

Westpac Active Series

Income Strategies Trust

Fund Update for the quarter ended:

30 September 2019

This fund update was first made publicly available on 29 October 2019.

What is the purpose of this update?

This document tells you how the Income Strategies Trust 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 Income Strategies Trust aims to provide stable returns over the short to medium term. The fund invests in a diversified range of income assets. Volatility is expected to be the lowest of the funds in the Westpac Active Series. The fund closed to new investment on 18 April 2019.

| | |
|---------------------------|------------------|
| Total value of the fund | \$ 6,951,000 |
| The date the fund started | 14 February 2012 |

What are the risks of investing?

Risk indicator for the Income Strategies Trust.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 30 September 2019. 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.

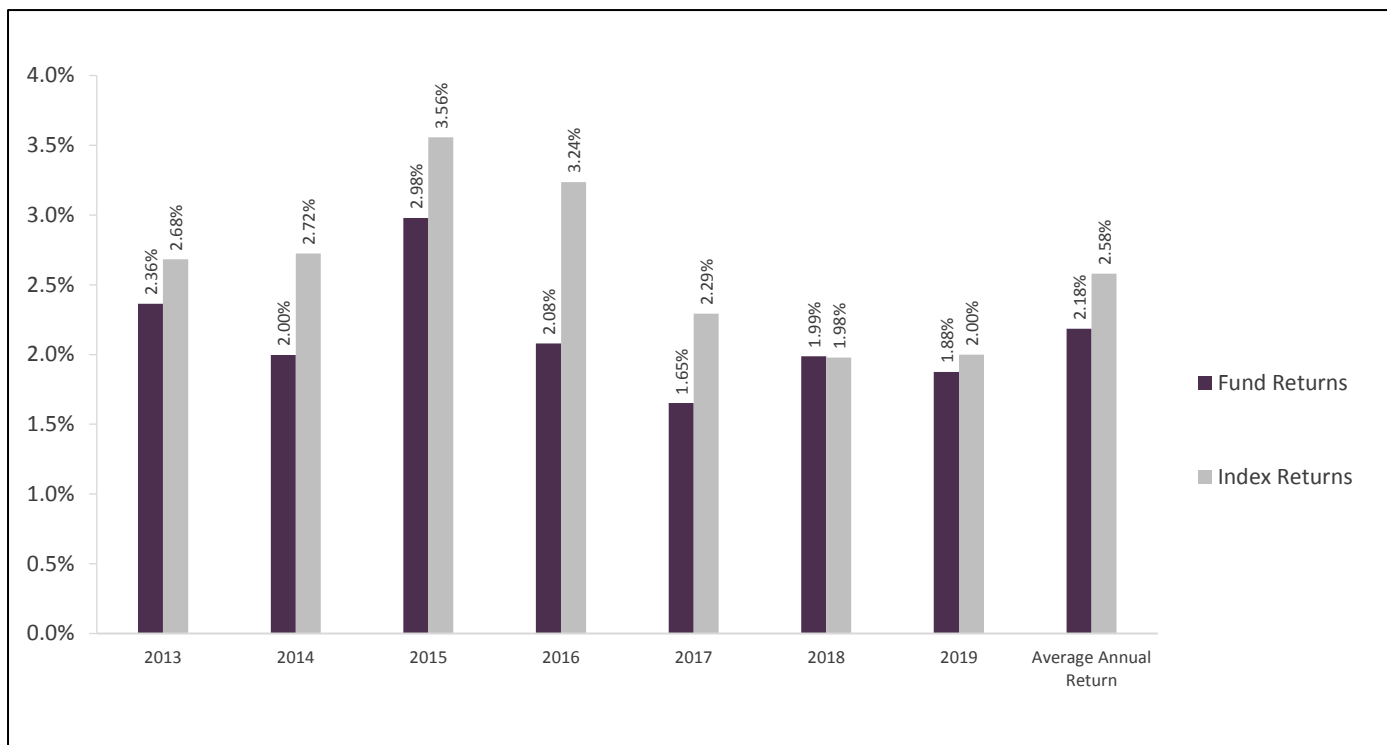
How has the fund performed?

| | Average over past 5 years | Past year |
|---|---------------------------|-----------|
| Annual return (after deductions for charges and tax) | 2.10% | 2.32% |
| Annual return (after deductions for charges but before tax) | 2.92% | 3.23% |
| Market index annual return (reflects no deductions for charges and tax) | 2.44% | 1.88% |

The market index return reflects the return for the Bloomberg NZBond Bank Bill Index.

