



CRAIGS[®]
INVESTMENT PARTNERS

Craigs KiwiSaver Scheme

2020 Annual Report

For the Year Ended 31 March 2020

Craigs Investment Partners
Superannuation Management Limited

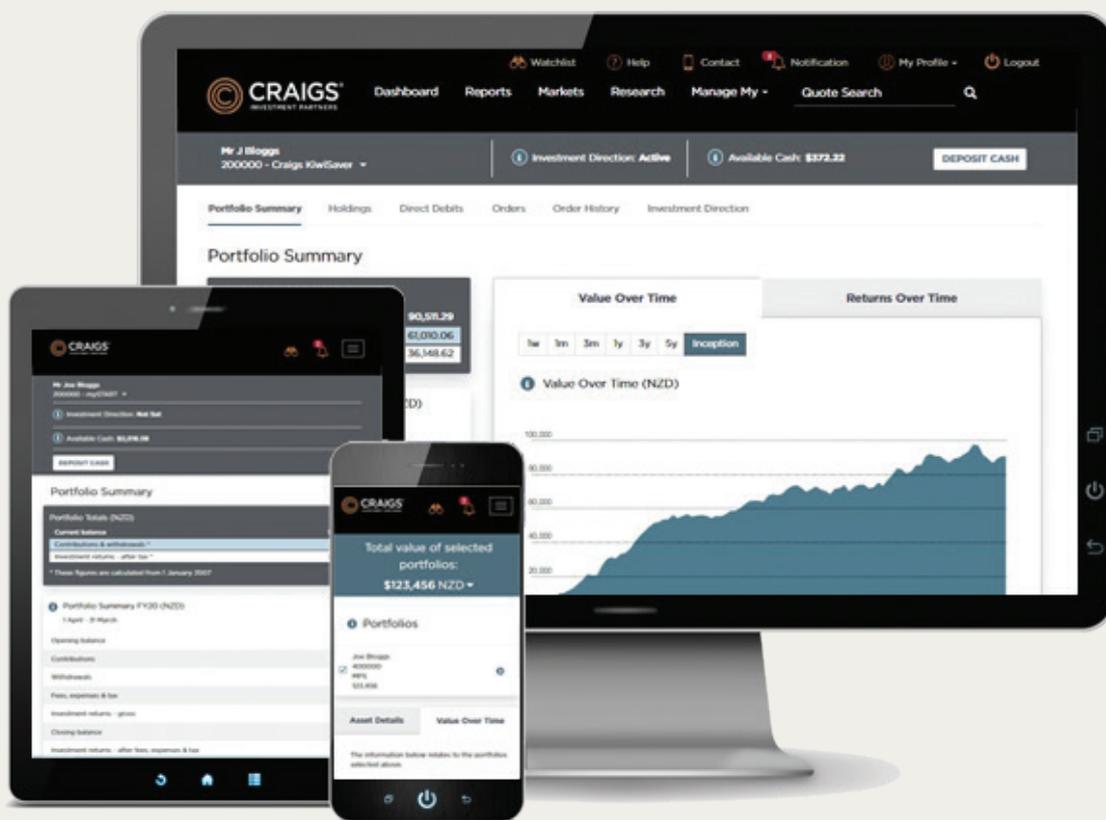


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A year in review

12 Months to 31 March 2020



A brutal March quarter to start this calendar year

The year to 31 March 2020 was a volatile one for equity markets, with the final three months of this period impacted significantly by the COVID-19 outbreak, the associated economic shutdowns and dramatic falls in share prices across the world. The S&P 500 index in the US fell 20.0% during the March quarter, its worst performance since the final three months of 2008, while the local NZX 50 followed suit, falling 14.8%. However, looking back at the entire 12-month period, the declines were less dramatic. The S&P 500 was down 8.8% and the NZX 50 slipped just 0.5%.

Co-ordinated support from the RBNZ and the Government

The Reserve Bank of New Zealand (RBNZ) moved swiftly to cut the Official Cash Rate (OCR) to a record low 0.25%, and it then announced it would conduct large-scale asset purchases of New Zealand Government bonds. This is very similar to the quantitative easing we have seen in other parts of the world in recent years. The Government also outlined a significant package to provide economic support, in the hope of minimising job losses and keeping businesses going as best they can through this crisis. Luckily, going into the crisis New Zealand had one of the lowest government debt levels in the world, at below 20% of GDP. This package will help, although it will not be enough to avoid job losses and avert a recession. Most economist forecasts suggest unemployment could rise as high as 8-9%, compared with close to 4% at the end of 2019.

