

Westpac Premium Investment Funds

Statement of Investment Policy and Objectives.
28 September 2021.



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Background

This Statement of Investment Policy and Objectives (**SIPO**) sets out the investment governance and investment management framework, philosophy, strategies and objectives of the Westpac Premium Investment Funds (**Premium Investment Funds**).

Throughout the SIPO, we use "BTNZ", "we", "our" or "us" to refer to the Manager, BT Funds Management (NZ) Limited. Words defined in the Product Disclosure Statement (**PDS**) have the same meaning when used in the SIPO.

We may change the SIPO after giving The New Zealand Guardian Trust Company Limited (the **Supervisor**) prior notice in accordance with the trust deed for the BT New Zealand Unit Trust and the Financial Markets Conduct Act 2013 (**FMCA**). Any material changes to the SIPO will be described in the next annual report for the Premium Investment Funds.

The most current version of this SIPO is available on the schemes register at **disclose-register.companiesoffice.govt.nz** (**Disclose**).

1. Description

The Premium Investment Funds is a managed investment scheme (**MIS**) for the purposes of the FMCA.

The Premium Investment Funds has six investment funds (each a **Fund** and together the **Funds**):

- Enhanced Cash Fund
- Corporate Bond Fund
- International Diversified Bond Fund
- Australasian Diversified Share Fund
- International Diversified Share Fund
- Property Fund

BTNZ is the Manager of the Premium Investment Funds and a licensed manager of registered schemes under the FMCA. Our contact details are available on Disclose.

We are responsible for the overall investment management of the Funds including implementation of the investment strategies. Each Fund has a specific investment strategy and objective and invests in a specific asset class.

2. Investment Philosophy

Investment management style and strategy

Our investment philosophy is based on the broad principles of diversification and active management, backed by a research driven approach focused on identifying and managing risk and sourcing value added opportunities.

We believe markets are somewhat inefficient and portfolios can be positioned in a manner to take advantage of opportunities that occur. Reflecting this, our philosophy is to mainly apply active managed investment approaches which aim to take advantage of attractive investment opportunities, blended with index tracking investment strategies.

Investment management structure and governance

Investment management activities for the Premium Investment Funds are managed by BTNZ Investment Solutions (**Investment Solutions**). The responsibilities of Investment Solutions include benchmark asset allocation, underlying investment manager selection and portfolio implementation.

Underlying investment managers are used to manage the day to day security selection decisions. These underlying investment managers may be us or third parties selected by us. Further information can be found on page 8.

The underlying investment managers for each asset class can be found on our website at westpac.co.nz/pif and on Disclose.

The BTNZ Investment Committee (**BTIC**) oversees the investment management activities and is responsible for reviewing investment performance, outcomes and processes. The BTIC meets quarterly or more frequently as required.

3. Investment Objectives

The investment objective for each Fund is set out below.

Enhanced Cash Fund

The Fund aims to provide stable returns over the short term by investing primarily in cash and cash equivalents.

Corporate Bond Fund

The 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.

International Diversified Bond Fund

The Fund aims to provide capital growth over the short to medium term by investing primarily in a range of international fixed interest assets.

Australasian Diversified Share Fund

The Fund aims to provide capital growth over the long term by investing primarily in a diversified portfolio of listed New Zealand and Australian equities.

International Diversified Share Fund

The Fund aims to provide capital growth over the long term by investing primarily in a diversified portfolio of listed international equities.

Property Fund

The Fund aims to provide capital growth over the long term by investing primarily in a diversified portfolio of listed New Zealand and international property equities.

4. Investment Strategy

Benchmark asset allocations and ranges

Each Fund invests primarily in a single asset class as detailed in the table below. All Funds, except the Enhanced Cash Fund, will hold up to 10% of their assets in cash and cash equivalents for liquidity purposes.

Fund	Asset Class	Benchmark Asset Allocation
Enhanced Cash Fund	Cash and cash equivalents	100%
Corporate Bond Fund	New Zealand fixed interest	100%
International Diversified Bond Fund	International fixed interest	100%
Australasian Diversified Share Fund	Australasian equities	100%
International Diversified Share Fund	International equities	100%
Property Fund	Listed property	100%

While derivatives may be used in each asset class, the use of derivatives may be more extensive in the International Diversified Bond Fund.

