

NIKKO AM KIWISAVER SCHEME
FINANCIAL STATEMENTS
For the period ended 31 March 2019

NZ Cash Fund

NZ Corporate Bond Fund

Core Equity Fund

Global Shares Fund

Balanced Fund

Conservative Fund

Growth Fund

Option Fund

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NIKKO AM KIWISAVER SCHEME
For the period ended 31 March 2019

The Manager	Nikko Asset Management New Zealand Limited ("Nikko AM")
Registered Office	Level 17, Vero Centre, 48 Shortland Street, Auckland PO Box 3892, Shortland Street, Auckland, 1140
Licensed Supervisor	Public Trust
Administrator	BNP Paribas Fund Services Australasia Pty Ltd
Auditor	KPMG
Basis of Preparation	<p>These financial statements are for the Nikko AM KiwiSaver Scheme ("the Scheme") which comprises the following funds (together the "Funds" and individually the "Fund"):</p> <ul style="list-style-type: none">- NZ Cash Fund- NZ Corporate Bond Fund- Core Equity Fund- Global Shares Fund- Balanced Fund- Conservative Fund- Growth Fund- Option Fund <p>The Scheme was established by a Trust Deed dated 20 December 2017 and was registered for trading on 3 April 2018.</p> <p>The Scheme is a FMC Reporting Entity under the Financial Markets Conduct Act 2013, and is a defined contribution scheme registered under the KiwiSaver Act 2006. As a defined contribution scheme, members contribute to the Scheme over time and benefits payable depend on the amount of contributions made and any return on contributions received. Members of the Scheme can contribute to any of the Funds. The Funds invest in a variety of unithised funds in order to gain exposure to cash, equity, fixed interest and property markets.</p> <p>These financial statements are prepared in accordance with provisions of the Trust Deed, the Financial Markets Conduct Act 2013, KiwiSaver Act 2006 and the Financial Reporting Act 2013. They comply with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), the New Zealand equivalents to International Financial Reporting Standards and other New Zealand Financial Reporting Standards as applicable to for-profit entities and International Financial Reporting Standards. All amounts are in New Zealand dollars. The Scheme is domiciled and registered in New Zealand.</p> <p>The accounting policies have been applied consistently over the period from registration. This is the first period for which financial statements have been prepared, accordingly no comparatives are presented. There are no accounting standards that are expected to have a material impact on these financial statements, and that have been issued but are not yet effective. The material judgement in preparing these financial statements is the valuation of investments, which is discussed in note 2. The Profit/(Loss) for the year is the Total Comprehensive Income for each fund.</p> <p>The funds are Portfolio Investment Entities ("PIEs"), meaning income is taxed in the hands of the unitholders. Nikko AM attributes the taxable income of the funds to investors based on their holding of units and pays tax on their behalf at their Prescribed Investor Rate. Tax payments/credits are transacted by cancellation or issue of units.</p> <p>The results, position and cash flows reported for the Scheme is a simple aggregation of the results, position and cash flows of the Funds that make up the Scheme. All investments made with the monies of a Fund shall be held by the Supervisor as the exclusive property of that Fund and will not be used to meet any liabilities of any other Fund.</p> <p>The financial statements for all funds are prepared on a going concern basis.</p>

NIKKO AM KIWISAVER SCHEME
As at 31 March 2019

NET ASSETS OF YOUR FUND

Statements of net assets
\$000

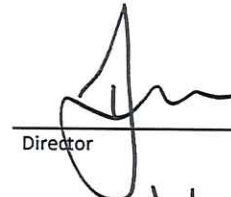
	Note	NZ Cash Fund	NZ Corporate Bond Fund	Core Equity Fund	Global Shares Fund	Balanced Fund	Conservative Fund	Growth Fund	Option Fund	Scheme Total
2019										
Cash		4	1	1	3	4	2	15	5	35
Investments	2	667	94	331	538	800	200	2,558	862	6,050
Other Assets/(Liabilities)	4	(4)	(1)	-	(3)	(3)	(2)	(12)	1	(24)
NET ASSETS OF YOUR FUND		667	94	332	538	801	200	2,561	868	6,061



