

ASB Cash Fund and ASB Term Fund Investment Statement

PIE alternatives for savings and term deposits

12 December 2014

ASB

This document is an Investment Statement for the purposes of the Securities Act 1978.

Important information

(The information in this section is required under the Securities Act 1978).

Investment decisions are very important. They often have long term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

Page

- 4 What sort of investment is this?
- 5 Who is involved in providing it for me?
- 6 How much do I pay?
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- 9 What returns will I get?
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- 14 How do I cash in my investment?
- 15 Who do I contact with inquiries about my investment?
- 15 Is there anyone to whom I can complain if I have problems with the investment?
- 16 What other information can I obtain about this investment?

In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

The Financial Markets Authority regulates conduct in financial markets

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets. For more information about investing, go to <http://www.fma.govt.nz>

This investment statement relates to the offer of Units in the ASB Cash Fund and ASB Term Fund.

How to read this investment statement

In this investment statement:

- we, our, us and Manager mean ASB Group Investments
- you and your means an Account Holder or potential Account Holder in a Fund.

Other capitalised terms have the meanings set out in the **Glossary** on page 16.

Key information section

This key information section contains selected information only.

You should read all of this investment statement and the prospectus before you decide whether or not to invest in Units in a Fund.

<p>What am I being offered?</p>	<p>The investments you are being offered are Units in the Funds. The Funds are unit trusts.</p> <p>To invest in a Fund, you must be an ASB customer who has agreed to ASB's Personal Banking Terms and Conditions.</p> <p>For more information see page 4.</p>						
<p>What Funds can I invest in?</p>	<p>Cash Fund The Cash Fund is an on-call investment.</p> <p>Term Fund The Term Fund is a fixed term investment.</p> <p>For more information see page 4.</p>						
<p>How much do I have to invest?</p>	<p>Cash Fund</p> <table border="0"> <tr> <td>Minimum investment</td> <td>\$500</td> </tr> </table> <p>Term Fund</p> <table border="0"> <tr> <td>Minimum investment</td> <td>\$5,000</td> </tr> <tr> <td>Minimum investment for Accounts that pay returns monthly</td> <td>\$10,000 and a minimum term of 6 months</td> </tr> </table> <p>For more information see page 6.</p>	Minimum investment	\$500	Minimum investment	\$5,000	Minimum investment for Accounts that pay returns monthly	\$10,000 and a minimum term of 6 months
Minimum investment	\$500						
Minimum investment	\$5,000						
Minimum investment for Accounts that pay returns monthly	\$10,000 and a minimum term of 6 months						
<p>What are the returns?</p>	<p>Cash Fund</p> <p>Returns are earned daily and paid as additional Units to your Account once a month.</p> <p>The rate of return on your Account for any day depends on the value of your closing Account Balance on that day. The rates of return can change at any time - please see asb.co.nz for the current rates of return.</p> <p>When your returns are paid, your Account Balance will be adjusted to reflect any PIE tax payable in connection with those returns.</p> <p>Term Fund</p> <p>The rate of return on your Account is fixed for the Term of your investment.</p> <p>Returns are earned daily and paid on maturity. If the Term is six months or longer, you can choose, at the date of investment, for returns to be paid at intervals during the Term. In addition, returns will be paid on 31 March each year, to align with the tax year ending on that date. The next returns paid after each 31 March will be adjusted by any amount of returns paid on that 31 March.</p> <p>Please see asb.co.nz for the current rates of return.</p> <p>When your returns are paid, your Account Balance will be adjusted to reflect any PIE tax payable in connection with those returns.</p> <p>For more information see page 9.</p>						
<p>What tax will I need to pay?</p>	<p>Whilst the Funds are PIEs, if you are a New Zealand tax-resident individual, you will pay a maximum tax rate of 28% on returns (provided ASB has your correct PIR).</p> <p>For more information see page 11.</p>						
<p>What are the risks?</p>	<p>There are various risks you should consider when choosing whether to invest in the Funds. The principal risks are:</p> <table border="0"> <tr> <td>Interest rate risk</td> <td>Interest rate movements will affect the return from an investment in the Cash Fund.</td> </tr> <tr> <td>Asset class risk</td> <td>If your returns are less than inflation, the purchasing power of your Account Balance may decrease over time.</td> </tr> <tr> <td>Investment sector risk</td> <td>Because each of the Funds invest solely in New Zealand dollar interest earning deposits with ASB, they are not diversified.</td> </tr> </table> <p>For more information see page 12.</p>	Interest rate risk	Interest rate movements will affect the return from an investment in the Cash Fund.	Asset class risk	If your returns are less than inflation, the purchasing power of your Account Balance may decrease over time.	Investment sector risk	Because each of the Funds invest solely in New Zealand dollar interest earning deposits with ASB, they are not diversified.
Interest rate risk	Interest rate movements will affect the return from an investment in the Cash Fund.						
Asset class risk	If your returns are less than inflation, the purchasing power of your Account Balance may decrease over time.						
Investment sector risk	Because each of the Funds invest solely in New Zealand dollar interest earning deposits with ASB, they are not diversified.						

