

Statement of Investment Policy and Objectives ASB Investment Funds

Effective from 30 October 2020

Contents

1. Introduction	1
2. Investment beliefs	1
3. Scheme objective	2
4. Investment strategy	2
• Asset allocation	2
• Currency hedging	3
• Managing asset classes	4
• Authorised investments	5
5. Investment policies	6
6. Investment strategy review	6
7. Monitoring	7
• Investment performance monitoring	7
• Underlying investment manager performance monitoring	7
8. Compliance with this SIPO	7
• Limit break monitoring	7
9. Changes to this SIPO	7
Schedule	8
• Conservative Fund	8
• Conservative Plus Fund	9
• Moderate Fund	10
• Balanced Fund	11
• Growth Fund	12
• Positive Impact Fund	13
• World Shares Fund	15

1. Introduction

The ASB Investment Funds (the **Scheme**) is registered under the Financial Markets Conduct Act 2013 as a managed investment scheme.

ASB Group Investments Limited (**we, our or us**) is the manager of the Scheme and owned by ASB Bank Limited (**ASB**). The ASB investment committee has been established to be responsible for making investment decisions for the Scheme (the **Investment Committee**).

The supervisor of the Scheme is Public Trust (the **supervisor**).

The Scheme has the following funds (**Funds**):

Multi-sector	Single sector	Specialist
<ul style="list-style-type: none"> • Conservative Fund • Conservative Plus Fund • Moderate Fund • Balanced Fund • Growth Fund 	<ul style="list-style-type: none"> • World Shares Fund <p>The single sector Funds are only available to wholesale investors and discretionary investment management service (DIMS) licensees where the DIMS licensee decides to buy the units on behalf of a person in the course of supplying a DIMS to the person.</p>	<ul style="list-style-type: none"> • Positive Impact Fund

This Statement of Investment Policy and Objectives (**SIPO**) sets out the investment policies and objectives for the Scheme and the Funds. This SIPO is prepared in consultation with the supervisor.

This SIPO describes how:

- ASB Group Investments Limited manages the Scheme's investments
- the performance of the Scheme's investments are measured and monitored and
- changes are made to this SIPO.

This SIPO, the Product Disclosure Statement (**PDS**), the other material information document and other documentation relating to the Scheme can be found in the Disclose Register at disclose-register.companiesoffice.govt.nz (search for ASB Investment Funds).

2. Investment beliefs

Our investment beliefs provide a framework for our investment decision making. The investment beliefs are considered together when making decisions for the Scheme.

Investment beliefs	What this means for our investment decisions
It is important that our customers can understand our investment strategies and policies, including how we take into account environmental, social and governance considerations.	We use investment strategies and policies that can be understood by our customers.
Asset allocation and currency decisions are the most important investment decisions we make. They drive the majority of the investment outcome.	Our investment decision making time and resources are focused on making the best possible asset allocation and currency hedging decisions.
Investment decisions taken with a medium - long term horizon will in the long term outperform decisions that are taken with a short term horizon.	We make investment decisions based on medium to longer term expectations.
Investment risks should be clearly understood and carefully considered when seeking investment return.	We focus on both risk and return outcomes when making investment decisions. Generally, higher returns means higher risk, therefore we aim to ensure that returns appropriately reflect the risk that is being taken to achieve it.
We consider active management where we are satisfied that a strategy or manager can add value over the long term.	When choosing an investment management strategy for each asset class, we consider whether active investment management is likely to outperform a market index (after fees) over the long term.
The cost of managing money is an important component of investment returns.	We focus on keeping investment costs as low as possible, meaning that more of our customers' money is invested to earn returns.

3. Scheme objective

The Scheme is designed to help investors' achieve their investment goals. Contributions made to each investor's account and the returns of the investor's chosen Funds, will largely determine the amount that an investor receives when they withdraw their investment.

See the Schedule to this SIPO for the investment objectives for each Fund. These may change from time to time.

4. Investment strategy

The investment strategy for each Fund is designed to achieve or exceed its investment objective and performance target. The investment strategy for each Fund is made up of asset allocation, currency hedging and decisions about how each asset class is managed.

