



Take control of your financial future with our independent KiwiSaver report.

Contents

Who Is National Capital	1	A-Rated Balanced Funds	10
Our People	2	A-Rated Conservative Funds	11
KiwiSaver Contribution Index	3	Assessment Pillar Insights	12
KiwiSaver Allocation Index	4	Performance	13
Key Storylines	5	Fees	15
Overall Analysis	6	Ethical Investing	17
Report Methodology	7	Capability & Stability	19
A-Rated High Growth Funds	8	Process & Portfolio	20
A-Rated Growth Funds	9	The Quarterly Deep Dive	21

About this report

KiwiSaver, established in 2007, has been instrumental in assisting New Zealanders with future financial planning and savings, whether it's securing a comfortable retirement, purchasing a home or coping with unexpected difficulties.

The scheme's popularity was undeniable, with 25% of New Zealanders signed up in the first six years of its operation. And with that popularity came more providers, more options, more flexibility for customers to choose from.

While this growth was great, we noticed that no one was holding the individual providers to account.

We've appointed ourselves as an industry watchdog. We want to provide transparency (one of our core values) to New Zealanders planning for their futures.



CLIVE FERNANDES | DIRECTOR / FOUNDER

Who is National Capital?

Specialising in KiwiSaver research & advice, National Capital was founded in 2018 and currently advises on over \$110m of KiwiSaver investments.

Utilising a robust and well-defined KiwiSaver Investment Selection Process, we score KiwiSaver funds across criteria that are vital in helping Kiwis select the right fund for them.

National Capital was founded by Clive Fernandes. Clive is a financial adviser with over 20 years of experience running successful businesses and a self-confessed KiwiSaver nerd. We are now part of the Saturn group, which has been helping Kiwis since 1988.



LISA DUDSON
DIRECTOR



CRAIG STOBO
CHAIR



PETER DINE
INVESTMENT COMMITTEE



RAVI CHANDOLA
INVESTMENT COMMITTEE

Our people

Our team comprises more than 20 experienced finance professionals with over 300 years of combined experience. Our Chairperson, Craig Stobo chaired the Government's Review of the Taxation of Investment Income in 2004 which lead to the PIE tax regime which underpins the KiwiSaver scheme.

Built on principles designed to empower New Zealanders to become financially secure, the Saturn/National Capital team has diverse backgrounds in the finance industry, allowing us to advise New Zealanders on various facets of their financial lives.



KiwiSaver Contribution Index

4.30%	1 Oct 2022 - 30 Sep 2023
n/a	Change from last quarter
6.30%	Optimal Index required

The above percentages are derived from the Contribution Index. The KiwiSaver Contribution Index measures how much KiwiSaver members contribute to their retirement savings via KiwiSaver regular contributions.



KiwiSaver Allocation Index

59.0	Jul-Sep 2023 quarter
00.0	Change from last quarter
68.8	Optimal Index required

The KiwiSaver Allocation Index measures how Kiwis are invested in KiwiSaver. A higher index equals a higher growth allocation.

Key storylines in the July - September 2023 quarter

- ▶ After edging up 3 points last quarter, the National Capital KiwiSaver Allocation Index* stopped in its tracks this quarter to remain at 59. This reduces the gap calculated in our March 2023 report of a potential \$48 billion in lost earnings** but there still is a lot of work to be done to get to the optimal number of 68.8.
- ▶ The National Capital KiwiSaver Contribution Index* remains stubbornly low at 4.30%, significantly lower than the 'optimal' index of 6.3%. This under-contribution does not bode well for Kiwis' retirement prospects. For example, consider a 40-year-old Kiwi who contributes 4% to their KiwiSaver fund and has an average balance of \$33,000, with a salary of \$70,000, and invests in a Growth fund. Based on these parameters, they would accumulate a nest egg of \$320,000** by age 65. However, this amount falls short by \$142,000 of what retiring Kiwis would need as a lump sum to receive a normal weekly income in retirement.***
- ▶ A National Capital study found the difference in returns between the top-performing funds and the bottom in the Growth category varied significantly, with an average difference of 2.55% p.a. This could be equivalent to \$88,847 in retirement savings for the average Kiwi.****

* Please note that the Contribution Index and Allocation Index are indices calculated by National Capital and are not affiliated with the Inland Revenue Department. The KiwiSaver name and logo are trademarks of the Inland Revenue Department.