<p>What fees will I pay?</p>	<p>As at the date of this investment statement, there are no account or transaction fees for the Funds. Service fees will apply.</p> <p>A break fee will be charged if you withdraw all or part of your Term Fund Account Balance prior to the Maturity Date. A withdrawal prior to the Maturity Date may be made only in exceptional circumstances that we approve. The break fee is made up of two components, a break cost and a break charge as follows:</p> <p>Break cost $W \times (R2 - R1) \times T/365$</p> <p>Where:</p> <p>W = Amount withdrawn</p> <p>R1 = Rate of return payable on the Account</p> <p>R2 = Current carded rate of return for a new investment for the remaining term (rounded down to the nearest advertised term) for an amount equal to the amount withdrawn</p> <p>T = Days remaining in the Term</p> <p>If the result is a negative amount, then the break cost is nil.</p> <p>Break charge 0.5% of amount withdrawn and subject to a minimum of \$25.</p> <p>A break fee will be charged if we redeem or repurchase Units in your Term Fund Account:</p> <ul style="list-style-type: none"> • where your Account Balance is less than the minimum Account Balance • where your Units threaten the Fund's PIE status • at the request of ASB prior to the Maturity Date to satisfy a debt that you owe to ASB. <p>The break fee will be calculated using the formula above, as if the value of the Units redeemed or repurchased is the amount withdrawn.</p> <p>For more information see page 7.</p>
<p>Who is involved with the Funds?</p>	<p>Manager ASB Group Investments</p> <p>Promoters ASB and its directors</p> <p>Trustee Trustees Executors</p> <p>Custodian T.E.A. Custodians Limited</p> <p>Registrar ASB</p> <p>Administration manager ASB</p> <p>For more information see pages 5 and 6.</p>
<p>When can I withdraw my money?</p>	<p>Cash Fund All or part of a Cash Fund Account Balance can be withdrawn at any time. In the case of a partial withdrawal, there must be a remaining Account Balance of at least \$500.</p> <p>Term Fund No part of a Term Fund Account Balance can be withdrawn before the Maturity Date, other than in exceptional circumstances that we approve. A break fee will be charged for early withdrawals. For more information see page 14.</p>
<p>What is the investment policy?</p>	<p>The Funds invest exclusively in New Zealand dollar, interest bearing deposits with ASB.</p>
<p>Does anyone guarantee the Funds?</p>	<p>Account Balances and returns due but not paid (less fees and any PIE tax) are guaranteed by ASB. For more information see page 4.</p>

Answers to key questions

What sort of investment is this?

The Funds are unit trusts. A unit trust is an investment where individual investors pool their money with that of other investors. Your investment in a Fund is measured in Units.

Cash Fund

The Cash Fund is an on-call investment. The Cash Fund is designed to provide a better after-tax return to New Zealand tax-resident individuals who have a 30% or 33% marginal tax rate, when compared to the after-tax return of an on-call savings account offering the same rate and charging the same fees.

Although a Cash Fund Account is not a bank account, it is similar.

Returns are earned daily and paid as additional Units to your Account once a month.

The rate of return on your Account for any day depends on the value of your closing Account Balance on that day. The rates of return can change at any time - please see asb.co.nz for the current rates of return.

Term Fund

The Term Fund is a fixed term investment. The Term Fund is designed to provide a better after-tax return to New Zealand tax-resident individuals who have a 30% or 33% marginal tax rate, when compared to the after-tax return of a term deposit offering the same rate, for the same term and charging the same fees.

Term Fund Accounts are not term deposits, but they are similar.

Returns are earned daily and paid on maturity. If the Term is six months or longer, you can choose, at the date of investment, for returns to be paid at intervals during the Term. Please see asb.co.nz for the current rates of return.

Both Funds

The Funds are PIEs for tax purposes. The taxation summary in 'What returns will I get?' has more information about tax and the Funds.

ASB's Personal Banking Terms and Conditions apply to the Accounts as if they are bank accounts operated by ASB, but with necessary changes to account for the different circumstances of the Funds. Visit asb.co.nz for ASB's Personal Banking Terms and Conditions.

Units are issued at \$1 and held in an Account in your name. Each \$1 invested equals 1 Unit.

The Funds invest solely in New Zealand dollar, interest bearing deposits with ASB.

Guarantees

Account balances and returns due but not paid are guaranteed by ASB. The guarantee is unconditional and unsecured.

Who is involved in providing it for me?

