

Your future's in your hands.

Westpac KiwiSaver Scheme Update 2018

It's time.



Welcome to your Westpac KiwiSaver Scheme Update.

In this edition, we'll focus on why it's important to choose the fund that best suits your needs, as over time, this can make a real difference to your savings. And because things can change, it's really important to check in and make sure your fund is still right for you.

We're also proud to share – for four years running, we've held the SuperRatings Platinum¹ rating for being a 'best value for money' scheme. It's testament to the aim of the Westpac KiwiSaver Scheme: to provide you with a more secure future.

Thanks again for investing with the Westpac KiwiSaver Scheme.

Nigel Jackson
Head of Customer Proposition
Investments & Insurance

Choose now for a better tomorrow.

Your fund choice could be the biggest factor when it comes to reaching your savings goals.

That's because the fund you choose determines the potential returns you make, as well as the investment risk you take.

What are you saving for?

Are you planning to use KiwiSaver to grow your savings as much as possible for retirement? Or to help you purchase your first home? Wherever you are on your savings journey, the goals you're aiming for give you a guide as to what your saving timeframe is.



If your timeframe is short – saving for your first home or you're close to retirement – consider a lower risk fund that's more likely to deliver modest, consistent returns. That way, you can make plans with more certainty.



If you have a longer timeframe, consider the level of investment risk you're comfortable with. You might want to choose a fund with a higher level of risk. You are more able to weather the fluctuations of financial markets and potentially achieve higher returns over the long term.

Take stock of your options.

Find the Westpac KiwiSaver Scheme fund that's right for your plans, at westpac.co.nz/riskprofiler

Or if you'd like some advice, our team of Financial Advisers are here to help – free of charge. Give us a call on **0508 972 254** or drop into your nearest Westpac branch.



What kind of risk and return do you feel comfortable with?

Here's a selection of our funds – compare them to decide what level of risk and potential return you feel comfortable with:

Conservative Fund

- Aims to provide stable returns over the short to medium term.
- Invests primarily in income assets but also has an allocation to growth assets.
- Volatility is expected to be higher than the Default Fund but lower than the Moderate Fund.

Balanced Fund

- Aims to provide medium level returns over the medium to long term.
- Has a higher benchmark allocation to growth assets than to income assets.
- Volatility is expected to be higher than the Moderate Fund but lower than the Growth Fund.

Growth Fund

- Aims to provide higher returns over the long term.
- Invests primarily in growth assets but also has an allocation to income assets.
- Volatility is expected to be the highest of the funds within the Westpac KiwiSaver Scheme.

Check out all our funds at westpac.co.nz/kiwisaverfunds

Keep checking on your fund to make sure it's still right for you.

If things change for you – like your timeframe, how you feel about risk, you set new goals (say you've bought your first home and you're now saving for retirement), then it's time to check in on your fund choice. Any time is a good time to take another look at how your savings are working for you and if necessary, switching to a fund that might better suit where you're at.

The choice is all yours. But we're here to help.

Our Westpac KiwiSaver Scheme risk profiler helps you gauge your attitude to risk and to help you decide which fund is right for you. Try it out at westpac.co.nz/riskprofiler

Saving for tomorrow

KiwiSaver has helped many Kiwis into earlier home ownership and a better retirement. Here's a quick look at how many Westpac KiwiSaver Scheme members are enjoying the benefits.



Over
390,000

Kiwis invest in their future with the Westpac KiwiSaver Scheme.²



22,872

Kiwis have withdrawn Westpac KiwiSaver Scheme savings to help them buy a first home.²



26,496

Kiwis have settled into retirement using their savings from the Westpac KiwiSaver Scheme.²

² KiwiSaver Scheme member numbers as at 30 June 2018. Westpac KiwiSaver Scheme first home withdrawals & retirement figures (individuals making full and partial withdrawals) from 1 July 2007 to 30 June 2018.

Four easy tips to selecting your ideal fund.

1

Set your savings goal



To help select the right fund for you, take our quiz at westpac.co.nz/riskprofiler

KiwiSaver is a great option if you're saving for your first home or for retirement. If you have a shorter investment timeframe, you should consider a lower risk fund choice. While returns in lower risk funds are likely to be lower, they're generally more stable, giving you greater certainty when it comes time to make a withdrawal. If you have a longer investment timeframe, you may want to consider a more risky fund choice. You'll have more time to weather the rises and falls of financial markets and possibly be rewarded with a higher return.

2

Review your fund choice



See how selecting the right fund could impact your savings goals at westpac.co.nz/kiwisavercalculator

You don't have to switch funds, but it is important to make time regularly (for example each year) to ensure you're still in the right one. Maybe you've bought your first home and you're now saving for retirement. Choosing the right fund can help you achieve a more comfortable lifestyle in retirement.

3

Choose the fund that fits



Check your options at westpac.co.nz/kiwisaverfunds

The Westpac KiwiSaver Scheme offers six different funds. Each one is designed to suit a different risk profile and help you to achieve your savings goals.

All the funds available (excluding the Cash Fund) are diversified across asset classes. It is simply the proportion of each asset class that differs from fund to fund. As each fund is diversified, there's generally no need to invest in more than one fund.

4

Consider investing responsibly



Find out more at westpac.co.nz/responsible

All the funds in the Westpac KiwiSaver Scheme exclude companies that manufacture controversial weapons, tobacco or process whale meat. But responsible investing is about more than just keeping away from certain sectors. It's also about looking to the future and making rigorous decisions on the basis of a range of environmental, social and governance (ESG) factors. The theory is: companies that perform well in terms of ESG are more likely to perform well financially over the long term.

Make the most of your future.