Asset allocation

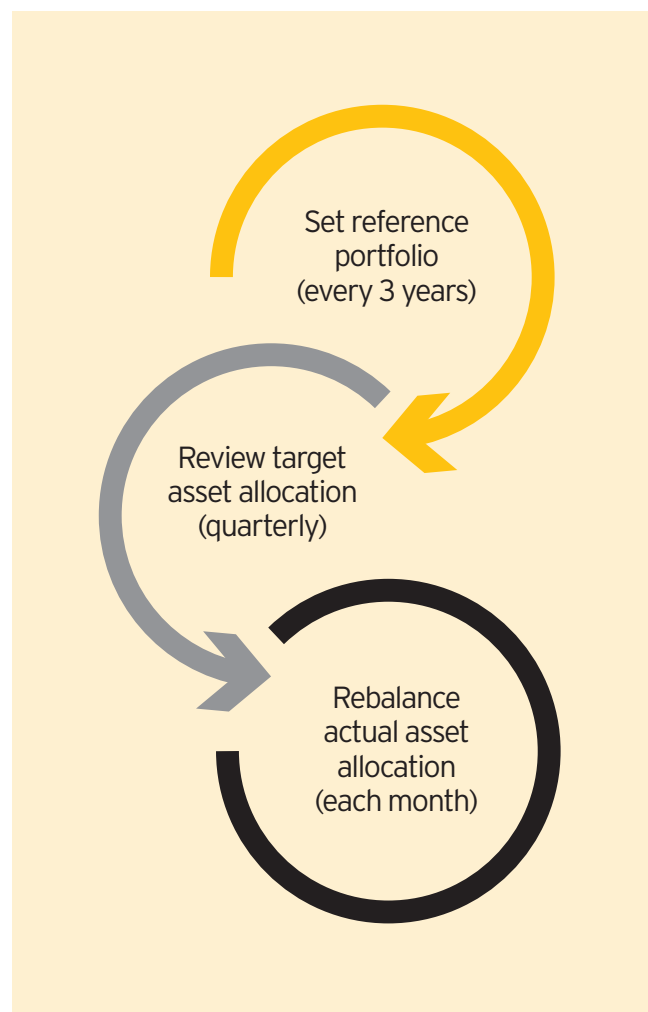
Asset allocation has a significant influence on investment returns. Each Fund is invested in line with a target asset allocation. The target asset allocation is reviewed every three months, and measured against a long term benchmark. We call this benchmark the reference portfolio, which we set every three years.

The reference portfolio for each Fund is the lowest cost, lowest risk allocation of assets that is expected to achieve or exceed the investment objective and performance target. The reference portfolio is the benchmark that we use to measure the success of our quarterly asset allocation process.

The target asset allocation is the allocation of assets that we believe will produce a better investment outcome than the reference portfolio over a one to three year period. We review this quarterly. However, for the Positive Impact Fund we do not run a quarterly target asset allocation review. For this Fund the target asset allocation aligns with its reference portfolio.

The actual asset allocation will differ from the target asset allocation only as a result of cash flows and market movements. The actual asset allocation for each Fund is monitored daily. We rebalance the actual asset allocation to the target asset allocation each month by buying and selling assets in a Fund.

See the Schedule to this SIPO for the reference portfolio for each Fund.



Currency hedging

All of the Funds invest in foreign currency assets, and are exposed to foreign currency movements that may affect returns.

Currency hedging involves off-setting the currency exposure of foreign assets, such as bonds or shares, so that we reduce the effect of currency movements on the value of those assets.

The exposure to foreign currency for each asset class is managed in accordance with the currency hedging policy. We use a passive approach to hedging, where the actual level of hedging for each asset class with assets in foreign currency matches the reference portfolio hedging level.

Asset class	Level of currency hedging
Multi-sector and single sector funds	
Asset classes without foreign currency assets: Cash and cash equivalents, NZ government bonds, NZ corporate bonds and NZ equities	Not applicable
Global Bonds (including Government, corporate and inflation linked)	100%
Australian equities and listed property	100%
Global equities	50%
Emerging market equities	0%
Specialist fund	
Global Bonds (including Government, corporate and inflation linked)	100%
Global equities	50% ¹
1. To apply by the end of November 2020. Until this time, this asset class is 100% hedged.	

Managing asset classes

Multi-sector and single sector funds

We manage asset classes in the same way across the multi-sector and single sector funds. This means that the investment management style, market index and underlying investment manager for each asset class is the same.

We use either an active investment management style or an index tracking investment management style.

An active investment management style means that investments are made with the goal of outperforming chosen market indices.

An index tracking investment management style aims to deliver returns that closely track those of a market index (or a combination of market indices). Index tracking isn't expected to exactly match the returns of the index because of transaction costs and cash flow and timing issues. Funds that are managed by index tracking generally have lower fees than those managed by an active investment management style. This is important because fees reduce returns.

Specialist fund

For the Positive Impact Fund, the global bonds asset class currently invests in a third party managed fund that is managed in an index tracking manner. The international equities asset class currently invests in a third party managed fund that uses an active investment management style, and employs multiple underlying managers who buy the securities of businesses that seek to make a positive impact on society or the environment.

Market index

The performance of each asset class is measured against a market index (or a combination of market indices).