The Funds are the ASB Cash Fund and the ASB Term Fund. Both Funds are unit trusts. The Cash Fund was established in Auckland on 1 July 2008 and the Term Fund on 9 December 2008. A trust deed governs the Funds.

The manager

ASB Group Investments is the manager of the Funds.

As at the date of this investment statement, the directors of ASB Group Investments are Kevin Croxford McDonald, Jon Edward Raby and Nicholas Simon John Stanhope. The directors of ASB Group Investments may change from time to time. A current list of the directors of ASB Group Investments is available at asb.co.nz (under the heading About ASB/ASB Group of Companies).

Our address is:

Contact address

ASB Group Investments Limited
ASB North Wharf
12 Jellicoe Street
Auckland 1010

Postal address

ASB Group Investments Limited
PO Box 35
Shortland Street
Auckland 1140

The administration manager

ASB provides administration services and distribution services for the Funds on behalf of us.

Administration services include all customer management and Account administration for the Funds.

ASB's address is:

Contact address

ASB Bank Limited
ASB North Wharf
12 Jellicoe Street
Auckland 1010

Postal address

ASB Bank Limited
PO Box 35
Shortland Street
Auckland 1140

The promoters

At the date of this investment statement ASB is a promoter of the Funds. The directors of ASB are also promoters for the purposes of securities legislation.

As at the date of this investment statement, the directors of ASB are Simon Robert Saunders Blair, Barbara Joan Chapman, Michael Brian Coomer, Jane Lesley Freeman, Jonathan Peter Hartley, Catherine Mary McDowell, and Gavin Ronald Walker.

The directors of ASB may change. A current list of the directors of ASB is available at asb.co.nz (under the heading About ASB/ASB Group of Companies).

ASB's address is set out in the administration manager section of this page.

The Trustee

The trustee of the Funds is Trustees Executors Limited. You can contact Trustees Executors at the following address:

Trustees Executors Limited
Level 7
51 Shortland Street
Auckland 1010

Trustees Executors has been granted a licence to act as a trustee of unit trusts. The licence expires on 16 January 2018 and is subject to certain conditions imposed by the Financial Markets Authority which may change. See fma.govt.nz for a full list of these conditions. At the date of this investment statement, the ongoing conditions of the licence include providing regular reports to the Financial Markets Authority. Reports will certify Trustees Executors:

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

How much do I pay?

Address of the Manager, ASB and Trustee

The addresses referred to above for ASB Group Investments, ASB and Trustees Executors may change. The current addresses can be found at:

- asb.co.nz (ASB Group Investments and ASB)
- trustees.co.nz (Trustees Executors)

Related Parties and Transactions

ASB is a related company of us. In addition to the arrangements described above:

- the Funds are invested solely in New Zealand dollar, interest bearing deposits with ASB. ASB sets the rates of return of those deposits
- Account balances and returns due but not paid are guaranteed by ASB. This guarantee is unconditional and unsecured
- ASB is the registrar and undertakes all customer management and account administration
- ASB markets the Funds through its distribution channels
- our directors are employees of ASB.

To invest in a Fund, you must be an ASB customer who has agreed to ASB's Personal Banking Terms and Conditions. To open an Account:

- apply online* through FastNet Classic online banking at asb.co.nz
- visit any ASB branch and staff will assist you
- call ASB on 0800 ASB FUNDS (0800 272 386).

*not currently available for jointly owned Cash Fund Accounts

If you are not already a customer, it's easy to join ASB, just visit any ASB branch or call 0800 ASB FUNDS (0800 272 386).

Cash Fund

You can choose how much to invest, subject to a minimum investment of \$500 for each Cash Fund Account.

You can make investments in any manner agreed with ASB, for example, through online banking, phone banking and FastDeposit boxes.

Term Fund

You can choose how much to invest, subject to a minimum investment of \$5,000 for each Term Fund Account.

If the Term is six months or longer, you can choose, at the date of investment, for returns to be paid at intervals during the Term.

The maximum number of Units you may hold across all Term Fund Accounts either solely or with any other person is 10,000,000.

For rates of return advertised as special, different minimum and maximum investment amounts may apply.

We may change the minimum and/or maximum investment amounts from time to time. You can find current minimum and maximum investment amounts, including those for special advertised rates at asb.co.nz

You can make investments in any manner agreed with ASB, for example, transferring money from another ASB account, cash or cheque. You will have a separate Account for each separate holding of Units.

Both Funds

When you invest in the Funds, you acquire Units. The cost of a Unit is always \$1.

We may decline applications for any reason. If this happens, any moneys received from you will be refunded to you in full without interest.

If a payment is dishonoured or reversed, no Units will be issued for that payment and any Units already issued for that payment will be cancelled. You can only redeem Units if the money used to buy the Units has been cleared.