Markets have bounced strongly since the end of March

Since the end of the March, global equity markets have recovered strongly, with many trading close to pre-COVID levels. We suspect the reasons for such a swift rebound are a combination of the substantial response from central banks, optimism over the reopening of economies and signs of the virus being brought under control in many places. However, financial markets are not necessarily out of the woods, and the next several months could remain volatile. We should expect to see business closures, rising unemployment, and reduced household wealth in many parts of the world, including here in New Zealand. This could have long-lasting effects on some sectors, and it could mean consumer sentiment remains subdued for a longer period. Opportunities still exist within equity markets, although given the strength of the rebound a more cautious approach is warranted over the near-term.

Limited other options could provide support for equity markets

At the same time, we shouldn't underestimate the impact of the declines in interest rates on investor behaviour and sentiment.

The advertised rate on a six-month term deposit in New Zealand has fallen to 1.7%, a new all-time low (the previous one being 2.0% in 1965). After tax (at 33%) that falls to a paltry 1.1%, which doesn't leave much of a buffer to keep up with cost of living increases. Some depositors will no doubt soon be considering whether tolerating equity market volatility could be an acceptable trade-off if it means getting a more reasonable return on their capital.

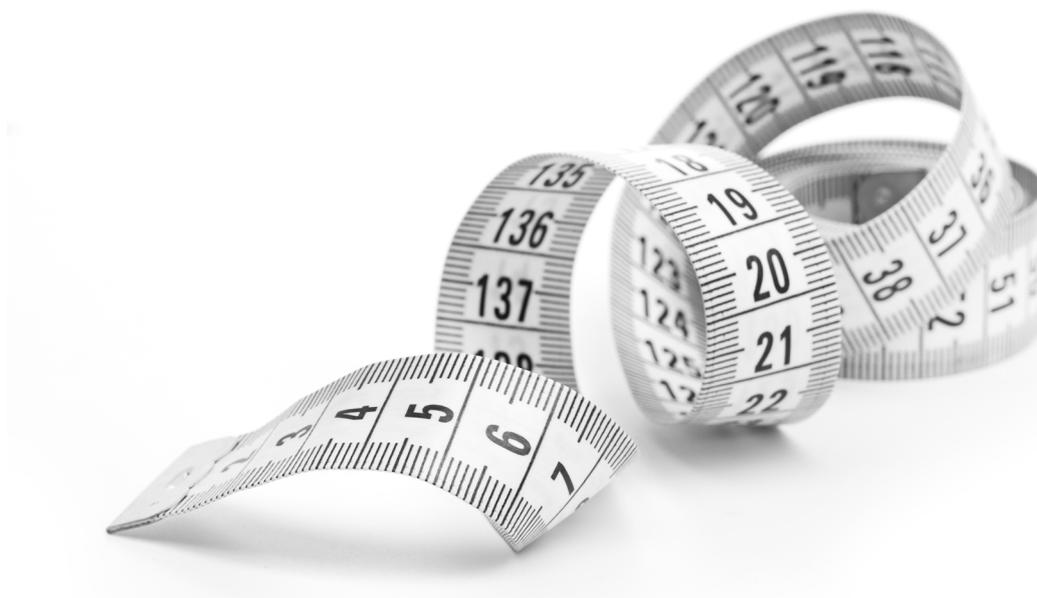
Looking ahead to the rest of 2020

The rest of the year is likely to be very busy. Markets will focus on the recovery from COVID-19 lockdowns, and the extent of the economic fallout from these. There are also two important political events for New Zealand investors to monitor – our own election in September and the Presidential election in the US in early November. Patience is required, and a staggered approach to investing new capital makes sense. Stick to quality and ensure you are well diversified across regions, sectors and companies. Focus on resilient sectors and those with long-term growth tailwinds, while limiting exposures to more cyclical, economically sensitive sectors. The recent strength presents a great opportunity to fine-tune portfolios if necessary, and to reduce lower quality or non-core holdings while overall sentiment is high.

