

Product Update and Continuous Disclosure Notice – ANZ Enhanced Yield Fund

10 JULY 2017

This Product Update and Continuous Disclosure Notice provides important information for existing investors and updates the Product Disclosure Statement (PDS) dated 28 July 2014 for the ANZ Enhanced Yield Fund (the Fund).

New investment manager for the Fund

On or about 10 July 2017, Western Asset Management Company Pty Ltd (Western AM) will replace our internal Chief Investment Office as investment manager for the Fund.

The PDS is updated from this date as follows:

1. The section titled 'Investment management for the Fund' on page 1 is replaced with the following:

Western Asset Management Company (Western Asset) is one of the world's leading fixed income managers. Western Asset's expertise extends across all of the world's major bond markets with offices based in Pasadena, New York, London, Tokyo, Singapore, Hong Kong, Melbourne, Dubai and São Paulo.

By devoting all of its resources to fixed income, Western Asset adds unique value to this asset class through active management of fixed income portfolios, with a value-oriented investment approach that is supported by a team of fixed income specialists in every market sector. This includes an extensive credit research team with experience of companies issuing both 'non-investment grade' and 'investment grade' bonds. Western Asset's expertise extends across multiple fixed income sectors around the world.

2. Section 5 of the PDS on page 5 titled 'How we invest your money' is amended as follows:

The firm's philosophy centres upon a team approach — where fixed income portfolios are managed by uniting groups of specialists dedicated to different market sectors.

Western Asset believes that significant inefficiencies exist in the fixed income markets. It therefore attempts to add value by exploiting these inefficiencies across the sectors in which it invests by combining traditional analysis with innovative technology. Western Asset uses multiple strategies, including active sector and issue selection, to enhance value while at the same time limiting negative performance from any one strategy having a negative impact on returns. It then augments these strategies by engaging in opportunistic trading to exploit market inefficiencies over the course of an economic cycle.

Western Asset's strategic goal is to add value to client portfolios while adhering to a disciplined risk control process. To accomplish this aim, it targets four main strategies:

- Sector allocation (rotating between different sectors of the bond market)
- Issue selection (seeking to uncover mis-priced or undervalued securities)
- Duration exposure (adjusting its exposure to take account of interest rate movements)
- Attempts to take advantage of shifts in the relationship between short, medium and longer dated bonds.

Change to investing in and withdrawing from the Fund

The PDS is updated from this date as follows:

1. The section titled 'Monthly processing' on page 1 is replaced with the following:

Applications and withdrawals are processed daily on Sydney business days (or if that day is not a business day in Sydney, the next following business day). In this PDS, this day is referred to as an 'application date' or a 'withdrawal date' as the context provides.

2. Section 4 of the PDS on page 2 titled 'Risks associated with investing in the Fund' under the bullet point 'Liquidity risk' is amended as follows:
 - **Liquidity risk:** Liquidity risk arises when it is difficult to sell an asset at short notice (i.e. within 30 days). Assets such as shares, listed property securities and cash are generally considered liquid as they are typically traded on active markets where assets can be more easily realised. Private and unlisted assets such as direct property, leveraged leases, private placements, mortgages, loans and infrastructure are generally considered not liquid as they are not normally traded on active markets and can take longer to convert to cash.

Why are these changes being made?

Our internal investment research team regularly reviews and monitors the investment managers of the funds offered through the ANZ Private Investment Management Service.

The change of investment manager for the Fund follows a recent review which was aimed at ensuring the Fund continues to meet the needs of current and future investors.

Western AM has extensive experience managing Australian Fixed Income assets and employs a disciplined investment approach, using multiple strategies to add value. Western AM is a related entity of Western Asset Management Company, which is part of the Legg Mason group.

With the change to the management of the fund, Western Asset Management believe that they are able to manage to the investment guidelines without the need to restrict applications and redemptions to a monthly window. This allows the fund to provide investors with the additional liquidity of daily applications and redemptions subject to the terms and conditions outlined in the PDS.

What do I need to do?

On or about 10 July 2017, Western AM will become the investment manager for the Fund.

If you are an existing investor in the Fund, this transition to the new manager or the removal of the monthly processing restriction will not result in any change to your unitholding or the price of the units you hold. You may continue to transact on your account during the transition however any transactions will be processed in line with the updated daily application and redemption process post the change.

If you are considering an investment in the Fund, please ensure you read this document together with the PDS.

Any questions?

If you have any questions or require further information, please:

- speak with your ANZ Private Advisor
- email anzpims@anz.com.au

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The information provided is of a general nature and does not take into account an investor's personal needs, financial circumstances or objectives. Before acting on this information, an investor should consider the appropriateness of the information, having regard to their needs, financial circumstances and objectives. An investor should read the PDS, which is available free of charge at www.praemium.com.au/anz-private/ or by contacting your ANZ Private Advisors.