Director

16th July 2019

Date



Director

16 July 2019

Date

NIKKO AM KIWISAVER SCHEME
For the period ended 31 March 2019

YOUR FUND'S PROFIT

Statements of Comprehensive Income
\$000

		NZ Cash Fund	NZ Corporate Bond Fund	Core Equity Fund	Global Shares Fund	Balanced Fund	Conservative Fund	Growth Fund	Option Fund	Scheme Total
2019	Note									
Interest		-	-	-	-	-	-	-	-	-
Distributions		16	2	5	-	-	-	-	-	23
Investment fair value changes		-	1	8	21	13	10	38	3	94
Other Income		-	-	-	-	-	-	-	-	-
Investment Income		16	3	13	21	13	10	38	3	117
Management fees	3	-	-	-	-	-	-	-	-	-
Other expenses	5	-	-	-	-	-	-	-	-	-
Total expenses		-	-	-	-	-	-	-	-	-
Profit/(Loss)	6	16	3	13	21	13	10	38	3	117

These statements should be read together with the more detailed information on pages 6-9.

NIKKO AM KIWISAVER SCHEME
For the period ended 31 March 2019

CHANGES IN THE VALUE OF YOUR FUND

Statements of changes in net assets
\$000

	NZ Cash Fund	NZ Corporate Bond Fund	Core Equity Fund	Global Shares Fund	Balanced Fund	Conservative Fund	Growth Fund	Option Fund	Scheme Total
2019									
Opening value	-	-	-	-	-	-	-	-	-
Profit/(Loss)	16	3	13	21	13	10	38	3	117
Membership activities									
Contributions from investors	7 734	102	330	539	806	292	2,715	902	6,420
Withdrawals by investors	7 (78)	(9)	(11)	(18)	(15)	(99)	(179)	(38)	(447)
PIE tax attributable to members	(5)	(2)	-	(4)	(3)	(3)	(13)	1	(29)
Closing value	667	94	332	538	801	200	2,561	868	6,061
Units on issue									
000 units									
2019									
Opening units	-	-	-	-	-	-	-	-	-
Issued during the year	731	98	314	500	776	284	2,624	888	
Redeemed during the year	(77)	(9)	(11)	(17)	(15)	(95)	(174)	(37)	
Closing units	654	89	303	483	761	189	2,450	851	
Net assets per unit \$	1.02	1.07	1.09	1.12	1.05	1.06	1.05	1.02	

NIKKO AM KIWISAVER SCHEME
For the period ended 31 March 2019

YOUR FUND'S CASH FLOWS

Statements of cash flows

\$000

		NZ Cash Fund	NZ Corporate Bond Fund	Core Equity Fund	Global Shares Fund	Balanced Fund	Conservative Fund	Growth Fund	Option Fund	Scheme Total
2019	Note									
Opening cash		-	-	-	-	-	-	-	-	-
Net sales /(purchases) of investments		(668)	(94)	(323)	(518)	(787)	(190)	(2,520)	(859)	(5,959)
Distributions		16	2	5	-	-	-	-	-	23
Net operating cashflows	6	(652)	(92)	(318)	(518)	(787)	(190)	(2,520)	(859)	(5,936)
Contributions from investors	7	734	102	330	539	806	292	2,715	902	6,420
Withdrawals by investors	7	(78)	(9)	(11)	(18)	(15)	(99)	(179)	(38)	(447)
PIE tax attributable to members		-	-	-	-	-	(1)	(1)	-	(2)
Net financing cashflows		656	93	319	521	791	192	2,535	864	5,971
Closing cash		4	1	1	3	4	2	15	5	35

These statements should be read together with the more detailed information on pages 6-9.

MORE DETAILS

1 Risk

The investment activities of the funds come with financial risks. These risks are managed under the investment mandate for each fund and Nikko AM's risk management policies. Nikko AM's Board have delegated the day to day oversight of risk and compliance matters to the Compliance Risk and Disclosure Committee, chaired by the Managing Director.

