefits of Kiwisaver include:

- Most workers between the ages of 18 and 65 who contribute to Kiwisaver will also receive a contribution from their employer equal to 3% of their gross salary.
- All new Kiwisaver members will qualify for a \$1,000 tax-free “kick start” from the government, which will be paid into their KiwiSaver account.
- A member tax credit of up to \$521 per annum.
- The potential for first home buyers to withdraw some of their KiwiSaver savings to put towards their new home.
- A first home deposit subsidy of up to \$5,000 per person.

As at 31 July 2013 there were approximately 2.16 million KiwiSaver members with an impressive 49% of those having opted in via their provider. This indicates that at least half of all KiwiSaver members have made an active choice with regards to the investment of their funds.

COMPARING KIWISAVER

This is the third year CANSTAR has comprehensively researched and compared KiwiSaver Funds. CANSTAR has assessed the price and features of 29 KiwiSaver Schemes and 91 KiwiSaver Funds, comparing these funds on both pricing and features. The pricing score considers the annual cost to members taking into account five different fees. It is then combined with over 80 product features across five different categories for each scheme to determine who provides the best value funds.

We currently rate three KiwiSaver profiles, being conservative, balanced and growth. While CANSTAR rates these three classes of funds based on their benchmark growth asset allocation, we note that there are other funds aimed towards defensive (0-19% growth assets), moderate (31-49% growth assets) and aggressive (87-100% growth assets) investors. Investors should read the relevant scheme’s Investment Statement for more product offerings that may be suited to their investment objectives.

We stress that our ratings are not based on performance. While there are funds that will outperform the market or their benchmark, past performance does not guarantee future performance and we are not able to identify future top performers. Fees, on the other hand, are known and can have an impact on the net returns received from an investment. Therefore our ratings have focused on the price and features of the products. Please see the methodology attached to this report for further details.

IN THIS REPORT:

We research & rate:

- 29 KiwiSaver Schemes and
- 91 KiwiSaver Funds to determine outstanding value providers



SO WHAT ARE THE FEES?

While investment returns will fluctuate on an annual basis, fees are a constant. Fees can be an all-inclusive percentage of your KiwiSaver balance or up to five separate fees contributing to different facets of your KiwiSaver Scheme.

So what are the potential fees for consumers to be aware of?

Member Fee

The member fee is a monthly or annual flat fee charged for being a member of the Fund. This is generally charged for administering your membership within the KiwiSaver fund. A typical annual member fee will range from \$0-\$60, with the average annual member fee charged at \$32.

Management Fee

This is the fee paid to fund managers for looking after the investments within the Fund. This can be a flat fee or a percentage of the balance. A typical management fee will range from 0.18%-1.25%, with the average member fee charged at 0.73% of the fund balance.

Administration Fee

The administration fee is a separate fee from the management fee which goes toward the administration of the Fund. The name is generally interchangeable with the member fee as both fees are used to effectively administer your investments within the Fund. A typical administration fee will range from 0-0.53%, with the average member fee charged at 0.14% of the fund balance.

Trustee Fee

This fee goes toward the cost of Trustees to supervise the fund's performance in managing and administering your KiwiSaver Fund. This fee may be charged separately up to 0.08% or absorbed within the management or administration fee. The average trustee fee based on our research is 0.03% of fund balance.

Expense Fee

The expense fee goes towards reimbursing the cost of third party expenses such as brokerage, auditing and stamp duty. A typical expense fee will range from 0%-0.63%, with the average member fee charged at 0.11% of the fund balance. Some schemes may absorb fund expenses within their management fee which can save members much of their retirement savings.

NEW DISCLOSURE REQUIREMENTS



Many KiwiSaver statements have recently become much easier to read! The KiwiSaver (Periodic Disclosure) Regulations were introduced on 1 July to require retail KiwiSaver schemes to report on funds in a standardised manner. The requirements cover the regular reporting of fund performance, fees, asset allocation and other matters, with all KiwiSaver providers now using the same template to report their performance and fees, and give a standardised breakdown of what the money is invested in.

This is a real win for investors as previously there were no specific reporting requirements on KiwiSaver schemes to disclose information about the performance of their funds. This meant that prior to the new rules there were many inconsistencies in both reporting and data collection methods used by KiwiSaver providers.

One of the big differences with the new system of quarterly updates and annual statements will be the ability to see at a glance what fees are being charged. The data will include a "Total Expense Ratio"; the proportion of the value of savings absorbed that year by fees and expenses, including those in underlying funds. Fees can cost savers thousands of dollars over the life of an investment. Disclosing them in an open way will mean more transparency for the saver.

