



# Other Material Information

## ASB Investment Funds

ASB Group Investments Limited | 27 September 2018

This document replaces the other material information document dated 31 July 2018.



# 1. Introduction

This document contains additional information about ASB Investment Funds to help you make your investment decision.

This document should be read alongside the Product Disclosure Statement for ASB Investment Funds (**PDS**). We have used the same numbering in this document as the PDS (although not all sections are used in this document). The PDS and this document can be found at [business.govt.nz/disclose](https://business.govt.nz/disclose) (search for ASB Investment Funds).

The Statement of Investment Policy and Objectives (**SIPO**), the trust deed and establishment deeds and other useful information about this offer can be found at [asb.co.nz/asb-investment-funds](https://asb.co.nz/asb-investment-funds) or [business.govt.nz/disclose](https://business.govt.nz/disclose) (search for ASB Investment Funds).

## 2. How does this investment work?

### Making investments

You can invest in ASB Investment Funds as an individual investor, a joint investor, a partnership, a company or a trust. If you want to invest in ASB Investment Funds as another type of investor, please contact the ASB Wealth Advisory Service on 0800 108 084 to find out if you can.

## 4. What are the risks of investing?

Risk	Description
Market risk	The value of some investments move up and down over time because of changes in market conditions. We spread our investments across different markets to reduce the likelihood or impact of this risk.
Exchange rate risk	The value of the New Zealand dollar relative to other currencies can go up and down. This affects the returns of funds that have investments denominated in foreign currencies. We use derivatives to hedge the effect of changes to exchange rates to reduce the likelihood or impact of this risk.
Credit risk	An investment in cash, fixed interest or derivatives may be affected if a person doesn't pay what they owe. This could result in lower returns or the loss of some or all of the money invested by a fund. We apply credit quality criteria to reduce the likelihood or impact of this risk.
Asset allocation risk	Returns are affected by how a fund's assets are allocated across different types of assets. Different types of assets will have different risks. For example: <ul style="list-style-type: none"><li>• if a fund invests in cash or fixed interest, it can be affected by <b>interest rate risk</b></li><li>• if a fund invests in equities, it can be affected by <b>equity investment risk</b></li><li>• if a fund invests in property, it can be affected by <b>property risk</b></li><li>• if a fund uses derivatives, it can be affected by <b>derivative risk</b></li></ul> These risks are described below.
Interest rate risk	Investments in cash and fixed interest assets can be affected by interest rate movements. We spread our investments across different markets to reduce the likelihood or impact of fixed interest rate movements.
Equity investment risk	Investments in equities can be influenced by things such as the performance of the company or entity, the general outlook of investors in the market and the economic performance of its region or sector. We choose different equities across different regions and sectors to reduce the impact of the performance of individual equities.

Risk	Description
Property risk	Investments in property are influenced by things such as the demand for the location, the quality of the property, the general economy, the property market and, for listed property investments, the share market. We invest in different types of listed property assets to reduce the likelihood or impact of this risk.
Derivative risk	Derivatives include currency forwards, futures, swaps and options. The value of a derivative depends on the value of an underlying asset and can move up and down. Its value can change in response to changes in an interest rate, foreign exchange rate, asset price or credit rating. We limit our use of derivatives according to our derivatives usage policy described in the SIPO.
Underlying investment manager risk	An underlying investment manager may make decisions that have a negative effect on your returns. These decisions could be about the selection of underlying investments. We use several underlying investment managers and monitor their performance to reduce the likelihood or impact of this risk.
Liquidity risk	It may be difficult to sell the assets of a fund. If that happens, the fund may not be able to meet its payment obligations in a timely way, or may have to sell those assets at a lower price. We have policies and procedures governing how we invest that are designed to reduce the likelihood or impact of this risk.
Cash risk	Cash is suitable for short-term investment requirements. It can also form part of a group of different types of asset classes to balance those asset types with higher risk. The returns for cash may be lower than inflation. This means that your purchasing power may decrease over time.
Counterparty risk	A party to a contract may not meet its obligations which may mean the full value of an investment may not be recovered. We monitor the credit performance of our counterparties to reduce the likelihood or impact of this risk.
Product risk	Decisions made in relation to ASB Investment Funds may negatively affect a fund's performance. We only make material changes to ASB Investment Funds by going through our own internal approval process and after giving notice to, or discussing it with, the supervisor.
Operational risk	We or another person involved in the operation of ASB Investment Funds may fail to do what was agreed. For example, an underlying investment manager might invest outside of its mandate. This could adversely affect the value of your investment.  We, and any people involved in ASB Investment Funds, have policies, procedures and processes governing how our obligations are performed and monitored to reduce the likelihood or impact of this risk.
Regulatory risk	Your investment could be affected by changes in the laws, regulations or rules around ASB Investment Funds.

