Westpac Premium Investment Funds.

Other Material Information.

30 September 2020.

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Background

This is an important document in relation to your investment in the Westpac Premium Investment Funds (**Scheme**). It should be read together with the Product Disclosure Statement (**PDS**), the Statement of Investment Policy and Objectives (**SIPO**) and any documents held on the register at **disclose-register.companiesoffice.govt.nz** (**Disclose**).

In this document:

- the words “you” and “your” refer to you and to other persons who apply for units in the funds that make up the Premium Investment Funds or who are allotted units in the funds. Where investing through the Westpac Wrap Service or another custodial service any units will be held by the relevant custodian;
- the words “we”, “us”, and “our” refer to BT Funds Management (NZ) Limited (**BTNZ**), which is the manager (**Manager**) of the Premium Investment Funds; and
- the words “current” or “currently”, in relation to legislation, policy, activity or practice, mean as at the date of this document. Any legislation, policy, activity or practice may be reviewed or changed without us notifying you.

This document has been prepared pursuant to section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 (**FMCA**) for the purpose of meeting certain of the disclosure requirements applying to the Westpac Premium Investment Funds under clause 52 of Schedule 4 to the Financial Markets Conduct Regulations 2014 (**FMCR**).

1. Nature of the Scheme

Introducing the Premium Investment Funds

The Scheme is a managed investment scheme for the purposes of the FMCA. In the Scheme there are six managed funds (each a **fund** and collectively the **funds**) for you to invest in. Each fund invests in a single asset class as described in the PDS and the SIPO. The funds are:

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

The trust deed governing the Scheme is available on Disclose.

How do the funds work?

The money you invest buys units in the fund(s) you choose. Each unit represents a share of a fund and has a unit price so that you know what your share of that fund is worth. Changes in the value of the assets of a fund will be reflected in the value of the units. Generally speaking, if the assets of the fund go up in value, your units will be worth more and if they go down in value, your units will be worth less. This means the return on your investment is reflected by any increase or decrease in unit price and any distributions.

Each unit in a fund has the same value as every other unit in that fund and represents an equal interest in the assets of the fund.

The funds may issue any number of units that we choose. There is no maximum number of units that may be issued by a fund.

The units you hold in a fund do not give you any interest in any particular asset of that fund. This means that you cannot, for example, request or require us, or The New Zealand Guardian Trust Company Limited (**Supervisor**) as the supervisor of the Scheme to transfer to you any asset of a fund. Generally speaking, you can only access the value of your investment in a fund by withdrawing the units that you hold in that fund.

Asset valuation

We value the different assets held by a fund to determine the unit price for that fund. Asset valuations for the funds are typically performed each business day (being a day other than a Saturday or Sunday or a public holiday in Auckland and Wellington). We apply market standard valuation methods for each asset type and in accordance with the trust deed. Our valuation policy permits the use of estimates in asset valuations for example, where assets are illiquid or infrequently traded.

For any new assets for which a market standard valuation approach is not applicable or appropriate, the valuation method to be used is first discussed with the Supervisor and our appointed unit pricing administration manager before being confirmed.

Unit price calculation

Unit prices are calculated by reference to the net asset value of the relevant fund at the time divided by the number of units that have been issued from that fund. Unit prices are rounded to four decimal places. Some additional information on the calculation of unit prices is set out in the trust deed for the Scheme. We generally calculate unit prices each business day using the asset values determined for that day (as described above).

Any application for units or withdrawal request accepted before 4pm on a business day (or such later time as we may accept) will, in normal circumstances, receive the unit price applicable for that business day. You can obtain the unit price applicable to any day by contacting us via the contact details in the PDS.

Our current policy is to calculate unit prices using the forward pricing method. The use of forward pricing is considered to be good market practice as it removes the arbitrage opportunities associated with the alternative (historical pricing) method. Applications to purchase units or withdrawals are generally processed using the unit price applicable to the business day that the application or withdrawal request was received and accepted.