Underlying Funds

The money in each asset class is invested in underlying funds. The underlying funds are unlisted unit trusts that we manage. For the specialist fund the respective underlying funds currently invest in managed funds offered by underlying investment managers.

Underlying investment managers

We select underlying investment managers to manage the assets in each underlying fund, either directly or indirectly. The underlying investment managers are specialist investment managers within their asset class.

Asset class	Market index	Investment management style	Underlying investment manager
Multi-sector and single sector funds			
Cash & Cash Equivalents ²	S&P/NZX 90-Day Bank Bills Index	Active	First Sentier Investors (Australia) IM Ltd
NZ Government Bonds	S&P/NZX NZ Government Bond Index	Index tracking	First Sentier Investors (Australia) IM Ltd
NZ Corporate Bonds	S&P/NZX A-Grade Corporate Bond Index		
Global Government Bonds (3-5 years)	FTSE World Government Bond (3-5 years) Index (100% hedged)	Index tracking	State Street Global Advisors, Australia, Limited
Global Government Bonds	FTSE World Government Bond Index (100% hedged)	Index tracking	Not applicable ³
Global Corporate Bonds	FTSE World Broad Investment Grade Bond Index (excluding securities in the FTSE World Government Bond Index) (100% hedged)	Index tracking	State Street Global Advisors, Australia, Limited

2. Cash & Cash Equivalents comprise on-call and term investments with registered New Zealand banks, including wholesale deposits, registered certificates of deposit and floating rate notes. Maximum term to maturity of any security is 365 days.

3. There is currently no actual asset allocation to Global Government Bonds or Global Inflation Linked Bonds.

Asset class	Market index	Investment management style	Underlying investment manager
Multi-sector and single sector funds (continued)			
Global Inflation Linked Bonds	FTSE World Inflation-Linked Securities (1-10 years) Index (100% hedged)	Index tracking	Not applicable ⁴
Australasian Equities	60% S&P/NZX 50 Gross with Imputation Index; 40% S&P/ASX 200 Accumulation Index (100% hedged)	Index tracking	Vanguard Investments Australia Ltd
Global Equities	MSCI World ex Australia Index (50% hedged)	Index tracking	BlackRock Investment Management (Australia) Limited
Emerging Market Equities	MSCI Emerging Markets Index (unhedged)	Index tracking	BlackRock Investment Management (Australia) Limited
Listed Property	FTSE EPRA/NAREIT Developed Index (100% hedged)	Index tracking	BlackRock Investment Management (Australia) Limited

4. There is currently no actual asset allocation to Global Government Bonds or Global Inflation Linked Bonds.

Asset class	Market index	Investment management style	Underlying investment manager and third party managed fund
Specialist fund			
Global Bonds	FTSE World Government Bond Index (100% hedged) FTSE World Broad Investment Grade Bond Index (excluding securities in the FTSE World Government Bond Index) (100% hedged)	Index tracking	Vanguard Investments Australia Ltd via the Vanguard Ethically Conscious Global Aggregate Bond Index Fund (Hedged) - NZD Hedged
Global Equities	MSCI World ex Australia Index (50% hedged) ⁵	Active	Mercer (N.Z.) Limited via the Mercer Socially Responsible Hedged and Unhedged Overseas Shares Portfolios ⁶

5. To apply by the end of November 2020. Until this time, this index is 100% hedged.

6. To apply by the end of November 2020. Until this time, the fund will only invest in the Mercer Socially Responsible Hedged Overseas Shares Portfolio.

We may change the market indices and underlying investment managers at any time. We do not need to give anyone notice of that change.

See the Schedule to this SIPO for the market index weightings for each Fund.

Authorised investments

The authorised investments for the Funds are:

- unlisted unit trusts managed by us
- cash balances with ASB and
- any other investments as agreed from time to time with the supervisor.

We agree authorised investments with the underlying investment managers.

5. Investment policies

Our investment decision-making is guided by our investment policies, which include the policies listed below. Our investment policies are reviewed at least once every two years.