What are the charges?

At the date of this investment statement, there are no account or transaction fees for the Funds. Service fees apply.

Service fees			
Service fee description	Service fee amount	Applicable to	
		Cash Fund	Term Fund
Replacement statement	\$5 per statement	Y	Y
Counter statement	\$2 per statement	Y	Y
Document searches	\$60 per hour (\$15.00 minimum)	Y	Y
Signature checking/faxing fee	\$15	Y	Y
Contact Centre high use (first 5 calls per month free)	\$2 per call	Y	Y
Cash handling	Up to \$3,000 of notes and \$300 of coins per day free, then:	Y	N
Counter deposits	<ul style="list-style-type: none"> • \$3 per \$100 of coins or part thereof • \$3 per \$1,000 of notes or part thereof 		
ASB FastDeposit/FastCount	<ul style="list-style-type: none"> • \$1 per \$100 of coins or part thereof • \$2 per \$1,000 of notes or part thereof 		
Cheque clearance	Up to two cheques per day free, then:	Y	N
Counter deposits	<ul style="list-style-type: none"> • 25c per cheque 		
ASB FastDeposit	<ul style="list-style-type: none"> • 20c per cheque 		
Unpaid bill payment	\$20	Y	N
Special answer on cheque	\$25 plus courier charges	Y	N
Netcode token	\$1 per month	Y	N

Service fees set out above are current as at the date of this investment statement.

If you close your Cash Fund Account or change it to another type of account with ASB, we will charge any fees that have been incurred before your Account is closed or changed.

Term Fund

Term Fund break fee

A break fee will be charged if you withdraw all or part of your Term Fund Account Balance prior to the Maturity Date. A withdrawal prior to the Maturity Date may be made only in exceptional circumstances that we approve.

The break fee is made up of two components, a break cost and a break charge as follows:

Break cost	$W \times (R2 - R1) \times T/365$ Where: W = Amount withdrawn R1 = Rate of return payable on the Account R2 = Current carded rate of return for a new investment for the remaining term (rounded down to the nearest advertised term) for an amount equal to the amount withdrawn. T = Days remaining in the Term If the result is a negative amount, then the break cost is nil.
Break charge	0.5% of amount withdrawn and subject to a minimum of \$25.

Examples

Example 1: Jill has \$50,000 invested in a Term Fund Account for a 12 month Term with a rate of return of 4%. After 6 months, ASB approves the full withdrawal of Jill's Term Fund Account. At the time Jill's Term Fund Account is broken, there are 180 days remaining in the Term and the current carded rate of return for 180 days is 3%.

Break fee = break cost + break charge

Break cost = $\$50,000 \times (3\% - 4\%) \times (180 \text{ days} \div 365 \text{ days})$
= $-\$246.58$ (this is a negative amount, so the break cost is nil).

Break charge = $\$50,000 \times 0.5\%$
= $\$250$

Break fee = $\$0 + \250
= $\$250$

Example 2: Jack has \$50,000 invested in a Term Fund Account for a 12 month Term with a rate of return of 4%. After 6 months, ASB approves the full withdrawal of Jack's Term Fund Account. At the time Jack's Term Fund Account is broken, there are 180 days remaining in the Term and the current carded rate of return for 180 days is 5%.

Break fee = break cost + break charge

Break cost = $\$50,000 \times (5\% - 4\%) \times (180 \text{ days} \div 365 \text{ days})$
= $\$246.58$

Break charge = $\$50,000 \times 0.5\%$
= $\$250$

Break fee = $\$246.58 + \250
= $\$496.58$

We will deduct the break fee from the amount withdrawn. If the break fee exceeds the returns accrued, you may not receive the full value of your initial investment.

If you have received a return during the Term, the break fee charged may be more than the return you will receive for the remainder of the Term. If part of your Account Balance is withdrawn and your remaining Account Balance is lower than the minimum balance eligible to receive the original rate of return, we will adjust the rate of return payable on the Account Balance for the remainder of the Term. The reduced rate of return will be the rate that would have applied at the date of your investment for the remaining Account Balance and the original Term.

Returns accrued on the amount withdrawn will be paid at the same time as the withdrawal. A break fee will be charged if we redeem or repurchase Units in your Term Fund Account:

- where your Account Balance is less than the minimum Account Balance
- where your Units threaten the Fund's PIE status
- at the request of ASB prior to the Maturity Date to satisfy a debt that you owe to ASB.

The break fee will be calculated using the formula above, as if the value of the Units redeemed or repurchased is the amount withdrawn.

Both Funds

The costs of operating the Funds including trustee fees, management fees, accounting costs and audit fees are paid by ASB or us, not from the Funds.