As specified by the trust deed, the Manager and the Supervisor have agreed a compensation policy that will apply if a material unit pricing error or material non-compliance with a unit pricing method requires correction. Under the current policy applied by the Manager and the Supervisor (unless the Manager and the Supervisor agree otherwise), a material unit pricing error is generally an error that equals or exceeds 0.30% of the unit price that would have applied had the error not occurred. Where agreed with the Supervisor, the Manager may choose not to pay compensation to you for an amount less than $20.

Buy/sell prices

To make allowance for the cost (or part of the cost) of acquiring or selling assets for a fund (transaction costs), under the trust deed we can adjust the unit price upwards (by establishing a buy price) or downwards (by establishing a sell price). We can determine this allowance, and whether or when it is applied. These allowances (if any) are retained by the funds and not by us. We currently do not apply buy/sell prices.

Making investments

This offer is only open to you if you are in New Zealand.

Further information on how to invest in the Scheme is set out in the PDS.

Application moneys are paid into a non-interest bearing bank account upon receipt and applied to the relevant fund(s) in accordance with the trust deed.

We may set a minimum investment amount for any of the funds. If the value of your investment falls below the specified minimum amount, you will be asked to top it up. If you are unable to do this, we can, on giving you 30 days' notice, redeem or repurchase the entire investment and return the proceeds to you.

We have the right to decline in whole, or in part, any application or postpone the processing of the application pending receipt of cleared funds.

Investing in the Corporate Bond Fund

The Corporate Bond Fund is currently the only fund in the Scheme you can invest in directly. For more information, or to invest into the Corporate Bond Fund, see the PDS on **westpac.co.nz/pif** or on Disclose.

Investing through a custodial service

Investment in the Scheme is available through the Westpac Wrap Service, and may be made available through any other custodial service we approve (together referred to as the **custodial service**).

Investors who invest through a custodial service do not become direct investors in the Scheme and do not have a direct relationship with us or the Supervisor. Instead, the custodial service has the direct relationship with us and will be able to exercise any rights attached to units held on the investors' behalf. Investors will have a direct investment relationship with their custodial service.

A custodial service will have an agreement with its investors governing the terms of the custodial arrangement. Any custodial service will have entered into an arrangement with us in respect of the Scheme. Any terms and conditions in the PDS may be varied by such an arrangement. Investors should contact their custodial service to find out whether any variations have been agreed between us and the custodial service.

Withdrawals

We generally action all withdrawals by redeeming units. We can also buy your units from you in certain circumstances. This is called a manager repurchase. If we receive a valid withdrawal request in writing before the cut-off time on a business day, and we accept that request, we will generally process it using the unit price applicable to that business day. If the withdrawal request is received on a day that is not a business day or at or after the cut-off time, we will generally process it using the unit price applicable to the next business day.

If we accept a withdrawal request, the withdrawal amount will generally be paid to you within ten business days from the date the fully completed and signed withdrawal request is received by us, or if the fully completed and signed withdrawal request is not received on a business day, within ten business days from the next business day.

Under the trust deed, the withdrawal amount must be paid to you within 30 business days from the date the withdrawal request is received by us. In all cases, the time period may be longer if the nature of the assets makes this necessary, in which case there is no prescribed time limit. This is subject to the restrictions below.

Restrictions on withdrawals

We are able to suspend or delay payment of withdrawals in certain circumstances set out in the trust deed. These circumstances include, for example, where we determine in good faith that it is in the interests of investors affected generally, or, where it is impractical for us to determine the value of a fund or to sell assets.

The maximum suspension period is currently 30 days or such further unlimited period as determined by us with the consent of the Supervisor. We will deem withdrawal requests received during that suspension period to have been received immediately following the expiry of the suspension period.

Without limiting our ability to suspend or delay withdrawals as described above, we may, when processing a large withdrawal request, delay the issue of a unit price for applications and withdrawals from a fund until the assets necessary to cover the withdrawal have been sold.

Distributions

The Corporate Bond Fund makes regular distributions on a 6-monthly basis, after the end of April and October. No distributions are expected to be made by the other funds. We can alter the distribution periods or make regular distributions from the other funds in the future.