** Other assumptions: Inflation 2%, Tax Rate 30%, Life expectancy 95 years, KiwiSaver fund fee 1%, employee contribution 3%, growth rate before tax & fees 6.21%. The final number is after fees and tax. This figure does not take into account contributions. The resulting number would be much larger if KiwiSaver contributions were invested as per the optimal index.

*** Based on our calculations for a 'typical' Kiwi and data from the Massey Retirement Expenditure Guidelines survey 2022.

**** Study details are in our deep dive section of this report.

Overall analysis

(July to September 2023)

Report Methodology

National Capital's proprietary Investment Selection Process is based on six pillars that intend to help New Zealanders build trust and confidence in their investments. The combined rating of the six pillars gives a fund a score **out of 100**.

1

PERFORMANCE AFTER FEES

Quality and consistency of returns.

25
POINTS

2

FEES ALIGNMENT

Assessment of value provided for fees charged.

15
POINTS

3

ORGANISATIONAL CAPABILITY

The capability of the organisation to manage your money.

20
POINTS

4

ORGANISATIONAL STABILITY

Overall stability within a provider's organisation.

10
POINTS

5

PROCESSES & PORTFOLIO COMPOSITION

Asset allocation, investing process and style consistency.

20
POINTS

6

ETHICAL INVESTING CONSIDERATIONS

Deep dive into the ethical investing claims of providers.

10
POINTS

A-rated High Growth funds

KiwiSaver Fund	Performance after Fees ²⁵	Fees Alignment ¹⁵	Capability ²⁰	Stability ¹⁰	Process & Portfolio ²⁰	Ethical Investing ¹⁰	Total Score ¹⁰⁰
Booster Socially Responsible High Growth	23.08	15	20	10	20	9.50	97.58
Booster High Growth	21.15	15	20	10	20	5.20	91.35
FANZ Lifestages High Growth	19.23	15	20	10	20	5.70	89.93
Generate Focused Growth	17.31	15	20	10	20	4.70	87.01
Milford Aggressive	9.62	15	20	10	20	4.95	79.57

Insights

- ▶ All A-Rated funds in the High Growth category were NZ-owned.
- ▶ Booster's Socially Responsible High Growth Fund retained its top Value For Money rating, helped by its annualised return of 6.99% p.a. over the past five years.
- ▶ FANZ Lifestages KiwiSaver High Growth was added to the list of A-rated funds, taking the total of A-rated High Growth funds to five.
- ▶ The gap between the best and worst performing funds* based on 5-year performance was 3.92% p.a. as of this quarter.
- ▶ The average one-year return of all High Growth funds* was 10.96%.

*Based on the sample group of funds that have passed our preliminary filtering process.

A-rated Growth funds

KiwiSaver Fund	25 Performance after Fees	15 Fees Alignment	20 Capability	10 Stability	20 Process & Portfolio	10 Ethical Investing	100 Total Score
Fisher TWO Growth	21.00	15	20	10	20	7.30	93.30
Simplicity Growth Fund	20.00	15	20	10	20	7.56	92.56
Milford Active Growth	21.00	15	20	10	20	4.72	90.72
Generate Growth Fund	21.00	15	20	10	20	4.33	90.33
Booster Balanced Growth	19.00	15	20	10	20	5.50	89.50
Fisher Funds Growth	17.00	15	20	10	20	6.38	88.38

Insights

- ▶ Simplicity's Growth Fund remains the only low-fee passive manager to rank among the A-rated Growth funds.
- ▶ Out of the A-rated funds, Simplicity Growth had the best returns after fees of 11.71% for one year, followed by Generate Growth with 11.43%, and Milford Active Growth with 11.27%.
- ▶ Milford Active Growth remains the top-performing fund* for the 5-year period with an annualised return of 7.53% p.a.
- ▶ The performance gap over a 5-year period between the best and worst performing funds* dropped slightly to 5.28% p.a. in the current quarter from 5.42% p.a. in the previous quarter.

*Based on the sample group of funds that have passed our preliminary filtering process.

