



# Qualitative Fund Research

Westpac Active Series Scheme

April 2019

## About the Manager

BT Funds Management (NZ) Limited (the Manager, BTNZ) is a wholly owned subsidiary of Westpac New Zealand Limited (Westpac NZ), which in turn is wholly owned by ASX listed parent Westpac Banking Corporation, ASX: WBC, (Westpac). Westpac's vision is to be one of the world's great service companies, helping its customers, communities and people to prosper and grow. The bank's primary areas of business is in Australia, New Zealand and the Pacific. The Manager has provided a brief profile available [here](#).

The Westpac Active Series offers a [focused investment](#) menu of multimanager diversified funds that draw on all of the BTNZ investment teams full capabilities. The BTNZ investment team are committed to seeking ways of improving the outcomes for its customers. BTNZ takes a long-term approach to implementing its investment strategies, recognising that the short term is unpredictable. The investment team are prepared to back their convictions, and have a culture that is driven, focussed, and accountable, with a high standard of excellence, integrity and ethics.

Westpac provides a comprehensive outline on its operating principles and governance frameworks, outlined [here](#). Westpac is committed to

empowering communities to become stronger and more prosperous, via its family of [philanthropic foundations](#). FundSource views corporate citizenship and governance frameworks as extremely important foundations from which a manager starts to engage with the clients' experiences.

BTNZ manages five Westpac Active Series diversified funds:

- Income Strategies Trust
- Conservative Trust
- Moderate Trust
- Balanced Trust
- Growth Trust

These funds are managed by BTNZ, the investment arm of Westpac NZ. The investment team consists eight investment professionals. The [key roles](#) within the BTNZ are limited to head of positions. The investment team report through to the BT Investment Committee (BTIC) and the BTNZ Board of Directors. For the number and type of funds being managed, the team is well resourced and governed. The Manager does not publicly provide individual bios for the investment team.

## Changes

**This information has been provided by the Manager based is General Advice only and should be read in conjunction with the Disclaimers, Disclosures and Warnings at the end of this document.**

**Corporate:** BTNZ is a part of the Westpac Commercial, Corporate and Institutional business unit. Previously BTNZ was a part of the product and marketing division within the Bank.

BTNZ is now a signatory to the UN Principles for Responsible Investing (PRI) and a signatory to the UN Tobacco-Free Finance Pledge.

An investment mandate structure and asset re-alignment across all strategies has now been fully embedded in all sectors, except for the Alternative Investment Strategies Fund, bringing with it greater oversight, transparency, and investor efficiencies.

**Team Changes:** two junior analyst departures from the investment team (Anastassia Juventin and Philippa Allen – both moving offshore). As a result, the manager has implemented the following changes:

**Nirav Shah** has taken Portfolio Manager responsibility for the Global Fixed Interest and Alternatives sectors. **Anna Boyle** has assumed Portfolio Management responsibilities for Equities and Property and has responsibility for ESG research. **Teresa Brandts-Giesen** commenced in December 2018, supporting the portfolio completion and asset allocation processes. BTNZ is currently recruiting for a Senior Credit Analyst.

**Funds under management:** Funds under management (FUM) has grown to over \$13.0bn. KiwiSaver FUM has grown to \$6.1bn, and the third largest provider as measured by FUM.

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Question	What the Manager says	What FundSource think
What are the Manager's assets under management - in total for the Westpac Active Series Funds?	<p>Westpac Active Series as at 31 December 2018.</p> <p>Income Strategies Trust: \$ 9.2m  Conservative Fund: \$ 334.4m  Moderate Fund: \$ 901.8m  Balanced Fund: \$ 462.8m  Growth Fund: \$ 98.5m  <b>Total Active Series Funds: \$ 1.81B</b></p>	<p>The Westpac Active Series has significant funds under management across the six investment options, a cash option and five diversified options. The Scheme is distributed through Westpac New Zealand.</p> <p>The Active Series was first launched in 1992, with the Balanced and Conservative trusts. The Growth Trust was added in 1994. Both Moderate and Income trusts were added in 2012.</p>
Who is accountable for managing the Fund, and how long has the investment team worked together?	<p>The full investment team comprises 8 full time investment professionals. The team is headed by Matthew Goldsack, who joined BTNZ in 2008. The key people have been listed below.</p> <p><b>Matthew Goldsack</b> is the Head of Investment Solutions at BT Funds Management (NZ) Limited. Goldsack oversees the team responsible for investing activities across managed funds, including portfolio construction, risk management, and external manager evaluation and selection along with direct investment activities.</p> <p><b>Francois Richeboeuf</b> (Senior Portfolio Manager) joined BTNZ in 2010 and has overall responsibility for asset allocation and portfolio construction.</p> <p><b>Anna Boyle</b> joined BTNZ in 2009. In 2018, Boyle was promoted to Portfolio Manager Equities and Property and has taken on responsibility for ESG research. Boyle also has overall responsibility for leading the team's manager selection and analysis process.</p> <p><b>Stephen Hong</b> (Senior Portfolio Manager) joined BTNZ in 2013 and has overall responsibility for domestic fixed interest and allocations managed internally by the team.</p> <p><b>Angelika Sansom</b> is the lead investment analyst supporting the long-term strategic asset allocation and portfolio analytics processes, joining in 2002.</p> <p><b>Nirav Shah</b> (Portfolio Manager) joined BTNZ in 2008 and has responsibility for the management, evaluation and selection of the global fixed interest and alternatives sector funds. Prior to managing these funds, Shah was the Portfolio Manager for the Enhanced Cash fund.</p> <p><b>Teresa Brandts-Giesen</b> moved from Information and Insights team in December 2018, to support Francois Richeboeuf with the portfolio completion and asset allocation process.</p>	<p>Goldsack has led the BTNZ investment team since 2008. Many in the team have strong tenure. As expected with an investment team fulfilling the functions BTNZ do, some change in roles is expected over time. Importantly though, tenure and experience are not lost. The team tenure of the Portfolio Management team is considered a strong positive, underpinning consistency in decision making and progress to long term strategic improvements. FundSource believes the Manager will need to consider succession planning, more so for Hong, who has over 36 years investment experience.</p> <p>Richeboeuf has been responsible for managing the BTNZ diversified funds for over seven years. Richeboeuf is supported by a well-resourced team spanning across external manager research, internal investment capability for NZ bonds and asset allocation. The team ultimately report to Goldsack, who has overall responsibility for the investment team.</p> <p>The investment team is responsible for idea generation, management and monitoring funds within the full product suite. All funds are subject to oversight by a series of research teams operating within the investment team, some asset class specific, for example the Fixed Interest Group (FIG). The Investment Strategy Group (ISG) and Manager Monitoring Group (MMG) are more universal and are attended by the full BTNZ investment team. All outcomes are dealt with by the BT Investment Committee (BTIC), which is ultimately accountable to the BT Funds Management (NZ) Limited (BTNZ) Board, which is an all executive Board. FundSource highlights the BTIC includes a single non-executive independent member, all other appointments and attendees are internal Westpac/ BTNZ employees.</p> <p>BTNZ engage the services of third-party investment adviser, Willis Towers Watson, who provide regular reviews of the investment team processes, and additional external manager data for offshore manager selection. The investment adviser is a non-voting relationship, and the investment team are not obligated to implement any recommendations from the investment adviser.</p> <p>The use of groups, committees and an external adviser assist in mitigating key</p>