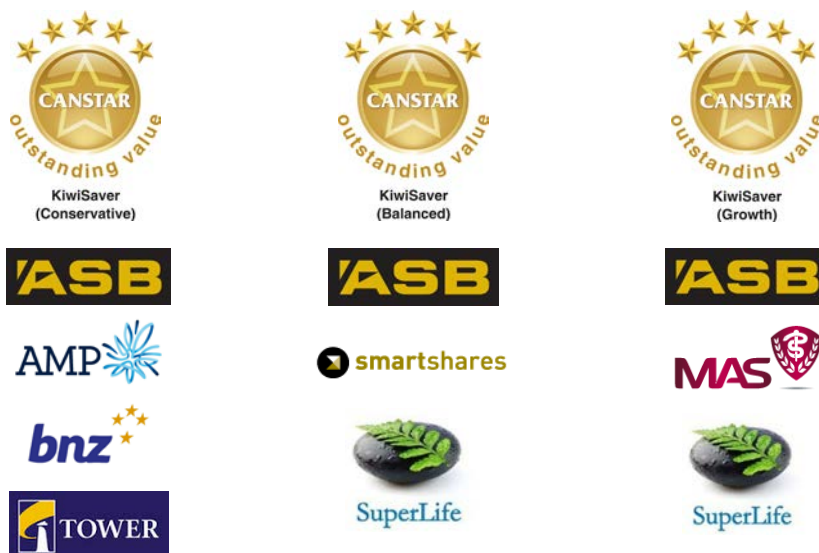
The regulations came into force on 1 July 2013, with the first disclosure statements due to be published in mid-October 2013.

WHO OFFERS OUTSTANDING VALUE?

A number of KiwiSaver products have achieved a five-star rating this year, as follows:

- **ASB** holds five-stars in all profiles for the third time running. Trustee and expense fees are absorbed into one simple management fee which is highly competitive against all their peers. In terms of features, ASB provide members with the convenience to apply online and check their fund balance through their mobile application as well as educational material through their website and on Youtube such as importance of contributions and market overviews.
- **SuperLife** has also held onto five-star rating in the balanced and growth category for the third year running. They have a low fee structure and a full range of online educational resources to teach members on investing and the importance of low fees. Their website is easily navigable and in addition to general information offers online calculators and quarterly newsletters. They also run regular seminars for the public.
- **Smartshares** has received a five-star in the balanced profile due to their competitive fee structure. Their all-inclusive management fee absorbs trustee and expense fees and they do not charge a member fee. Their website is easy to navigate and able to help you find your ideal KiwiSaver plan depending on a few simple questions. You are also able to access your account online and view current account balance.
- **TOWER's** Cash Enhanced Fund has received five-stars this year in our Conservative profile. As a default fund (albeit one that cannot be enrolled into by the public), they are the second cheapest fund in the conservative profile. Feature-wise, all scheme-based information such as fund information and historical annual reports are obtainable online and you are able to have access to financial advisors to help plan for retirement.
- **AMP's** Default Fund is another new five-star product within our Conservative profile. Current members enrolled in this fund (unfortunately kiwis also cannot enrol into this fund) can be assured of a low fee and access to a large range of investment fund options should they want to switch up to another fund which suits their appetite for risk and further growth for their retirement.
- **Medical Assurance's** Growth and Aggressive fund has made an appearance in this year's Growth profile due to their competitive fee structure. An all-encompassing management fee at 1% (with minimum \$50 flat fee) and trustee fee provides certainty of cost for members. All general information is provided on their website and support from advisors to help plan for you retirement.
- **BNZ's** first time in the ratings has resulted in their first 5 star rating in the conservative profile. Their low member fee contributes to an overall competitive fee structure at \$2 per month. Members are able to apply online as well as access to internet banking facilities and the ability to convert fly by points to contributions are always a plus when you want to boost your retirement savings.

All of the above organisations are to be congratulated for the products they offer to their targeted customers.



RECLAIMING YOUR AUSSIE SUPER

Every year plane loads of Kiwis return home after a stint working in Australia. While over there, they've been paying into compulsory Australian superannuation and their nest egg may be worth many thousands of dollars.

Thanks to recent law changes on both sides of the Tasman, Kiwis can now bring that money home and deposit it in their KiwiSaver. There are rules to be followed though, and the money must be deposited into an approved KiwiSaver fund.

Just because savers *can* repatriate their retirement savings, though, doesn't mean that they *should* do it without considering the pros and cons.

Reasons to transfer:

- **Consolidation:** Some people prefer to consolidate all of their money in one country. It's easier to manage and they don't have to worry about tax and law changes in the other country. The money from an Australian superannuation fund is transferred tax free into New Zealand.
- **Potentially favourable tax:** Tax on earnings within an Australian superannuation fund is at a rate of 15%, so Kiwis who pay less than 15% PIR tax on their KiwiSaver will pay less here. For Kiwis paying at higher than 15% rate, Australia's superannuation savings system may be cheaper for many savers.
- **Protection from currency fluctuations:** Exchange rate movements are less of a worry once the money is back home.