We have the discretion to decide the appropriate level of income (and, if applicable, capital) to be distributed for each distribution period and may decide not to make a distribution. The amount to be distributed in total for a fund is divided by the number of units on issue for that fund on the last day of the distribution period. This will determine the amount to be distributed for each unit that has been issued in that fund. If you have units in that fund, your entitlement will be determined by multiplying the amount to be distributed per unit by the number of units you have in that fund. Each unit in a fund will receive the same distribution for a particular distribution period regardless of when it was issued.

Prior to a distribution, any accrued income will be reflected in the unit price of the fund. Therefore, after a distribution has been paid, the unit price will generally fall by the value of the amount to be distributed per unit. If you invest just before a distribution, you may receive some of your investment back as income (and the capital value of your unit will have decreased).

Distributions can be paid to the bank account you have previously nominated, or they can be automatically reinvested. If you choose to reinvest your distribution, we will issue units in your name in the same fund on the date that the distribution takes place. You can opt in or out of the automatic reinvestment option.

Distributions will be paid as soon as reasonably practicable following the end of the distribution period (generally within 4 weeks).

The tax treatment of distributions is set out in section 7.

Transferring units

You may apply to transfer your units to another person. Transfers must be made in a form approved by us which complies with any applicable laws. A transfer is not effective until registered. We may refuse to register a transfer at our absolute discretion.

Please note that we can't make a transfer:

- If the other person is not allowed to be an investor under the trust deed or by law; or
- If the other person has a legal disability (such as bankruptcy or mental incapacity); or
- If registration of the transfer would cause a fund to breach the Portfolio Investment Entity (**PIE**) eligibility requirements; or
- If it would result in the transferee or transferor holding less than the minimum amount.

Closure of your investment

In some circumstances we may need to withdraw all your units or close your investment in a fund. This may occur where we consider doing so is in the interests of investors in the fund generally, where necessary to preserve the Scheme's eligibility for PIE status, or where your withdrawal request would leave you with less than the minimum holding.

Insolvency/wind-up

We may decide to wind up the Scheme or any fund at any time. If we, the Scheme, or any fund is liquidated or wound up, any creditor's claims will rank ahead of your claims, and your claims will rank equally with other investors in the relevant fund. If BTNZ or a fund become insolvent, you won't be liable to pay money to anyone.

Changes to the Scheme

Our ability to make changes

We and the Supervisor can change any fees within the limits set out in the trust deed. We will give you 30 days' notice of any increase in fees (unless the Supervisor agrees another period). We may introduce at any time any fees provided for in the trust deed that are currently not charged. If we make a change, you (or a fund as the case may be) will need to pay the new fees. We may also alter the minimum investment and withdrawal amounts, or any notice periods, or our policy around buy/sell spreads. We may also adjust the frequency of unit pricing (e.g. to and from daily, weekly, fortnightly or monthly). We can also close or wind up a fund.

Making changes to the trust deed and SIPO

Together with the Supervisor, we may amend the provisions of the trust deed. Any such changes must be made in accordance with the trust deed.

We may also amend the SIPO for the Scheme (after giving prior notice to the Supervisor), including benchmark asset allocations and ranges, the primary investments and a fund's benchmark index and objectives in accordance with the trust deed.

Notification of any material changes to the SIPO will be advised in the annual report for the Scheme and in accordance with the trust deed or law.

Borrowing powers

At our direction, the Supervisor may borrow or make other funding arrangements on behalf of any fund, provided that the total of such liabilities does not exceed 60% of the net fund value of the relevant fund at the date of making such arrangements.

2. The Manager and its directors

The Manager of the Scheme is BTNZ.

Details of the directors of BTNZ are available at **companiesoffice.govt.nz/companies**

The directors of BTNZ may change from time to time without notice to you.

The ultimate holding company of BTNZ is Westpac Banking Corporation, ABN 33 007 457 141 (**Westpac Banking Corporation**), an Australian incorporated company. Westpac Banking Corporation is listed on the ASX. BTNZ has been a member of the Westpac Banking Corporation group of companies (**Westpac Group**) since 31 October 2002.