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		<p>person risk. This is complimented with one of the larger internal teams managing a predominantly multimanager investment approach in New Zealand. FundSource does not have a preferred model, by individual or by committee. FundSource focuses on determining the veracity and efficacy of process and the Manager's ability to implement the model and processes.</p>
<p>What objective is the Manager trying to achieve?</p>	<p>The primary objective of the fund is to outperform the composite benchmark index over the time horizon for the relevant fund.</p> <p>BTNZ's 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.</p> <p>BTNZ believe markets are somewhat inefficient and portfolios can be positioned in a manner to take advantage of opportunities that occur, which is a philosophy that generally applies to active investment selection.</p> <p>The current specialist funds and underlying specialist investment managers utilised for each fund can be found on their website at <a href="http://westpac.co.nz">westpac.co.nz</a> and on Disclose.</p>	<p>Richeboeuf joined the team in 2010 and is the Portfolio Manager responsible for the overall management of the Diversified Funds.</p> <p>The manager selection and research process are led by Boyle, with support from Shah for Global Fixed Income and alternatives, and Goldsack for equity and property sector funds. Boyle, Shah, and Goldsack have 14, 16, and 19 years industry experience, respectively. Hong is responsible for the NZ Diversified and Corporate Bond funds. Hong has 36 years industry experience. The responsibilities of investment team include benchmark asset allocation, specialist fund/manager selection and portfolio implementation.</p> <p>There are no standardised benchmarks used by diversified funds. As such the Manager uses a benchmark that is derived from the long-term strategic asset allocation for the Fund. FundSource highlights that using the Managers target weighted asset allocation as the Fund's benchmark is considered standard practice for diversified fund managers. Further details can be found at <a href="#">Westpac Active Series website</a>.</p> <p>FundSource highlights the Manager does not provide specific guidance on the degree of performance or outperformance that investors can expect.</p>
<p>What does the Manager invest your money into?</p>	<p>Each fund will invest across a wide range of asset classes comprising NZ money market securities (NZ Cash), NZ and global fixed interest, NZ and Global listed property, NZ and Global Equities and Alternative Investments (Hedge Funds), as they relate to each sector.</p> <p>The fund gains exposure to the asset classes by investing in other wholesale funds (that are managed by BTNZ). Securities are directly held within the relevant wholesale trusts. BTNZ will utilise investments in third party collective investment vehicles only when it is not feasible or possible to hold the assets directly (predominantly within the Alternative Investments asset class only).</p> <p>BTNZ employs a multi-manager investment approach, delegating security selection to specialist third party investment managers. Managers are located both in NZ and offshore for all asset classes excluding NZ bonds and NZ cash where both strategies are managed internally by the team.</p>	<p>FundSource notes the requirements and allowable investments for each sector Fund are detailed in the Westpac Active Series Statement of Investment Policy and Objectives (SIPO) available on the <a href="#">Disclose website</a>. The Westpac Active Series funds are suited to investors looking for a multi-manager approach to multi asset funds, using a strategic and dynamic asset allocation overlay.</p> <p>The Funds are suitable for investors looking for an actively managed, benchmark aware series of funds that implement their strategy via a multimanager portfolio. This leverages BTNZ's external manager selection process, which will see periodic changes in the underlying managers and funds. FundSource expects underlying manager turnover to be low, with proposed changes to underlying managers based around the medium to long term, that is three to five years or more. Notably over the course of the last year the Manager has amended some market benchmarks. The reviews and changes made over the last year are</p>