Reasons not to transfer:

- **Entry fees:** Incoming pension and super transfers can be hit with large charges. It's not unusual to pay 5% of the total of your fund in one hit to a pension transfer company. The fund you're transferring from may also have charges.
- **Ongoing fees:** KiwiSaver funds may have higher fees than Aussie funds and this eats into growth.
- **Inflexibility:** Money transferred from Australia can't be used for first home withdrawals. That means it's tied up until retirement – as it would have been in Australia.
- **Tax treatment:** Tax treatment on foreign super and pensions is often more favourable in other countries.
- **Currently strong dollar:** The New Zealand dollar has been consistently high for a number of years, eroding the value of transferred funds.

Finally, if you've lost track of your Aussie Super, don't worry. To find those funds contact the Australian Tax Office's Lost Member Register or use its SuperSeeker tool, which can be found at ATO.gov.au. Once found you can choose whether to invest your Aussie super there or bring it back home.

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KiwiSaver Star Ratings

Report Date: SEPTEMBER 2013

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. This is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

Conservative

Scheme Name/Product Name	Investment Options			Member Access			Advice & Strategy		Fees (as at 15 August 2013)	
	Total No of Pre-mix Strategies	Allow Mix and Match	Growth Asset Allocation %	Apply Online	Portfolio Return Online	No. of Free Investment Switches	Investment Commentry	Financial Advice at No Extra Cost	Annual Member Fee \$	Total Published Fees * %

All ratings take into account costs and features - see our methodology document for further details

★★★★★ outstanding value

AMP KiwiSaver Scheme Default (Default fund)##	11	✓	20	✗	✓	Unlimited	✓	✓	35.40	0.53
ASB KiwiSaver Scheme Conservative (Default Fund)	4	✓	20	✓	✓	Unlimited	✓	✓	30.00	0.40
Bank of New Zealand KiwiSaver Scheme Conservative Fund	4	✓	20	✓	✓	Unlimited	✓	✓	24.00	0.70
TOWER KiwiSaver Scheme Cash Enhanced (Default Fund)##	4	✓	20	✓	✓	Unlimited	✗	✗	33.00	0.51

★★★★

Gareth Morgan-Kiwibank KiwiSaver Scheme Conservative	5	✓	30	✓	✓	Unlimited	✓	✓	0.00	1.00
OnePath Kiwisaver Scheme Conservative (Default Fund)	5	✗	20	✗	✓	2	✓	✗	33.00	0.44
SuperLife KiwiSaver Scheme Managed 30	9	✓	30	✓	✓	Unlimited	✓	✗	33.00	0.61
the D fund	9	✓	20	✓	✓	Unlimited	✓	✗	33.00	0.57
AIM30	9	✓	30	✓	✓	Unlimited	✓	✗	33.00	0.61

★★★

AMP KiwiSaver Scheme Conservative	11	✓	25	✗	✓	Unlimited	✓	✓	35.40	0.88
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★★★

ANZ KiwiSaver Scheme Conservative	5	X	20	X	✓	Unlimited	✓	X	24.00	0.89
Brook Professional KiwiSaver Scheme Conservative	3	✓	20	✓	✓	Unlimited	✓	X	30.00	0.85
Fisher Funds KiwiSaver Scheme Conservative	2	✓	21	✓	✓	2	✓	X	36.00	0.95
Grosvenor KiwiSaver Scheme Conservative	5	✓	25	X	✓	Unlimited	✓	✓	39.96	0.97
Lifestages KiwiSaver Scheme Capital Stable	2	✓	20	X	✓	Unlimited	✓	X	30.00	0.81
Medical Assurance Society KiwiSaver Plan Conservative Asset	5	✓	30	X	✓	1	X	✓	0.00	1.06
Mercer KiwiSaver Scheme KiwiSaver Conservative (Default fund)	3	✓	20	X	✓	Unlimited	✓	✓	34.20	0.53
Mercer Super Trust KiwiSaver Scheme Conservative	8	✓	30	X	✓	Unlimited	✓	✓	34.20	0.88
Milford KiwiSaver Plan Milford Conservative	3	✓	30	X	✓	Unlimited	✓	X	36.00	1.05
SIL KiwiSaver Scheme Conservative	5	✓	20	X	✓	Unlimited	✓	X	24.00	0.89
Smartshares KiwiSaver Scheme SmartKiwi Conservative Fund	3	X	20	✓	X	Unlimited	X	X	0.00	0.85

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★★★

TOWER KiwiSaver Scheme Conservative	4	✓	30	✓	✓	Unlimited	✗	✗	33.00	0.88
Westpac KiwiSaver Scheme Conservative	3	✓	25	✓	✓	Unlimited	✓	✓	31.08	0.59

