

Westpac Premium Investment Funds

Corporate Bond Fund

Fund Update for the quarter ended:

31 December 2018

This fund update was first made publicly available on 13 February 2019.

What is the purpose of this update?

This document tells you how the Corporate Bond Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. BT Funds Management (NZ) Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this fund

The Corporate Bond Fund aims to provide capital growth over the short to medium term by investing primarily in a range of New Zealand fixed interest assets issued by corporate entities.

| | |
|---------------------------|----------------|
| Total value of the fund | \$ 119,115,159 |
| The date the fund started | 10 June 2008 |

What are the risks of investing?

Risk indicator for the Corporate Bond Fund.¹



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at sorted.org.nz/tools/investor-kickstarter

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 31 December 2018. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

See the product disclosure statement (PDS) for more information about the risks associated with investing in this fund.

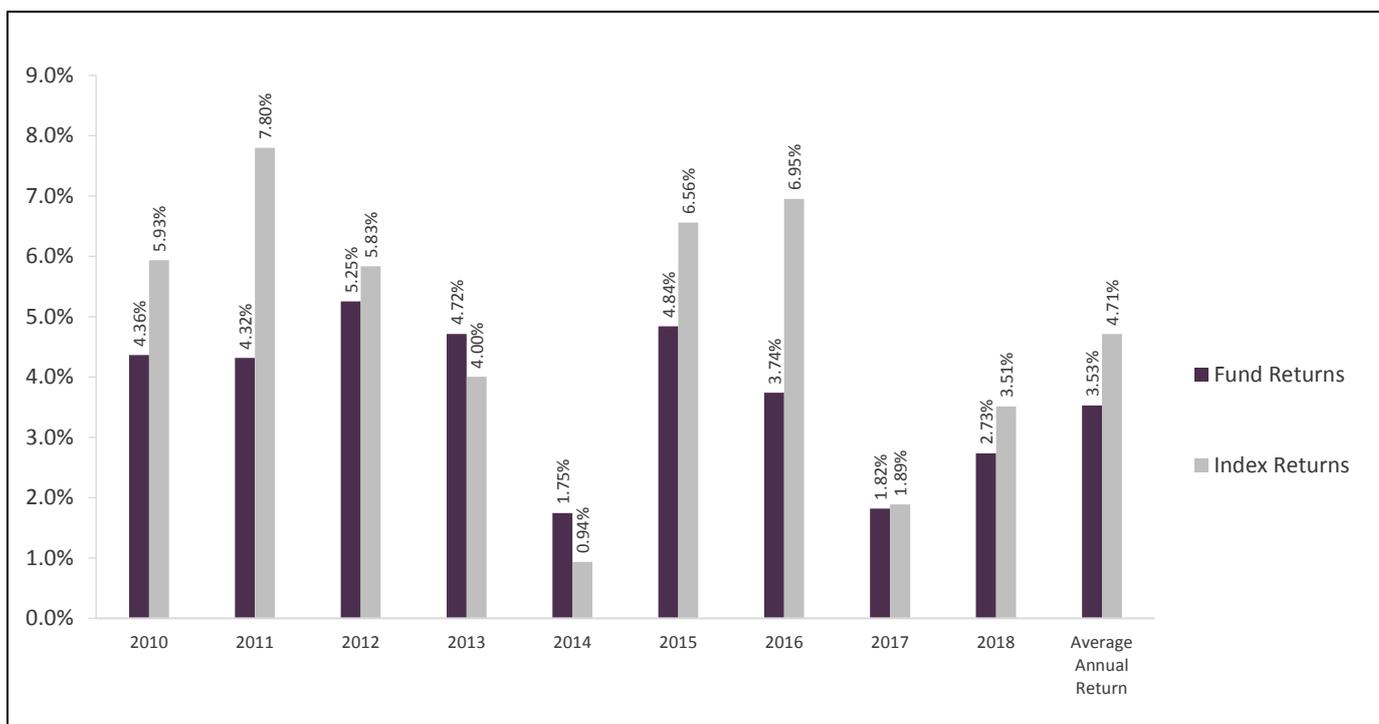
How has the fund performed?

| | Average over past 5 years | Past year |
|---|---------------------------|-----------|
| Annual return (after deductions for charges and tax) | 3.19% | 2.50% |
| Annual return (after deductions for charges but before tax) | 4.45% | 3.49% |
| Market index annual return (reflects no deductions for charges and tax) | 4.53% | 3.67% |

The market index return reflects the return for the S&P/NZX 3 Year Swap Index.

Additional information about the market index is available in the SIPO on the offer register at disclose-register.companiesoffice.govt.nz.

Annual return graph



This shows the return after fund charges and tax for each complete year ending 31 March since the fund started. The last bar shows the average annual return for the last 10 years, up to 31 December 2018².

Important: This does not tell you how the fund will perform in the future. Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

What fees are investors charged?

Investors in the Corporate Bond Fund are charged fund charges. In the year to 31 March 2018, these were:

| | % of net asset value |
|--|-------------------------------|
| Total fund charges | 0.75% |
| Which are made up of | |
| Total management and administration charges | 0.75% |
| Including - | |
| Manager's basic fee | 0.64% |
| Other management and administration charges | 0.11% |
| Total performance-based fees | 0.00% |
| Other charges | \$ amount per investor |
| Other Charges | \$0.00 |

Small differences in fees and charges can have a big impact on your investment over the long term.