Investments made in the funds do not represent bank deposits with or other liabilities of Westpac Banking Corporation, Westpac New Zealand Limited (**Westpac NZ**) or other members of the Westpac Group. They are subject to investment and other risks, including possible delays in payment of withdrawal amounts in some circumstances, and loss of investment value, including principal invested.

Key roles within BTNZ

Details of the roles key to the management of BTNZ can be found at **westpac.co.nz** (by searching for a document titled "Key Roles within BT Funds Management"). The roles and the people holding those roles may change from time to time without notice to you.

3. Other parties

Administration managers

Trustees Executors Limited and MMC Limited have been appointed to perform certain administrative functions for the Scheme. The administration managers are regularly monitored and reviewed.

Trustees Executors Limited

Trustees Executors Limited provides registry administration services which include investor maintenance and servicing, transaction processing, making/receiving payments, reconciliations, investor correspondence and reporting.

MMC Limited

MMC Limited provides fund administration services including calculation of performance, reconciliation of security positions and bank accounts, trade matching and settlement, portfolio valuations, unit pricing and preparation of financial statements.

We may change the administration managers without notice to you. The identity and number of administration managers may vary from time to time.

Underlying investment managers and Related Funds

Each fund in the Scheme invests in one or more wholesale funds, which are also managed by us (Related Funds). The Related Funds access underlying investment managers (which may include BTNZ) who manage the assets. The underlying investment managers we currently use and the Related Funds we invest in are shown in the document titled "Other Material Information – Underlying Investment Managers" which is available on **westpac.co.nz/pif** and on Disclose.

Changes to underlying investment managers

Underlying investment managers are regularly monitored and reviewed. Managers may be added or removed without us notifying you. This means the identity and number of underlying investment managers for the funds may vary from time to time.

Licensed Supervisor

The Supervisor, The New Zealand Guardian Trust Company Limited, has been granted a licence under the Financial Markets Supervisors Act 2011 to act as a supervisor in respect of debt securities and certain registered schemes.

Further information on the Supervisor's licence is available at the Financial Markets Authority's website **fma.govt.nz**

Registrar and Custodian

BTNZ is the Registrar of the Scheme and an electronic register for the Scheme is kept at our head office in Auckland.

The custodian is The New Zealand Guardian Trust Company Limited. Assets of the funds are registered in the name of the custodian or its nominee company, BTNZ Unit Trust Nominees Limited.

Supervisor and Manager indemnity

Subject to the limits on permitted indemnities under the FMCA, the Supervisor and the Manager are entitled to be indemnified out of the assets of the Scheme for any liability incurred in performing or exercising any of their powers or duties in relation to the Scheme to the maximum extent permitted by law. This indemnity does not extend to liabilities arising:

(a) from a breach of trust; or

(b) where the Supervisor or the Manager (as applicable) fails to show the degree of care and diligence required having regard to its powers, authorities and discretions under the trust deed.

You indemnify the Supervisor and us for tax paid on income attributed to you by a fund. This indemnity only applies if your interest in a fund is not sufficient to meet any tax liability on income attributed to you.

Further information in relation to the Supervisor's and our responsibilities and indemnities is set out in the trust deed.

Management Agreement

A Management Agreement between us and the Supervisor dated 2 May 2016 (as amended from time to time) sets out the arrangements between us and the Supervisor in relation to certain operational matters relating to the Scheme. The Management Agreement specifies the reporting and information to be provided by us to the Supervisor and the requirements for operating the funds' bank accounts and record keeping.

Nothing in the Management Agreement limits or alters the powers of the Supervisor or our duties under the trust deed and applicable law.

4. Further information on fees

Management fees

We are responsible for the management of the Scheme, its funds and their investments and we are paid a management fee, which is limited by the trust deed.

Under the trust deed, the maximum aggregate annual management fee we may receive from a fund is 2.5% per annum of the value of the assets of the relevant fund.

Supervisor's fee

The Supervisor charges an annual fee in respect of its services performed for the Scheme. Under the trust deed, the maximum level of this fee is 0.10% per annum of the value of the assets of the relevant fund.