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		<p>viewed as being standard practice for a multimanager diversified fund.</p> <p>Notably there are some subtle difference in the underlying fund manager and underlying funds in the, Westpac Active Series versus the Westpac KiwiSaver and Premium Investment Funds. FundSource believes the Manager's transparency, courtesy of using mandates, to be a positive. The underlying securities are predominantly long only positions. The Manager can use derivatives to assist in hedging market risks.</p>
What are the inherent risks imbedded in the Fund?	<p>The primary inherent risks comprise market risk, investment manager risk - embedded in the active decisions undertaken by the underlying managers utilised by BTNZ, credit risk, derivatives risk, liquidity risk, and concentration risk.</p>	<p>The Manager believes that a key driver of performance is the asset allocation, as such the Manager develops views around a range of factors to assist in mitigating the risks identified, which are detailed on the Westpac Active Series – Other Material information is available on the <a href="#">Disclose website</a>.</p> <p>The Manager believes that active investment management provides a better opportunity to outperform over the long term. Manager selection is a methodical process which is in a continual cycle of review. This is in part managed through the regular Investment Strategy Group and Manager Monitoring Group. These groups meet weekly and monthly respectively and are considered central to ensuring underlying managers and funds continue to contribute to the Fund, as expected.</p> <p>The BT Investment Committee (BTIC) is a key part in managing risk across all portfolios. The BTIC provides oversight of policies, procedures, and risk monitoring. It also provides approval for underlying manager decisions, approvals or termination. Importantly the Manager is not opportunistic, investing for the medium to long term. FundSource views structured decision making positively, however notes that this can be slow to respond to sudden changes in market dynamics.</p> <p>The Manager's currency hedging decision is dynamic for international equities. The hedging level changes in response to movements in the relative strength of the NZD against the relevant currency. Hedging levels for all other asset classes with foreign currency exposure are generally fixed at 100%. FundSource observes the process employed is in line with industry standard practice.</p>
Why do they believe the future prices of the Fund's investments will vary?	<p>The funds are valued on a daily basis. As the assets of the fund are invested across financial markets and a range of financial instruments, returns will vary and cannot be guaranteed.</p>	<p>With asset allocation and manager selection being key drivers of performance, decisions around these two factors will influence the outcomes and investor experience. The Manager has developed a track record indicating it is able to consistently manage the process of positioning the Active Series Fund's and selecting underlying managers. When combined this has delivered consistent returns without taking excess risk, when compared to the relevant FE Analytics NZMI Diversified sector peers.</p>

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		<p>Investors should consider the Westpac Active Series Funds as having a minimum investment horizon of at least five years, more so for the Active Series Balanced and Growth Funds, due to the higher level of exposure to growth assets. Over shorter periods there is potential for material change in a Fund's value, based on market movements.</p>
<p>Why does the Manager believe you should give them your money rather than to someone else or to an inexpensive index fund?</p>	<p>BTNZ's 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 as well as sourcing value added opportunities. BTNZ believes markets are somewhat inefficient and portfolios can be positioned in a manner to take advantage of opportunities that occur, which is why their philosophy is to apply an active approach to asset allocation and investment selection.</p>	<p>The Manager is following a procedure that is not uncommon for large wealth management firms, based around strategic asset allocation framework. This is complimented with dynamic or tactical asset allocation and a multi manager portfolio construction process. The custodians of the process and the people are key to ensuring the processes, policies and monitoring are implemented with a view to generating investment return for scheme members.</p> <p>FundSource highlights the Manager has been able to generate consistent risk adjusted performance across its Active Series Funds performance is available on the <a href="#">Westpac Active Series website</a>. Further performance information is available at <a href="#">Disclose</a> and <a href="#">FundSource</a> websites.</p>
<p>How does the Manager decide to buy or sell investments?</p>	<p>The investment process is centred around the utilisation of insightful, high-conviction strategies and the maintenance of high levels of underlying transparency, liquidity and risk management. The intent of the process is to deliver sustainable funds with repeatable long-term returns. While day to day security selection decision making is delegated to third party specialist investment managers (excluding that of NZ Bonds and NZ Cash), the primary focus of the investment team is on top down asset allocation (both strategic and tactical), third party manager selection and blending, and portfolio construction. The investment team formally meet weekly to discuss investment strategy, performance and risk. Asset allocation investment decisions are discussed and decided at this meeting. BTNZ implements a tactical asset allocation process which aims to take advantage of investment opportunities and manage risks in the short to medium term, typically 1 to 3-year views - investment opportunities may occur within a particular asset class where an asset class sub sector is preferred over another. Asset class views are derived from an assessment of economic and financial conditions, sentiment, valuation, and supply/ demand imbalances.</p> <p>The investment team meets also meets monthly for the purpose of drilling down into underlying sub manager performance. Recommended changes to managers, downgrades to views or any other change to sector positioning will be discussed at this meeting.</p>	<p>As can be seen the Manager has clearly identified the processes around the decision-making process, which includes buying and selling investments. The Manager's process is methodical and structured and is applied to strategic and dynamic asset allocation decisions, manager selection and currency hedging decisions. The implementation of investment ideas and the buy and sell decisions are well considered and must meet rigid requirements. Risks in the decision-making process are front and centre of how the Fund is constructed. Importantly, recommendations for material changes are presented through the BT Investment Committee and notified through to the BTNZ Board.</p> <p>The Manager's underlying funds are implemented via mandates, providing greater transparency and oversight of the Fund as a whole. This also means the Active Series Fund's own the underlying securities and, when making a change, can transition the portfolio from one manager to the other in an orderly manner.</p> <p>The use of a third party to assist in filtering global managers is typical for a multi-manager Fund, particularly where the funds being managed are significant. Willis Towers Watson have an advisory role, and do not implement or vote on any decisions from the BT Investment Committee.</p>