Review of fees

The fees set out above are current at the date of this investment statement. ASB may introduce new fees in the future and may change the amount and type of fees. Fee changes will be communicated by any of the following:

- direct communication with you
- display in ASB branches
- notice in the media (including public notices)
- notice on asb.co.nz
- any other ASB electronic banking channel you use.

What returns will I get?

Cash Fund

Returns are earned daily and paid as additional Units to your Account once a month.

The rate of return on your Account for any day depends on the value of your closing Account Balance on that day. The rates of return can change at any time - please see asb.co.nz for the current rates of return.

When your returns are paid, your Account Balance will be adjusted to reflect any PIE tax payable in connection with those returns. See the section 'Tax' on page 10.

The key factors that will affect your returns are:

- the rate of return
- your daily closing Account Balance
- your PIR.

Term Fund

The rate of return on your Account is fixed for the Term of your Account.

Returns are earned daily and paid on maturity. If the Term is six months or longer, you can choose, at the date of investment, for returns to be paid at intervals during the Term. In addition, returns will be paid on 31 March each year, to align with the tax year ending on that date. The next returns paid after each 31 March will be adjusted by any amount of returns paid on that 31 March.

Please see asb.co.nz for the current rates of return.

When your returns are paid, your Account Balance will be adjusted to reflect any PIE tax payable in connection with those returns. For more information see page 10.

The key factors that will affect your returns are:

- your rate of return
- the amount of your investment
- your PIR.

When you make an investment in your Term Fund Account you can choose when and how your returns are paid as follows:

Term	Frequency options	Payment options	Return calculation method
Less than six months	On maturity	Paid to your nominated ASB or other bank account in New Zealand, or invested (together with the principal amount) into a new Term Fund Account	Returns are calculated based on the annual rate of return and the number of days in the Term
Six months or greater	Monthly (minimum investment \$10,000)	Paid to your nominated ASB or other bank account in New Zealand	Returns are calculated based on the annual rate of return and the number of days in the month
	Quarterly; six-monthly; annually	Paid to your nominated ASB or other bank account in New Zealand; or compounded (i.e. reinvested in the same Account)	Returns are calculated based on the annual rate of return and the number of days in the period
	On maturity	Paid to a nominated ASB or other bank account in New Zealand; or invested (together with the principal amount) into a new Term Fund Account	Returns are calculated based on the annual rate of return for each full year, and where applicable, as though there was an annual compound of returns on the anniversary of the initial investment. Returns for a part year are calculated based on the annual rate of return and the number of days in the part year.
Specials	As specified in the conditions of the special	As above, depending on the return frequency option or options specified in the conditions of the special	As above, depending on the return frequency option or options specified in the conditions of the special

Both Funds

The Manager is the person legally liable to pay you your returns. ASB guarantees the payment of \$1 per Unit on redemption or repurchase of your Units and all returns due but not paid, less fees and PIE tax. The guarantee is unconditional and unsecured. The Manager is a wholly owned subsidiary of ASB, therefore ASB and the Manager are associated persons.

Tax

Tax affects the returns you receive from the Funds. We have provided a general summary of the New Zealand tax implications of investing in the Funds below. This information is based on our understanding of New Zealand tax law at the date of this investment statement. Taxation rates, legislation and its interpretation may change.

We, ASB and the Trustee, do not accept any responsibility for the tax consequences of your investment in the Funds. You are advised to consult your own independent tax adviser about your taxation position in relation to the Funds, or to the holding, sale or redemption of Units in the Funds.

Refer to the IRD website ird.govt.nz and the prospectus for more information on tax matters.

PIE regime

The Funds are Portfolio Investment Entities (PIEs). This means that the Funds will pay tax on your share of the taxable income earned by the Funds at the tax rate you selected, known as your PIR. We pay this tax for you by repurchasing Units in your Account equal to the value of the tax you need to pay.

Prescribed Investor Rate (PIR)

Your PIR can be determined as follows:

New Zealand tax resident individuals	Your PIR is
You are eligible for this rate if in either of the last two tax years to 31 March Your taxable income was \$14,000 or less; And Your taxable income plus your net PIE income was \$48,000 or less.	10.5%
You are eligible for this rate if the above rate does not apply to you and in either of the last two tax years to 31 March Your taxable income was \$48,000 or less; And Your taxable income plus your net PIE income was \$70,000 or less.	17.5%
You are eligible for this rate if in both of the last two tax years to 31 March Your taxable income was more than \$48,000; Or Your taxable income plus your net PIE income was more than \$70,000.	28%
Other investors	
Non New Zealand tax resident individuals	28%
Company, unit trust, charity or non-profit organisation	0%
Trusts (excluding a unit trust), e.g. family trusts, estates, etc.	0%, 17.5% or 28%

Some testamentary trusts may be eligible for a PIR of 10.5%. We recommend trustees of testamentary trusts discuss the implications of investing in the Funds with a tax advisor.