## 5. What are the fees?

### Annual fund charges

Fund	Estimated management fee	Estimated supervisor's fee	Estimated costs and expenses	Estimated total annual fund charges
Conservative Fund	0.90%	0.03%	0.02%	0.95%
Conservative Plus Fund	1.00%	0.03%	0.01%	1.04%
Moderate Fund	1.04%	0.03%	0.02%	1.08%
Balanced Fund	1.09%	0.03%	0.02%	1.13%
Growth Fund	1.13%	0.03%	0.06%	1.21%

The numbers in the table above may not add up due to rounding.

#### Management fee

We can change the amount of the management fee that we charge, but the maximum management fee we can charge is 3% per year of the gross asset value of the fund.

#### Supervisor's fee

The supervisor can change the amount of the supervisor's fee but we must approve the change. There is no maximum amount for the supervisor's fee.

#### Costs and expenses

These cover operation and administration costs and expenses. There is no maximum amount for costs and expenses.

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### Contribution fee

The contribution fee is payable on amounts that you invest in ASB Investment Funds unless we tell you otherwise. We can change the amount of the contribution fee we charge but the maximum contribution fee we can charge is 3% of the amount you invest.

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### Trading costs

An underlying fund may incur trading costs. Trading costs are the costs of buying and selling investments of a fund. Trading costs are incurred in the underlying funds, which will affect indirectly the value of your investment.

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### Transaction allowance

We can charge a transaction allowance to reflect the cost of investing your money. We do not currently charge a transaction allowance. We will let you know if we intend to introduce a transaction allowance.

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### Estimate of annual fund charges

We are required to show the annual fund charges in the PDS as a percentage of the net asset value of a fund.

The annual fund charges are shown as an estimate based on actual fund charges at the end of each month for the year ending 31 March 2018 (adjusted to reflect a decrease in the supervisor's fee from 27 September 2018). However, the actual fund charges are based on the gross asset value of a fund each day. As a result, the amount the fund pays may differ from the estimates shown.

## 6. What taxes will you pay?

### Taxation

Your returns are affected by tax. This section is based on our current understanding of New Zealand tax law as it affects you and ASB Investment Funds.

Tax law, its interpretation and the rates that apply may change. The application of tax law depends on your circumstances. We and the supervisor do not take responsibility for your tax liabilities. If you have questions about how tax affects your individual circumstances we recommend you talk to an independent tax advisor.

GST is payable on some of the fees that make up the annual fund charge. The way GST applies to ASB Investment Funds could change.

### Taxable income is taxed at the prescribed investor rate (PIR) you provide

Each fund is a portfolio investment entity (**PIE**). This means that taxable income of each fund is attributed to you (based on your interest in the fund) and taxed at the PIR that you tell us.

We calculate the taxable income (or loss) as well as any tax credits or other amounts attributable to you every day. We then pay tax (if any) on the taxable income of the fund that is attributed to you at the PIR you tell us. If you do not tell us your IRD number and PIR the highest PIR will apply.

### Your PIR and IRD number

It's important to tell us your correct PIR and IRD number when you join. It's also important to let us know if your PIR changes.

If the PIR you tell us is too low, you may have to file a tax return and pay further tax at your income tax rate (plus any interest and penalties).

If the PIR you give us is too high (or if you don't tell us any PIR), you can't claim back any excess tax we pay on your behalf. This is because PIE tax is a final tax.

Inland Revenue may require us to apply a different PIR if they decide you have given us an incorrect PIR. In this case, we have to apply the PIR that Inland Revenue considers appropriate.

### Other information about PIRs and taxable income attributed to you

If you are a joint investor, you must tell us the PIR of the person with the highest PIR. We apply that PIR to calculate tax payable on the taxable income of the fund that is attributed to you.

If you have become a New Zealand tax resident, your PIR should generally be based on your worldwide income and not solely on your New Zealand income.

If you have a PIR of 0% or are a trustee that has elected a PIR that is lower than 28%, you must include the taxable income of the fund that is attributed to you in your tax return and pay any applicable tax. A credit will be available for tax credits attributed to you or for PIE tax that we have paid on your behalf.