Expenses

We and the Supervisor are entitled to be reimbursed from a fund for certain expenses (inclusive of GST, if applicable) we incur in respect of that fund, including expenses relating to services provided by an administration manager.

Underlying fund fees

The funds that BTNZ chooses to invest in (including Related Funds) may charge management fees. Under our current policy, when we choose to invest in a Related Fund, the Related Fund will not charge management fees or application fees. In addition, we pay the management fees charged by any underlying investment managers that the Related Funds access, so these fees will not affect the amount of your returns. See section 5 for more information.

The Related Funds and any other external funds they are exposed to may however charge other fees, including performance fees, and incur expenses which will affect the value of the Related Funds and consequently have an impact on the returns of the funds and therefore the value of your investment.

Included in the annual fund charges disclosed in the PDS are estimates of the performance fees (if any) that may be charged by the investment managers that the Related Funds have accessed when specific performance targets are met.

A performance fee (if any) will only be charged by an investment manager of a Related Fund when its investment return outperforms either its benchmark or a specific performance hurdle return. A performance hurdle return is typically a specified percentage above a benchmark index. Usually, any prior underperformance must be made good before the investment manager qualifies for a performance fee. Performance fees (if any) for the relevant investment managers of the Related Funds typically range from 0-20% of outperformance over the benchmark or its performance hurdle. There is no guarantee that a performance fee will be paid, and the actual performance fees charged will vary from any estimates of performance fees used within the annual fund charges estimated in the PDS.

Basis for estimates of fund charges in PDS

The annual fund charges shown in the PDS include the actual management fee for each fund and estimates of the expenses for each fund, as well as estimates (weighted according to each fund's benchmark asset allocations) of the other fees and expenses expected to be charged by underlying funds (including any performance fees). Those estimates, made as at the date of the PDS, are based on:

- historic data of actual fees and expenses of the underlying funds, or
- where no historic data is available, the expected levels of fees and expenses of similar underlying funds, and
- in the case of performance fees, the performance fee that would apply if the performance threshold of the relevant underlying fund was met.

When we make estimates using historic data, we assume that ongoing charges will be at levels equivalent to the charges contained in the historic data.

Actual fund charges will vary from these estimates including where such charges depend on the performance of the underlying funds and their investment managers.

Administration fee

We do not currently charge an annual administration fee, but we may do so subject to any limits imposed by the trust deed.

Variation to fees

We may vary the fees from time to time, and introduce new fees not currently charged, as permitted by the Trust Deed.

GST

Goods and Services Tax (**GST**) is not included in any of the fees stated within the PDS. GST will be added to any fees where applicable.

5. Westpac and its related parties – disclosure of interests

We may use related parties to provide services in respect of the Scheme as summarised below.

Westpac NZ and Westpac Banking Corporation are related parties of BTNZ. Westpac NZ and Westpac Banking Corporation provide banking services to the funds and may receive commercial benefits from this arrangement. Westpac NZ also receives a fee from BTNZ for providing support services and distributing the funds.

We or our directors (or associated persons of us) may invest in the funds.

The funds invest in Related Funds. Our current policy is that the Related Fund will not charge:

(a) application fees (if any); or

(b) management fees (or that if management fees are charged, they are rebated in full to the investing fund).

More information on the Related Funds and underlying investment managers can be found in the document titled “Other Material Information – Underlying Investment Managers” which is available on Disclose.

If the Supervisor (or a related company of the Supervisor) is also the supervisor of a Related Fund, then it will either not charge any fee for that Related Fund to the investing fund or refund any fee so charged.

The Related Funds may also charge other fees and incur expenses. Any such fees and expenses paid will affect the value of the Related Funds and consequently affect returns.

Conflicts of interest policy

Because we are a member of the Westpac Group and have directors who are senior executives with the Westpac Group, an inherent conflict of interest arises.