You need to provide us with your IRD number and PIR and let us know if your PIR changes. If you do not provide us with your PIR and IRD number, then the highest PIR of 28% will apply.

If you have a PIR of 0%, or are a trust (excluding a unit trust) that elects a 10.5% or 17.5% PIR, then you must file a tax return for your share of taxable income and pay tax on that income. A credit will be available for any PIE tax paid.

In the case of joint Account Holders, we will apply the highest PIR to the taxable income attributed in respect of those Units held by the joint Account Holders.

It is important that we always have your correct PIR because:

- if your PIR decreases and you do not advise us, or you provide us with a PIR that is higher than your correct PIR, you may end up paying too much tax. You cannot claim back any overpaid tax if you provided us with an incorrect PIR
- if your PIR increases and you do not advise us, or you provide us with a PIR that is lower than your correct PIR, you may have to file a tax return and pay further tax (together with any interest and penalties).

If you advise us of a change in your PIR, the new PIR will apply to your share of any taxable income earned or loss in a Fund that has not already been taxed in the current tax year.

If your PIR does not change during a tax year, or decreases, any taxation deducted from your investment will be a final tax. This means that, provided you have elected a PIR that is not too low for your personal circumstances, you will not need to:

- file an income tax return as a result of receiving such taxable income
- pay any further taxes in respect of your interest in the Funds.

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

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

Attributed PIE income currently impacts your eligibility for family assistance and is included when determining your income for the purposes of calculating student loan repayment obligations, and from 1 April 2015 it will be included when determining child support payment obligations.

More information on PIRs and how to calculate your PIR can be obtained at ird.govt.nz, by emailing invest@asb.co.nz or calling 0800 ASB FUNDS (0800 272 386) during normal business hours.

How do Account Holders pay tax?

During the tax year

We will calculate the tax payable on taxable income attributable to you when returns are paid. This tax payment is funded by the cancellation of Units in the Funds equal in value to the amount of tax payable on your taxable income. We will pay the amount of tax to Inland Revenue.

At tax year end

Under tax legislation at the date of this Investment Statement, the tax year for the Funds runs from 1 April to 31 March. If you hold an investment in the Funds as at 31 March, we will calculate the tax payable on your taxable income attributable to you for the tax year. This payment is funded by the cancellation of Units in the Funds equal in value to the amount of the tax payable on your taxable income. We will:

- pay the amount of tax deducted to Inland Revenue; and
- provide certain information to Inland Revenue about your investment in a Fund as determined by tax legislation.

If you have notified us of your correct PIR and have a PIR of 10.5%, 17.5% or 28%, then you will not be subject to any further tax on your investment (including any distributions) and will not be required to file a tax return on it. Accordingly, your returns from a Fund will be fully tax paid.

If you have a PIR of 0% or are a trust (excluding a unit trust) that elects a 10.5% or 17.5% PIR then you must file a tax return for your share of a Fund's taxable income and pay tax on that income. A tax credit will be available for any PIE tax already paid on that income.

Non-NZ tax resident Account Holders

Income distributions to non-resident Account Holders will be treated in the same way as if the Account Holder was a resident, with tax deducted from distributions using a 28% PIR. Non-resident withholding tax will not apply to distributions made to non-NZ tax resident Account Holders.

What are my risks?

There are various risks you should consider when choosing whether to invest in the Funds.

Returns can be positive or negative. It is possible that:

- you receive back less than the total of your investment
- the returns of a Fund will not cover the applicable fees and expenses.

You should choose a Fund that is suitable for you by knowing:

- your objectives
- the level of risk that you are comfortable with
- your investment timeframe.

You are encouraged to consult an investment adviser before making a decision to invest.

Principal risks affecting the Funds

Interest rate risks

Interest rate movements will affect the returns from an investment in the Cash Fund.

Asset class risk

Cash is suitable for short-term investments and as part of a diversified portfolio to balance more high-risk investments. If your returns are less than inflation, the purchasing power of your Account Balance may decrease over time.

Investment sector risk

Because each of the Funds invest solely in New Zealand dollar interest bearing deposits with ASB, they are not diversified. There is a risk you will not recover the money you pay for your investment in full or you will not receive the returns set out in the section 'What returns will I get?' if:

- ASB becomes insolvent or is placed into receivership, liquidation or statutory management or is otherwise unable to meet its debts as they fall due
- ASB is required by law to deduct an amount from your Account
- ASB exercises its rights to combine some or all of the accounts that you hold with it, or to set-off amounts that you have invested against amounts you owe to it. In the case of a Term Fund Account, this will result in a break fee being charged.

Loss of PIE status

The Fund may lose its PIE status if:

- we fail to satisfy the PIE eligibility criteria as defined in the Income Tax Act 2007, and;
- the failure is not remedied within the period permitted under that Act.