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	Key external relationships also include Willis Towers Watson, BTNZ's retained asset consultant who provide advice on manager selection, and FactSet Systems, a provider of investment and risk analytics.	
Has the CIO/ PM personally invested in the Fund? If so, paying the same fees as other investors?	Investment personnel all invest into BTNZ's investment offerings through KiwiSaver and the Westpac Staff Superannuation Scheme (for which BTNZ is the investment implementation manager). Same fee applies.	<p>FundSource believes that managers 'eating their own pudding' should be an aspect a potential investor considers when deciding to invest in any financial product.</p> <p>Investing in a fund, alongside investors, aligns the interests of investment personnel with those of the investors. When investment personnel are significantly invested in a fund they are managing, and at the same fees, FundSource view this as a strong alignment.</p> <p>Given the risk profile of the KiwiSaver Funds, FundSource highlights all options may not align to an investment teams risk profile. However, each Westpac KiwiSaver Fund invests in the same pool of underlying investments, at differing allocations. Therefore, the investment teams KiwiSaver accounts are aligned to all KiwiSaver members, regardless of risk profile.</p> <p>FundSource believes that KiwiSaver contributions being invested is a lighter form of alignment with investors, however, notes that a number of NZ investors may only have their KiwiSaver money invested in managed funds. The investment team pay the same fees as investors, FundSource view this positively, in terms of investor alignment.</p>
How much latitude does the Manager have to deviate from the weightings of the Benchmark portfolio?	<p>BTNZ has ability to deviate materially its actual allocations from its benchmark asset allocations consistent with the parameters as laid out in the relevant SIPO. The intention of their TAA process is to reduce downside volatility and achieve returns that exceed the target benchmark while maintaining a positive risk-adjusted return ratio. The size of the deviation from benchmark weight is risk controlled through a risk budgeting exercise and generally sits within a +/-5% range of the relevant fund's benchmark asset allocation weight.</p> <p>The specialist investment managers accessed are each required to offer a well-defined, robust investment philosophy and process. The specialist investment managers utilised by BTNZ are subject to constant review and may be changed at any time without notice to investors. Details of the managed funds and the underlying specialist investment managers accessed by BTNZ can be found in the 'Other Material Information – Underlying Investment Managers' document on <a href="#">Disclose</a>.</p>	<p>The Active Series Fund's incorporate a benchmark asset allocation, from which the manager has a broad range available for each asset class. This enables the Manager to implement the Tactical Asset Allocation (TAA) risk management strategy. While the ranges are broad, FundSource does not expect significant month on month changes. FundSource expects asset allocation changes to be methodical and measured over time. This is in line with the Active Series Fund's objective to generate medium level returns over the medium to long term.</p> <p>FundSource views the process and the Fund's governance frameworks to be in line with the practices of Australasian and global diversified fund managers. The use of an investment advisers, Willis Towers Watson adds additional rigor to overall process and manager selection.</p> <p>Rebalancing of the asset allocation is governed by a policy, which allows the Manager to rebalance once a threshold has been met, which is typically <math>\pm 1\%</math> from benchmark or tactical asset allocation decision. Tactical asset allocation decisions are based on the short term, typically a year or less.</p>

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		<p>The Manager has established the BTNZ Investment Committee (BTIC) to oversee the investment management activities and is responsible for reviewing investment performance, outcomes and processes. The BTIC meets quarterly or more frequently as required.</p>
<p>How would you describe the quality of your organisational and investment governance processes?</p>	<p>BTNZ believes its organisational and investment governance processes are high quality. Being part of one of Australasia's largest listed financial services companies that has operated in funds management for a considerable time means processes and policies are very well developed. Governance encompasses day to day monitoring of trading activities through to oversight at the highest level within Westpac NZ.</p>	<p>BTNZ's governance practices are in line with its institutional peers. This means investment committee voting members are employees of Westpac or BTNZ, with the exception of one independent committee member. FundSource views incorporating independence on an investment committee positively, as it can assist in preventing internal 'group thinking' dominating the manager selection, risk management and portfolio selection process.</p> <p>FundSource believes the oversight and governance frameworks implemented by institutional funds management operations in New Zealand to be on a par with global leaders in diversified and multi manager investing. This should provide investors with confidence that the Manager reacts cautiously, and is very cognisant of the risks sitting in the portfolio.</p> <p>FundSource notes that all external service providers are large, well-resourced and reputable firms. Regular annual reviews are considered to be the minimum period for external provider reviews to be completed. Pleasingly BTNZ conduct formal and informal reviews more frequently than annually.</p>
<p>Responsible Investing, Environment, Social, and Governance.</p>	<p>BTNZ defines Responsible Investing as the integration of ESG factors into the investment decision making process, enabling risks to be better managed and to meet their customers' long-term investment objectives, consistent with their fiduciary duty.</p> <p>BTNZ refers to ESG risk as the risk to performance due to failure to recognise or address material existing or emerging ESG factors. They believe such factors have the potential to impact the performance of investment portfolios over the long term, whether they are issues specific to companies, sectors, regions, or asset classes.</p> <p>BTNZ believes ESG factors can have a material impact on the long-term successful performance of any business. BTNZ has taken the following approach:</p> <ul style="list-style-type: none"> <li>• Publishing its RI policy and processes</li> <li>• Implementing asset exclusions across tobacco and controversial weapons</li> <li>• BTNZ and all underlying managers are UN PRI signatories</li> <li>• Monitoring third party manager engagement &amp; voting activities</li> <li>• Measuring carbon risk exposures within its equity funds (including intensity)</li> <li>• Sustainalytics ESG Portfolio Analytics</li> <li>• Tobacco-Free Finance Pledge signatory</li> </ul>	<p>FundSource believes the Manager is taking a positive approach in how Responsible Investing practices are included in investment solutions and financial products. This is in line with peer institutional approaches to implementing Responsible Investing in to investment decisions.</p> <p>FundSource highlights accountability for the RI policy rests with the investment team, this includes the day-to-day integration and management of ESG impacts, risks and opportunities across investment portfolios.</p> <p>FundSource is mindful the Manager is not attempting to make a moral judgement, when considering ESG factors in the investment process. The Manager's ESG framework is aligned to creating value and/or avoiding undue risks, using ESG factors.</p> <p>FundSource is aware that Governance is a stronger contributor to assessing companies for investment, from an equity and bond perspective. Environment and Social issues are gaining greater traction, tools like Sustainalytics assist the Manager to quickly review a significant number of factors that contribute to an overall ESG rating for each manager. This includes underlying portfolio holdings, as well as the external fund managers themselves.</p>