These risk disclosures have been prepared on the basis of the Fund's direct investments and not on a full look through basis for investments held directly through other unitised funds.

1(a) Market price, interest rate and currency risks

Market price risk is the risk of gains or losses from changes in the market price of investments. Interest rate risk is the risk of gains or losses or changes in interest income from changes in market interest rates. The profile of when interest rates on investment assets reprice helps understand the risk of gain or loss from interest rate risk. Currency risk is the risk of gains or losses or changes in the New Zealand dollar value due to changes in foreign exchange rates. Currency risk may be managed by using derivatives to hedge the risk. An analysis of the financial risks arising from the direct investments of the funds and indirect exposures where the funds invest in other funds, is set out below.

	NZ Cash Fund	NZ Corporate Bond Fund	Core Equity Fund	Global Shares Fund	Balanced Fund	Conservative Fund	Growth Fund	Option Fund	Scheme Total
<i>Market Risk (\$000)</i>									
- Impact of a 5% change in market prices +/-	33	5	17	27	40	10	128	43	302
- Indirect exposure to interest rate risk as at 31 March 2019	Yes	Yes	No	No	Yes	Yes	Yes	Yes	

1(b) Liquidity risk

Liquidity risk is the risk of the funds not being able to meet their obligations to make payments as these fall due. The key obligation of the funds is to make payments to investors who wish to withdraw. The funds manage this risk by holding cash and short term deposits directly; investing in underlying funds which hold cash and other liquid assets; selling investments in some circumstances; and, in the circumstances described below, deferring or suspending redemptions.

The Scheme manages its members' funds as capital. All units in the Scheme carry the same rights and preferences and restrictions. There are restrictions on withdrawals from any KiwiSaver Scheme as set out in the KiwiSaver Act 2006 and KiwiSaver Regulations 2006. The Supervisor may defer giving effect to permitted withdrawal or any transfer out of the Scheme if the Supervisor determines that, having regard to the realisation of assets required in order to make the withdrawal or transfer, would be imprudent or is impracticable.

1(c) Credit risk

Credit risk is the risk of loss through default of the counterparty to a debt security. As the Scheme's funds are invested in unitised funds there is no material direct exposure to credit risk.

1(d) Currency risk¹

	NZ Cash Fund	NZ Corporate Bond Fund	Core Equity Fund	Global Shares Fund	Balanced Fund	Conservative Fund	Growth Fund	Option Fund	Scheme Total
<i>- Material net currency exposures in foreign currency:</i>									
<i>2019 (\$000)</i>									
AUD	-	-	41	-	-	-	-	-	41
EUR	-	-	-	13	-	-	-	-	13
GBP	-	-	-	44	-	-	-	-	44
JPY	-	-	-	1,605	-	-	-	-	1,605
USD	-	-	-	229	-	-	-	(15)	214

The currency risk has been assessed by looking through to the relevant underlying fund within the Nikko AM Wholesale NZ Investment Scheme.

¹ For Nikko AM KiwiSaver Balanced, Conservative and Growth Funds foreign exchange exposure is indirect and is in direct proportion to their holdings in the underlying funds. See Statement of Investment Policy and Objectives for details of the asset allocation.

1(e) Capital management

The funds' objectives are to provide returns to investors through capital growth and income. The Product Disclosure Statements set out the mandates which guide the investments of each fund.

MORE DETAILS

2 Investments

The funds invest in unlisted wholesale funds. Investment sales and purchases are recognised in the financial statements on the trade date. All investments are valued at fair value, with gains or losses recognised in profit or loss. Investments are held on behalf of the funds by the custodian, BNP Paribas Fund Services Australasia Pty Limited.

Fair value for direct investments in listed debt or equity securities are based on their last traded price (a "Level 1" fair value).