We evaluate expected volatility based on a full investment cycle. As the risk indicator utilised in any PDS (or fund update) is calculated based on 5 years of past performance data (Relevant Period), which is not a full investment cycle, in some cases it might differ if calculated using a longer timeframe. Where the Relevant Period has had unusually low or unusually high volatility, the risk indicator may provide a less reliable indication of the potential future volatility of the Fund.

Benchmark Market Indices for the Funds

Each Fund has a benchmark market index (or indices) against which BTNZ measures performance. The table below shows the benchmark index (or indices) for each Fund as at the date of this SIPO.

Fund	Benchmark Index
Enhanced Cash Fund	Bloomberg NZBond Bank Bill Index
Corporate Bond Fund	Bloomberg NZBond Credit 0+ Yr Index
International Diversified Bond Fund	Bloomberg Global Corporate 1-10 year Index (100% hedged to NZD) Bloomberg Global Treasury 1-20 year Index (100% hedged to NZD)
Australasian Diversified Share Fund	S&P/NZX 50 Index Gross
International Diversified Share Fund	MSCI World ex-Australia Index (60% hedged on a before tax basis to NZD) MSCI Emerging Markets Index (unhedged)
Property Fund	S&P/NZX All Real Estate Gross Index FTSE EPRA/NAREIT Developed Index NTR (139% hedged on a before tax basis to NZD)

BTNZ may change the benchmark indices used, and the indices themselves may change or may be renamed or replaced, from time to time without notice to you.

For further information on any of the indices, please contact us.

Permitted Investments

Each Fund has a specific investment strategy and invests “primarily” in a specific asset class as detailed in section 4 under “Benchmark asset allocation and ranges”. Each Fund in the Premium Investment Funds invests in one or more wholesale funds, which are also managed by us (**Wholesale Funds**). Further information setting out the permitted investments for each Fund is in the Appendix.

5. Investment Management Policies

This section outlines the key policies that are relevant to achieving the investment objectives of the Premium Investment Funds.

Currency hedging policy	<p>Objective of currency hedging</p> <p>The objective of currency hedging is to reduce, eliminate or alter the effects of foreign exchange movements on assets not held in New Zealand dollars.</p> <p>Currency strategy</p> <p>For Funds with exposure to foreign currencies, the foreign currency exposure is generally partly or fully hedged back to the New Zealand dollar, to the extent considered appropriate and reasonably practicable. Due to the tax treatment of currency hedges, the level of hedging for some asset classes is above 100% to achieve the targeted hedging level on an after-tax basis.</p> <p>Hedging approaches for each Fund with foreign currencies are listed below:</p> <ul style="list-style-type: none">• International Diversified Bond Fund: Exposure to foreign currencies is generally fully hedged back to the New Zealand dollar.• Australasian Diversified Share Fund: Exposure to foreign currencies is generally fully hedged back to the New Zealand dollar on a before tax basis, but may be actively managed, and will vary from time to time.• International Diversified Share Fund: Exposure to foreign currencies is generally 51% hedged back to the New Zealand dollar on a before tax basis, but may be actively managed and will vary from time to time.• Property Fund: Exposure to foreign currencies is generally fully hedged back to the New Zealand dollar on an after tax basis, which requires a hedging level above 100% on a before tax basis (for international property). <p>Implementation</p> <p>Implementation of currency hedging is undertaken by BTNZ and/or the underlying managers who manage the assets in the Wholesale Funds. Hedging by BTNZ is implemented via forward foreign exchange contracts, options or swaps.</p>
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	Monitoring of foreign currency hedging against targets will generally occur each business day.
Derivatives policy	<p>Derivatives may be used by the Funds as a risk management tool or as an alternative to investing in a physical asset. Derivatives may be held directly or indirectly and can provide an exposure to an underlying asset which is similar to what would be obtained by buying or selling that asset.</p> <p>It is our policy not to invest directly in derivatives to gear the Funds (that is, to obtain greater exposure to markets than the net asset value of a Fund). If for any reason a Fund becomes geared through its direct investments, we will realign the Fund as soon as practicable to remove any gearing. The managed funds that the Funds invest into may, however, use gearing and have the ability to use derivatives more extensively.</p>
Liquidity management policy	We monitor each Fund's liquidity levels in order to meet obligations during normal market conditions. These include having available funds to meet withdrawals, taxation payments and fees. BTNZ seeks to manage liquidity risk by generally investing in liquid markets and securities.
Conflicts of interest policy	Westpac New Zealand Limited (Westpac NZ) has a conflicts of interest policy that applies to BTNZ, its directors and staff. The policy covers the systems and processes that BTNZ and Westpac NZ follow to identify, declare, manage and mitigate conflicts. For more information on the Westpac NZ conflicts of interest policy see the 'Premium Investment Funds - Other Material Information' (OMI) document on Disclose.
Risk management policy	All investments have investment risk, which is the risk of negative or lower than expected returns on your investment. Investment Solutions regularly reviews its risk management framework, including portfolio and manager risk. Our investment philosophy is based on appropriate diversification and active management where it is expected that value can be added or where we seek to mitigate investment risk. For more information on the risks relevant to the Funds, see the OMI.
Responsible investment policy	<p>Responsible investment, including environmental, social and governance considerations, is taken into account in the investment policies and procedures relating to the Premium Investment Funds as at the date of this SIPO.</p> <p>You can obtain an explanation of the extent to which responsible investment is taken into account in BTNZ's Responsible Investment Policy at westpac.co.nz/responsible. The 'Responsible Investment Policy' document is also available on Disclose.</p>

