

Product Update

OneAnswer Investment Portfolio investment menu improvements

29 May 2014

The investment funds offered through OneAnswer are reviewed regularly to ensure they meet the needs of current and future investors.

As an outcome of our most recent review, we will be replacing two funds at the underlying investment fund level. The replacement underlying investment funds will result in an improved OneAnswer investment menu which will continue to provide investors with access to well-rated, market-leading investment funds.

Additionally, as a result of the changes, a new manager, Magellan Asset Management Limited (Magellan) is being introduced to the OneAnswer investment menu.

These changes will take effect on, or around, 13 June 2014, and will be reflected in the OneAnswer Product Disclosure Statements at the next reissue which are scheduled for 1 July 2014.

Which OneAnswer investment funds are being replaced?

Current OneAnswer investment fund	Replacement OneAnswer investment fund	Sector
Colonial First State Diversified	Schroder Real Return	Multi Asset
Perpetual International Shares	Magellan Global	International Equities

Does this impact existing investors in OneAnswer?

Yes, the changes impact existing investors in the funds noted in the table above. Investors do not need to do anything as the transition will occur at the underlying investment fund level.

Which OneAnswer products are affected by the changes?

- OneAnswer Frontier Investment Portfolio
- OneAnswer Investment Portfolio (including //Select)

Which Product Disclosure Statements (PDSs) are impacted?

This Product Update provides information on the replacement investment funds. The replacement investment funds are offered through the following PDSs:

- OneAnswer Frontier Investment Portfolio PDS dated 1 July 2013
- OneAnswer Investment Portfolio PDS dated 1 July 2013 (closed to new investors).

Why are the underlying investment funds being replaced?

The main reasons for replacing the current underlying investment funds include:

- the replacement underlying investment funds are considered to be highly-rated funds with strong track records (compared to peers over the long term)
- it is the view of the ANZ Wealth investment research team that the investment teams of the replacement underlying investment funds are more likely to deliver on their investment objectives, and provide stronger risk-adjusted performance over the long term
- historically, the replacement underlying investment funds have demonstrated stronger risk adjusted performance compared to the existing funds, and
- we believe these changes are in the best interests of investors.

When will the transition to the replacement underlying investment funds take place?

The replacement of the underlying investment funds will be implemented on, or around, 13 June 2014, and will be reflected in the PDSs scheduled for issue on 1 July 2014.

Are there any changes to the names of the OneAnswer investment funds?

Investors will see the name of their current OneAnswer investment funds reflect that of the replacement funds in correspondence from OnePath and online reporting and transaction information effective on, or around, 13 June 2014.

Are there any changes to Ongoing Fees?

- There will be no change to the Ongoing Fee for investors in the Colonial First State Diversified Fund, with the same fee payable upon transition to the Schroder Real Return Fund.
- For investors in the Perpetual International Shares Fund, the Ongoing Fee will remain the same when it transitions to the Magellan Global Fund. However, in addition to the current Ongoing Fee, the Magellan Global Fund has a performance based fee which will apply. The Magellan Global Fund's Performance Fee is 10% p.a. of excess return above the higher of the MSCI World Net Total Return Index (\$A) and the yield of the 10-year Australian Government bonds.

Are there any changes to distribution frequencies?

There is no change to the yearly distribution frequency for the investors in the Perpetual International Shares Fund, to be replaced by the Magellan Global Fund. Distributions will continue to be yearly.

For investors in the Colonial First State Diversified Fund, see the table below.

Current OneAnswer investment fund	Replacement OneAnswer investment fund	Current distribution frequency	New distribution frequency
Colonial First State Diversified	Schroder Real Return	Quarterly (Last quarterly will be June 2014)	Half yearly (First half yearly will be December 2014)

Are there any changes to the buy/sell spread costs?

The buy/sell spread costs will be updated to reflect the costs of the replacement underlying investment funds, and will remain within the disclosed upper limits stated within the PDSs. The ongoing transaction costs will be implemented on, or around, 13 June 2014, as shown in the table below.