Fair value for investments in unlisted unit trusts are based on their quoted redemption price (a "Level 2" fair value). Level 2 valuation techniques are based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

	NZ Cash Fund	NZ Corporate Bond Fund	Core Equity Fund	Global Shares Fund	Balanced Fund	Conservative Fund	Growth Fund	Option Fund
Invests into:								
2019	Nikko AM Wholesale NZ Cash Fund	Nikko AM Wholesale NZ Corporate Bond Fund	Nikko AM Wholesale Core Equity Fund	Nikko AM Wholesale Global Shares Fund	Nikko AM Wholesale Balanced Fund	Nikko AM Wholesale Conservative Fund	Nikko AM Wholesale Growth Fund	Nikko AM Wholesale Option Fund

3 Related party transactions

a) Management fees

Management fees

Management fees are paid directly to Nikko AM from the funds and is used to pay for investment management activities, underlying investment costs, the supervisor's fee and fund administration costs, such as audit fees, registry services and unit pricing. They are calculated and accrued daily based on a percentage of the funds' net asset values. Management fees have been waived until 30 September 2019.

	NZ Cash Fund	NZ Corporate Bond Fund	Core Equity Fund	Global Shares Fund	Balanced Fund	Conservative Fund	Growth Fund	Option Fund
% NAV								
2019	0.46%	0.82%	0.97%	1.17%	0.72%	0.62%	0.97%	1.17%

Membership fee

In addition, each individual member is charged a monthly member fee of \$2.50 (maximum \$30 p.a. inclusive of GST) irrespective of how many funds they invest in, which is paid via unit redemption. During the period under review, the member fees paid to the Manager totalled \$803. This member fee is paid to MMC Limited for general administration of member accounts and maintaining the member registry for the Scheme.

Performance fees

The Balanced, Conservative and Growth Funds invest in related Nikko AM funds and there are performance-based fees charged by some of the underlying funds. The Product Disclosure Statement sets out the detail in relation to these fees.

NIKKO AM KIWISAVER SCHEME
For the period ended 31 March 2019

MORE DETAILS

(\$000)	NZ Cash Fund	NZ Corporate Bond Fund	Core Equity Fund	Global Shares Fund	Balanced Fund	Conservative Fund	Growth Fund	Option Fund	Scheme Total
4 Other Assets/(Liabilities)									
2019									
Payables	(4)	(1)	-	(3)	(3)	(2)	(12)	1	(24)
	<u>(4)</u>	<u>(1)</u>	<u>-</u>	<u>(3)</u>	<u>(3)</u>	<u>(2)</u>	<u>(12)</u>	<u>1</u>	<u>(24)</u>
5 Other expenses									
Other expenses are paid on behalf of the Scheme by the Manager except where an underlying fund, into which the Conservative, Balanced and Growth Funds invest, has expenses embedded.									
The audit fees for supervisor reporting and audit of the registry are included within the audit fee charge below.									
2019									
Fees paid by the Manager to the auditor for the audit of the financial statements	6	6	6	6	6	6	6	6	48
	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>48</u>
6 Reconciliation of operating cash flows to profit/(loss)									
2019									
Profit/(Loss)	16	3	13	21	13	10	38	3	117
Investments - cost and fair value movements	(668)	(95)	(332)	(539)	(800)	(200)	(2,558)	(862)	(6,054)
Change in receivables/payables	-	-	-	-	-	-	-	-	-
Net operating cashflows	<u>(652)</u>	<u>(92)</u>	<u>(318)</u>	<u>(518)</u>	<u>(787)</u>	<u>(190)</u>	<u>(2,520)</u>	<u>(859)</u>	<u>(5,937)</u>
7 Contributions and withdrawals									
2019									
Contributions									
Member contributions	32	1	10	16	13	9	81	39	201
Employer contributions	33	1	8	14	10	7	66	30	169
Crown contributions	3	-	1	1	2	1	4	3	15
Transfers from other funds in the scheme	1	70	111	114	58	-	-	53	407
Transfers from other KiwiSaver schemes	659	21	192	375	722	275	2,559	767	5,570
Voluntary and lump sum contributions	6	9	8	19	1	-	5	10	58
Other income	-	-	-	-	-	-	-	-	-
Total contributions	<u>734</u>	<u>102</u>	<u>330</u>	<u>539</u>	<u>806</u>	<u>292</u>	<u>2,715</u>	<u>902</u>	<u>6,420</u>
Withdrawals									
Transfer to other funds within the scheme	(78)	(9)	(11)	(18)	-	(99)	(179)	(13)	(407)
Transfers to other KiwiSaver schemes	-	-	-	-	(15)	-	-	(25)	(40)
Total withdrawals	<u>(78)</u>	<u>(9)</u>	<u>(11)</u>	<u>(18)</u>	<u>(15)</u>	<u>(99)</u>	<u>(179)</u>	<u>(38)</u>	<u>(447)</u>