Details of Scheme

As Manager of the Craigs KiwiSaver Scheme (the Scheme), Craigs Investment Partners Superannuation Management Limited (CIPSML) presents to members the annual report for the year ended 31 March 2020.

Name of the Scheme	Craigs KiwiSaver Scheme
Type of scheme	KiwiSaver scheme
Manager	Craigs Investment Partners Superannuation Management Limited
Supervisor	The New Zealand Guardian Trust Company Limited
Product Disclosure Statement	The Product Disclosure Statement as at 31 March 2020 was dated 16 December 2019. The latest Product Disclosure Statement is dated 23 July 2020, and is open for applications.
Latest Fund Update	<p>CIPSML is not required to publish quarterly fund updates due to the nature of the Scheme.</p> <p>Instead, CIPSML produces personalised quarterly reports tailored to each member. The reports as at the balance date (31 March 2020) were for the quarter ended 31 March 2020. The latest reports were for the quarter ended 30 June 2020.</p> <p>For a copy of your reports, please sign into your account on the client portal or contact the Client Services Team on 0800 878 278 or via email clientservices@craigsip.com.</p>
Financial Statements	<p>The Scheme's latest financial statements and the auditor's report for the period ending 31 March 2020, are dated 26 June 2020.</p> <p>They were lodged with the Registrar on 30 June 2020 and are available from the Disclose Register disclose-register.companiesoffice.govt.nz (search the scheme register) or from craigsip.com/document-library.</p>



Information on contributions and scheme participants

MEMBERSHIP DETAILS

Total Scheme Participants	Contributing	Non Contributing*	Total Membership	Total Accumulation
Members as at 01 April 2019	3,232	1,797	5,029	\$248,527,038
New Scheme Members				
Transfers			814	
> Transfers from other KiwiSaver schemes			806	
> Transfers from other registered superannuation schemes			1	
> Transfers from Australian superannuation schemes			7	
Other New Members			214	
Total New Members			1028	
Exiting Scheme Members				
Retirement			94	
Death			8	
Transfers			170	
> Transfers to other KiwiSaver schemes			170	
> Transfers to Australian superannuation schemes			-	
Other Reasons			8	
> Invalid enrolment			-	
> Permanent emigration			5	
> Other permanent exits			3	
Total Exiting Members			280	
Members as at 31 March 2020	3,873	1,904	5,777	\$296,941,371

* In this annual report, non-contributing members are defined as those who have not made a contribution in the two months prior to the end of the financial year (31 March 2020), those who have failed to make contracted payments or those on a contributions holiday.

CONTRIBUTION DETAILS

Total Contributions for the Year Ended 31 March 2020	Number of Members	Total Amount \$
Member contributions	6,511	\$53,900,562
> Member regular contributions	4,749	\$15,443,561
> Member voluntary additional contributions	948	\$1,617,154
> Transfers from other schemes	814	\$36,839,847
Employer or other sponsor contributions	3,831	\$7,359,413
Government contributions	4,713	\$2,000,048
Total Contributions		\$63,260,023

Changes relating to the Scheme

GOVERNING DOCUMENT

The Scheme transitioned to the Financial Markets Conduct Act 2013 (the FMCA) and was renamed the Craigs KiwiSaver Scheme (known previously as the Craigs Investment Partners kiwiSTART Select Scheme) effective 30 November 2016. The Scheme is governed by an amended and restated Trust Deed dated 15 November 2016 (Trust Deed).

There were no material changes to the Trust Deed during the year ended 31 March 2020.

On 1 April 2020, the Trust Deed for the Craigs Kiwisaver was amended and restated effective 1 April 2020 to enable the Manager to sell securities where the Manager determines that the relevant securities should be sold in order for the Scheme to comply with applicable laws. The Manager must give the relevant Member once months' notice.

TERMS OF THE OFFER

The Scheme is governed by the Trust Deed, FMCA, the KiwiSaver Act 2006, and the offer documents, including the Product Disclosure Statement (PDS), Investment Options document and the Other Material Information document (OMI).