★★

Aon KiwiSaver Scheme Russell Lifepoints Conservative	11	✓	20	✓	✓	Unlimited	✓	✗	49.80	0.90
Craigs Investment Partners KiwiSTART Defined Scheme Conservative	8	✓	25	✓	✓	Unlimited	✓	✓	60.00	0.75
Fidelity KiwiSaver Scheme Conservative Kiwi Fund	9	✓	25	✗	✓	1	✗	✗	36.00	1.03
Asset Class Conservative Kiwi Fund	9	✓	30	✗	✓	1	✗	✗	36.00	1.13
Generate KiwiSaver Scheme Conservative Fund	3	✓	30	✓	✓	Unlimited	✓	✗	36.00	1.07
Taupo Moana IwiSaver KiwiSaver Scheme Conservative	5	✓	20	✗	✗	1	✗	✗	39.96	0.80

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Report Date: September, 2013 (All information correct as at 15 August 2013)

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KiwiSaver Star Ratings

Report Date: SEPTEMBER 2013

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Balanced

Scheme Name/Product Name	Investment Options			Member Access			Advice & Strategy		Fees (as at 15 August 2013)	
	Total No of Pre-mix Strategies	Allow Mix and Match	Growth Asset Allocation %	Apply Online	Portfolio Return Online	No. of Free Investment Switches	Investment Commentry	Financial Advice at No Extra Cost	Annual Member Fee \$	Total Published Fees * %

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★★★★★ outstanding value

ASB KiwiSaver Scheme										
Balanced	4	✓	60	✓	✓	Unlimited	✓	✓	30.00	0.65
Smartshares KiwiSaver Scheme										
Smartkiwi Balanced Fund	3	✗	60	✓	✗	Unlimited	✗	✗	0.00	0.85
SuperLife KiwiSaver Scheme										
AIM60	9	✓	60	✓	✓	Unlimited	✓	✗	33.00	0.65
Managed 60	9	✓	60	✓	✓	Unlimited	✓	✗	33.00	0.64

★★★★

Bank of New Zealand KiwiSaver Scheme										
Balanced Fund	4	✓	50	✓	✓	Unlimited	✓	✓	24.00	1.00
Gareth Morgan-Kiwibank KiwiSaver Scheme										
Balanced	5	✓	60	✓	✓	Unlimited	✓	✓	0.00	1.00
Medical Assurance Society KiwiSaver Plan										
Balanced Asset	5	✓	50	✗	✓	1	✗	✓	0.00	1.06
Mercer KiwiSaver Scheme										
Balanced	3	✓	65	✗	✓	Unlimited	✓	✓	34.20	0.75
Mercer Super Trust KiwiSaver Scheme										
Moderate	8	✓	54	✗	✓	Unlimited	✓	✓	34.20	0.68
OnePath Kiwisaver Scheme										
Balanced	5	✗	50	✗	✓	2	✓	✗	33.00	0.54
Balanced Growth	5	✗	65	✗	✓	2	✓	✗	33.00	0.59

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★★★

AMP KiwiSaver Scheme										
Balanced	11	✓	60	✗	✓	Unlimited	✓	✓	35.40	1.03
TOWER Balanced	11	✓	55	✗	✓	Unlimited	✓	✓	35.40	1.13
Tyndall Balanced	11	✓	62	✗	✓	Unlimited	✓	✓	35.40	1.08
Moderate Balanced	11	✓	50	✗	✓	Unlimited	✓	✓	35.40	1.03
Onepath Balanced Plus	11	✓	62	✗	✓	Unlimited	✓	✓	35.40	1.08
ANZ KiwiSaver Scheme										
Balanced Growth	5	✗	65	✗	✓	Unlimited	✓	✗	24.00	0.99
Balanced	5	✗	50	✗	✓	Unlimited	✓	✗	24.00	0.94
Brook Professional KiwiSaver Scheme										
Balanced	3	✓	60	✓	✓	Unlimited	✓	✗	30.00	1.05
Fidelity KiwiSaver Scheme										
Balanced Kiwi Fund	9	✓	50	✗	✓	1	✗	✗	36.00	1.14
Grosvenor KiwiSaver Scheme										
Balanced	5	✓	50	✗	✓	Unlimited	✓	✓	39.96	1.07
Mercer Super Trust KiwiSaver Scheme										
AMP Capital Responsible Investment Leaders	8	✓	60	✗	✓	Unlimited	✓	✓	34.20	1.17
Active Balanced	8	✓	65	✗	✓	Unlimited	✓	✓	34.20	0.90
SIL Balanced	8	✓	62	✗	✓	Unlimited	✓	✓	34.20	0.98
AMP Capital Balanced	8	✓	60	✗	✓	Unlimited	✓	✓	34.20	0.98

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Scheme Name/Product Name	Investment Options			Member Access			Advice & Strategy		Fees (as at 15 August 2013)	
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★★★