Rebalancing policy	<p>We rebalance by selling assets in an asset class that exceeds the target asset allocation and by purchasing assets in asset classes that are under the target asset allocation. Rebalancing is undertaken once a month.</p> <p>Rebalancing is also described in section 4 of this SIPO.</p>
Currency hedging policy	<p>We use a passive approach to hedging where the actual level of hedging for each asset class with assets in foreign currency matches the reference portfolio hedging level. The hedging level represents the proportion of foreign currency exposure hedged back to New Zealand dollars.</p> <p>Currency hedging is also described in section 4 of this SIPO.</p>
Derivatives usage policy	<p>We use derivatives:</p> <ul style="list-style-type: none"> • for risk management (including to hedge foreign currency exposure) • for investment purposes, to facilitate efficient portfolio management (including to achieve transactional efficiency and to manage cash flows). <p>We may use derivatives for other purposes if approved by the Investment Committee.</p>
Gearing policy	<p>Gearing is an investment technique where money is borrowed to enhance investment returns. The Funds do not use gearing.</p>
Market risk management policy	<p>The value of investments can go 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. Market risk management is a key part of the asset allocation process and asset class management process.</p>
Credit risk policy	<p>Investments in cash, fixed interest assets and derivatives can 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 spread our investments across different markets and apply credit quality criteria (such as credit ratings and issuer limits) to reduce the likelihood or impact of this risk.</p>
Asset valuation policy	<p>We have documented procedures, systems and controls to ensure fair value.</p>
Responsible investing policy	<p>We have a responsible investment policy that describes the responsible investment principles to be adopted by the Investment Committee. These principles guide the Investment Committee in the application of our responsible investment commitments, being commitments to incorporate, amongst other things, environmental, social and governance considerations into our investment analysis and decision making process. More information about our commitments can be found at asb.co.nz/responsible-investment.</p>
Liquidity risk policy	<p>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. We manage and mitigate this risk through the asset allocation process, by diversifying across sectors and issuers and by investing in liquid public markets.</p>

6. Investment strategy review

The management of each asset class is formally reviewed at least once every two years. This review is in addition to the review processes described in sections 4 (Investment strategy) and 5 (Investment policies) of this SIPO.

The review includes considering:

- the current investment approach to the asset class
- whether the asset class should be managed using an active or index tracking investment management style

- which market index should be used
- underlying investment managers by looking at investment processes and systems, reputation, investment management style and the managers' performance record. The same criteria will be applied to all investment managers even if one of the proposed managers is a related party of ours and
- whether to gain exposure to the asset class via a separately managed account in the supervisor's name or by a pooled vehicle offered by the investment manager.

7. Monitoring

We regularly monitor the performance of the investment strategies, policies and the underlying investment managers appointed to carry these out.

This monitoring looks at whether:

- the relevant investment objective is achieved
- the strategy remains effective and appropriate and
- the underlying investment managers are competent and achieving the agreed objectives.

Investment performance monitoring

The investment performance of each Fund is monitored every month. This includes each Fund's absolute performance, the volatility of performance, and risk-adjusted performance. Each Fund's performance is compared with the performance of the reference portfolio and a peer group of managers.

Underlying investment manager performance monitoring

The performance of each underlying investment manager is reviewed every month, relative to agreed objectives. The review looks at the performance over short, medium and longer timeframes.

8. Compliance with this SIPO

We monitor the Funds each day for compliance with the investment strategies and policies in this SIPO.

The underlying funds are also monitored for compliance with the authorised investments and restrictions. The underlying investment managers are monitored for their compliance with the relevant investment management agreements.

Limit break monitoring

Each Fund has limits on the amount of income assets (cash and cash equivalents and fixed interest) and growth assets (equities and listed property) it can hold. If a Fund moves outside a limit (a **Limit Break**), we will rebalance to correct the allocation of assets for that Fund, within five working days of discovering the Limit Break. We will report any Limit Break to the supervisor.

See the Schedule to this SIPO for the limits on income and growth assets for each Fund.

We confirm our compliance with this SIPO quarterly:

- to the supervisor and
- to the Investment Committee.

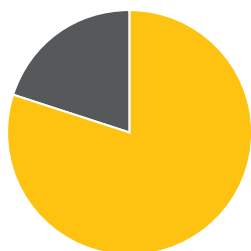
9. Changes to this SIPO

This SIPO is reviewed at least annually or to reflect a change such as a new reference portfolio or a change to an underlying investment manager. Any changes to this SIPO will be made in consultation with the supervisor and approved by the ASB GM Product PBW&I. Any material changes to the SIPO will be reported in the Scheme's next annual report.

Schedule

Conservative Fund

Income/growth asset split



● Income 80% ● Growth 20%

Investment objective

To provide modest total returns allowing for modest movements of value up and down. The number of years with negative returns are generally expected to be less than the other Funds.

Performance target

Exceed the return of the S&P/NZX 90-Day Bank Bills Index by 0.5% per annum before management fees, expenses and tax over rolling three year periods.

The tracking error of the expected performance should be no greater than 1% relative to the reference portfolio.

