Other Material Information
ASB Superannuation Master Trust

ASB Group Investments Limited | 26 June 2020

This document replaces the other material information document dated 19 March 2020.

asb.co.nz

1. Introduction

This document contains additional information about the ASB Superannuation Master Trust (the **Scheme**) to help you make your investment decision.

This document should be read alongside the Product Disclosure Statement for the Scheme (**PDS**) and the employee booklet for your employer's workplace savings plan (your **Plan**). We have used the same numbering in this document as the PDS (although not all sections are used in this document).

The following documents relating to the Scheme can be found at disclose-register.companiesoffice.govt.nz (search for ASB Superannuation Master Trust):

- this document
- the PDS
- the Statement of Investment Policy and Objectives (**SIPO**)
- the trust deed and establishment deeds for the Scheme
- other useful information about this offer

You can get a copy of your employee booklet and the admission deed for your Plan free of charge, on request from your employer or by contacting us.

2. How does this investment work?

Forfeit account

We may set up a forfeit account under your Plan. If a member leaves employment, they may not receive the total value of their contribution accounts. Any amounts that remain in your Plan after a member has left employment and been paid their entitlement, will be paid to a forfeit account for your Plan. Amounts in the forfeit account will be invested in the ASB Balanced Fund or any other fund chosen by us after discussing it with your employer.

Your employer may use the forfeit account in any of the ways set out in the admission deed for your Plan. This may include paying fees and expenses for your Plan or paying contributions.

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, 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 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: • if a fund invests in cash or fixed interest, it can be affected by **interest rate risk** • if a fund invests in equities, it can be affected by **equity investment risk** • if a fund invests in property, it can be affected by **property risk** • if a fund uses derivatives, it can be affected by **derivative risk** These risks are described below.

Risk	Description
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.
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 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 the Scheme may negatively affect a fund's performance. We only make material changes to the Scheme 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 the Scheme 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 the Scheme, 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 the Scheme.

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
ASB Moderate Fund	0.34%	0.02%	0.02%	0.38%
ASB Balanced Fund	0.34%	0.02%	0.02%	0.38%
ASB Growth Fund	0.34%	0.02%	0.02%	0.38%
ASB NZ Cash Fund	0.20%	0.02%	0.01%	0.23%
ASB NZ Fixed Interest Fund	0.35%	0.02%	0.03%	0.40%
ASB World Fixed Interest Fund	0.35%	0.02%	0.03%	0.40%
ASB Australasian Shares Fund	0.35%	0.02%	0.01%	0.38%
ASB World Shares Fund	0.35%	0.02%	0.02%	0.39%
ASB Global Property Shares Fund	0.35%	0.02%	0.03%	0.40%

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.

Supervisor's fee

The supervisor can change the amount of the supervisor's fee if we agree.

Costs and expenses

These cover operation and administration costs and expenses.

There is no maximum amount for the fees, costs or expenses.

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.

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 the Scheme.

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 costs and expenses that make up the annual fund charge. The way GST applies to the Scheme could change.

Taxable income is taxed at your prescribed investor rate (PIR)

The Scheme is a portfolio investment entity (**PIE**). This means that taxable income of the Scheme is attributed to you (based on your interest in the Scheme) 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 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 the Scheme. 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).

From the 2021 tax year if the PIR you give us is too high (or if you don't tell us any PIR) the IRD may refund any overpaid tax.

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 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 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 does not currently impact your eligibility for Working for Families Tax Credits or student allowances. It is also not included as income when assessing your student loan or child support obligations.

Call 0800 ASB RETIRE (0800 272 738) during normal business hours for more information on PIRs and calculating your PIR. You can also visit asb.co.nz/pir or ird.govt.nz or email retire@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 Scheme assets are taxed

The Scheme funds invest in underlying funds managed by us, which are PIEs. The underlying funds will attribute PIE income to the Scheme funds, so income and gains or losses will be taxed in the same way as if the underlying investments had been held by the Scheme 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 or overseas managed funds 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 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 the Scheme. Their licence is subject to conditions from the Financial Markets Authority (**FMA**). These conditions may change over time. See 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 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 except for the ASB NZ Cash Fund and ASB NZ Fixed Interest Fund 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 Scheme and that any purchase is on arm's length terms.

Notes

Keep in touch

- Drop in to any ASB branch
- Call 0800 272 738
- Visit asb.co.nz
- Visit us at facebook.com/asbbank
- Follow us on twitter.com/asbbank

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