During the year ended 31 March 2020, the below changes were made to the KiwiSaver regime:

- Two new contribution rates were added (6% and 10%)
- Contribution Holidays renamed to Saving Suspension
- Member Tax Credits (MTC) renamed to Government Contribution
- Reduction of maximum Saving Suspension period from 5 years to 1 year
- Over 65 years were able to join KiwiSaver
- Removal of the compulsory five-year lock-in period for new members who join KiwiSaver over the age of 60. If you do opt out you will no longer be eligible of Government contributions or compulsory employer contributions

The Investment Options document provides detail to members about each individual security. This document is reviewed on a regular basis in line with the Investment Committee decisions around inclusions to this list of securities.

Copies of the latest offer documents can be obtained on the offer register at disclose-register.companiesoffice.govt.nz or by visiting the Craigs Investment Partners website craigsip.com/KiwiSaver.

INVESTMENT OPTION CHANGES

The Investment Options document is reviewed quarterly, or more regularly where appropriate, and updated as and when required. Throughout the course of the year, securities included as Investment Options can be removed or added. Where a security is removed, we will contact you to either change your investment or reconfirm that you would like to continue to hold and/or invest in the removed security. If the latter, we will continue to remind you that the security has been removed via the Holdings Statement within your personalised quarterly reports pack.

STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

A copy of the latest Statement of Investment Policy and Objectives (SIPO) can be obtained on the scheme register at disclose-register.companiesoffice.govt.nz or by visiting the Craigs Investment Partners website craigsip.com/KiwiSaver.

There were no changes to the SIPO during the year ended 31 March 2020.

On 1 April 2020 the SIPO was amended to advise that the Manager may sell securities which have been acquired in accordance with that Members Investment Direction and invest the funds in cash securities where the Manager deems that the relevant securities should be sold in order for the Scheme to comply with the applicable Laws. The Manager must give the relevant Member one month's prior written notice before the Manager sells the securities. CIP reserves the right to sell securities.

The CIP Product Committee was created on 1st April 2020. It is responsible for approving and removing the Investment Options. To be included as an investment Option, a security must be either covered by CIP Private Wealth Research or subject to a due diligence process.

RELATED PARTY CHANGES

There were no material changes to the nature or scale of the Scheme's related party transactions during the year ended 31 March 2020.

As at 31 March 2020 Deutsche Bank AG, Sydney Branch owned 49.9% of the managers parent company Craigs Investment Partners Limited (the parent company of Craigs Investment Partners Superannuation Management Limited). On 30 June 2020 this interest was acquired by CIP Holdings Limited.

All related party transactions are conducted on standard commercial terms and conditions.

Other information for particular types of managed funds

WITHDRAWALS

During the year ended 31 March 2020 the following withdrawals were made from the Scheme.

Permitted Member Withdrawals*	Number
> Entitlement withdrawals	180
> Transfers to other KiwiSaver schemes	426
> Transfers to Australian superannuation schemes	-
> Death	8
> Permanent emigration	7
> Invalid enrolment	2
> Significant financial hardship	13
> Serious illness	2
> First home purchase**	55
> Court order	-

* Includes partial withdrawals

** Includes second chance home withdrawals

PORTFOLIO RETURNS

The Scheme provides members the flexibility to build a portfolio of investments from the extensive list of Investment Options to suit their risk profile and investment objectives. The Investment Options are the list of securities that the Craigs Investment Partners Investment Committee and CIP Product Committee from 1 April 2020 have selected based on some key principles. Therefore, each member's rate of return is different due to the nature of the Scheme.

As a member of the Scheme your return is specific to your portfolio and set out in your personalised quarterly report.

Manager's Statement

Craigs Investment Partners Superannuation Management Limited

Craigs Investment Partners Superannuation Management Limited as manager of the Scheme confirms the following:

All benefits required to be paid from the Scheme in accordance with the terms of the Trust Deed and the KiwiSaver scheme rules have been paid.

The market value of the Scheme property at the balance date (31 March 2020) equalled or exceeded the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at the balance date.



Changes to persons involved in the Scheme

MANAGER

Craigs Investment Partners Superannuation Management Limited

There have been no changes to the Manager, including its directors and key personnel, during the year ended 31 March 2020 other than Frank Aldridge ceased to be a director of the Manager on 8 April 2019.