How conflict would/could materially influence funds

- We may have an incentive to influence investment managers to invest in securities (including investment funds) issued by us or others within the Westpac Group ahead of other investments.
- We or a Westpac Group entity may have an incentive to invest in investment funds managed by us or that entity (or otherwise within the Westpac Group) ahead of investment funds managed by third party investment managers.
- We may have an incentive to utilise other members of the Westpac Group for the supply of services and as counterparties for banking products and derivatives trades, ahead of third parties.

Steps taken to manage conflicts of interest

The FMCA imposes statutory controls on conflicts of interest:

- We must, in exercising any power, or performing any duties as Manager, exercise the care, diligence and skill that a prudent person engaged in that profession would exercise in those circumstances; act honestly in acting as manager; act in the best interests of investors; and treat investors equitably.
- Where we contract out our functions to external parties, we must seek to ensure the persons to whom we contract those functions perform them to the above standards as if we were performing them ourselves. We must also monitor the performance of those functions.
- Where a related party transaction provides a related party benefit as prescribed by the FMCA, we must notify the Supervisor and provide any certifications required by the FMCA.

Westpac NZ Conflicts of Interest Policy and Conflicts of Interest Guidelines

We have built relevant statutory controls into our internal compliance processes and procedures. As part of the Westpac Group, we also comply with the Westpac NZ Conflicts of Interest Policy (**Policy**) and the Westpac NZ Conflicts of Interest Guidelines (**Guidelines**). The Westpac Group is committed to identifying, declaring and managing conflicts of interest.

The Policy sets out what a conflict of interest is and provides a framework for how to identify, declare and manage it.

The Guidelines provide that the process for managing a conflict of interest is to identify, declare, manage and monitor.

Any conflict of interest is recorded in the relevant business unit's conflicts of interest register. Conflicts of interest are a standing item on the agenda for the BTNZ Investment Committee (or any similar committee that may replace it) operated by BTNZ management. Further information on the BTNZ Investment Committee can be found in the SIPO on Disclose.

Westpac NZ has a separate policy and guidelines covering gifts and hospitality.

6. Risks

Main risks of investing: The main risk is **investment risk –** the risk of negative or lower than expected returns on your investment. All investments have investment risk. If market conditions are volatile or you invest for a short time, it is reasonably foreseeable that your overall returns from a fund or funds may be less than you expect or may be negative for a period of time. This may also be the case if you withdraw your investment during periods of higher volatility. If returns are less than charges paid and you withdraw your money at this time, it is possible that you could receive back less money than you put in.

We have identified the following principal risks that may produce this result and we also describe below how we seek to manage these risks (where possible). It is important to note that risks can only be managed to a certain extent.

Type of Risk	Description	Affected Funds	Risk Management
Market risk	Many factors affect market performance generally and, therefore, the value of assets in which the funds invest. These can include the state of the economy (both domestic and overseas); the performance of individual entities; tax laws and other regulatory conditions; market sentiment; political events; and broader events like changes in technology, pandemics or environmental events.	All funds	We seek to reduce market risk to some extent by diversifying across investment sectors, countries, investment managers and/or investment styles.
Currency risk	If a fund invests in international markets, currency movements may have an adverse effect on the domestic value of its international investments.	**More Affected** International Diversified Share Fund **Less Affected** Enhanced Cash Fund Corporate Bond Fund Australasian Diversified Share Fund	Currency hedging is used to reduce, eliminate or alter the effects of foreign exchange movements on assets not held in New Zealand dollars. The extent to which we manage currency exposures for each fund is set out in the SIPO which can be found on Disclose.

