



# KIWISAVER STAR RATINGS

## What are the CANSTAR KiwiSaver Star Ratings?

CANSTAR's KiwiSaver Star Ratings involve a sophisticated and unique ratings methodology that compares the cost, features and the performance of KiwiSaver funds in New Zealand. CANSTAR star ratings represent a shortlist of KiwiSaver funds, enabling consumers to narrow their search to funds that have been reviewed, assessed and ranked. CANSTAR's KiwiSaver Star Ratings are a transparent analysis comparing a range of KiwiSaver funds across the market.

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

KiwiSaver funds that have not been available for a minimum of five years are not eligible to receive a Canstar star rating. However, based on available information CANSTAR provides an indicative rating of funds which have been available for less than five years. In these instances these funds are compared against their peers for the period of which they have been available for.

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

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

- Funds must be open to public (i.e. not restricted funds and must be open for everyone to enrol). This is with exception to government-appointed default Inland Revenue funds.
- The fund must be a pre-mixed option that meets the growth asset allocations outlined for the specific profile.
- Funds must be available for a minimum of one year.

## How is the CANSTAR KiwiSaver Star Ratings structured?

CANSTAR recognizes that appetite for risk may vary depending on the consumer. Hence the CANSTAR KiwiSaver Star Ratings methodology has aligned the profiles to the fund type by growth asset allocation outlined by the Commission for Financial Capability. The table below provides a brief description of each fund type:

Fund Type	Growth Asset Allocation	Definition
Defensive	0% - 9.9%	These are generally suitable if you don't want your KiwiSaver account to ever go down (although there are no guarantees), even though that means your account almost certainly won't grow as fast, over the long term, as accounts in riskier funds.
Conservative	10%-34.9%	These are generally suitable if you are willing to take on some ups and downs in value, and are seeking average long-term returns a bit higher than in a defensive fund but probably not as high as in riskier funds.
Balanced	35% - 62.9%	These are generally suitable if you are middle of the road, comfortable with seeing your account value sometimes fall a little and seeking mid-range long-term returns.
Growth	63%-89.9%	These are generally suitable if you are looking for fairly high growth over the long term, and won't want to switch to a lower-risk fund whenever you see your account balance fall quite a lot.
Aggressive	90%-100%	These are generally suitable if you are looking for strong long-term growth, knowing you will stick with your fund even when your balance falls fast.

Source: [www.fundfinder.sorted.org.nz](http://www.fundfinder.sorted.org.nz)

## How is the CANSTAR KiwiSaver Star Ratings Calculated?

Each eligible KiwiSaver fund reviewed for the CANSTAR KiwiSaver Star Ratings is awarded points for its comparative pricing, historical investment return performance and for the array of positive features attached to the product. Points are aggregated to achieve a Pricing Score, Performance Score and Feature Score.

To arrive at the total score CANSTAR applies a weight against the Pricing Score, Performance Score and Feature Score. The weights are applied for all profiles where it reflects the relative importance of costs, investment returns or features in determining outstanding value KiwiSaver funds. The method can be summarised as:

**Total Score = Pricing Score + Performance Score + Feature Score**



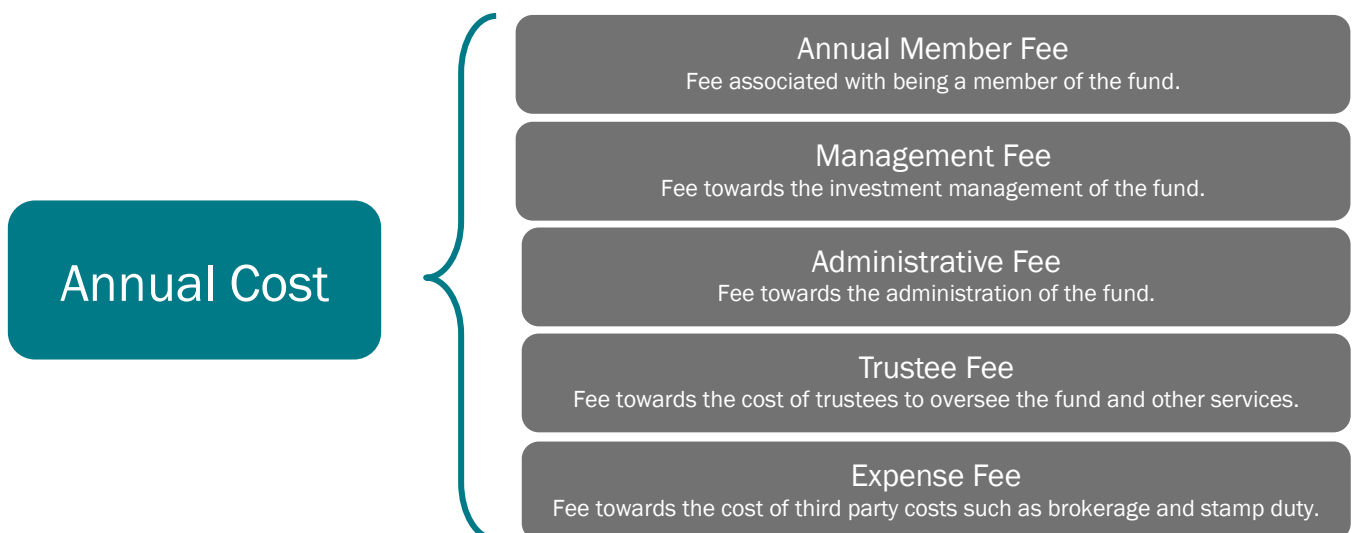
### Pricing Score

Based on an average KiwiSaver balance, 100 scenarios have been built around a normal distribution and a total cost to the consumer calculated over one year. The fund with the lowest annual cost will be awarded the full score for that profile (i.e. Defensive, Conservative, Balanced, Growth and Aggressive) and the scores of all other funds are based on normal distribution.

The KiwiSaver balance range is:

Minimum balance	Average balance	Maximum balance
\$3,000	\$11,500	\$20,000

To arrive at the estimated annual cost to the member, fixed fees are taken into consideration, the annual member fee, administration fee, trustee fee and expense fee.



