

# Westpac Active Series

## Income Strategies Trust

### 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 Income Strategies Trust<sup>1</sup> 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.

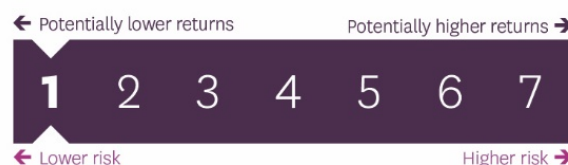
#### Description of this fund

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.

Total value of the fund	\$ 9,206,238
The date the fund started	14 February 2012

#### What are the risks of investing?

Risk indicator for the Income Strategies Trust.<sup>2</sup>



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](http://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.

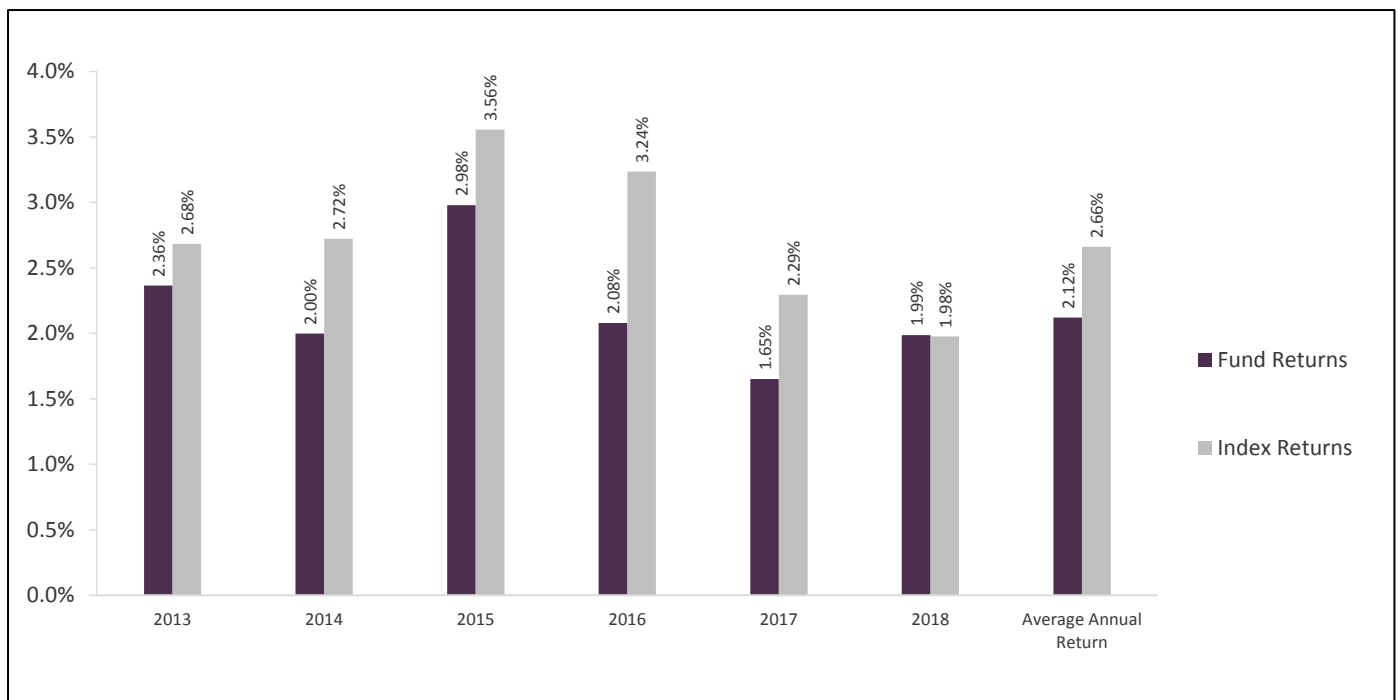
#### How has the fund performed?

	Average over past 5 years	Past year
Annual return (after deductions for charges and tax)	2.08%	1.66%
Annual return (after deductions for charges but before tax)	2.89%	2.27%
Market index annual return (reflects no deductions for charges and tax)	2.65%	1.96%

The market index return reflects the return for the S&P/NZX Bank Bills 90-Day Index.

Additional information about the market index is available in the SIPO on the offer register at [disclose-register.companiesoffice.govt.nz](http://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 31 December 2018<sup>3</sup>.

**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 2018, these were:

	% of net asset value
<b>Total fund charges</b>	<b>0.90%</b>
Which are made up of	
<b>Total management and administration charges</b>	<b>0.90%</b>
Including -	
Manager's basic fee	0.81%
Other management and administration charges	0.09%
<b>Total performance-based fees</b>	<b>0.00%</b>
<b>Other charges</b>	<b>\$ amount per investor</b>
Other Charges	\$0.00

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

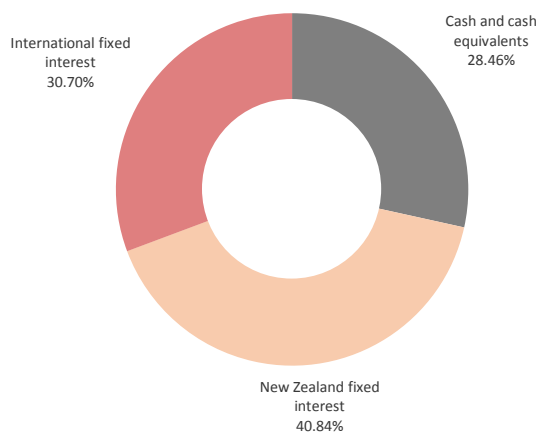
### Example of how this applies to an investor

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 \$166 (that is 1.66% of his initial \$10,000). Jason did not pay anything in other charges. This gives Jason a total return after tax of \$166 for the year.

## What does the fund invest in?

This shows the types of assets that the fund invests in.<sup>4</sup>

### 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	US 5YR Note (CBT)	3.39%	International fixed interest	United States of America	
2	Westpac 32 day Notice Deposit	1.48%	Cash and cash equivalents	New Zealand	AA-
3	Euro Bobl Future	1.07%	International fixed interest	Germany	
4	US 2YR Note (CBT)	1.01%	International fixed interest	United States of America	
5	BNZ 5.570% 25/06/2019	0.99%	New Zealand fixed interest	New Zealand	AA-
6	ANZ 5.43% 27/02/2019	0.85%	New Zealand fixed interest	New Zealand	AA-
7	Spark Finance Ltd 5.25% 25/10/2019	0.84%	New Zealand fixed interest	New Zealand	A-
8	BNZ 4.426% 18/06/2020	0.84%	New Zealand fixed interest	New Zealand	AA-
9	BNZ 180 Day Rolling Deposit Account	0.76%	Cash and cash equivalents	New Zealand	AA-
10	ASB Bank 4.20% 24/02/2022	0.73%	New Zealand fixed interest	New Zealand	AA-

The top 10 investments make up 11.96% of the net asset value of the fund.<sup>5</sup>

## 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	Angelika Sansom	Investment Analytics Manager	17 years 4 months	Investment Consultant, Mercer	2 years 4 months
5	Stephen Hong	Senior Portfolio Manager	6 years 3 months	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](http://disclose-register.companiesoffice.govt.nz).

## Notes

1. The fund is offered under the Westpac Active Series as the Westpac Active Income Strategies Trust (Income Strategies Trust).
2. 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.
3. 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.
4. For further information on each of the asset classes refer to the PDS and the SIPO.
5. The top 10 investments have been calculated excluding cash and cash equivalents held for operational and hedging purposes.