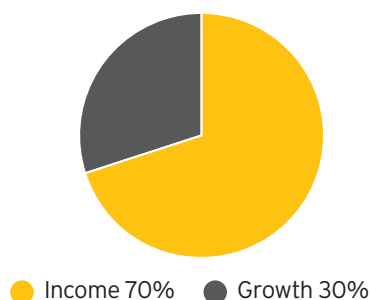
Asset class	Asset category	Reference portfolio	Limits	Market index
Cash & Cash Equivalents	Cash & Cash Equivalents	15%		S&P/NZX 90-Day Bank Bills Index
NZ Government Bonds	NZ Fixed Interest	14%		S&P/NZX NZ Government Bond Index
NZ Corporate Bonds		8%		S&P/NZX A-Grade Corporate Bond Index
Global Government Bonds (3-5 years)	International Fixed Interest	-		FTSE World Government Bond (3-5 years) Index (100% hedged)
Global Government Bonds		28%		FTSE World Government Bond Index (100% hedged)
Global Corporate Bonds		15%		FTSE World Broad Investment Grade Bond Index (excluding securities in the FTSE World Government Bond Index) (100% hedged)
Global Inflation Linked Bonds		-		FTSE World Inflation-Linked Securities (1-10 years) Index (100% hedged)
Income assets		80%	75% - 85%	
Australasian Equities	Australasian Equities	9%		60% S&P/NZX 50 Gross with Imputation Index; 40% S&P/ASX 200 Accumulation Index (100% hedged)
Global Equities	International Equities	11%		MSCI World ex Australia Index (50% hedged)
Growth assets		20%	15% - 25%	

The reference portfolio is described as the 'target investment mix' in the PDS and fund updates for the Scheme. A security may be included in more than one market index. This means that more than one asset category may be exposed to that security.

- The International Fixed Interest asset category may be exposed to any NZ Fixed Interest securities that are included in a market index for the International Fixed Interest asset category.
- The Australasian Equities asset category may be exposed to any Listed Property securities that are included in a market index for the Australasian Equities asset category.
- The International Equities asset category may be exposed to any Listed Property securities and any Australasian Equity securities that are included in a market index for the International Equities asset category.

Conservative Plus Fund

Income/growth asset split



Investment objective

To provide modest to moderate total returns allowing for modest to moderate movements of value up and down. The number of years with negative returns are generally expected to be higher than the Conservative Fund but lower than the Moderate Fund.

Performance target

Exceed the return of the S&P/NZX 90-Day Bank Bills Index by 0.75% per annum before management fees, expenses and tax over rolling three year periods.

The tracking error of the expected performance should be no greater than 1.5% relative to the reference portfolio.

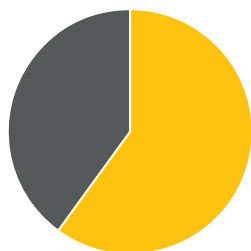
Asset class	Asset category	Reference portfolio	Limits	Market index
Cash & Cash Equivalents	Cash & Cash Equivalents	12%		S&P/NZX 90-Day Bank Bills Index
NZ Government Bonds	NZ Fixed Interest	14.5%		S&P/NZX NZ Government Bond Index
NZ Corporate Bonds		7%		S&P/NZX A-Grade Corporate Bond Index
Global Government Bonds (3-5 years)	International Fixed Interest	-		FTSE World Government Bond (3-5 years) Index (100% hedged)
Global Government Bonds		29%		FTSE World Government Bond Index (100% hedged)
Global Corporate Bonds		7.5%		FTSE World Broad Investment Grade Bond Index (excluding securities in the FTSE World Government Bond Index) (100% hedged)
Global Inflation Linked Bonds		-		FTSE World Inflation-Linked Securities (1-10 years) Index (100% hedged)
Income assets		70%	65% - 75%	
Australasian Equities	Australasian Equities	14.5%		60% S&P/NZX 50 Gross with Imputation Index; 40% S&P/ASX 200 Accumulation Index (100% hedged)
Global Equities	International Equities	15.5%		MSCI World ex Australia Index (50% hedged)
Emerging Market Equities		-		MSCI Emerging Markets Index (unhedged)
Listed Property	Listed Property	-		FTSE EPRA/NAREIT Developed Index (100% hedged)
Growth assets		30%	25% - 35%	

The reference portfolio is described as the 'target investment mix' in the PDS and fund updates for the Scheme. A security may be included in more than one market index. This means that more than one asset category may be exposed to that security.

- The International Fixed Interest asset category may be exposed to any NZ Fixed Interest securities that are included in a market index for the International Fixed Interest asset category.
- The Australasian Equities asset category may be exposed to any Listed Property securities that are included in a market index for the Australasian Equities asset category.
- The International Equities asset category may be exposed to any Listed Property securities and any Australasian Equity securities that are included in a market index for the International Equities asset category.