However, we have implemented processes to monitor ongoing PIE eligibility compliance for the Funds and proactively manage this risk.

If PIE status is lost:

- the Fund will be taxed at 28% on its taxable income; and
- any distributions or redemptions will become taxable to Account Holders at their marginal tax rate. A tax credit will be available for any imputation credits attached to the distribution or redemption.

Refer to the 'Risks' section of the prospectus for a description of other risks associated with investing in the Funds including: product risk, regulatory risk and taxation risk.

Consequences of insolvency

You will not be required to pay any additional money to any person as a result of us, ASB or the Fund becoming insolvent.

If a Fund is put into liquidation, creditors' claims rank ahead of Account Holders. All Account Holders' claims rank equally.

If ASB is put into liquidation or wound up, you will have a claim on its assets for payment of any amount payable under ASB's guarantee. Your claim will rank:

- after ASB's secured creditors and those creditors preferred by law (for example, Inland Revenue for any unpaid tax)
- equally with all of ASB's other unsecured creditors other than creditors who have agreed to accept a lower priority.

If ASB is placed in statutory management, the statutory manager will determine your claim on ASB's assets in accordance with the law. The statutory manager may suspend in whole or in part the repayment of any deposit, or the payment of any debt, or the discharge of any obligation, to any person.

Can the investment be altered?

Minimum levels of investment

The minimum levels of investment in the Funds (as outlined in the section 'How much do I pay?' on page 6) can be altered by us at any time.

If your Cash Fund Account Balance is below the minimum balance, we may:

- close your Account, and
- pay any balance after fees and tax to you.

Adjust for returns, tax and fees

We may adjust your Account Balance including at the time of Account closure, withdrawals or transfers, to reflect returns, PIE tax and fees.

Authorised signatories

Any permissions on your ASB accounts (such as an authority to operate) will apply in the same manner to your Account.

Amounts owing to ASB

We may alter your Account Balance where ASB exercises its right to use some or all of your Account(s) to meet the amounts you owe to ASB.

PIE status

We may take all steps necessary to make sure that a Fund is eligible, or continues to be eligible, for PIE status or otherwise complies with the tax legislation relating to PIEs. This may include:

- rejecting your application or transfer request
- suspending your withdrawal request
- preventing you withdrawing Units.

Investment policy

We, with the Trustee's approval, can change the investment policy of the Funds at any time. We will notify you of any changes before they occur.

Change to fees

We may introduce new fees or charges or alter existing fees or charges at any time. At the date of this investment statement we have no intention of introducing any new fees or charges for the Funds. The service fees for the Funds may change from time to time. Any changes will be communicated as set out on page 8.

Changes to the Trust Deed

We and the Trustee may change the Trust Deed at any time in the circumstances set out in the Trust Deed. A full description of the ability of us and the Trustee to amend the Trust Deed is set out in the prospectus.

Termination of the Funds

We may terminate a Fund by giving not less than three months written notice to all Account Holders in the Fund and to the Trustee. Account Holders may terminate a Fund by passing a resolution supported by at least 75% of Account Holders present at a meeting of Account Holders in the Fund. If this occurs, the assets remaining after all expenses and liabilities are paid will be distributed to Account Holders.

How do I cash in my investment?

Cash Fund

You can withdraw all or part of your investment at any time if:

- the money used to buy the Units you are redeeming has been cleared; and
- in the case of a partial withdrawal, you maintain a minimum Account Balance of \$500.

Withdrawals from your Account must be made by transferring funds to another ASB Account or making a bill payment to your nominated self-selected bill payee. Your nominated self-selected bill payee must be a New Zealand bank account. You can set up your self-selected bill payee online, by contacting us on 0800 ASB FUNDS (0800 272 386) or at any ASB branch. ASB will generally process your withdrawals on the day of your withdrawal request.

Term Fund

In exceptional circumstances we may approve a withdrawal from a Term Fund Account before the Maturity Date.

You can apply for a withdrawal at any ASB branch or by phoning 0800 ASB FUNDS (0800 272 386).

Any early withdrawal will incur a break fee as described in the section 'What are the Charges?'

Any partial withdrawal is subject to the minimum balance requirement of \$5,000. If you withdraw part of your Account Balance and your new Account Balance is lower than the minimum balance required to receive the original rate of return, we will adjust the return payable on the Account Balance for the remainder of the Term. The reduced rate of return will be what your remaining Account Balance would have received for the original Term at the date your investment was made.

ASB will generally process early withdrawals on the day your withdrawal is approved.

Both Funds

We may adjust your Account Balance on a withdrawal to reflect returns and any PIE tax or fees arising in relation to your Account. Some or all of your Account Balance may be used to cover amounts you owe to ASB.