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<p>Is there alignment of interests through; ownership of the Manager, and remuneration of the investment team?</p>	<p>All members of the Investment Solutions team are paid a base salary, which is augmented by a bonus paid annually. Base salaries for BTNZ investment staff are in line with market rates. The bonus structure is designed to reward individuals for their own individual performance as well as the performance of the group. The variable reward is calculated on a balanced scorecard approach incorporating quantitative and qualitative components, with quantitative metrics based on performance outcomes realised for investors in BTNZ products over rolling periods. All members of the investment team have financial interests in the products they manage ensuring alignment of interest.</p>	<p>FundSource observes that to preserve capital and generate a long-term positive return for investors the Manager must remain operational. The ownership and total FUM of the Westpac Active Series mitigate the Manager from being at risk.</p> <p>Remuneration structures are as expected for an institutional fund manager, predominantly base salary with a variable component.</p> <p>The Manager, through its ownership, ultimately works for the benefit of shareholders. Despite this, FundSource believes that the investment team and Investment Committee are focused on delivering positive investor experiences.</p>
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## Westpac Active Series Asset Allocation

Fund	Asset Class	Benchmark Allocation	Benchmark Asset Allocation Range
<b>Income Strategies Trust</b>	Cash and cash equivalents	20%	5-70%
	New Zealand fixed interest	50%	30-95%
	International fixed interest	30%	0-60%
	<b>Total Income</b>	<b>100%</b>	<b>100%</b>
<b>Conservative Trust</b>	Cash and cash equivalents	23%	10-45%
	New Zealand fixed interest	24%	10-40%
	International fixed interest	33%	10-55%
	<b>Total Income</b>	<b>80%</b>	<b>65-100%</b>
	Australasian equities	7%	0-15%
	International equities	8%	0-15%
	Listed property	3%	0-10%
	Other (alternative investments) <sup>1</sup>	2%	0-10%
	<b>Total Growth</b>	<b>20%</b>	<b>0-35%</b>
<b>Moderate Trust</b>	Cash and cash equivalents	10%	5-30%
	New Zealand fixed interest	22%	10-35%
	International fixed interest	28%	10-50%
	<b>Total Income</b>	<b>60%</b>	<b>40-80%</b>
	Australasian equities	13%	5-25%
	International equities	17%	5-30%
	Listed property	5%	0-10%
	Other (alternative investments) <sup>1</sup>	5%	0-10%
	<b>Total Growth</b>	<b>40%</b>	<b>20-60%</b>
<b>Balanced Trust</b>	Cash and cash equivalents	5%	0-25%
	New Zealand fixed interest	15%	5-25%
	International fixed interest	20%	5-45%
	<b>Total Income</b>	<b>40%</b>	<b>20-60%</b>
	Australasian equities	20%	10-30%
	International equities	29%	15-45%
	Listed property	5%	0-10%
	Other (alternative investments) <sup>1</sup>	6%	0-10%
	<b>Total Growth</b>	<b>60%</b>	<b>40-80%</b>
<b>Growth Trust</b>	Cash and cash equivalents	4%	0-20%
	New Zealand fixed interest	7%	0-15%
	International fixed interest	9%	0-25%
	<b>Total Income</b>	<b>20%</b>	<b>5-35%</b>
	Australasian equities	25%	15-35%
	International equities	37%	20-55%
	Listed property	10%	5-15%
	Other (alternative investments) <sup>1</sup>	8%	0-12%
	<b>Total Growth</b>	<b>80%</b>	<b>65-95%</b>

<sup>1</sup> Alternative investments can include hedge funds and absolute return funds. Strategies like gearing and short selling may be used alternative investments.

## Westpac Active Series Underlying Managers

Asset Class	Specialist Investment Managers	Strategy/Style
Cash	BT Funds Management (NZ)	Core
NZ Fixed Interest	BT Funds Management (NZ)	Core & corporate strategies
	Harbour Asset Management Limited	Core & corporate strategies
International Fixed Interest	Wellington Management	Core
	Colchester Global Investors	Sovereign
	BlueBay Asset Management	Corporate
Property	Salt Funds Management Limited	Australasian REITs (predominantly NZ)
	Principal Global Investors	Global REITs (core)
Australasian Equities	Devon Funds Management Limited	Value
	Harbour Asset Management Limited	Core, growth biased
	Salt Funds Management Limited	Focus and dividend strategies
International Equities	AQR Capital Management LLC	Core, quantitative
	Ardevora Asset Management LLP	Core, quality, behavioural bias
	MFS Investment Management	GARP
	River and Mercantile Asset Management LLP	Value
	T.Rowe Price Group Inc.	Growth
Alternative Investments	BlackRock Luxembourg Limited	Alternative risk premia
	Goldman Sachs Asset Management	Alternative risk premia
	K2 Advisors	Multi Strategy hedge fund

## Westpac Underlying Manager Location



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## Westpac Active Series Income Strategies Trust

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The Westpac Active Series Income Strategies Trust ("the Fund") is a multi-asset portfolio that is best suited to short to medium term investors who can accept some investment risk over the medium term. The Fund only has investment exposure income assets.

The Fund is subject to market risk from bonds, both domestic and global. Accordingly, the Fund may experience both positive and negative movements in valuation, as the prices of the underlying securities in the portfolio vary. Investors should therefore be aware that there is a risk of potential capital loss being incurred on their investment.

The Income Strategies Trust has a benchmark of 100% income assets. The Fund currently does not pay distributions to investors. This means that any income received by a Fund is retained and is reflected in the unit price.

**Who is accountable for managing the Fund?** Francois Richeboeuf has been responsible for managing the BTNZ diversified funds for over seven years. Richeboeuf is supported by a well-resourced team spanning across external manager research, internal investment capability for NZ bonds and asset allocation. The team ultimately report to Matthew Goldsack, who has overall responsibility for the investment team.

The investment team is responsible for idea generation, management and monitoring funds within the full product suite. All funds are subject to oversight by a series of research teams operating within the investment team, some asset class specific, for example the Fixed Interest Group (FIG). The Investment Strategy Group (ISG) and Manager Monitoring Group (MMG) are more universal and are attended by the full BTNZ investment team. All outcomes are dealt with by the BT Investment Committee (BTIC), which is ultimately accountable to the BT Funds Management (NZ) Limited (BTNZ) Board.