Moderate Fund

Income/growth asset split



● Income 60% ● Growth 40%

Investment objective

To provide moderate total returns allowing for moderate movements of value up and down. The number of years with negative returns are generally expected to be higher than the Conservative Plus Fund but lower than the Balanced Fund.

Performance target

Exceed the return of the S&P/NZX 90-Day Bank Bills Index by 1% per annum before management fees, expenses and tax over the long term.

The tracking error of the expected performance should be no greater than 2% relative to the reference portfolio.

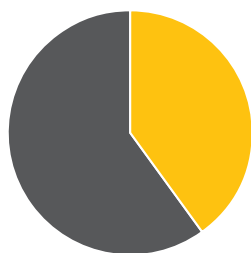
Asset class	Asset category	Reference portfolio	Limits	Market index
Cash & Cash Equivalents	Cash & Cash Equivalents	9%		S&P/NZX 90-Day Bank Bills Index
NZ Government Bonds	NZ Fixed Interest	15%		S&P/NZX NZ Government Bond Index
NZ Corporate Bonds		6%		S&P/NZX A-Grade Corporate Bond Index
Global Government Bonds (3-5 years)	International Fixed Interest	-		FTSE World Government Bond (3-5 years) Index (100% hedged)
Global Government Bonds		30%		FTSE World Government Bond Index (100% hedged)
Global Corporate Bonds		-		FTSE World Broad Investment Grade Bond Index (excluding securities in the FTSE World Government Bond Index) (100% hedged)
Global Inflation Linked Bonds		-		FTSE World Inflation-Linked Securities (1-10 years) Index (100% hedged)
Income assets		60%	55% - 65%	
Australasian Equities	Australasian Equities	19%		60% S&P/NZX 50 Gross with Imputation Index; 40% S&P/ASX 200 Accumulation Index (100% hedged)
Global Equities	International Equities	19%		MSCI World ex Australia Index (50% hedged)
Emerging Market Equities		-		MSCI Emerging Markets Index (unhedged)
Listed Property	Listed Property	2%		FTSE EPRA/NAREIT Developed Index (100% hedged)
Growth assets		40%	35% - 45%	

The reference portfolio is described as the 'target investment mix' in the PDS and fund updates for the Scheme. A security may be included in more than one market index. This means that more than one asset category may be exposed to that security.

- The International Fixed Interest asset category may be exposed to any NZ Fixed Interest securities that are included in a market index for the International Fixed Interest asset category.
- The Australasian Equities asset category may be exposed to any Listed Property securities that are included in a market index for the Australasian Equities asset category.
- The International Equities asset category may be exposed to any Listed Property securities and any Australasian Equity securities that are included in a market index for the International Equities asset category.

Balanced Fund

Income/growth asset split



● Income 40% ● Growth 60%

Investment objective

To provide moderate to high total returns allowing for moderate to high movements of value up and down. The number of years with negative returns are generally expected to be higher than the Moderate Fund but lower than the Growth Fund.

Performance target

Exceed the return of the S&P/NZX 90-Day Bank Bills Index by 1.5% per annum before management fees, expenses and tax over the long term.

The tracking error of the expected performance should be no greater than 2.5% relative to the reference portfolio.

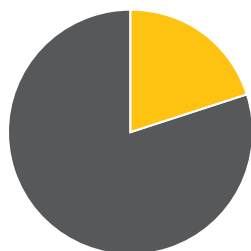
Asset class	Asset category	Reference portfolio	Limits	Market index
Cash & Cash Equivalents	Cash & Cash Equivalents	4%		S&P/NZX 90-Day Bank Bills Index
NZ Government Bonds	NZ Fixed Interest	11%		S&P/NZX NZ Government Bond Index
NZ Corporate Bonds		4%		S&P/NZX A-Grade Corporate Bond Index
Global Government Bonds (3-5 years)	International Fixed Interest	-		FTSE World Government Bond (3-5 years) Index (100% hedged)
Global Government Bonds		21%		FTSE World Government Bond Index (100% hedged)
Global Corporate Bonds		-		FTSE World Broad Investment Grade Bond Index (excluding securities in the FTSE World Government Bond Index) (100% hedged)
Global Inflation Linked Bonds		-		FTSE World Inflation-Linked Securities (1-10 years) Index (100% hedged)
Income assets		40%	35% - 45%	
Australasian Equities	Australasian Equities	29%		60% S&P/NZX 50 Gross with Imputation Index; 40% S&P/ASX 200 Accumulation Index (100% hedged)
Global Equities	International Equities	23.5%		MSCI World ex Australia Index (50% hedged)
Emerging Market Equities		2.5%		MSCI Emerging Markets Index (unhedged)
Listed Property	Listed Property	5%		FTSE EPRA/NAREIT Developed Index (100% hedged)
Growth assets		60%	55% - 65%	

The reference portfolio is described as the 'target investment mix' in the PDS and fund updates for the Scheme. A security may be included in more than one market index. This means that more than one asset category may be exposed to that security.

