

Currency hedging on selected diversified funds and investment options within Westpac Superannuation, Investment and Pension Products

April 2009

What is the change?

From April 2009, Westpac introduced a partial currency hedge on the international share component of certain diversified funds and investment options, aiming to reduce the foreign currency risk.

From the same date, performance for the international equity component commenced reporting against a 35% hedged, 65% unhedged benchmark.

What is foreign currency risk?

Investments in overseas assets are generally priced in that country's local currency, so the investment returns on those assets are impacted by two factors:

1. The market performance of the underlying international assets, and
2. Changes in foreign exchange rates between the Australian dollar and the foreign currency in which those shares are denominated.

Exchange rate fluctuations can have a significant impact on fund performance, potentially eroding the returns investors would otherwise receive from investment decisions.

Why introduce a currency hedge?

Currency hedging involves removing some or all of the foreign currency risk implicit in holding overseas assets. This limits the impact of large foreign exchange rate movements on investment performance.

Research indicates that an appropriate level of currency hedging in diversified portfolios may reduce the performance volatility related to currency fluctuations, without sacrificing long-term investment performance.

What are the costs?

Westpac is not charging for implementation of the hedge.

Some small pricing differentials (referred to as spreads), are inherent in the purchase and sale price of the derivatives investments used to hedge currency risk. We anticipate these spreads will be more than offset by the benefits of the hedge.

Which products are impacted?

This change is specific to the Westpac diversified funds and investment options listed below.

Fund name	APIR Code
Westpac Lifetime Superannuation Service	
Dynamic Growth	WFS0100AU
Dynamic Growth NCF	WFS0348AU
Balanced Growth	WFS0027AU
Balanced Growth NCF	WFS0346AU
Moderate Growth	WFS0029AU
Moderate Growth NCF	WFS0350AU
Conservative Growth	WFS0026AU
Conservative Growth NCF	WFS0347AU
Westpac Flexible Income Plan	
Dynamic Growth	WFS0115AU
Dynamic Growth NCF	WFS0356AU
Balanced Growth	WFS0113AU
Balanced Growth NCF	WFS0354AU
Moderate Growth	WFS0117AU
Moderate Growth NCF	WFS0359AU
Conservative Growth	WFS0114AU
Conservative Growth NCF	WFS0355AU
Westpac Foundation Plan	
Balanced Growth	WFS0030AU
Moderate Growth	WFS0036AU
Conservative Growth	WFS0035AU
Diversified Growth	WFS0039AU
Long Term Growth	WFS0041AU
Westpac Rollover Bond	
Balanced Growth	APC0702AU
Westpac Rollover Investment Bond	
Managed Growth	APC0714AU

Fund name	APIR Code
Westpac Simple Super	
Managed Investment	APC0442AU
Westpac Personal Superannuation Investment Plan and Westpac Personal Superannuation Bond	
Managed Growth	APC0425AU
Westpac Personal Superannuation and Westpac Personal Superannuation Bond	
Dynamic Growth	APC0403AU
Balanced Growth	APC0402AU
Westpac Investment Bond and Westpac Investment and Protection Plan (including Children's Head Start Investment Bond and Plan)	
Managed Growth	APC0225AU
Westpac Insurance Bond and Westpac Children's Head Start Insurance Bond	
Dynamic	APC0213AU
Growth Assets	APC0212AU
Westpac Universal Life and Westpac Children's Head Start Plan	
Dynamic	APC0203AU
Growth Assets	APC0202AU
Westpac Variable Income Plan	
Balanced Growth	WFS0042AU
Moderate Growth	WFS0045AU
Conservative Growth	WFS0043AU
Westpac Variable Annuity	
Capital Growth	APC0482AU

What about Westpac's other investment options?

Westpac's other diversified funds within superannuation and pension products already employ currency strategies, including hedging or, in some cases, active currency management.

Westpac's 100% international share funds and investment options will continue to be managed on a fully unhedged basis.