

ASB Cash Fund and ASB Term Fund Terms and Conditions

23 April 2021

1. Introduction

This document outlines the terms and conditions for the ASB Cash Fund and ASB Term Fund (Funds).

In these Terms and Conditions:

- we, our, us and Manager means ASB Group Investments Limited
- 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 8 of these Terms and Conditions.

In addition to these Terms and Conditions, ASB's Personal Banking Terms and Conditions apply to the Accounts as if they are bank accounts operated by ASB, with necessary changes to account for the different circumstances of the Funds. A copy of ASB's Personal Banking Terms and Conditions can be found at asb.co.nz or at any ASB branch.

The Funds are also subject to the terms and conditions included in the Trust Deed. A copy of the Trust Deed can be inspected free of charge at ASB's principal place of business set out on page 2 of these Terms and Conditions, during normal business hours.

2. Description of the investment

Cash Fund

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

Term Fund

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

Both Funds

The Funds are managed investment schemes under the Financial Markets Conduct Act 2013. Your investment in a Fund is measured in Units. Units are issued at \$1 each and held in an Account in your name. Each \$1 invested equals 1 Unit. Units in the Funds are issued by ASB Group Investment Limited, a wholly owned subsidiary of ASB. Investments in the Funds are not deposits with ASB.

Investment Policy

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

Tax Treatment

The Funds are Portfolio Investment Entities (PIEs) for tax purposes. 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. This is known as your Prescribed Investor Rate (PIR). For more information, refer to the *Tax* section on page 4 of these Terms and Conditions.

Returns

The key factors that will affect your returns are:

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

When your returns are paid, your Account Balance will be adjusted to reflect any tax payable in connection with those returns. For more information, refer to the *Tax* section on page 4 of these Terms and Conditions.

Guarantee

ASB guarantees Account Balances and returns due but not paid (less fees and any PIE tax). The guarantee is unsecured.

› ASB Cash Fund

Minimum investment

\$500 per Cash Fund Account.

Returns

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. To view the current rates of return, visit asb.co.nz/ASB Cash Fund

Withdrawals

All or part of a Cash Fund Account Balance can be withdrawn at any time. In the case of a partial withdrawal, you must maintain a minimum Account Balance of \$500. For partial withdrawals, your remaining Account Balance may be adjusted to reflect returns and any PIE tax or fees arising in relation to your Account. For more information refer to the *Withdrawals* section on page 5 of these Terms and Conditions.

› ASB Term Fund

Minimum investment

\$5,000 per Term Fund Account.

Maximum investment

\$10,000,000 across all Term Fund Accounts held either solely or jointly with any other person.

Returns

When you make an investment in your Term Fund Account you can choose when and how your returns are paid (refer table below)

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, there will be a compound of returns on 31 March each year. 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

The rate of return on your Account is fixed for the term you have selected. Returns are earned daily and paid on maturity.

If the Term is six months or longer, you can choose 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. To view the current rates of return, visit [asb.co.nz/ASB Term Fund](http://asb.co.nz/ASB_Term_Fund)

Withdrawals

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 from a Term Fund Account.

For more information, refer to the *Term Fund break fees* section on page 3 of these Terms and Conditions. In the case of a partial withdrawal, there must be a minimum remaining Account Balance of \$5,000. For partial withdrawals, your remaining Account Balance may be adjusted to reflect returns and any PIE tax or fees arising in relation to your Account. For more information, refer to the *Withdrawals* section on page 5 of these Terms and Conditions.

3. Key parties

3.1 Manager

We are the issuer and manager of the Funds.

Contact address:

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

3.2 Supervisor

The trustee and supervisor of the Funds is Public Trust. The Trustee holds the assets of the Funds on behalf of Account Holders.

Contact address:

Public Trust
Level 9, 34 Shortland Street
Auckland 1140

3.3 Administration Manager and Registrar

ASB Bank Limited provides administration and distribution services for the Funds on behalf of us. It is also the Registrar. Administration services include all customer management and Account administration for the Funds.