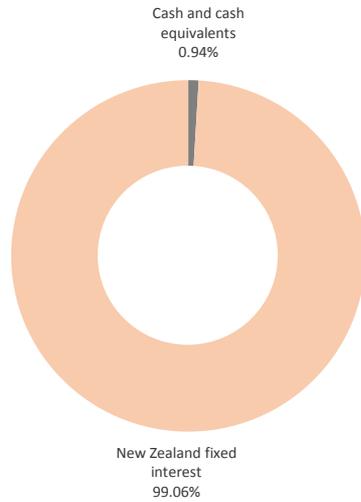
Example of how this applies to an investor

Jason had \$10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Jason received a return after fund charges were deducted of \$250 (that is 2.50% of his initial \$10,000). Jason did not pay anything in other charges. This gives Jason a total return after tax of \$250 for the year.

What does the fund invest in?

This shows the types of assets that the fund invests in.³

Actual investment mix



Target investment mix

| | |
|----------------------------|---------|
| New Zealand fixed interest | 100.00% |
|----------------------------|---------|

Top 10 investments

| | Name | % of fund net assets | Type | Country | Credit rating (if applicable) |
|----|---|----------------------|----------------------------|-------------|-------------------------------|
| 1 | ASB Bank 4.20% 24/02/2022 | 1.77% | New Zealand fixed interest | New Zealand | AA- |
| 2 | BNZ 4.102% 15/06/2023 | 1.74% | New Zealand fixed interest | New Zealand | AA- |
| 3 | Westpac 3.795% 28/04/2021 | 1.72% | New Zealand fixed interest | New Zealand | AA- |
| 4 | BNZ 4.426% 18/06/2020 | 1.72% | New Zealand fixed interest | New Zealand | AA- |
| 5 | BNZ 3.648% 16/11/2023 | 1.71% | New Zealand fixed interest | New Zealand | AA- |
| 6 | ASB Bank 3.31% 07/09/2023 | 1.70% | New Zealand fixed interest | New Zealand | AA- |
| 7 | BNZ 3.856% 27/07/2022 | 1.62% | New Zealand fixed interest | New Zealand | AA- |
| 8 | ASB Bank 4.4225% 25/02/2020 | 1.58% | New Zealand fixed interest | New Zealand | AA- |
| 9 | Rabobank 4.592% 10/06/2020 | 1.56% | New Zealand fixed interest | New Zealand | A+ |
| 10 | Transpower New Zealand 6.95% 10/06/2020 | 1.55% | New Zealand fixed interest | New Zealand | AA- |

The top 10 investments make up 16.67% of the net asset value of the fund.⁴

Key personnel

| | Name | Current position | Time in current position | Previous or other current position | Time in previous or other current position |
|---|---------------------|--|--------------------------|---|--|
| 1 | Nigel Jackson | Acting Head of Investments & Insurance | 1 year 10 months | Head of Customer Proposition (current) | 7 years 2 months |
| 2 | Matthew Goldsack | Head of Investment Solutions | 10 years 0 month | Head of Research, AXA Global Investors | 7 years 10 months |
| 3 | Francois Richeboeuf | Senior Portfolio Manager | 8 years 2 months | Head of Fixed Income and Portfolio Manager, Rand Merchant Bank Asset Management | 3 years 1 month |
| 4 | Stephen Hong | Senior Portfolio Manager | 6 years 3 months | Portfolio Manager, AXA Global Investors | 5 years 9 months |
| 5 | Nirav Shah | Portfolio Manager | 10 years 6 months | Senior Financial Plan Writer, Westpac New Zealand Limited | 1 year 0 month |

Further information

You can also obtain this information, the PDS for the Westpac Premium Investment Funds, and some additional information from the offer register at disclose-register.companiesoffice.govt.nz.

Notes

1. The risk indicator for the fund is calculated based on the volatility of past returns over five years, which is not a full investment cycle. In some cases the output may be different if calculated using a longer timeframe. We believe an average investment cycle is generally considered to be a period of between 7 to 10 years. If the period of returns data that a risk indicator is based on was one of unusually low or unusually high volatility the risk indicator presented in a PDS (or any fund update) may provide a less reliable indication of the potential future volatility of a fund.
2. On 14 August 2012 BT Funds Management (NZ) Limited (BTNZ), in its own capacity, purchased certain notes from the Corporate Bond Fund at their book value. The purchase followed a decline in the notes' asset backing which contributed to uncertainty as to the notes' value. BTNZ concluded that the notes were no longer a suitable investment for the fund and that they should be sold. On 27 February 2013, the notes were given a zero value in BTNZ's financial statements to 30 September 2012. This determination indicates that the transaction may have had a positive effect on the fund's performance in periods which include August 2012. If the notes had been retained and a zero value was attributed to them on 14 August 2012, the funds returns (after deductions for charges but before tax) in August 2012 would have been 7.1% lower (returns after deductions for charges and tax at the highest prescribed investor rate would have been 5.1% lower). The fund's stated returns for periods which include August 2012 would also be affected.
3. For further information on each of the asset classes refer to the PDS and the SIPO.
4. The top 10 investments have been calculated excluding cash and cash equivalents held for operational and hedging purposes.