MORE DETAILS

- 8 **Contingent liabilities**
There were no contingent liabilities as at 31 March 2019.
- 9 **Capital commitments**
There were no capital commitments as at 31 March 2019.
- 10 **Subsequent events**
There were no subsequent events which require additional adjustment or disclosure in the financial statements.



Independent Auditor's Report

To the unitholders of

- NZ Cash Fund
- NZ Corporate Bond Fund
- Core Equity Fund
- Global Shares Fund
- Balanced Fund
- Conservative Fund
- Growth Fund
- Option Fund

which comprise the Nikko AM Kiwisaver Scheme (the "funds and scheme")

Report on the financial statement

Opinion

In our opinion, the accompanying financial statements of Nikko AM Kiwisaver Scheme (the funds and scheme) on pages 1 to 9:

- i. present fairly in all material respects the funds' and scheme's financial position as at 31 March 2019 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the net assets of your fund (the statements of net assets) as at 31 March 2019;
- your fund's profit (the statements of comprehensive income), changes in the value of your fund (the statements of changes in net assets) and your fund's cash flows (the statements of cash flows) for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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 and scheme in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners 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 and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.



Our firm has also provided other services to the funds and scheme in relation to the audit of the register of the funds and scheme as well as supervisor reporting in line with our obligations under Section 198 and 199 of the Financial Markets Conduct Act 2013 ("FMC Act 2013). Subject to certain restrictions, partners and employees of our firm may also deal with the funds and scheme on normal terms within the ordinary course of trading activities of the business of the funds and scheme. These matters have not impaired our independence as auditor of the funds and scheme. The firm has no other relationship with, or interest in, the funds and scheme.

Other information

The Manager, on behalf of the scheme, are responsible for the other information included in the Scheme's Annual Report. The Annual Report includes a link to where the audited financial statements can be found on the Companies Office. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements 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 materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The Annual Report is expected to be made available to us after the date of this independent auditor's report and we will report the matters identified, if any, to those charged with governance.

Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the scheme, the financial reporting systems, processes and controls, and the industry in which it operates.

The context for our audit is set by the major activities in the financial year ended 31 March 2019. The scheme had a continued focus on investment management.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at 2% of the total assets of each fund. We chose the benchmark because, in our view, the main objective of each fund is to obtain capital growth taking into account both capital and income returns.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the unitholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Existence and valuation of investments

Refer to Note 2 to the Financial Statements.

Investment are the Funds' main assets, and existence and valuation of those investments is the most important aspect of preparing the financial statements. As described in Note 2, the Funds invest in units in other Funds, which are redeemable at their quoted unit price and are held by a single custodian. These aspects reduce the risk and complexity of verifying investment existence and valuation.

Our audit procedures included:

- understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the custodian, investment accounting and registry service providers by obtaining and reading the service organisation control reports issued by an independent auditor on the design and operation of those controls throughout the period;
- agreeing investment holdings to the confirmation received from the custodian; and
- agreeing the valuation of investments to the manager's quoted unit price;

We did not identify any material differences from our procedures.



Use of this independent auditor's report

This independent auditor's report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the independent 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 the unitholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statement

The Manager, on behalf of the funds and scheme, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statement

Our objective is:

- 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 independent 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 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these financial statements is located at the External Reporting Board (XRB) website at:

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

This description forms part of our independent auditor's report.

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

For and on behalf of



KPMG
Auckland

16 July 2019