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

4. Fees

4.1 Account, transaction and service fees

As at the date of these Terms and Conditions, there are no Account or transaction fees for the Funds. Service fees will apply. To view our current service fees, visit asb.co.nz/Service Fees

4.2 Term Fund break fees

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

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 required
- where your Units threaten the Fund's PIE status
- at the request of ASB before the Maturity Date to satisfy a debt that you owe to ASB

The break fee is made up of two components:

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, the break cost will be nil.

Break Charge

The break charge will be 0.5% of amount withdrawn, subject to a minimum of \$25.

Below are some examples of Term Fund break fees:

Example 1

Jill has \$50,000 invested in a Term Fund Account for a 12 month Term with a rate of return of 4% p.a. After 6 months, we approve 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% p.a.

Break fee	= Break cost + Break charge
Break cost	= \$50,000 x (3% - 4%) x (180 days ÷ 365 days) = -\$246.58 (this is a negative amount, so the break cost is nil)
Break charge	= \$50,000 x 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% p.a. After 6 months, we approve 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% p.a.

Break fee	= Break cost + Break charge
Break cost	= \$50,000 x (5% - 4%) x (180 days ÷ 365 days) = \$246.58
Break charge	= \$50,000 x 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 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.

Example 3

Jeff has \$10,000 invested in a Term Fund Account for a 12 month Term with a rate of return of 4% p.a. After 6 months, we approve a partial withdrawal of \$2,000 from Jeff's Term Fund Account. At the time Jeff'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% p.a. for balances equal or greater than \$10,000, and 2% p.a. for balances less than \$10,000.

Break fee	= Break cost + Break charge
Break cost	= \$2,000 x (2% - 4%) x (180 days ÷ 365 days) = -\$19.73 (this is a negative amount, so the break cost is nil)
Break charge	= \$2,000 x 0.5% = \$10 (however, the minimum break charge = \$25)
Break fee	= \$0 + \$25 = \$25

Returns accrued on the amount withdrawn will be paid at the same time as the withdrawal.

4.3 Operating costs

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

4.4 Review of fees

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 means:

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

Indemnity

We and the Supervisor are entitled to be indemnified and reimbursed out of the relevant Fund to the full extent of any liability that arises.

This indemnity covers any and all:

- losses, costs and expenses incurred by the Supervisor or us in performing any of its duties or exercising any of its powers in relation to the relevant Fund; and
- actions, proceedings, costs, claims and demands in respect of any matter or thing relating to the relevant Fund, including all actions in relation to the offer and issue of Units.

The rights of the Supervisor and the Manager to the indemnities set out in these Terms and Conditions and the Trust Deed are limited to the extent required by applicable law.

The Trust Deed contains further limitations on the liability of the Supervisor and us.

5. Tax

Tax affects the returns you receive from the Funds. We, ASB, and the Supervisor 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. Refer to Inland Revenue's website [ird.govt.nz](https://www.ird.govt.nz) for more information on tax matters.

5.1 PIE Regime

The Funds are PIEs for tax purposes. This means that the Funds will pay tax on your share of the taxable income earned by the Funds on your behalf at the tax rate you selected, your PIR.

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.

5.2 Prescribed Investor Rate (PIR)

Valid PIRs are 0%, 10.5%, 17.5% or 28%. When you invest in the Funds, you must provide us with your PIR and IRD number. If you do not provide us with your PIR and IRD number, the highest PIR of 28% will apply.

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.

If your PIR changes, you must provide us with your updated PIR to ensure your tax is calculated correctly.

Inland Revenue can require us to apply a different PIR to the PIR you advise. If this occurs, we must apply the PIR as advised by Inland Revenue.

Information to determine your correct PIR can be found at [asb.co.nz/pir](https://www.asb.co.nz/pir) or Inland Revenue's website [ird.govt.nz](https://www.ird.govt.nz). If you are unsure of your PIR, we recommend you seek professional advice or contact Inland Revenue.