Get curious

In six easy questions, we can help you select a fund that is right for your plans. Go to westpac.co.nz/riskprofiler



Get set up online

Keep track, make payments to your Westpac KiwiSaver Scheme account and even change your fund, all through your online banking. To get set up in Westpac One[®], call us on **0508 972 254**.



Get answers

Our team of KiwiSaver Specialists are happy to help. Call us on **0508 972 254** Monday to Thursday between 8.30am-7.00pm and Friday, 8.30am-5.00pm.

Your future is in good hands.



Did you know the Westpac KiwiSaver Scheme has been awarded the highest-possible rating – Platinum – from SuperRatings for the fourth year in a row?

This means that you're getting great value for money from the Westpac KiwiSaver Scheme when it comes to investment returns, fees and risk. And to top it off, we're delighted to let you know your Westpac KiwiSaver Scheme Fund Manager – Westpac's investment arm BT Funds Management (NZ) Ltd – was named 2017 FundSource Awards Fund Manager of the Year – Winner.

Market Commentary.



Matthew Goldsack

Head of Investment Solutions, takes a look at the market performance over the last six months to 30 June 2018.

The six months to 30 June 2018 saw positive investment returns generated for all the Westpac KiwiSaver Scheme funds. Most asset classes moved higher during the period with the New Zealand equity market the standout performer, gaining 6.5%³.

Amid a volatile start to the calendar year, global equity markets⁴ managed to deliver a 2.1% return for the first half of 2018. February and March saw many equity markets around the world experience some weakness, selling off amid expectations of rising inflation and concerns around the possibility of a trade war between China and the US. Many equity markets then recovered, helped by a positive company earnings reporting season and rising commodity prices. Energy stocks in particular were a standout sector, beneficiaries of a higher oil price. Returns from global shares in New Zealand dollar terms were positively impacted by the fall in the Kiwi dollar over the period, particularly versus the US dollar. While the New Zealand³ equity market was one of the strongest performing global share markets for the period, the German⁵ equity market underperformed falling 4.7%.

Global bonds⁶ returned 0.4% for the period, with debt securities issued by governments performing stronger than higher risk corporate issued debt securities. The US Federal Reserve (the Fed) raised its benchmark interest rate by 0.25% in both March and June amid strong

economic growth in the US. With a tight labour market and inflation pressures building in the US economy, economists anticipate a further two increases may be warranted during the second half of this year. European long term bond interest rates were little changed during the period, although southern European bond markets were a little weaker as the Italian election took centre stage. Investors became concerned that the new coalition government's fiscal plans could set it on a collision course with the EU. By the end of June the risks of Italy leaving the Eurozone had abated. In New Zealand, government bonds⁷ and corporate bonds⁸ returned 1.5% and 1.9% for the six month period.

Our outlook for markets remains unchanged. In this environment, we anticipate more variation in investment returns than in recent years, at both an asset class level, and across regions, sectors and securities within each asset class. Increasing variation, and changing drivers of market returns mean it is increasingly important to be selective about where, and what securities and assets to invest in. There will be winners and losers. Good quality active fund managers will use this as an opportunity to add value as markets rise, to dampen volatility, and help protect capital for investors as markets fall. Diversification, in other words spreading your investment across a range of assets such as equities, bonds, property and cash, remains a critical component of a successful investment strategy.

Westpac KiwiSaver Scheme Fund Performance[^]

As at 30 June 2018

The tables below show past performance for the period stated.

Cash Fund

| | |
|-------------------|-------|
| 6 months (%) | 0.75% |
| 1 year (%) | 1.54% |
| 2 years (% p.a.) | 1.60% |
| 3 years (% p.a.) | 1.74% |
| 5 years (% p.a.) | 1.99% |
| 10 years (% p.a.) | 2.14% |

Default Fund

| | |
|------------------|-------|
| 6 months (%) | 1.46% |
| 1 year (%) | 4.45% |
| 2 years (% p.a.) | 3.76% |
| 3 years (% p.a.) | 3.85% |

Conservative Fund

| | |
|-------------------|-------|
| 6 months (%) | 1.49% |
| 1 year (%) | 4.71% |
| 2 years (% p.a.) | 4.07% |
| 3 years (% p.a.) | 3.97% |
| 5 years (% p.a.) | 4.83% |
| 10 years (% p.a.) | 4.59% |

Moderate Fund

| | |
|------------------|-------|
| 6 months (%) | 1.76% |
| 1 year (%) | 6.17% |
| 2 years (% p.a.) | 5.57% |
| 3 years (% p.a.) | 4.72% |

Balanced Fund

| | |
|-------------------|-------|
| 6 months (%) | 2.38% |
| 1 year (%) | 8.76% |
| 2 years (% p.a.) | 8.19% |
| 3 years (% p.a.) | 6.15% |
| 5 years (% p.a.) | 7.75% |
| 10 years (% p.a.) | 6.41% |

Growth Fund

| | |
|-------------------|--------|
| 6 months (%) | 2.85% |
| 1 year (%) | 10.81% |
| 2 years (% p.a.) | 10.14% |
| 3 years (% p.a.) | 7.35% |
| 5 years (% p.a.) | 9.27% |
| 10 years (% p.a.) | 7.33% |

Get the full download.

To see more about the funds and their performance, visit us online at westpac.co.nz/kiwisaverfundupdates

The Capital Protection Plan Funds are closed to further investment. Updates for these funds are available at westpac.co.nz/fund-updates

[^]Performance is after management fees, expenses and tax at the highest PIR. Past performance is not indicative of future performance.

³S&P/NZX50 Index Gross. ⁴MSCI ACWI ex-Australia (69% hedged to NZD). ⁵DAX Index. ⁶BTNZ Composite Global Bond Index (100% hedged to NZD)

⁷S&P/NZX Government Bond Index. ⁸S&P/NZX Corporate A-Grade Index

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