SIL KiwiSaver Scheme										
Balanced Growth	5	✓	65	✗	✓	Unlimited	✓	✗	24.00	0.99
Balanced	5	✓	50	✗	✓	Unlimited	✓	✗	24.00	0.94
TOWER KiwiSaver Scheme										
Balanced	4	✓	55	✓	✓	Unlimited	✗	✗	33.00	0.98
Westpac KiwiSaver Scheme										
Balanced	3	✓	60	✓	✓	Unlimited	✓	✓	31.08	0.69

★★

Aon KiwiSaver Scheme										
Russell Lifepoints Balanced	11	✓	60	✓	✓	Unlimited	✓	✗	49.80	1.04
OnePath Balanced	11	✓	60	✓	✓	Unlimited	✓	✗	49.80	0.99
Craigs Investment Partners KiwiSTART Defined Scheme										
Balanced	8	✓	60	✓	✓	Unlimited	✓	✓	60.00	1.00
Forsyth Barr KiwiSaver Scheme										
Balanced	2	✓	65	✗	✓	2	✓	✗	36.00	1.00
Staples Rodway KiwiSaver Scheme										
Balanced	3	✓	60	✓	✓	2	✓	✗	40.00	1.05
Taupo Moana IwiSaver KiwiSaver Scheme										
Balanced	5	✓	60	✗	✗	1	✗	✗	39.96	0.95

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Growth

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	Total No of Pre-mix Strategies	Allow Mix and Match	Growth Asset Allocation %	Apply Online	Portfolio Return Online	No. of Free Investment Switches	Investment Commentry	Financial Advice at No Extra Cost	Annual Member Fee \$	Total Published Fees * %

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★★★★★ outstanding value

ASB KiwiSaver Scheme Growth	4	✓	80	✓	✓	Unlimited	✓	✓	30.00	0.70
Medical Assurance Society KiwiSaver Plan Growth Asset	5	✓	70	✗	✓	1	✗	✓	0.00	1.06
Aggressive Asset	5	✓	85	✗	✓	1	✗	✓	0.00	1.06
SuperLife KiwiSaver Scheme AIM80	9	✓	80	✓	✓	Unlimited	✓	✗	33.00	0.68

★★★★

AMP KiwiSaver Scheme Growth	11	✓	80	✗	✓	Unlimited	✓	✓	35.40	1.03
Bank of New Zealand KiwiSaver Scheme Growth Fund	4	✓	70	✓	✓	Unlimited	✓	✓	24.00	1.10
OnePath Kiwisaver Scheme Growth	5	✗	80	✗	✓	2	✓	✗	33.00	0.64
Westpac KiwiSaver Scheme Growth	3	✓	80	✓	✓	Unlimited	✓	✓	31.08	0.74

★★★

ANZ KiwiSaver Scheme Growth	5	✗	80	✗	✓	Unlimited	✓	✗	24.00	1.04
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	Total No of Pre-mix Strategies	Allow Mix and Match	Growth Asset Allocation %	Apply Online	Portfolio Return Online	No. of Free Investment Switches	Investment Commentry	Financial Advice at No Extra Cost	Annual Member Fee \$	Total Published Fees * %
★★★										
Aon KiwiSaver Scheme										
Russell LifePoints Growth	11	✓	75	✓	✓	Unlimited	✓	✗	49.80	1.09
Tyndall Balanced	11	✓	71	✓	✓	Unlimited	✓	✗	49.80	1.05
Fidelity KiwiSaver Scheme										
Growth Kiwi Fund	9	✓	78	✗	✓	1	✗	✗	36.00	1.18
Aggressive Kiwi Fund	9	✓	75	✗	✓	1	✗	✗	36.00	1.22
Forsyth Barr KiwiSaver Scheme										
Growth	2	✓	82	✗	✓	2	✓	✗	36.00	1.00
Generate KiwiSaver Scheme										
Growth Fund	3	✓	70	✓	✓	Unlimited	✓	✗	36.00	1.07
Grosvenor KiwiSaver Scheme										
Balanced Growth	5	✓	75	✗	✓	Unlimited	✓	✓	39.96	1.12
Law Retirement KiwiSaver Scheme										
Balanced Portfolio	2	✗	85	✓	✓	Unlimited	✓	✗	39.60	1.08
Lifestages KiwiSaver Scheme										
Growth Portfolio	2	✓	80	✗	✓	Unlimited	✓	✗	30.00	0.96
Mercer Super Trust KiwiSaver Scheme										
Growth	8	✓	76	✗	✓	Unlimited	✓	✓	34.20	0.98
Milford KiwiSaver Plan										
Milford Active Growth	3	✓	73	✗	✓	Unlimited	✓	✗	36.00	1.05
NZ Funds KiwiSaver Scheme										
Inflation Strategy	3	✓	71	✗	✓	Unlimited	✓	✗	42.48	1.02