Other relevant policies

The following policies are also relevant to the management of the Premium Investment Funds and can be found in the 'BTNZ Proxy Voting Trade Allocation and Execution Policy' document on Disclose:

- Trade Allocation and Execution
- Proxy Voting

Information on the asset valuation and unit pricing policies for the Premium Investment Funds can be found in the OMI.

6. Investment Performance Calculation and Monitoring

Performance for each Fund is generally calculated and reported to key BTNZ investment personnel every business day. Additionally, weekly and monthly performance summary reports are prepared by Investment Solutions and are reviewed internally. Performance is monitored over monthly, quarterly, half-yearly and annual periods, as well as rolling two, three, five, seven and ten year periods (where applicable).

Performance is measured on an absolute return basis, as well as relative to each Fund's benchmark returns, information ratios and ex-post tracking errors.

Investment Solutions regularly monitors the performance of the underlying investment managers that manage the assets in the Wholesale Funds.

7. Investment Strategy Review

The underlying investment managers that manage the assets in the Wholesale Funds are each required to offer a well-defined, robust investment philosophy and process. We regularly monitor these managers, reviewing matters such as investment performance, portfolio holdings, ESG considerations, compliance, changes to key investment personnel and business factors. The underlying investment managers may be changed at any time without notice to investors.

Details of the Wholesale Funds we have chosen to invest into, and the underlying investment managers that manage the assets in the Wholesale Funds can be found in the 'Other Material Information – Underlying Investment Managers' document on Disclose.

8. Compliance with and review of the SIPO

Investment Solutions monitors compliance with the SIPO for each Fund every business day.

Investment Solutions and other BTNZ personnel may at any time propose amendments to the SIPO. These proposed amendments are reviewed by relevant stakeholders, (including the Supervisor and the BTIC). BTNZ (on the recommendation of the BTIC) may amend the SIPO after giving prior written notice to the Supervisor.

The BTIC will review this SIPO annually (or more frequently if required).

Appendix: Permitted investments by Fund

Enhanced Cash Fund

Securities that are short term or short term in nature and denominated in New Zealand dollars or have had all their cash flows hedged into New Zealand dollars, including, but not limited to:

- (a) Securities of or guaranteed by the New Zealand Government, supranational bodies or institutions not incorporated in New Zealand, New Zealand entities or Australian entities;
- (b) New Zealand dollar denominated securities and structured products where the underlying securities of the structured product comply with the permitted investments for a cash portfolio;
- (c) Asset backed securities (including mortgage backed securities), being securities where the capital value and income stream are backed by a specific pool of underlying assets;
- (d) Floating rate notes;
- (e) Derivatives (either exchange traded or over-the-counter) including but not limited to swaps, interest rate and forward rate contracts, forward foreign exchange contracts, options, and futures contracts, as appropriate in the management of a cash portfolio;
- (f) Units and other prescribed interests in unit trusts or other pooled funds that invest predominantly in the investments referred to above; and
- (g) Investments not covered by the above and approved by the Supervisor.