We may suspend withdrawals by Account Holders in a Fund if we form the opinion that the withdrawals:

- would prejudice the interests of Account Holders in the Fund as a whole; or
- would threaten the Fund's PIE status.

Withdrawals can be suspended:

- at the request of ASB to repay money owed to ASB; or
- otherwise in accordance with the ASB Personal Banking Terms and Conditions.

Transfer of Units

Units are transferable. However, in our opinion, there is not currently and it is unlikely there ever will be, an established market for Units.

We may decline to register any transfer:

- that does not comply with applicable laws
- that would result in you having less than the minimum Account Balance or more than the maximum Account Balance
- if it would threaten the Fund's PIE status
- if there are unpaid amounts owing by you to the Trustee, ASB, or us
- if your withdrawals are suspended due to credit reasons.

There is currently no transfer fee, but we may change this in the future.

Who do I contact with inquiries about my investment?

If you have an inquiry about your investment, you can contact any of ASB's branches or phone us on 0800 ASB FUNDS (0800 272 386). You can also view details about your account online using FastNet Classic online banking, if you are registered for that service.

Alternatively, you can contact the manager of ASB's Customer Care Department – for ASB's contact details, see the section 'Who is involved in providing it for me?'

Is there anyone to whom I can complain if I have problems with the investment?

If you have any problems with your Account, you can complain to the branch manager at any ASB branch, your usual ASB contact or on 0800 ASB FUNDS (0800 272 386). They will explain ASB's complaint procedures and try to resolve the problem. If the issue remains unresolved, you can:

- email customercare@asb.co.nz; or
- direct your complaint to the manager of the Customer Care Department at ASB Bank, PO Box 35, Shortland Street, Auckland 1140, or at ASB's contact address. See the section 'Who is involved in providing it for me?'

If you are not satisfied with the outcome of ASB's consideration of your complaint, you may be able to refer your complaint to the Banking Ombudsman. The Banking Ombudsman operates an approved dispute resolution scheme. You can contact the Banking Ombudsman at:

The Office of the Banking Ombudsman
PO Box 25-327, Featherston Street, Wellington, New Zealand
email: help@bankomb.org.nz or phone: 0800 805 950

You can also contact the Trustee at: Trustees Executors Limited, Level 7, 51 Shortland Street (PO Box 4197) Auckland 1010 or phone (09) 308 7100.

What other information can I obtain about this investment?

Prospectus and financial statements

Additional information about the Funds is contained in the prospectus and each Fund's financial statements. Copies of the prospectus and copies of each Fund's financial statements can be obtained free of charge by contacting us on 0800 ASB FUNDS (0800 272 386) or emailing customercare@asb.co.nz

The prospectus, the financial statements, the Trust Deed and other documents relating to the Funds are filed on a public register at the Ministry of Business, Innovation and Employment. Most of these documents are available for public inspection on the Companies Office website at business.govt.nz/companies

Annual information

We will send you a copy of the relevant Fund's Annual Report each year. Once a year, shortly after 31 March, you will receive an Annual Tax Certificate.

Other information available on request

A copy of the Trust Deed can be inspected free of charge at ASB's principal place of business during normal business hours.

Glossary

Account – An account representing a holding of Units in a Fund.

Account Balance – In relation to an Account, the value of that Account. This is equal to the number of Units held in the Account, multiplied by \$1.00 being the price of one Unit in a Fund.

Account Holder – The person registered as a holder of Units and includes persons jointly registered.

ASB – ASB Bank Limited.

ASB Group Investments – ASB Group Investments Limited.

Cash Fund – ASB Cash Fund.

Fund – ASB Cash Fund or ASB Term Fund, as the context requires, and Funds means both of them.

Manager – ASB Group Investments.

Maturity Date – In relation to a Term Fund Account, the date on which the Term expires.

PIE – A portfolio investment entity, which is an entity that has registered with Inland Revenue to pay tax on investment income in accordance with the PIE Rules.

PIE Rules – The rules contained within the Income Tax Act 2007 that apply specifically to PIEs.

Prescribed Investor Rate (PIR) – The tax rate that a PIE will use to calculate and pay tax on your share of the PIE's taxable income.

Term – In relation to a Term Fund Account, the fixed duration of the Account determined when the investment is made.

Term Fund – ASB Term Fund.

Trust Deed – The ASB Deposit Funds Trust Deed between the Manager and the Trustee, dated 1 July 2008, as amended from time to time.

Trustee – Trustees Executors, in its capacity as the trustee of the Funds.

Trustees Executors – Trustees Executors Limited.

Unit – An undivided share in a Fund.



Keep in touch

-  Drop in to any ASB branch
-  Call 0800 ASB FUNDS (0800 272 386)
-  Visit [asb.co.nz](https://www.asb.co.nz)