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* Total published fees displayed includes the management fee, admin fee and trustee fee as of 15 August 2013. Additional fees/tiers may apply.

indicates an Inland Revenue Fund that is not open for enrollment by the public



KiwiSaver Star Ratings

Report Date: SEPTEMBER 2013

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. This is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

Growth

Scheme Name/Product Name	Investment Options			Member Access			Advice & Strategy		Fees (as at 15 August 2013)	
	Total No of Pre-mix Strategies	Allow Mix and Match	Growth Asset Allocation %	Apply Online	Portfolio Return Online	No.of Free Investment Switches	Investment Commentry	Financial Advice at No Extra Cost	Annual Member Fee \$	Total Published Fees * %

All ratings take into account costs and features - see our methodology document for further details

★★★

SIL KiwiSaver Scheme Growth	5	✓	80	✗	✓	Unlimited	✓	✗	24.00	1.04
TOWER KiwiSaver Scheme Growth	4	✓	80	✓	✓	Unlimited	✗	✗	33.00	1.08

★★

Craigs Investment Partners KiwiSTART Defined Scheme Growth	8	✓	75	✓	✓	Unlimited	✓	✓	60.00	1.25
Fidelity KiwiSaver Scheme Asset Class Growth Kiwi Fund	9	✓	85	✗	✓	1	✗	✗	36.00	1.22
Staples Rodway KiwiSaver Scheme Growth	3	✓	73	✓	✓	2	✓	✗	40.00	1.20
Taupo Moana IwiSaver KiwiSaver Scheme Growth	5	✓	77	✗	✗	1	✗	✗	39.96	1.05

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* Total published fees displayed includes the management fee, admin fee and trustee fee as of 15 August 2013. Additional fees/tiers may apply.

indicates an Inland Revenue Fund that is not open for enrollment by the public

Report Date: September, 2013 (All information correct as at 15 August 2013)

KIWISAVER STAR RATINGS 2013 - PAGE 9

KIWISAVER STAR RATINGS

What are the CANSTAR KiwiSaver Star Ratings?

CANSTAR *KiwiSaver Star Ratings* involve a sophisticated rating methodology, unique to CANSTAR that compares KiwiSaver funds in New Zealand. CANSTAR star ratings provide a transparent analysis of a shortlist of KiwiSaver funds, enabling consumers to narrow their search to products that have been independently assessed and ranked.

However, KiwiSaver is unique in that the Inland Revenue can automatically enroll consumers into a default fund if they do not wish to nominate a scheme. Out of the five default funds established, two are not available to the public to 'opt in' but given that there are many Kiwis in these funds, they have included them in our ratings.

The results are reflected in a consumer-friendly 5-star concept, with 5 stars signifying outstanding value offered by the product.

What types of products are evaluated by CANSTAR KiwiSaver Star Ratings?

To be included in the ratings, KiwiSaver funds must confer to the following criteria:

- Funds must be open to the public (i.e. no restricted funds) with the exception of the default funds not available for enrollment by the public
- Must fall within the selected benchmark growth asset allocation used to categorize funds into our profiles

For our analysis we have rated three broad classes of KiwiSaver funds based on the benchmark GROWTH asset allocation of the KiwiSaver funds:

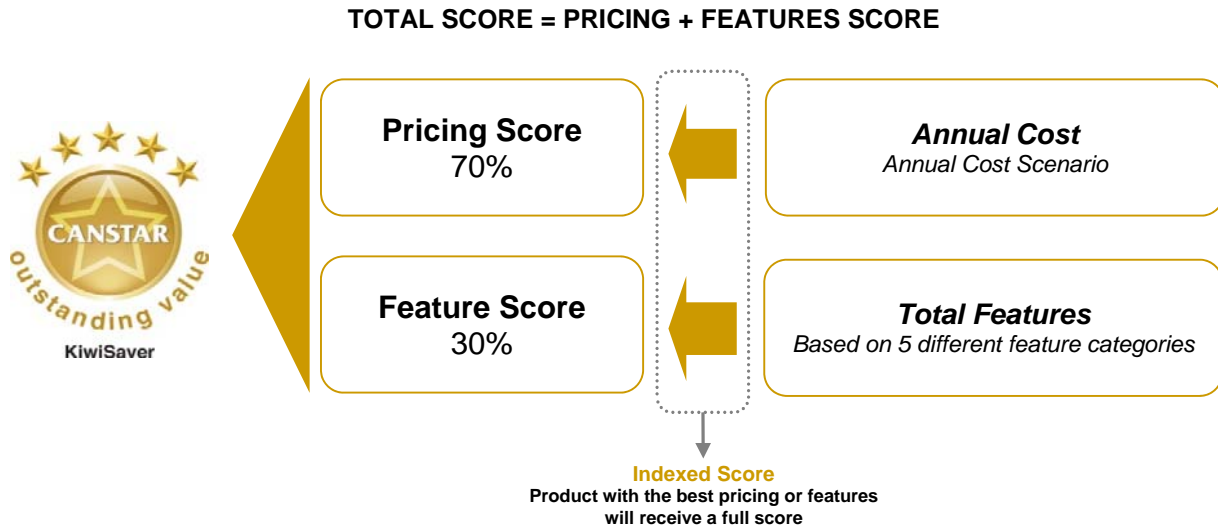
Profile Name	Benchmark Growth Asset Allocation	DEFINITION
Conservative	20% - 30%	<i>Funds predominantly investing in cash and fixed interest products while limiting investment in growth assets such as shares and property. Suitable for low risk investors or those nearing retirement and looking to secure their return.</i>
Balanced	50% - 65%	<i>Funds equally invested in cash, fixed investments and growth assets. Funds may invest slightly more in growth assets to increase wealth. Suitable for average risk investors or middle aged workers (with another 20-30 years until retirement) and willing to accept unpredictable levels of risk over time.</i>
Growth	66% - 86%	<i>Funds predominantly investing in growth assets while limiting investment in cash and fixed investment products. Suitable for high-risk investors or young adults willing to accept significant levels of risk over time.</i>