Corporate Bond Fund

- (a) New Zealand fixed interest securities including deposits, debentures, bonds, notes, promissory notes, bank bills, certificates of deposit, floating rate notes, bills of exchange, redeemable preference shares and other securities whether consisting of a charge over property or not;
- (b) Asset backed securities (including mortgage backed securities), being securities where the capital value and income stream are backed by a specific pool of underlying assets;
- (c) Cash or cash equivalents at bank;
- (d) Derivatives (either exchange traded or over-the-counter) including but not limited to swaps, interest rate and forward rate contracts, forward foreign exchange contracts, options, and futures contracts, as appropriate in the management of a New Zealand Fixed Interest portfolio;
- (e) Units and other prescribed interests in unit trusts or other pooled funds that invest predominantly in New Zealand Fixed Interest; and
- (f) Investments not covered by the above and approved by the Supervisor.

International Diversified Bond Fund

- (a) International fixed interest securities including, but not limited to, sovereign debt securities, corporate debt securities, asset and mortgage backed securities and agency securities, high yield and emerging market debt securities;
- (b) Investments issued by any entity, wherever formed, denominated in any currency, which provide a rate of return (as a dividend, interest, distributions or otherwise) which is fixed or a variable rate of return determined by reference to a fixed or variable interest rate (subject in each case to limitations on the obligation to pay that rate of return under the terms of the investment) until maturity or (in the case of convertible investments) conversion;
- (c) Cash or cash equivalents at bank;
- (d) Derivatives (either exchange traded or over-the-counter) including but not limited to swaps, interest rate and forward rate contracts, forward foreign exchange contracts, options, and futures contracts, as appropriate in the management of an International Fixed Interest portfolio;
- (e) Units and other prescribed interests in unit trusts or pooled funds that invest predominantly in investments referred to above; and
- (f) Investments not covered by the above and approved by the Supervisor.

Australasian Diversified Share Fund

- (a) Ordinary equities, preference equities, convertible and converting notes, warrants, options, rights and other securities in corporations which are listed on the New Zealand Exchange (NZX) or on the Australian Securities Exchange (ASX) or which, if not then listed on the NZX or ASX, are (in the reasonable opinion of BTNZ) expected to be listed on the NZX or ASX within one year (or such longer period as BTNZ determines is reasonable from time to time whether generally or in relation to any particular category or case) from the date of purchase or subscription;
- (b) Cash or cash equivalents at bank;
- (c) Derivatives (either exchange traded or over-the-counter) including but not limited to swaps, interest rate and forward rate contracts, forward foreign exchange contracts, options, and futures contracts, as appropriate in the management of an Australasian Equities portfolio;
- (d) Units and other prescribed interests in unit trusts or other pooled funds that invest predominantly in the investments referred to above; irrespective of whether the trust or fund is listed on the NZX or ASX; and
- (e) Investments not covered by the above and approved by the Supervisor.

International Diversified Share Fund

- (a) Ordinary equities, preference equities, units in unit trusts, interests in mutual funds, and other securities of an equity nature, whether or not listed on a stock exchange or traded on over-the-counter markets in any country, and rights or securities which are convertible into equities;
- (b) Debt securities (including bonds and notes) convertible into or exchangeable for equities;
- (c) Derivatives (either exchange traded or over-the-counter) including but not limited to swaps, interest rate and forward rate contracts, forward foreign exchange contracts, options, and futures contracts as appropriate in the management of an International Equities portfolio;
- (d) Cash or cash equivalents at bank;
- (e) Units and other prescribed interests in unit trusts or pooled funds that invest predominantly in the investments referred to above; and
- (f) Investments not covered by the above and approved by the Supervisor.

Property Fund

- (a) Units, ordinary equities, convertible notes, preference equities and other securities in property trusts and property companies whose predominant business is ownership and/or development of property, which are listed on a stock exchange or traded on over-the-counter markets in any country, or are (in the reasonable opinion of BTNZ) expected to be listed on a stock exchange within one year (or such longer period as BTNZ determines is reasonable from time to time whether generally or in relation to any particular category or case) from the date of purchase or subscription;
- (b) Cash or cash equivalents at bank;
- (c) Derivatives (either exchange traded or over-the-counter) including but not limited to swaps, interest rate and forward rate contracts, forward foreign exchange contracts, options, and futures contracts, as appropriate in the management of a listed property portfolio;
- (d) Units and other prescribed interests in unit trusts or other pooled funds that invest predominantly in the investments referred to above; and
- (e) Investments not covered by the above and approved by the Supervisor.