A-rated **Balanced** funds

KiwiSaver Fund	Performance after Fees ²⁵	Fees Alignment ¹⁵	Capability ²⁰	Stability ¹⁰	Process & Portfolio ²⁰	Ethical Investing ¹⁰	Total Score ¹⁰⁰
Booster Socially Responsible Balanced	16.67	15	20	10	20	9.61	91.27
Fisher Funds TWO Balanced	17.71	15	20	10	20	6.90	89.61
KiwiWealth Balanced	21.88	15	20	5	20	7.69	89.56
Booster Balanced	18.75	15	20	10	20	5.77	89.52
Simplicity Balanced	15.63	15	20	10	20	8.08	88.70
MAS Balanced	14.58	15	20	10	20	6.51	86.10

Insights

- ▶ Booster KiwiSaver secured spots for two of its Balanced funds on the A-Rated list of funds.
- ▶ KiwiWealth Balanced was the only A-rated fund not to receive a perfect score for the Stability pillar due to the departure of most of the senior investment professionals' team at KiwiWealth after the purchase by Fisher Funds.
- ▶ The gap between the highest and lowest 5-year performance* increased to 4.03% p.a. as of this quarter compared to 3.86% p.a in the previous quarter.
- ▶ All A-rated funds in the Balanced category are NZ-owned.

*Based on the sample group of funds that have passed our preliminary filtering process.

A-rated Conservative funds

KiwiSaver Fund	Performance after Fees ²⁵	Fees Alignment ¹⁵	Capability ²⁰	Stability ¹⁰	Process & Portfolio ²⁰	Ethical Investing ¹⁰	Total Score ¹⁰⁰
Milford Conservative	20.00	15	20	10	20	4.95	89.95
Fisher TWO KiwiSaver Cash Enhanced*	18.33	15	20	7.5	20	7.48	88.31
Westpac Defensive Conservative	13.33	15	20	10	20	6.00	84.33

*This fund is no longer open to new investors.

Insights

- ▶ Milford retained its position as the highest-scoring A-rated Conservative fund, assisted by its best performance after fees score.
- ▶ Average 1-year returns for A-rated Conservative funds were 4.66% as of this quarter compared to the previous quarter's return of 4.57%.
- ▶ The difference between the highest and lowest 5-year performance was 1.74%, an increase from last quarter's 1.29%.

Assessment pillar insights

(July to September 2023)

Performance

National Capital Insights*

- ▶ Average 1-year returns to the September 2023 quarter ranged from 4.29% for Conservative funds to 10.96% for High Growth funds.
- ▶ All funds yielded positive 1-year returns to the September 2023 quarter, with the only exception being ASB KiwiSaver Scheme's Positive Impact fund, which returned -1.11%.
- ▶ KiwiSaver assets under management slipped from \$97.5 billion to \$96 billion over the last quarter due to market movements.
- ▶ The highest 1-year performance up to September 2023 was that of Booster KiwiSaver Socially Responsible High Growth Fund at 13.14%.
- ▶ The lowest 1-year performance up to September 2023 was that of ASB KiwiSaver Scheme's Positive Impact Fund, down 1.11%.

* All figures are after fees but before tax and based on the funds in our sample.

Performance

HIGH GROWTH Top 5-year Returns*		GROWTH Top 5-year Returns*		BALANCED Top 5-year Returns*		CONSERVATIVE Top 5-year Returns*	
Booster Socially Responsible High Growth	6.99%	Milford Active Growth	7.53%	Milford Balanced Fund	6.12%	Milford Conservative	2.84%
Booster High Growth	5.85%	QuayStreet Growth	6.12%	QuayStreet Balanced	5.19%	QuayStreet Conservative	2.68%
Generate Focused Growth	5.60%	Simplicity Growth	5.63%	SuperLife Ethica	4.92%	Fisher TWO Cash Enhanced	2.29%

*All returns are per annum, net of fees but before tax.



Fees

National Capital Insights

- ▶ Simplicity maintained its position as the provider with the lowest fees among the Growth, Balanced, and Conservative categories.*
- ▶ The average fees varied greatly across different categories. High Growth had the highest average fees at 1.12%, while Conservative had the lowest at 0.61%.**
- ▶ The Milford Cash Fund had fees of 0.20%, making it the lowest fee KiwiSaver fund if we include the Cash category.
- ▶ While a growing number of providers have been phasing out fixed monthly membership fees, 12 of the 24 KiwiSaver providers we researched still mentioned charging membership fees*** in their Product Disclosure Statements.

* In this quarter's analysis, we did not consider Simplicity KiwiSaver Schemes' recently launched High Growth fund.