Additional information about the market index is available in the Statement of Investment Policy and Objectives (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 since the fund started, up to 30 September 2019².

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 Income Strategies Trust are charged fund charges. In the year to 31 March 2019, these were:

| | % of net asset value |
|--|-------------------------------|
| Total fund charges | 0.87% |
| Which are made up of | |
| Total management and administration charges | 0.87% |
| Including - | |
| Manager's basic fee | 0.81% |
| Other management and administration charges | 0.06% |
| 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.

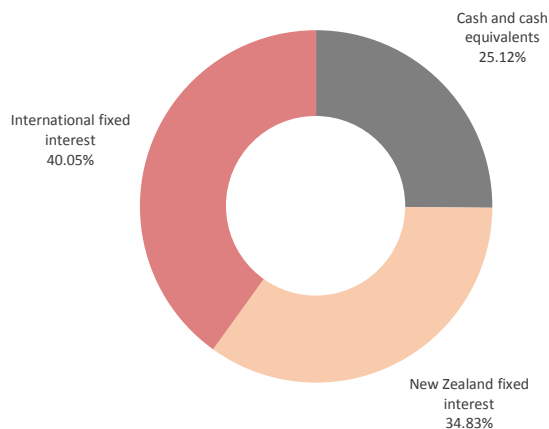
Example of how this applies to an investor

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 \$232 (that is 2.32% of his initial \$10,000). Jason did not pay anything in other charges. This gives Jason a total return after tax of \$232 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

| | |
|------------------------------|--------|
| Cash and cash equivalents | 20.00% |
| New Zealand fixed interest | 50.00% |
| International fixed interest | 30.00% |

Top 10 investments

| | Name | % of fund net assets | Type | Country | Credit rating (if applicable) |
|----|-------------------------------------|----------------------|------------------------------|--------------------------|-------------------------------|
| 1 | UMBS TBA 30yr 3.5% October Delivery | 1.61% | International fixed interest | United States of America | AAA |
| 2 | Westpac 32 day Notice Deposit | 1.48% | Cash and cash equivalents | New Zealand | AA- |
| 3 | US 2YR Note (CBT) | 1.44% | International fixed interest | United States of America | Unrated |
| 4 | US 5YR Note (CBT) | 1.33% | International fixed interest | United States of America | Unrated |
| 5 | BNZ 180 Day Rolling Deposit Account | 1.08% | Cash and cash equivalents | New Zealand | AA- |
| 6 | BNZ 90 Day Rolling Deposit Account | 0.87% | Cash and cash equivalents | New Zealand | AA- |
| 7 | Spark Finance Ltd 5.25% 25/10/2019 | 0.78% | New Zealand fixed interest | New Zealand | A- |
| 8 | Westpac 3.72% 23/03/2023 | 0.77% | New Zealand fixed interest | New Zealand | AA- |
| 9 | ANZ 3.7% 30/05/2023 | 0.74% | New Zealand fixed interest | New Zealand | AA- |
| 10 | BNZ 3.648% 16/11/2023 | 0.73% | New Zealand fixed interest | New Zealand | AA- |

The top 10 investments make up 10.83% 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 | 2 years 7 months | Head of Customer Proposition | 7 years 7 months |
| 2 | Matthew Goldsack | Head of Investment Solutions | 10 years 9 months | Head of Research, AXA Global Investors | 7 years 10 months |
| 3 | Francois Richeboeuf | Senior Portfolio Manager | 8 years 11 months | Head of Fixed Income and Portfolio Manager, Rand Merchant Bank Asset Management | 3 years 1 month |
| 4 | Angelika Sansom | Investment Analytics Manager | 18 years 1 month | Investment Consultant, Mercer | 2 years 4 months |
| 5 | Stephen Hong | Senior Portfolio Manager | 7 years 0 month | Portfolio Manager, AXA Global Investors | 5 years 9 months |

Further information

You can also obtain this information, the PDS for the Westpac Active Series, 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 fund update may provide a less reliable indication of the potential future volatility of a fund.
2. As at 14 August 2012, certain of the Income Strategies Trust's assets were invested in the Corporate Bond Fund. 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 Corporate Bond 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 Corporate Bond Fund's performance, and therefore the Income Strategies Trust'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 Income Strategies Trust's returns (after deductions for charges but before tax) in August 2012 would have been 1.29% lower (returns after deductions for charges and tax at the highest prescribed investor rate would have been 0.9% lower). The Income Strategies Trust'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 SIPO.
4. The top 10 investments have been calculated excluding cash and cash equivalents held for operational and hedging purposes.