If you change your PIR, we don't reassess the tax already deducted from your investment. The new PIR will apply to the taxable income (or loss) of the fund that is attributed to you that has not already been taxed in the current tax year.

The taxable income of the fund that is attributed to you currently impacts your eligibility for family assistance and student allowances. It is also included when determining your income for the purposes of calculating student loan repayment obligations and child support payment obligations.

Call 0800 ASB FUNDS (0800 272 386) during normal business hours for more information on PIRs and calculating your PIR. You can also visit [asb.co.nz/pir](http://asb.co.nz/pir) or [ird.govt.nz](http://ird.govt.nz) or email [invest@asb.co.nz](mailto:invest@asb.co.nz)

### How we pay tax on your behalf

We reduce your investment to pay tax on your behalf. We do this:

- shortly after 31 March at the end of the tax year or
- when you withdraw, transfer or switch part or all of your investment or
- at any other time when the value of your investment is too low to cover your accrued tax liability.

If we receive a tax refund on your behalf, your investment will increase by the value of the tax refund.

### **How the ASB Investment Funds assets are taxed**

The funds invest in underlying funds managed by us, which are PIEs. The underlying funds will attribute PIE income to the funds, so income and gains or losses will be taxed in the same way as if the underlying investments had been held by the funds directly.

Some of the underlying funds invest in equities. Gains and losses from the sale of New Zealand equities are not taxable. Neither are gains and losses from the sale of Australian equities that are listed on the Australian Securities Exchange and meet certain other criteria. Dividends from both these types of equities are taxable, but any imputation or foreign withholding tax credits may be available to offset any tax payable (subject to certain limits).

For other overseas equities we invest in, the fair dividend rate method or the comparative value method will apply. The fair dividend rate method applies in most cases. Under the fair dividend rate method, the underlying funds are treated as deriving taxable income equal to 5% of the average daily market value of those investments. Dividends or profits from the sale of these investments are not taxable and losses from sale are not deductible. Under the comparative value method, the underlying funds are taxed on all realised and unrealised gains and losses and any distributions. Foreign withholding tax credits may be available to offset any tax payable (subject to certain limits).

Income and gains or losses from other investments held by an underlying fund will be taxable.

## 7. Who is involved?

### The supervisor

Public Trust is licensed to act as a supervisor of ASB Investment Funds. Their licence is subject to certain conditions from the Financial Markets Authority (**FMA**). These conditions may change over time. See [fma.govt.nz](http://fma.govt.nz) for a full list of these conditions.

### Supervisor's authority

The supervisor must give regular reports to the FMA confirming that:

- it has sufficient financial resources and independence to support and develop its trustee and statutory supervisor business and
- it holds adequate professional indemnity insurance for its trustee and statutory supervisor business.

### Independence of supervisor and any custodians

The supervisor and the custodian (Newburg Nominees Limited) are independent of us. The custodian is owned by the supervisor. The supervisor is ultimately owned by the Government.

### Conflicts of interest

We have the following conflicts of interest:

- ASB Bank Limited (**ASB**) and Commonwealth Bank of Australia (**CBA**) are related parties of us. They provide foreign exchange hedging services for underlying funds managed by us with assets in foreign currency. ASB and CBA receive a benefit for providing these services as part of their banking business. All funds are exposed to foreign currency. We manage this conflict by ensuring that the arrangement between us is on arm's length terms.
- Colonial First State Asset Management (Australia) Limited (**CFSAML**) is a related party of us. It is an investment manager of the underlying funds. We pay CFSAML a fee for its investment management services. We manage this conflict by ensuring that any arrangement between us is on arm's length terms.
- The funds bank with ASB. ASB may receive commercial benefits from those banking arrangements. We manage this conflict by ensuring that those arrangements are on arm's length terms.
- The funds invest in underlying funds managed by us. We do not receive any fees for managing the underlying funds.
- Our related parties may be involved in transactions that include the offer of financial products (for example, by offering a term deposit or as an arranger of a corporate bond issue). The underlying funds managed by us may buy those financial products. We manage this conflict by ensuring all financial products bought are authorised investments of the funds and that any purchase is on arm's length terms.



## › Notes

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## › Notes



## Keep in touch

- › Drop in to any ASB branch
- › Call 0800 272 386
- › Visit [asb.co.nz](http://asb.co.nz)
- › Visit us at [facebook.com/asbbank](https://facebook.com/asbbank)
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