5.3 Paying your tax

If your PIR is greater than 0%, we will calculate the tax payable on taxable income attributed to you when returns are paid and at 31 March each year. 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.

If your PIR is 0%, we will not calculate and pay any tax to Inland Revenue on your behalf. You are required to file a tax return for your share of the Funds' taxable income and pay any tax on that income.

Once a year, shortly after 31 March, you will receive an annual tax certificate, which will outline your returns and any PIE tax paid on your investment in the Funds. Further information about your annual tax certificate can be found in our tax guide available at [asb.co.nz/TaxGuides](https://www.asb.co.nz/TaxGuides)

5.4 Under or overpaid tax

Where the correct PIR has been selected, there is no additional tax to pay on PIE income.

For most individual investors, the IRD will perform a PIE-tax square up at the end of the tax year to assess whether the correct PIR has been selected.

Where the IRD assesses that the PIR used to calculate PIE tax payable is too high, the IRD may provide a refund of the overpaid PIE tax directly to the individual.

Where the IRD assesses that the PIR used to calculate PIE tax payable is too low, the IRD may require additional tax to be paid. If this is the case, the IRD will contact the individual investor directly to obtain the tax shortfall.

5.5 Loss of PIE status

A Fund may lose its PIE status if we fail to satisfy the PIE eligibility criteria as defined in the Income Tax Act 2007.

If PIE status is lost, the Fund will be taxed on its taxable income at 28%, 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.

We have implemented processes to monitor ongoing PIE eligibility compliance for the Funds and proactively manage this risk (e.g. rejecting application or transfer requests, suspending withdrawal requests and preventing the withdrawal of Units).

6. Withdrawals

6.1 Cash Fund

Withdrawals from your Cash Fund 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.

6.2 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 contacting us on 0800 ASB FUNDS (0800 272 386).

6.3 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 ASB's Personal Banking Terms and Conditions

6.4 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.

A transfer request must be received in writing:

- completed and signed by you
- signed by the person receiving the Units unless the transfer is in the form set out in the First Schedule to the Securities Transfer Act 1991
- mailed or delivered to our registered office for registration

You will remain the Account Holder until the transfer is registered in the register.

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 Supervisor, 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.

We may suspend the registration of transfers for up to 30 days in total each year.

6.5 Transmission of Units

Upon the death of an Account Holder, we will recognise the executor or administrator of them as owning the Units held by the Account Holder. Upon the death of any joint Account Holder, we will recognise the survivor or survivors of them as owning the Units.

6.6 Entitlement on transfer or transmission of Units

The benefit of the Units will transfer to the new Account Holder upon registration of any transfer or transmission.

7. Changes to your investment

7.1 Minimum levels of investment

We can change the minimum levels of investment in the Funds 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.

7.2 Adjustment 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.

7.3 Authorised signatories

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

7.4 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.

7.5 PIE Status

We may take all steps necessary to make sure that a Fund is eligible, and continues to be eligible, to apply the PIE Rules. This may include:

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

7.6 Changes to fees

We may introduce new fees or charges or alter existing fees or charges at any time. The service fees for the Funds may change from time to time. Any changes will be communicated as set out in the *Fees* section on page 3 of these Terms and Conditions.

7.7 Changes to the Trust Deed

We and the Supervisor may change the Trust Deed at any time in the circumstances set out in the Trust Deed.

7.8 Investment policy

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

7.9 Termination of the Funds

We may terminate a Fund by giving at least three months' written notice to all Account Holders in the Fund and to the Supervisor. 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 happens, the assets remaining after all expenses and liabilities are paid will be distributed to Account Holders.

7.10 Change of Manager

We may be removed from office in respect of a Fund by:

- such means as may from time to time be set out under applicable legislation
- the Supervisor certifying that it is in the interests of Account Holders;
- an Account Holders' Resolution; or
- being placed in receivership or liquidation

We may retire as Manager of one or both Funds at any time by giving the Supervisor 90 days' written notice. However, a new manager must be appointed and have agreed to the requirements of the Trust Deed before such retirement takes effect. We may transfer our office of Manager to any other member of the ASB group of companies with the consent of the Supervisor.