- The International Fixed Interest asset category may be exposed to any NZ Fixed Interest securities that are included in a market index for the International Fixed Interest asset category.
- The Australasian Equities asset category may be exposed to any Listed Property securities that are included in a market index for the Australasian Equities asset category.
- The International Equities asset category may be exposed to any Listed Property securities and any Australasian Equity securities that are included in a market index for the International Equities asset category.

Growth Fund

Income/growth asset split



● Income 20% ● Growth 80%

Investment objective

To provide high total returns allowing for large movements of value up and down. The number of years with negative returns are generally expected to be the highest of the multi-sector funds.

Performance target

Exceed the return of the S&P/NZX 90-Day Bank Bills Index by 2% per annum before management fees, expenses and tax over the long term.

The tracking error of the expected performance should be no greater than 3% relative to the reference portfolio.

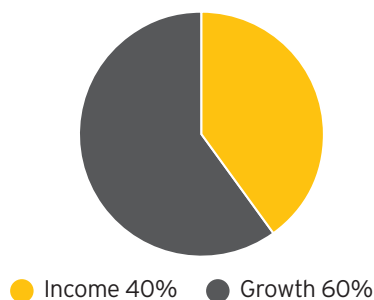
Asset class	Asset category	Reference portfolio	Limits	Market index
Cash & Cash Equivalents	Cash & Cash Equivalents	1%		S&P/NZX 90-Day Bank Bills Index
NZ Government Bonds	NZ Fixed Interest	6.5%		S&P/NZX NZ Government Bond Index
NZ Corporate Bonds		-		S&P/NZX A-Grade Corporate Bond Index
Global Government Bonds (3-5 years)	International Fixed Interest	-		FTSE World Government Bond (3-5 years) Index (100% hedged)
Global Government Bonds		12.5%		FTSE World Government Bond Index (100% hedged)
Global Corporate Bonds		-		FTSE World Broad Investment Grade Bond Index (excluding securities in the FTSE World Government Bond Index) (100% hedged)
Global Inflation Linked Bonds		-		FTSE World Inflation-Linked Securities (1-10 years) Index (100% hedged)
Income assets		20%	15% - 25%	
Australasian Equities	Australasian Equities	40%		60% S&P/NZX 50 Gross with Imputation Index; 40% S&P/ASX 200 Accumulation Index (100% hedged)
Global Equities	International Equities	27%		MSCI World ex Australia Index (50% hedged)
Emerging Market Equities		5.5%		MSCI Emerging Markets Index (unhedged)
Listed Property	Listed Property	7.5%		FTSE EPRA/NAREIT Developed Index (100% hedged)
Growth assets		80%	75% - 85%	

The reference portfolio is described as the 'target investment mix' in the PDS and fund updates for the Scheme. A security may be included in more than one market index. This means that more than one asset category may be exposed to that security.

- The International Fixed Interest asset category may be exposed to any NZ Fixed Interest securities that are included in a market index for the International Fixed Interest asset category.
- The Australasian Equities asset category may be exposed to any Listed Property securities that are included in a market index for the Australasian Equities asset category.
- The International Equities asset category may be exposed to any Listed Property securities and any Australasian Equity securities that are included in a market index for the International Equities asset category.

Positive Impact Fund

Income/growth asset split



Investment objective

To provide moderate to high returns allowing for large movements of value up and down, from an exposure to a portfolio of investments with a preference for those that make a positive impact on society or the environment. The number of years with negative returns are generally expected to be similar to the Growth Fund.

Performance target

To achieve or exceed the reference portfolio asset allocation weighted market index return before management fees, expenses and tax over rolling three year periods.

Asset class	Asset category	Reference portfolio	Limits	Market index
Global Bonds	International Fixed Interest	40%		55% FTSE World Government Bond Index (100% hedged) 45% FTSE World Broad Investment Grade Bond Index (excluding securities in the FTSE World Government Bond Index) (100% hedged)
Income assets		40%	35% - 45%	
Global Equities	International Equities	60%		MSCI World ex Australia Index (50% hedged) ⁷
Growth assets		60%	55% - 65%	

7. To apply by the end of November 2020. Until this time, this index is 100% hedged.

The reference portfolio is described as the 'target investment mix' in the PDS and fund updates for the Scheme. The fund may hold cash to ensure there is liquidity to enable withdrawals.

A security may be included in more than one market index. This means that more than one asset category may be exposed to that security.

