

# Other Material Information ASB Investment Funds

ASB Group Investments Limited | 17 September 2024

This document replaces the other material information document dated 26 June 2024.

# 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 [disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz) (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 [disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz) (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. Market conditions are influenced by many factors including the state of the economy (both domestic and overseas), investor sentiment, climate change, and political, environmental, technological, regulatory and tax changes. 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 may 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	Fixed Interest investments are affected by changes in interest rates. The price of a fixed interest investment typically falls as interest rates increase and rises as interest rates decline. This means returns from fixed interest may vary if interest rates change. We spread our investments across different markets to reduce the likelihood or impact of fixed interest rate movements.

Risk	Description
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.
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	Liquidity risk arises when assets become difficult to sell in a reasonable timeframe and at a fair price. This can affect our ability to pay withdrawal requests in a timely way, or we may have to sell those assets at a lower price. Where we use third party managed funds, the underlying fund may defer or suspend withdrawals because of stressed market conditions, an unusually high volume of redemption requests, or other factors beyond our control. We have policies and procedures governing how we invest that are designed to reduce the likelihood or impact of this risk.
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.
Climate Change risk	The risks associated with climate change, such as extreme weather events, long-term weather shifts, rising sea levels, changes in investor sentiment and increased costs to businesses to lower emissions, are broad and may impact the overall economy and many of the other risk factors described above. Climate change risks also have the potential to increase over time. We seek to manage this risk by identifying and assessing climate-related risks within the funds and we may change our investment strategies or policies where possible to better manage climate change risks.

## 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	0.85%	0.02%	0.03%	0.90%
Conservative Plus Fund	0.90%	0.02%	0.01%	0.93%
Moderate Fund	0.95%	0.02%	0.01%	0.98%
Balanced Fund	1.00%	0.02%	0.02%	1.04%
Growth Fund	1.05%	0.02%	0.02%	1.09%
Aggressive Fund	1.10%	0.02%	0.06%	1.18%

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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### 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 indirectly affect 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

The annual fund charges in the PDS are an estimated percentage of the net asset value of a fund.

The actual fund charges are based on the gross asset value of a fund each day. As a result, the amount a 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 your prescribed investor rate (PIR)

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 your PIR.

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 your PIR. 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, the IRD may require you to pay the additional tax (plus any interest and penalties).

If the PIR you give us is too high (or if you don't tell us any PIR) any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

This 'PIE tax square up' is performed either through the IRD's year-end automated income tax assessment process, or through the completion of an income tax return.

IRD may require us to apply a different PIR if they determine you have given us an incorrect PIR. In this case, we have to apply the PIR that IRD considers correct.

### 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 Working for Families Tax Credits 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 the 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 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 custodians are independent of us. The supervisor is 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 may 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.
- 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.

BlackRock Investment Management (Australia) Limited, the portfolio manager of the ASB Investment Funds, has the following conflicts of interest in relation to the ASB Investment Funds:

- BlackRock Investment Management (Australia) Limited is responsible for asset allocation and currency hedging decisions for the ASB Investment Funds. This means they determine the proportion of each funds' assets that are invested in each asset class.

BlackRock Investment Management (Australia) Limited or its related entities (**BlackRock Group**) have also been appointed as the underlying investment manager for some of the asset classes in which the funds may invest. BlackRock Group receives fees from us for its management of the asset classes for which they have been appointed as underlying investment manager.

More information about the asset classes in which the funds can invest and the underlying investment managers can be found in the ASB Investment Funds SIPO at [asb.co.nz/asb-investment-funds/fund-reporting](http://asb.co.nz/asb-investment-funds/fund-reporting)

We manage these conflicts by:

- Retaining responsibility for the selection, appointment, and removal of the manager of each underlying asset class;
- Imposing limits on the portion of each funds' assets which can be invested in a particular asset class; and
- Monitoring the performance of BlackRock Investment Management (Australia) Limited in its capacity as portfolio manager and each relevant BlackRock Group company in its capacity as underlying investment manager.

BlackRock manages these conflicts by:

- Segregating duties between teams responsible for portfolio management and underlying investment management functions on behalf of ASB; and
- Having policies and procedures in place to manage any such conflicts.

## 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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