Where we are removed or retire as Manager of a Fund, we will either terminate the Fund by giving 90 days' notice or agree in writing not to terminate the Fund.

We are entitled to receive any payment or other benefit accrued to us prior to our removal or retirement.

7.11 Change of Supervisor

The Financial Markets Authority has certain powers to remove or change the Supervisor's licence to act as supervisor.

We may not remove the Supervisor without approval of the High Court.

The Supervisor may retire as Supervisor of one or both Funds at any time by giving us 90 days' written notice. However, retirement is subject to the appointment of a new supervisor who is licensed under the Financial Markets Supervisors Act 2011, and the transfer of the assets of the Fund to the new Supervisor.

7.12 Meetings

We may convene a meeting of Account Holders of a Fund any time we decide.

We must convene such a meeting if requested in writing by:

- the Supervisor;
- at least 10% of the Account Holders of the Fund at the date of the request; or
- Account Holders holding at least 10% of the total number of Units issued in the Fund at the date of the request

Meetings are governed in accordance with the terms set out in the Trust Deed.

8. Investing in a Fund

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

Accounts can be opened by:

- applying online through FastNet Classic at asb.co.nz
- visiting any ASB branch
- calling ASB on 0800 ASB FUNDS (0800 272 386)

If you are not already an ASB customer it's easy to become one. Just visit any ASB branch or call us on the above number.

8.1 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 money 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.

Subject to your rights under the Trust Deed or at law, you are not entitled to:

- require the transfer of any of the assets of the Funds to yourself;
- interfere with or question the exercise or non-exercise by us or the Supervisor of any of the rights, discretions or powers given to us or the Supervisor by the Trust Deed; nor
- attend meetings of shareholders, unitholders or otherwise have a say in relation to any action concerning any property or corporation in which a Fund holds an interest

8.2 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.

8.3 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.

For rates of return advertised as a 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 the 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. You will have a separate Account for each separate holding of Units.

9. Inquiries and complaints

If you have an inquiry about your investment, you can contact any ASB branch or call 0800 ASB FUNDS (0800 272 386).

You can also contact the manager of ASB's Customer Care Department at ASB Bank Limited, PO Box 35, Shortland Street, Auckland 1140, New Zealand or email CustomerCare@asb.co.nz

If you are registered for FastNet Classic, you can view details about your Account online.

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

You can also contact the Supervisor at Public Trust Level 9, 34 Shortland Street, Auckland 1140 or email cts.enquiry@publictrust.co.nz

If the issue remains unresolved, you can email CustomerCare@asb.co.nz or direct your complaint to the manager of ASB's Customer Care Department at the address noted above.

10. Additional information

10.1 Financial statements

Additional information about the Funds is contained in each Fund's financial statements.

Copies of each Fund's financial statements can be obtained free of charge by contacting us on 0800 ASB FUNDS (0800 272 386).

10.2 Other information available on request

A copy of the Trust Deed can be inspected free of charge at ASB's principal place of business set out on page 2 of these Terms and Conditions, 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 being the price of one Unit in a Fund

Account Holder

The person registered as a holder of Units and includes persons jointly registered

Account Holders' Resolution

A resolution passed:

- at a meeting arranged and held in accordance with the provisions of the Trust Deed; and
- by a majority consisting of not less than 75% of the votes, being votes by Account Holders holding at least 25% of the Units of the relevant Fund in existence

ASB

ASB Bank Limited

Cash Fund

ASB Cash Fund

Fund

ASB Cash Fund or ASB Term Fund, as the context requires, with Funds meaning both of them

Manager

ASB Group Investments Limited

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

Rules contained within the Income Tax Act 2007 that apply specifically to PIEs

PIR

Prescribed Investor Rate, being the tax rate that a PIE uses 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 Supervisor, dated 1 July 2008, as amended from time to time

Supervisor

Public Trust, in its capacity as the supervisor of the Funds

Unit

An undivided share in a Fund

Keep in touch

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