- The International Fixed Interest asset category may be exposed to any NZ Fixed Interest securities that are included in a market index for the International Fixed Interest asset category.
- The International Equities asset category may be exposed to any Listed Property securities and any Australasian Equity securities that are included in a market index for the International Equities asset category.

*Currently the Positive Impact Fund invests in third party managed funds. These funds have certain exclusion policies as outlined below. The details of these exclusions may change from time to time.

The Vanguard Ethically Conscious Global Aggregate Bond Index Fund (Hedged) - NZD Hedged Currently excludes exposure to:

Tobacco	All issuers classified as a "Producer"; All issuers classified as "Distributor", "Retailer" and "Supplier" that earn 15% or more of their revenue from tobacco-related products.
Military Weapons	All issuers classified as involved in manufacturing of Nuclear Weapons, Nuclear Weapons Components, Chemical and Biological Weapons Components, or Depleted Uranium Weapons. All issuers that earn 5% or more in revenue, or more than \$500 million in revenue, from manufacturing of Conventional Weapons, Conventional Weapons Components, or Conventional Weapons Support Systems and Services.

Positive Impact Fund (continued)

The Vanguard Ethically Conscious Global Aggregate Bond Index Fund (Hedged) - NZD Hedged (continued) Currently excludes exposure to:

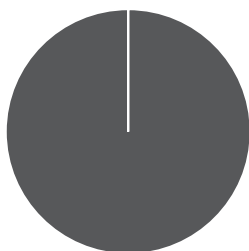
Civilian Firearms	All issuers classified as a "Producer". All issuers classified as a "Retailer" that earn 5% or more in revenue, or more than \$20 million in revenue from civilian firearms-related products.
Alcohol	All issuers classified as a "Producer" that earn more than 5% in revenue, or more than \$500 million in revenue from alcohol-related products.
Gambling	All issuers classified as involved in "Operations" or "Support" that earn 5% or more in revenue, or more than \$500 million in revenue, from gambling-related activities.
Fossil Fuels	Companies with any industry tie to fossil fuels (thermal coal, oil and gas), in particular reserve ownership, related revenues and power generation.
Nuclear Power	All issuers classified as a nuclear "Utility". All issuers classified as involved in uranium mining, designing nuclear reactors or enrichment of fuel for nuclear reactors. All issuers that earn 15% or more revenues as a supplier to the nuclear power industry.
Adult entertainment	All issuers classified as a "Producer" that earn more than 5% in revenue, or more than \$500 million in revenue, from adult entertainment materials.
Controversies	<p>A controversy case is defined as an instance or ongoing situation in which company operations and/or products allegedly have a negative environmental, social, and/or governance impact. Cases include alleged company violations of existing laws and/or regulations to which they are subject; or an alleged company action or event that violates commonly accepted international norms, including but not limited to norms represented by global conventions such as the UN Global Compact.</p> <p>A case is typically a single event such as a spill, accident, regulatory action, or a set of closely linked events or allegations such as health and safety fines at the same facility, multiple allegations of anti-competitive behaviour related to the same product line, multiple community protests at the same company location, or multiple individual lawsuits alleging the same type of discrimination.</p>

The Mercer Socially Responsible Overseas Shares Portfolios Currently excludes exposure to companies undertaking the following activities:

Tobacco	Any revenue derived from the manufacture of tobacco and any company that derives >50% of revenue from tobacco-related transport, packaging and retail business activities.
Controversial weapons	Any revenue derived from direct involvement in the development and production (manufacture), sale or distribution of civilian (semi-) automatic firearms; cluster munitions; anti-personnel mines; and biological, chemical and nuclear weapons.
Alcohol	>10% revenue from alcohol-related business activities.
Gambling	>10% revenue from gambling-related business activities.
Fossil fuels	>10% revenue from the extraction of thermal coal and/or tar sands oil.
Adult entertainment	>10% revenue from adult entertainment-related business activities.

World Shares Fund

Income/growth asset split



● Income 0% ● Growth 100%

Investment objective

To provide exposure to a portfolio of international equities. The number of years with negative returns are expected to be greater than for funds which predominantly invest in income assets.

Performance target

Achieve or exceed the reference portfolio market index return before management fees, expenses and tax over the long term.

The tracking error of the expected performance should be no greater than 5.5% relative to the reference portfolio.

Asset class	Asset category	Reference portfolio	Limits	Market index
Cash & Cash Equivalents	Cash & Cash Equivalents	-		S&P/NZX 90-Day Bank Bills Index
Income assets		0%	0% - 10%	
Global Equities	International Equities	100%		MSCI World ex Australia Index (50% hedged)
Growth assets		100%	90% - 100%	

The reference portfolio is described as the 'target investment mix' in the fund updates for the Scheme.

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