		International Diversified Bond Fund Property Fund	
Investment manager risk	Investment decisions are made by professional investment managers and will affect returns. Investment managers, that the Related Funds access, are selected according to a multi-faceted decision making process incorporating an assessment of both qualitative (business, team and culture, investment philosophy and process, risk management) and quantitative (performance outcomes) factors. The outcomes of investment decisions cannot be predicted with certainty and results will vary.	All funds	To seek to manage this risk, we regularly monitor the investment managers the Related Funds access. This involves monitoring the investment managers' return and risk outcomes as well as their portfolio implementation and investment expertise to ensure they are consistent with their stated investment process and performance objectives.
Credit risk	If a fund invests in fixed interest assets, money market securities, mortgages or derivatives, there is always a risk a borrower's or other counterparty's creditworthiness may decline or they may default on the required payments (which can reduce returns or mean that not all of the amount invested is recovered).	Enhanced Cash Fund Corporate Bond Fund International Diversified Bond Fund	Where appropriate, the investment strategy seeks to incorporate an assessment of creditworthiness and appropriate diversification to reduce credit risk.
Derivatives risk	Derivatives are financial contracts whose value depends on (or 'derives' from) the value of underlying assets such as equities, fixed interest, commodities, currency, or cash. They provide exposure to an underlying asset without the need to buy or sell that asset. They may be used by the funds as an alternative to investing in a	**More Affected** Enhanced Cash Fund Corporate Bond Fund International Diversified Bond Fund	To manage this risk, we operate within guidelines concerning the use of derivatives in the funds. For more details on our derivatives policy, see the SIPO on Disclose.

	physical asset or as a risk management tool. Derivatives may not perform in line with expectations, resulting in unexpected gains or losses and increased volatility. Certain Related Funds in which the funds invest may use derivatives more extensively than the funds themselves. Although the use of derivatives may create leverage in the funds, 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 (including market movements or cash flows) a fund becomes geared through its direct investments, we will realign the fund as soon as practicable to remove any gearing.	**Less Affected** Australasian Diversified Share Fund International Diversified Share Fund Property Fund	
Liquidity risk	The Scheme or a fund may be limited in its ability to meet your withdrawal if it cannot sell or accurately value assets and may suspend or restrict withdrawals in certain circumstances. This may occur because some assets are less liquid than others, which means it's harder to sell the assets within a timely period or on a "for value" basis. This may also impact on the price of the asset. In some cases, assets may not be so easily converted into cash for various reasons such as a lack of demand for the asset, disruptions in the market or large withdrawals. This risk may increase where a Related Fund invests through other funds, which may suspend or restrict withdrawals or otherwise become illiquid.	**More Affected** Corporate Bond Fund International Diversified Bond Fund **Less Affected** Enhanced Cash Fund Australasian Diversified Share Fund International Diversified Share Fund Property Fund	We seek to manage liquidity risk by investing primarily in liquid markets and securities. We monitor each fund's liquidity levels in order to meet any liabilities and withdrawals during normal market conditions. For more details see the liquidity management policy in the SIPO on Disclose.

Concentration risk	A fund's investments may be concentrated in particular assets, types of assets, investment vehicles, geographical areas or industries. In that case, the poor performance of a single investment or group of investments can significantly impact returns and increase volatility. Concentration risk can also arise where a fund's investments are concentrated in other managed funds, which may potentially give rise to an increased liquidity risk (as discussed above).	**More Affected** Enhanced Cash Fund Corporate Bond Fund Australasian Diversified Share Fund Property Fund **Less Affected** International Diversified Bond Fund International Diversified Share Fund	The funds and Related Funds may adopt concentration limits to manage this risk.
Inflation risk	If your investment is held in cash or fixed interest assets, there is a risk that the value of your investment may not keep pace with inflation. This could mean that even though your investments are steadily growing, your money may not have the same buying power in the future as you would expect in today's money.	Enhanced Cash Fund Corporate Bond Fund International Diversified Bond Fund	
Interest rate risk	Changes in interest rates (whether in New Zealand or internationally) can have a negative impact directly or indirectly on your investment value or returns. For example, an increase in interest rates will negatively impact the value of fixed interest assets.	**More Affected** Enhanced Cash Fund Corporate Bond Fund International Diversified Bond Fund **Less Affected**	

		Australasian Diversified Share Fund International Diversified Share Fund Property Fund	

Additional risks which may be relevant at different times include:

- **regulation risk –** any change in tax or other applicable legislation or regulation could impact on the funds' returns.
- **product risk** – changes may be made to the funds from time to time including changing a fund's aim, strategy, benchmark asset allocation or ranges, underlying investment managers or administration managers, adding to, closing or winding up the funds, or changing the fees and charges or minimum amounts. Any material changes will be made after notifying the Supervisor.
- **contractor risk** - a third party may fail to properly provide services to us in relation to the Scheme. We have selected reputable third parties to provide services to the funds. All third parties are required to meet agreed service levels and are subject to ongoing monitoring and review by us.
- **operational risk** - risks may arise from a failure of processes and procedures, fraud, litigation, disruption to business by industrial disputes, system failures, pandemics, natural disasters and other unforeseen external events which might affect our business or a fund and its assets. We seek to manage this risk with a risk management framework that includes core principles as well as policies and processes for measuring and monitoring risk. In addition, we and our administration managers have regularly tested business continuity plans in place to address certain types of business disruption.
- **tax related risk** - if the Scheme fails to satisfy the PIE tax eligibility criteria as set out in the Income Tax Act 2007, and that failure is not remedied within the period permitted under that Act, the Scheme may lose its PIE status.

  In that case, the Scheme will be taxed at 28% on its taxable income and any distributions and redemptions may become taxable to you. We have implemented processes to monitor ongoing PIE eligibility compliance for the Scheme, and have a number of powers available to us to proactively manage this risk. Additionally, if you advise us of a Prescribed Investor Rate (**PIR**) which is lower than the correct PIR, or if you fail to advise us when your PIR increases, your investment income will still be taxable at your correct PIR and you will need to pay any tax shortfall directly to Inland Revenue as part of the income tax year-end process.

7. Taxation

The Scheme is a multi-rate PIE for tax purposes.

This means that the taxable income of the Scheme will be attributed to investors in proportion to the units held in the respective funds and that any taxable income attributed to you will be taxed within the Scheme at the most recent PIR you (or the Inland Revenue) have notified to us or the default rate (currently 28%) if no PIR has been notified. Information on current PIRs and how to determine your PIR can be found at **ird.govt.nz/pir**

We will work out the PIE tax (after offsetting any applicable tax credits) that is attributable to you and then cancel units held by you equal in value to that amount. Similarly, if you are due a refundable PIE tax credit, we will issue additional units equal in value to the amount of the refund. We'll usually make these adjustments for PIE tax after the end of the Scheme's income year. However, if you withdraw or transfer units during the year, then we'll make tax adjustments at that time.

You can find more information about PIEs on the Inland Revenue website **ird.govt.nz** (search for 'PIE for investors'). We and the Supervisor do not take any responsibility for your taxation liabilities. You should seek your own independent professional advice as to your particular tax position.

The Scheme must comply with certain requirements to maintain its PIE status. We have powers under the trust deed to ensure those requirements are met. For example, while the Scheme is a PIE you may be restricted from holding more than 20% of the units of a fund. We have the power to restrict your purchase of units, or compulsorily withdraw some or all of your units, in a fund if the number of your units breaches, or will breach, that 20% limit and threatens the Scheme's eligibility for PIE status.

You are not subject to tax on any distributions from the funds.

Where units are held through the custodial service, the custodial service is a proxy for the investor in a PIE (**PIE Investor Proxy**). The PIE Investor Proxy will be responsible for the payment of tax, and the attribution of income, losses, tax credits and refunds for tax purposes, in respect of the units. Neither we nor the Supervisor will be liable for the attribution of income, losses or refunds or the payment of tax in respect of units held through PIE Investor Proxies.

It is your responsibility to tell the custodial service or Westpac adviser your PIR when you invest in a fund or if your PIR changes. If you do not tell the custodial service or Westpac adviser, a default rate will be applied.

8. Additional information on returns for the funds

Information for Wrap investors

Investors in the Westpac Wrap Service will receive reports, portfolio information and other documentation directly from Westpac NZ and the custodian of the Westpac Wrap Service.

Fund returns on Disclose

The historical returns provided on Disclose are calculated before tax and net of all fund charges as required under the FMCA. Prior to July 2004, the returns for the funds were calculated on a different basis and are therefore not comparable to those on Disclose. For information on the historical returns of the funds prior to July 2004, please contact us.

Returns for the Corporate Bond Fund

On 14 August 2012 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.

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