FundSource notes the use of groups, committees and an external adviser assist in mitigating key person risk. This is complimented with one of the larger internal teams managing a predominantly multimanager investment approach in New Zealand.

**Asset Allocation of this Fund:** Westpac Active Series details can be viewed via the [Product Disclosure Statement \(PDS\)](#) and Other Material Information via the [Disclose website](#).

**What objective is the Manager trying to achieve?** 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.

**What risks are inherent to this Fund?** The Westpac Active Series [Product Disclosure Statement \(PDS\)](#) outlines the types of risks that may cause a fund's value to move up and down, which can affect each individual funds risk indicator.

**Fees:** The Income Strategies Trust basic management fee is lower than the average basic management fee charged by peer funds in the FE Analytics NZMI Fixed Interest Global Sector. There are 54 FE Analytics sector peer funds.

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## Westpac Active Series Conservative Trust

**This is General Advice only and should be read in conjunction with the Disclaimers, Disclosures and Warnings at the end of this document.**

The Westpac Active Series Conservative Trust ("the Fund") is a multi-asset portfolio that is best suited to short to medium term investors who can accept some investment risk over the medium term. The Fund has investment exposure that is biased to income assets with a lower exposure to growth assets.

The Fund is subject to market risk from several sectors, including equities and bonds, both domestic and global. Accordingly, the Fund may experience both positive and negative movements in valuation, as the prices of the underlying securities in the portfolio vary. Investors should therefore be aware that there is a risk of potential capital loss being incurred on their investment.

The Conservative Trust a benchmark 80% income and 20% growth asset mix. The Fund currently does not pay distributions to investors. This means that any income received by a Fund is retained and is reflected in the unit price.

**Who is accountable for managing the Fund?** Francois Richeboeuf has been responsible for managing the BTNZ diversified funds for over seven years. Richeboeuf is supported by a well-resourced team spanning across external manager research, internal investment capability for NZ bonds and asset allocation. The team ultimately report to Matthew Goldsack, who has overall responsibility for the investment team.

The investment team is responsible for idea generation, management and monitoring funds within the full product suite. All funds are subject to oversight by a series of research teams operating within the investment team, some asset class specific, for example the Fixed Interest Group (FIG). The Investment Strategy Group (ISG) and Manager Monitoring Group (MMG) are more universal and are attended by the full BTNZ investment team. All outcomes are dealt with by the BT Investment Committee (BTIC), which is ultimately accountable to the BT Funds Management (NZ) Limited (BTNZ) Board.

FundSource notes the use of groups, committees and an external adviser assist in mitigating key person risk. This is complimented with one of the larger internal teams managing a predominantly multimanager investment approach in New Zealand.

**Asset Allocation of this Fund:** Westpac Active Series details can be viewed via the [Product Disclosure Statement \(PDS\)](#) and Other Material Information via the [Disclose website](#)..

**What objective is the Manager trying to achieve?** The Conservative Trust aims to provide stable returns over the short to medium term. The Fund invests primarily in income assets but will tend to have an allocation to growth assets of between 15% and 25%. Volatility is expected to be higher than the Income Strategies Trust, but lower than the Moderate Trust.

**What risks are inherent to this Fund?** The Westpac Active Series [Product Disclosure Statement \(PDS\)](#) outlines the types of risks that may cause a fund's value to move up and down, which can affect each individual funds risk indicator.

**Fees:** The Conservative Trust's basic management fee is slightly higher than the average basic management fee charged by peer funds in the FE Analytics NZMI Diversified Defensive Sector. There are 39 FE Analytics sector peer funds.

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## Westpac Active Series Moderate Trust

**This is General Advice only and should be read in conjunction with the Disclaimers, Disclosures and Warnings at the end of this document.**

The Westpac Active Series Moderate Trust (“the Fund”) is a multi-asset portfolio that is best suited to medium term investors who can accept investment risk over the medium term. The Fund has exposure to income assets with a slightly lower exposure to growth assets.

The Fund is subject to market risk from several sectors, including equities and bonds, both domestic and global. Accordingly, the Fund may experience both positive and negative movements in valuation, as the prices of the underlying securities in the portfolio vary. Investors should therefore be aware that there is a risk of potential capital loss being incurred on their investment.

The Moderate Trust has a benchmark 60% income and 40% growth asset mix. The Fund currently does not pay distributions to investors. This means that any income received by a Fund is retained and is reflected in the unit price.

**Who is accountable for managing the Fund?** Francois Richeboeuf has been responsible for managing the BTNZ diversified funds for over seven years. Richeboeuf is supported by a well-resourced team spanning across external manager research, internal investment capability for NZ bonds and asset allocation. The team ultimately report to Matthew Goldsack, who has overall responsibility for the investment team.

The investment team is responsible for idea generation, management and monitoring funds within the full product suite. All funds are subject to oversight by a series of research teams operating within the investment team, some asset class specific, for example the Fixed Interest Group (FIG). The Investment Strategy Group (ISG) and Manager Monitoring Group (MMG) are more universal and are attended by the full BTNZ investment team. All outcomes are dealt with by the BT Investment Committee (BTIC), which is ultimately accountable to the BT Funds Management (NZ) Limited (BTNZ) Board.

FundSource notes the use of groups, committees and an external adviser assist in mitigating key person risk. This is complimented with one of the larger internal teams managing a predominantly multimanager investment approach in New Zealand.

**Asset Allocation of this Fund:** Westpac Active Series details can be viewed via the [Product Disclosure Statement \(PDS\)](#) and Other Material Information via the [Disclose website](#).

**What objective is the Manager trying to achieve?** The Moderate Trust aims to provide stable returns over the short to medium term. The Fund invests primarily in income assets but will tend to have an allocation to growth assets of between 30% and 50%. Volatility is expected to be higher than the Conservative Trust, but lower than the Balanced Trust.

**What risks are inherent to this Fund?** The Westpac Active Series [Product Disclosure Statement \(PDS\)](#) outlines the types of risks that may cause a fund’s value to move up and down, which can affect each individual funds risk indicator.