While CANSTAR rates three classes of funds based on their benchmark growth asset allocation, there are other funds aimed towards defensive (0-19% growth assets), moderate (31-49% growth assets) and aggressive (87-100% growth assets) investors. Please see the relevant Scheme's Investment Statement for more product offerings suited to your investment objectives.

How are the CANSTAR KiwiSaver Star Ratings calculated?

Each KiwiSaver fund reviewed for the CANSTAR *KiwiSaver star ratings* is awarded points for its comparative pricing and for the array of positive features attached to the product. Points are aggregated to achieve a Pricing score and a Feature score.

To arrive at the total score CANSTAR applies a weight against the Pricing and Feature scores. This weight will vary from profile to profile and will reflect the relative importance of either costs or features in determining the best KiwiSaver fund. This method can be summarised as:



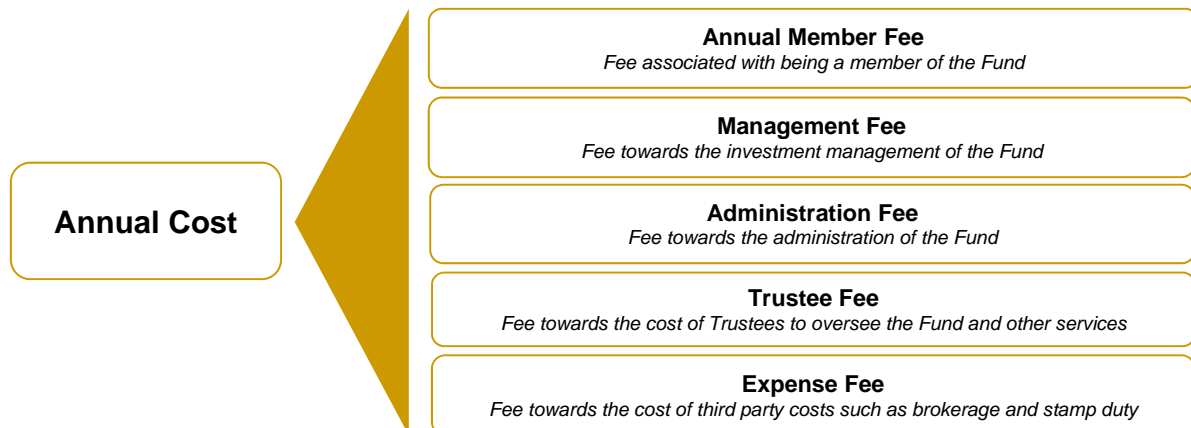
Pricing Score

Based on the average KiwiSaver balance, 500 scenarios were built around a normal distribution and a total cost to the consumer calculated over one year. The Fund with the lowest cost will be awarded the full score for that profile (i.e. Conservative, Balanced, Growth profiles) and all other funds indexed against the lowest cost to receive their relative price score.

The table of KiwiSaver balance ranges can be seen below:

Minimum Balance	Average Balance	Maximum Balance
\$3,000	\$7,500	\$12,000

To find the total cost to the member, five fees are taken into account: the annual member fee, management fee, administration fee, trustee fee and expense fee.