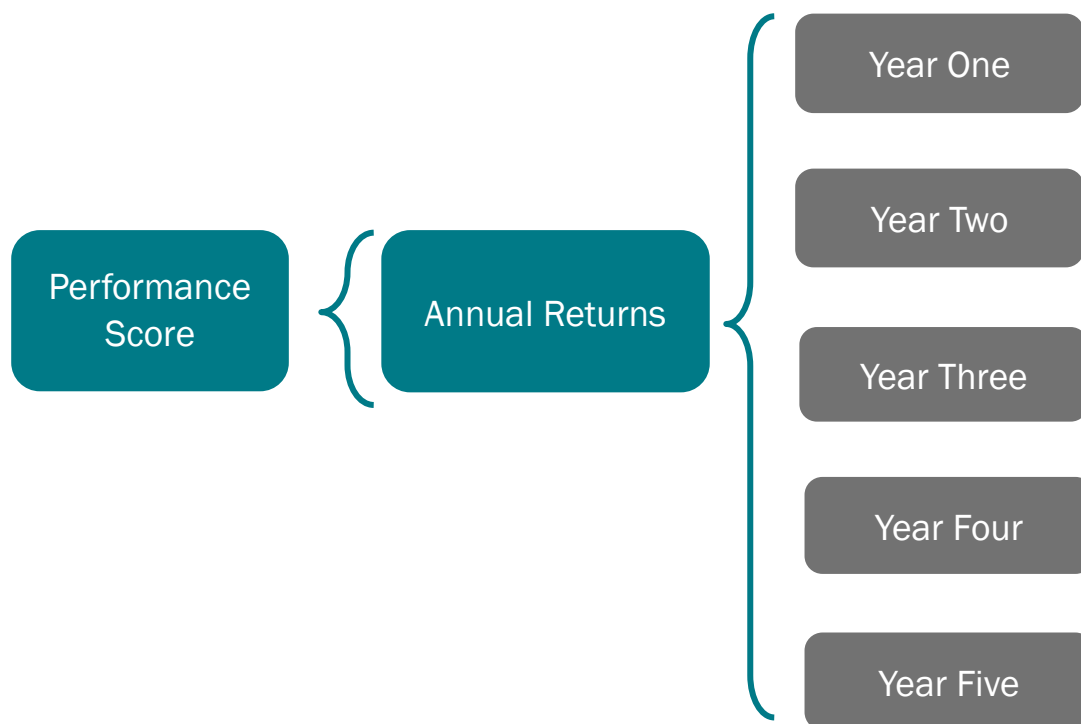
## Performance Score

Analysis of returns on investment is an important exercise for measuring and understanding the net financial benefits of an investment. A fund's investment return is a factor of consideration when an individual chooses a fund initially and ongoing, along with other areas such as fees, investment options, access to advice etc.

CANSTAR's calculation of past investment returns is measured and scored based on individual year performance of a fund relative to its peers. An equal weighting is applied across the number of years that a fund has been available where the fund with the highest return will achieve top score and the scores of all other funds are based on normal distribution.

Investment returns however are not an absolute known like the other elements CANSTAR currently captures. Therefore our calculation of historical performance or investment returns is not a guarantee or an indication of future performance.

The overall Performance Score takes into account the cumulative scores across five years.



Note that historical investment return data were retrieved from the annual disclosure statements made available by the Financial Market Authority. Additionally, the investment returns considered within our calculation are net of all funds fees and accrued tax.

Funds that have not been available for five years or more were assessed on their performance relative to how long the fund has been available. For example Fund A has been available for four years. Fund A's performance score will be based on its performance relative to its peers over the four years it has been available.

## Feature Score

Funds are scored based on positive benefits, functionality, service and options available to its investors. The following table outlines the category and sub-categories assessed along with the weightings applied:

Category	Defensive	Conservative	Balanced	Growth	Aggressive
Other Fees			20%		
Switch and Withdrawal Fees			90%		
Rebates			10%		
Investment Options			25%		
Premix Options			80%		
Ability to Mix Funds			20%		
Account Access and Function			20%		
Online Access			25%		
Phone Services			25%		
Additional Contribution Methods			25%		
Additional Member Benefits			25%		
Advice			10%		
Availability of Personal Financial Advice			50%		
Availability of Class Financial Advice			50%		
Communication			25%		
Education			20%		
Tools and Calculators			20%		
Publications Taken Online			15%		
Availability of Features Online			15%		
How Many Clicks to Access Features			10%		
Quality Search Function			10%		
Contact			10%		
<b>Total</b>			<b>100%</b>		

## What additional rules are applied to CANSTAR KiwiSaver Star Ratings?

An additional overlay is applied by CANSTAR which examines a fund's performance over the past five years for signs of persistent underperformance. Compared to other funds within our prescribed profiles, funds that have consistently underperformed across the majority of the past five years (i.e. investment returns reside in the bottom quartile in four out of five years) will achieve no more than a three-star rating.

## Does CANSTAR rate all products 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 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 KiwiSaver funds reviewed for star rating purposes?

All ratings are fully recalculated every 12 months. CANSTAR also monitors changes on an ongoing basis.

## How are the stars awarded?

CANSTAR ranks travel money cards based on value-for-money measures and then awards a star rating according to rank. The top cards will be awarded a five-star (or outstanding) rating. The number of cards awarded each of the three- to five-star ratings will ultimately depend on the dispersion of final scores.

## 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](http://www.canstar.co.nz) if you would like to view the latest star ratings reports of interest.



- Business deposits
- Term Deposit
- Credit cards
- Credit card rewards
- Home loans
- Kiwisaver
- Online banking
- Personal loans
- Savings accounts
- Transaction accounts

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