**Fees:** The Moderate Trust’s basic management fee is slightly lower than the average basic management fee charged by peer funds in the FE Analytics NZMI Diversified Balanced Sector. There are 42 FE Analytics sector peer funds.

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## Westpac Active Series Balanced Trust

**This is General Advice only and should be read in conjunction with the Disclaimers, Disclosures and Warnings at the end of this document.**

The Westpac Active Series Balanced Trust (“the Fund”) is a multi-asset portfolio that is best suited to medium to long-term investors who can accept some investment risk over the longer term. The Fund has exposure to both equities and income assets.

The Fund is subject to market risk from several sectors, including equities and bonds, both domestic and global. Accordingly, the Fund may experience both positive and negative movements in valuation, as the prices of the underlying securities in the portfolio vary. Investors should therefore be aware that there is a risk of potential capital loss being incurred on their investment.

The Balanced Trust has a benchmark 40% income and 60% growth asset mix. The Fund currently does not pay distributions to investors. This means that any income received by a Fund is retained and is reflected in the unit price.

**Who is accountable for managing the Fund?** Francois Richeboeuf has been responsible for managing the BTNZ diversified funds for over seven years. Richeboeuf is supported by a well-resourced team spanning across external manager research, internal investment capability for NZ bonds and asset allocation. The team ultimately report to Matthew Goldsack, who has overall responsibility for the investment team.

The investment team is responsible for idea generation, management and monitoring funds within the full product suite. All funds are subject to oversight by a series of research teams operating within the investment team, some asset class specific, for example the Fixed Interest Group (FIG). The Investment Strategy Group (ISG) and Manager Monitoring Group (MMG) are more universal and are attended by the full BTNZ investment team. All outcomes are dealt with by the BT Investment Committee (BTIC), which is ultimately accountable to the BT Funds Management (NZ) Limited (BTNZ) Board.

FundSource notes the use of groups, committees and an external adviser assist in mitigating key person risk. This is complimented with one of the larger internal teams managing a predominantly multimanager investment approach in New Zealand.

**Asset Allocation of this Fund:** Westpac Active Series details can be viewed via the [Product Disclosure Statement \(PDS\)](#) and Other Material Information via the [Disclose website](#).

**What objective is the Manager trying to achieve?** The Balanced Trust aims to provide stable returns over the short to medium term. The Fund invests primarily in growth assets but will tend to have an allocation to income assets of between 30% and 50%. Volatility is expected to be higher than the Moderate Trust, but lower than the Growth Trust.

**What risks are inherent to this Fund?** The Westpac Active Series [Product Disclosure Statement \(PDS\)](#) outlines the types of risks that may cause a fund’s value to move up and down, which can affect each individual funds risk indicator.

**Fees:** The Balanced Trust’s basic management fee is in line with the average basic management fee charged by peer funds in the FE Analytics NZMI Diversified Balanced Sector. There are 42 FE Analytics sector peer funds.

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## Westpac Active Series Growth Trust

**This is General Advice only and should be read in conjunction with the Disclaimers, Disclosures and Warnings at the end of this document.**

The Westpac Active Series Growth Fund (“the Fund”) is a multi-asset portfolio that is best suited to longer term investors who can accept investment risk over the long term. The Fund has a high exposure to growth assets and a low exposure to income assets.

The Fund is subject to market risk from several sectors, including equities and bonds, both domestic and global. Accordingly, the Fund may experience both positive and negative movements in valuation, as the prices of the underlying securities in the portfolio vary. Investors should therefore be aware that there is a risk of potential capital loss being incurred on their investment.

The Growth Trust has a benchmark 20% income and 80% growth asset mix. The Fund currently does not pay distributions to investors. This means that any income received by a Fund is retained and is reflected in the unit price.

**Who is accountable for managing the Fund?** Francois Richeboeuf has been responsible for managing the BTNZ diversified funds for over seven years. Richeboeuf is supported by a well-resourced team spanning across external manager research, internal investment capability for NZ bonds and asset allocation. The team ultimately report to Matthew Goldsack, who has overall responsibility for the investment team.

The investment team is responsible for idea generation, management and monitoring funds within the full product suite. All funds are subject to oversight by a series of research teams operating within the investment team, some asset class specific, for example the Fixed Interest Group (FIG). The Investment Strategy Group (ISG) and Manager Monitoring Group (MMG) are more universal and are attended by the full BTNZ investment team. All outcomes are dealt with by the BT Investment Committee (BTIC), which is ultimately accountable to the BT Funds Management (NZ) Limited (BTNZ) Board.

FundSource notes the use of groups, committees and an external adviser assist in mitigating key person risk. This is complimented with one of the larger internal teams managing a predominantly multimanager investment approach in New Zealand.

**Asset Allocation of this Fund:** Westpac Active Series details can be viewed via the [Product Disclosure Statement \(PDS\)](#) and Other Material Information via the [Disclose website](#).

**What objective is the Manager trying to achieve?** The Growth Trust aims to provide stable returns over the short to medium term. The Fund invests primarily in growth assets but will tend to have an allocation to income assets of between 10% and 30%. Volatility is expected to be the highest of the Westpac Active Series.

**What risks are inherent to this Fund?** The Westpac Active Series [Product Disclosure Statement \(PDS\)](#) outlines the types of risks that may cause a fund’s value to move up and down, which can affect each individual funds risk indicator.

**Fees:** The Growth Trust’s basic management fee is in line with the average basic management fee charged by peer funds in the FE Analytics NZMI Diversified Growth Sector. There are 50 FE Analytics sector peer funds.

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## Conclusion and Rating

This Westpac Active Series provides investors with exposure to a series of risk profile specific strategies, including Income Strategies, Conservative, Moderate, Balanced, and Growth Trusts. Each of the Fund's invest in a diversified basket of securities, including cash, fixed interest, property, equity and alternative asset classes, with the exception of the Income Strategies Trust. The Income Strategies Trust invests in cash, domestic fixed interest, and international fixed interest sectors only.