** We did not include Cash or Single-Sector funds in our analysis.

*** KiwiWealth had a minimum \$40 fee, which effectively is a membership fee for those with low balances.

Fees

HIGH GROWTH Lowest Fees*		GROWTH Lowest Fees*		BALANCED Lowest Fees*		CONSERVATIVE Lowest Fees*	
SuperLife High Growth	0.63%	Simplicity Growth	0.31%	Simplicity Balanced	0.31%	Simplicity Conservative	0.31%
Mercer Sustainable Plus High Growth	0.92%	BNZ Growth	0.51%	BNZ Balanced	0.51%	Booster Conservative	0.38%
AMP LS Aggressive	0.96%	SuperLife Growth	0.61%	Westpac Balanced	0.59%	Westpac Defensive Conservative	0.39%

Note: The recently launched Simplicity High Growth fund, which has fees of 0.29%, has not been included in this quarter's numbers.

* Fees listed are percentage-based management fees. Funds may have fixed member fees or individual action fees and management fees.



Ethical Investing

National Capital Insights

- ▶ Booster KiwiSaver's Socially Responsible funds score the highest for Ethical Investing across all funds, with their Socially Responsible Moderate fund scoring 9.83, Socially Responsible Balanced fund scoring 9.61, and their Socially Responsible High Growth fund scoring 9.50.
- ▶ Overall, the managers maintained how they invest ethically with an average score of 6.11. A score of 6.11 indicates having 'some exclusions', so overall, managers are paying attention to Ethical Investing.
- ▶ In addition to funds from Booster, other providers that had multiple funds that scored highly include Fisher Funds TWO, KiwiWealth, Nikko AM, Pathfinder, and Simplicity.
- ▶ 14 out of the 110 funds analysed scored below the average Ethical Investing score of 6. Average Ethical Investing scores across different categories had a minor variance.
- ▶ Every fund with an average Ethical Investing score under 6 was rated 'C' or 'D' overall, except for the SuperLife Conservative fund. It earned a 'B' because it scored well in other pillars. We will do a deep dive in a future report to understand the relationship between ethical investing and the other pillars.

Ethical Investing

HIGH GROWTH Ethical Investing Score		GROWTH Ethical Investing Score		BALANCED Ethical Investing Score		CONSERVATIVE Ethical Investing Score	
Booster Socially Responsible High Growth	9.50	Booster Socially Responsible Growth	9.48	Booster Socially Responsible Balanced	9.61	Simplicity Conservative	8.23
KiwiWealth Growth	8.35	Pathfinder Growth	8.47	SuperLife KiwiSaver Ethica	8.96	Fisher TWO Cash Enhanced	7.48
Nikko AM Growth	8.00	JUNO Growth	8.34	Pathfinder Balance	8.47	Pathfinder Conservative	7.10



Capability & Stability

National Capital Insights

The KiwiSaver industry is undergoing significant changes in the area of investment professionals. These changes have important implications for the investment process and organisational culture. We will remain alert on the following critical watchpoints from the previous few quarters.

- ▶ ANZ Chief Investment Officer Paul Huxford will leave in December 2023. He follows veteran Alan Clarke, their co-head of Diversified Funds, who exited ANZ in March 2023. ANZ is still searching for a suitable replacement for Alan.
- ▶ We remain watchful for any adverse changes caused by the acquisition of QuayStreet by Smartshares. In response to queries, Smartshares said they had no intention of changing how QuayStreet funds are managed, and the continued strong performance reinforces a continuation of their processes.
- ▶ Stuart Williams will step away from his co-head NZ Equities role at Nikko to focus fully on his Managing Director duties. Michael Sherrock, appointed co-head of NZ Equities in April this year, took on the Head of NZ Equities role on the 1st of October.
- ▶ The recent acquisition of KiwiWealth by Fisher Funds has resulted in the departure of most of the senior investment professionals' team at KiwiWealth. We continue to assess how the organisation will adapt its investment capabilities moving forward. We are waiting for confirmation of any change.

Process & Portfolio

National Capital Insights

- ▶ KiwiSaver funds have increased their average net cash holdings from 9.26% to 11.40%.*
- ▶ Most KiwiSaver funds had a marginal increase in their bond allocation.
- ▶ Increase in cash and bonds allocation was funded by a reduction in equity assets.
- ▶ Most managers maintained their investing style between growth and larger value companies.
- ▶ A consistent increment of current yield** was observed across all portfolios.

* Representing all funds in our sample except cash funds.