Feature Score

The feature component takes into account over 80 product features and allocated points. These product features are grouped into five different categories with weights given to each relevant area. The following table outlines the weightings of each of the feature categories per profile:

Feature Categories Weightings

Category	Conservative	Balanced	Growth
Other Fees	30%	25%	20%
<i>Switch fees, withdrawal fees</i>	80%	80%	80%
<i>Rebates</i>	20%	20%	20%
Investment Options	15%	20%	25%
<i>Premix options</i>	80%	80%	80%
<i>Ability to mix funds</i>	20%	20%	20%
Account Access & Function	20%	20%	20%
<i>Online Access</i>	25%	25%	25%
<i>Phone Services</i>	25%	25%	25%
<i>Additional Contributions Methods</i>	25%	25%	25%
<i>Additional Member Benefits</i>	25%	25%	25%
Advice	10%	10%	10%
<i>Availability of personal financial advice</i>	50%	50%	50%
<i>Availability of class financial advice</i>	50%	50%	50%
Communication	25%	25%	25%
<i>Education</i>	20%	20%	20%
<i>Tools and Calculators</i>	20%	20%	20%
<i>Publications taken online</i>	15%	15%	15%
<i>Availability of features online</i>	15%	15%	15%
<i>How many clicks to access features</i>	10%	10%	10%
<i>Quality of search function</i>	10%	10%	10%
<i>Contact</i>	10%	10%	10%
Total	100%	100%	100%

What additional rules are applied to CANSTAR KiwiSaver Star Ratings?

Investment Performance

CANSTAR ratings do not include a measure for investment returns. We have taken the decision not to make a judgment on the sustainability of investment returns across the many investment options offered by funds.

How often have we heard the disclaimer "*Past performance is no guarantee of future performance*"? All funds will have this disclaimer included in their investment statements. There is good reason for this as a wide range of research shows a lack of persistence of investment returns. The consumer cannot reasonably rely upon current top performers sustaining that position.

However, while we have not rated performance we have reviewed the fund performance over the past 3 years for signs of persistent underperformance. Compared to other funds within our prescribed profiles, funds that have underperformed in both the first and third year of performance (i.e. bottom 20% in overall fund performance in both the first and third year) will achieve no more than a 3 star rating.

Funds that did not have at least 1 year of performance were assessed on their performance from date of inception.

Investment Strategy

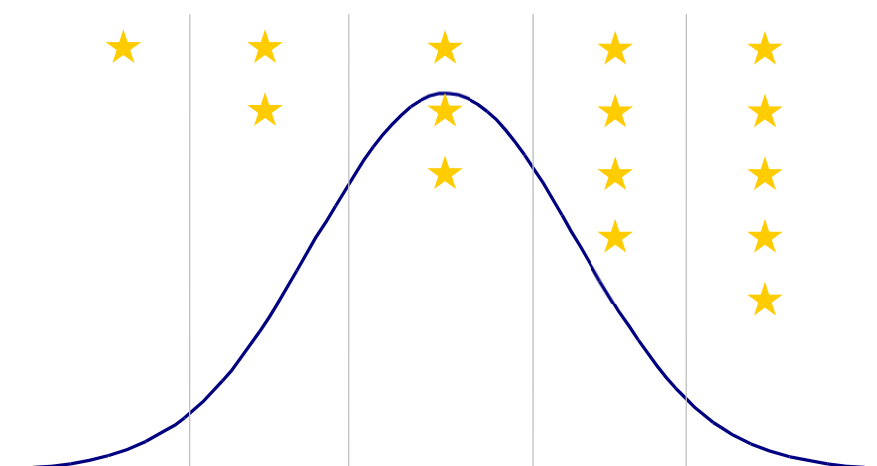
CANSTAR has analysed each of the fund's investment strategies to ensure there are not large holdings in illiquid or unlisted assets which might signal a potential liquidity risk. If fund has more than 35% invested in direct or unlisted property, infrastructure, private equity or alternative assets we will investigate further. We will undertake the following steps to understand the investment strategy further:

- Review the Product Investment Statements
- Examine the fund's annual report for details of the fund investments
- Review utilisation of external fund managers and diversification of fund's management

If, after these enquiries, the research committee remains concerned at the liquidity of the fund's investments, it will be penalised 2 stars.

How are the stars awarded?

The total score received for each profile ranks the products. The stars are then awarded based on the distribution of the scores according to the following guidelines. As you can see, only the products that obtain a score in the top 10% of the of the score distribution receive a 5 star rating.



The results are reflected in a consumer-friendly 5-star concept, with 5 stars denoting an outstanding product.

Does CANSTAR rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However due to a number of factors, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

How often are products reviewed for star ratings purposes?

All ratings are fully recalculated every twelve months, based on the latest submissions from each institution. CANSTAR also monitors changes on an ongoing basis.

Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at www.canstar.co.nz if you would like to view the latest star ratings reports of interest.



- Business deposits
- Cash PIE
- Credit cards
- Credit card rewards
- Home loans
- KiwiSaver
- Online banking
- Personal loans
- Savings accounts
- Transaction accounts
- Term deposits

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