The Manager believes the respective asset allocation for each Fund is the primary driver of returns, with the strategic asset allocation (SAA) based on the Manager's long-term views. The Fund's dynamic asset allocation (DAA) takes in to consideration the Manager's short to medium views, which results in portfolio movements, positive and negative, around the SAA. FundSource notes that DAA movements have been modest over the last four years. The Manager makes methodical and measured responses to market changes.

The Manager's use of a single advisory input in to the investment team and Investment Committee, is lighter than the role advisers typically hold in diversified Funds. However, FundSource notes the Manager has an independent investment committee member, with voting rights, who is not related to the advisory firm. FundSource expects the advisor and the independent investment

committee member to challenge the teams thinking and improve robustness to assumptions used to implement the Fund strategy.

The Manager uses mandates for all underlying funds in the Westpac Active Series, with exception of the Alternatives Fund. FundSource views this as a positive outcome for investors as they the Manager is able to take into account any New Zealand legal requirements from an investment perspective and manage risks in the portfolio.

Despite some analyst turnover, the investment team exhibits strong industry experience, and portfolio managers have strong average manager tenure, and is well resourced. FundSource notes that the Investment Committee is seen as a critical component of the investment process, combined with a well-resourced investment team, key person risk is considered to be low.

The Manager's Westpac Active Series basic fee across all the investment options is in line with or below the sector peer average of the relevant FE Analytics NZMI sector. The Fund specific profile highlights how each Fund related to its peer group.

FundSource recommends that investors carefully consider if the Westpac Active Series, and which underlying Fund matches with their risk profile and meets their investment needs and objectives.

### FundSource Rating: **AAA**

Fund ratings are current as at the date of publication of this report. FundSource reserve the right to review and update fund ratings from time to time.

## Research Factor Weighting

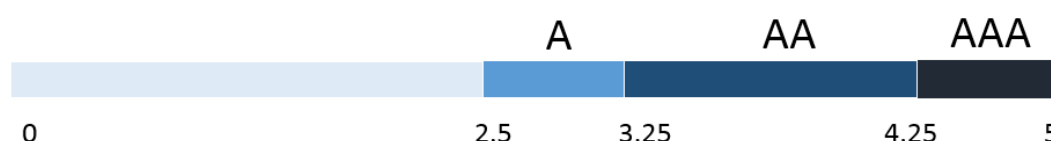
Research Process Category	Model Factor Weight	Analyst Average Score
Corporate & Investment Governance	15%	4.50 / 5
Investment Philosophy & Process	20%	4.60 / 5
People	25%	4.33 / 5
Portfolio Construction & Implementation	15%	4.00 / 5
Risk Management	15%	4.40 / 5
Investment Fees	10%	3.14 / 5

Overall Average Score: **4.25 / 5**

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## FundSource Rating Guide

The qualitative rating of a fund is a function of the FundSource Research Factor Weighting process, which is built around the six core qualitative research process categories. The weighted scores result in an overall score, out of five, which is then matched to the following rating:



### AAA: Highly Recommended

Funds that have superior average scores in all six underlying qualitative factors. This recognises aspects about the Manager and Fund in question that includes, but is not limited to, significantly experienced and stable senior personnel, a sound track record over a full market cycle, a clearly defined investment philosophy and process, and a portfolio consistent with that philosophy and process. The management company will also have established effective controls to maintain that philosophy.

### AA: Recommended

Funds that have strong average scores in all six underlying qualitative factors. This recognises aspects about the Manager and Fund in question that includes, but is not limited to, experienced and stable personnel, a sound track record over a full market cycle, a clearly defined investment philosophy and process, and a portfolio consistent with that philosophy and process. The management philosophy must be coherent and consistent with existing portfolios and processes.

### A: Investment Grade

Funds that have good average scores in all six underlying qualitative factors. This recognises aspects about the Manager and Fund in question that includes, but is not limited to, experienced personnel, a sound track record a defined investment philosophy and process, and a portfolio consistent with that philosophy and process.

### FW: Fund Watch

There has been a material change with either the manager, this may include, but is not limited to, departures, new hires, process changes, changes to the investment philosophy. This is considered to be an interim measure, to enable further investigation, re-evaluation and an appropriate course of action to be determined.

### S: Sell

This category covers previously recommended funds that are no longer recommended because of some material change. Removal from recommended status might be for a variety of reasons such as a fundamental change in the fund management company or in the manager's investment strategy, or because a fund did not meet its original expectations. The implications for ongoing service are that the fund should be reviewed on an individual client basis to ensure it still matches their original investment objective.

### NR: Not Rated – Screened/ Not Rated

Funds in the Not Rated – Screened category have provided information and/or FundSource has conducted an initial analysis of the fund, but has chosen not to provide a recommendation at this stage. FOR Not Rated funds the manager may have provided information, but no review meeting has been conducted



## Disclaimers, Disclosures and Warnings

**FundSource Limited notes that the information in this report must be read in conjunction with the warning and disclaimer below. This report supersedes all prior reports.**

**Warning:** Past performance is not a reliable indicator of future performance. Any information, opinions, views or recommendations in this report are for general information purposes only. To the extent that any such information, opinions, views and recommendations may constitute advice, they do not take into account any person's particular financial situation or goals and therefore do not constitute personalised financial advice under the Financial Advisers Act 2008, nor do they constitute advice of a legal, tax, accounting or other nature to any person. This report should not be relied upon as a substitute for advice from your authorised financial adviser.

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By leveraging the skills of specialists, Research IP is able to provide innovative and tailored financial services solutions to the market place. Client focused outcomes are underpinned by the belief that the role of business model innovation and accelerating technological change opens up new possibilities, to put client interests at the centre of the financial services industry focus, based on John Hagel's work on the possibilities for "Disruption by Trusted Advisors" and John Kay's "Other People's Money: Masters of the Universe or Servants of the People".



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