** Current yield is the annual income derived from Fixed Interests Instruments.

Disclaimer on Insights

For ease of readability, we have referred to various funds as 'XX's YY fund' rather than 'XX KiwiSaver Schemes' YY Fund. It is important to note that all mentions of the 'XX YY fund' refer to the fund in the provider's KiwiSaver scheme. It is possible that KiwiSaver scheme providers may also have non-KiwiSaver funds with similar names.

Our analysis and figures are based on the sample group of funds that have passed our preliminary filtering process. This excludes lifecycle and single-sector funds. Our sample comprises approximately 90% of the total FUM in KiwiSaver. Please contact us for additional information or a comprehensive list of funds in our sample.

Our rating system is based on quartiles. Therefore, a fund that does not have an A rating does not necessarily indicate that it is a "poor" fund. It simply means that it is ranked lower than other funds on a comparative basis. All performance figures noted are net of fees but before tax.

The Quarterly Deep Dive

Performance gap between KiwiSaver funds could cost you a Mercedes Benz at retirement

Our team analysed historical KiwiSaver data from 2013 to 2023. This highlighted the top-performing Growth funds significantly outperform the bottom-performing Growth funds, with the difference over time expected to be \$88,000 at retirement for the average Kiwi investor* - or the equivalent of a Mercedes Benz GLC 200 SUV at today's prices..

The difference in returns between the top-performing funds and the bottom in the Growth category varied significantly, with an average difference of 2.55% p.a.

*40-year-old earning \$70,000 with \$28,000 in their KiwiSaver fund, contributing 4% of their income.

Growth-fund study

We collected annualised rolling 5-year returns data for KiwiSaver funds in the Growth strategy from 2013 to 2023. We calculated the average returns for the top quartile funds (the best performers) and the bottom quartile funds (the worst performers) to understand the performance gap over time.

We sought to understand the projected future returns for the funds based on the historical data and its impact. For the average 40-year-old Kiwi earning \$70,000 per year, with \$28,000 currently in their KiwiSaver fund who contributes 4% of their income, the performance gap could cost them \$88,847 in retirement savings at age 65.

50K Salary	70K Salary	100K Salary	150K Salary
Total value at retirement using Top Quartile funds			
\$290,237	\$361,396	\$468,134	\$646,031
Total value at retirement using Bottom Quartile funds			
\$216,465	\$272,549	\$356,675	\$496,886
Difference			
\$73,772	\$88,847	\$111,459	\$149,145

National Capital Takeaway

This is an important reminder that making the right decisions when it comes to choosing KiwiSaver providers and funds can have a significant impact come retirement. However, the choice doesn't just come down to only comparing past performance. There are a multitude of factors that need to be considered when choosing a KiwiSaver provider, such as Capability, Stability, Process and Portfolio Composition.

National Capital's quarterly KiwiSaver Value for Money report.

National Capital provides free digital financial advisory services to everyday New Zealanders. Specialising in KiwiSaver & Investment research that explores the value of KiwiSaver funds, National Capital has advised New Zealanders on over \$110 million of KiwiSaver investments since being founded in 2018. Its goal is to help clients select an appropriate KiwiSaver provider and fund that suits their goals, requirements and financial situation and continue to evaluate what is most suitable for their needs.

Disclaimer.

The information provided by National Capital is of a general nature and is not intended to be personalised financial advice. Any opinions, express or implied, are that of National Capital and should not be taken as financial advice. You should not take any information disclosed as an offer, invitation or recommendation to buy or sell any product without first obtaining professional financial advice from a qualified financial adviser regarding its appropriateness to your personal circumstances. While every effort has been made to ensure the information presented is up to date and correct, National Capital make no representations or warranties of any kind about the accuracy, reliability, completeness, or suitability of the products and services described. Any reference to historical information and performance of a product or service may not necessarily be a good guide to future performance. You are solely responsible for any actions you take or do not take by relying on such information. To the full extent legally allowable the directors, contractors, associates and staff of National Capital expressly disclaim all and any liability and responsibility to any person in respect of anything, and of the consequences of anything, done or omitted to be done by any such person in reliance, whether wholly or partially, on the information provided. The disclaimers and limitations of liability do not prejudice your rights under the Consumer Guarantees Act 1993, nor are they intended to exclude liability arising under statute.

Important links

[National Capital Methodology](#)

www.nationalcapital.co.nz

[KiwiSaver HealthCheck](#)

Press contact

Sean Ryan

Adhesive PR

027 266 3297

sean@adhesivepr.nz