The current directors of the Manager at the date of this annual report are:

- Kenneth Phillip
- Michael Smith (Chairman)
- Kylie Boyd

SUPERVISOR

The New Zealand Guardian Trust Company Limited

There have been no changes to the Supervisor, including its directors, during the year ended 31 March 2020.

The current directors of the Supervisor at the date of this annual report are:

- James Douglas
- Robin Flanagan

ADMINISTRATION MANAGER, INVESTMENT MANAGER & REGISTRAR

Craigs Investment Partners Limited

There have been no changes to the administration manager, investment manager or securities registrar during the year ended 31 March 2020.

There has been two changes to the Investment Committee:

- Robert Blews: resigned from CIP on 31 December 2019
- Roger Garrett; appointed to the Investment Committee in April 2019

The Investment Committee members at the date of this annual report are:

- Mark Lister
- Deidre Copley
- Reg Montgomery
- Mohandeep Singh
- Roger Garrett

The CIP Product Committee is responsible for approving and removing the Investment Options. To be included as an Investment Option, a security must be either covered by CIP Private Wealth Research or subject to a due diligence process.

The Product Committee members at the date of this annual report are:

- Stephen Jonas
- Helen Skinner
- Mark Lister
- Regan Carey
- Jude Williams

On 30 June 2020 Deutsche Bank ceased to be a shareholder in Craigs Investment Partners Limited.

CUSTODIAN AND AUDITOR

There have been no changes to the Scheme custodian or auditor during the year ended 31 March 2020.

How to find further information

Further information relating to the Craigs KiwiSaver Scheme is available on the offer register and the scheme register at disclose-register.companiesoffice.govt.nz.

The Scheme's Trust Deed, SIPO, annual report and financial statements and auditor's report are available on the scheme register at disclose-register.companiesoffice.govt.nz.

The current PDS, OMI and Investment Options document for the Scheme are available on the offer register at disclose-register.companiesoffice.govt.nz.

A copy of the documents relating to the Scheme referred to above can be obtained, on request and free of charge, by contacting our Client Services Team on 0800 878 278 or emailing clientservices@craigsip.com.

You can request an updated member's statement (showing an estimate of your benefit) free of charge from our Client Services Team on 0800 878 278 or by emailing clientservices@craigsip.com.

From 15 May 2020 if you are aged between 18 and 65 years, your annual account statement will include an estimate of what your balance may be at retirement, based on Government Provided assumptions.

Contact details and complaints

CORRESPONDENCE AND ENQUIRIES

Manager

For enquiries or to obtain a copy of the Trust Deed, the most recent financial statements, auditor's report, a copy of the most recent registered PDS, OMI, Investment Options document, SIPO, or any queries relating to your benefit entitlements or the Scheme, please contact:

Craigs KiwiSaver Scheme
Craigs Investment Partners Superannuation
Management Limited

158 Cameron Road
PO Box 13155
Tauranga 3141

Attention: Head of Client Services
Phone: 0800 878 278
Email: clientservices@craigsip.com

Craigs Investment Partners Limited, as securities registrar, can also be contacted at the Manager's address.

Supervisor

Correspondence intended for the Supervisor, The New Zealand Guardian Trust Company Limited, should be addressed to:

Corporate Trusts
The New Zealand Guardian Trust Company Limited

Level 6, 191 Queen Street
PO Box 274, Shortland Street
Auckland 1140

Attention: Relationship Manager Corporate Client Services
Phone: 09 909 5100
Email: ct-auckland@nzgt.co.nz

COMPLAINTS

If you have any problems with your membership in the Scheme, please contact the Head of Compliance for the Manager, using the Manager's contact details in the first instance and if the Manager cannot resolve your problem, then please contact the Supervisor.

Both we and the Supervisor are required to be members of an approved dispute resolution scheme, which for both of us is Financial Services Complaints Limited (FSCL).

If you have a problem that neither the Manager nor the Supervisor can resolve to your satisfaction within 40 days, you can contact FSCL.

Financial Services Complaints Limited

PO Box 5967
Lambton Quay
Wellington, 6140

Level 4, 101 Lambton Quay
Wellington 6011

Phone: 0800 347 257
Email: complaints@fscl.org.nz

FSCL will not charge a fee to investigate or resolve a complaint.



CRAIGS[®]

INVESTMENT PARTNERS

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