Current OneAnswer investment fund	Current buy/sell spreads	Replacement OneAnswer investment fund	New buy/sell spreads
Colonial First State Diversified	0.20% / 0.20%	Schroder Real Return	0.20% / 0.20%
Perpetual International Shares	0.50% / 0.00%	Magellan Global	0.10% / 0.10%

Are there any changes to the investment objectives or investment strategies?

Updated fund profile information, including investment objective, investment strategy, asset allocation, and underlying investment fund manager will be available in the new PDSs scheduled for issue on 1 July 2014.

Further information is included at the end of this document.

Are there any tax implications as a result of the replacement for existing investors?

For OneAnswer Investment Portfolio investors, there will be a realisation of assets within the OneAnswer investment funds at the time of the transition.

This means that for each of the funds, capital gains may be realised. In this case, realised profits (i.e. net capital gains) will be distributed to investors after the end of the current financial year. Based on current market movements, capital gains are not likely to be significant (this is subject to change). Please contact Customer Services if you require further information.

Are there any changes to investor profiles and risk measures as a result of the fund replacements?

For investors in the Perpetual International Shares Fund, being replaced by the Magellan Global Fund, the investor profile and risk measure remain the same.

There will be a change in the investor profile and risk measure for the Colonial First State Diversified Fund as a result of the new underlying replacement fund, as detailed in the table below.

OneAnswer investment fund	Investor profile	Standard risk measure	Asset allocation approach
Current - Colonial First State Diversified	Growth	5 (Medium to High)	Set strategic asset allocation
Replacement - Schroder Real Return	Conservative	3 (Low to Medium)	Fund does not have a defined strategic asset allocation

What will the transition mean for existing investors?

- For existing investors, underlying investments of the funds will be automatically transitioned to the replacement funds on, or around, 13 June 2014.
- Investors will hold similar asset class exposure following the transitions.
- Investors will see no change in the number of units they hold, nor will they see a transaction appear on their account. The unit prices of the OneAnswer investment funds will continue post transition, i.e. prices are not restarted or reset.
- Investors will see the name of their current OneAnswer investment funds reflect that of the replacement funds in correspondence from OnePath and online reporting and transaction information effective on, or around, 13 June 2014.

Any questions?

If you have any questions or require further information, please:

- speak with your financial adviser
- call Customer Services on 133 665, weekdays between 8.30am and 6.30pm (AEST)
- email customer@onepath.com.au

Additional information on the OneAnswer replacement funds

Schroder Real Return Fund

Investment objective

To deliver an investment return of 5.0% p.a., before fees, above Australian inflation over rolling three year periods. Inflation is defined as the RBA trimmed mean.

Description

The Schroder Real Return Fund is suitable for investors seeking exposure to a diversified range of assets, and who can accept some variability in returns.

Investment strategy

The Schroder Real Return strategy invests in a highly diversified portfolio of assets drawn across three broad types of investments, listed below, according to the likely returns and the risk:

- Defensive assets – those which are relatively secure with low volatility such as government issued debt and cash.
- Diversifying assets – those offering higher potential returns usually with an income generating focus which assist in diversifying the portfolio's sources of return e.g. high yielding corporate bonds.
- Growth assets – offering potentially the highest returns but also higher volatility e.g. Australian and international equities and property trusts.

Asset allocation

The Schroder Real Return Fund has wide ranges across the asset classes, providing the flexibility required to allocate effectively and efficiently to those assets that in combination are most closely aligned with the delivery of the investment objective.

Asset class	Benchmark (%)	Range (%)
Cash	n.a.	0 - 100
Australian Fixed Interest	n.a.	0 - 100
International Fixed Interest	n.a.	0 - 100
Inflation-linked Bonds	n.a.	0 - 100
Mortgages & Floating Rate Credit	n.a.	0 - 100
Australian Property Securities	n.a.	0 - 75
Global Property Securities	n.a.	0 - 75
Australian Shares	n.a.	0 - 75
International Shares	n.a.	0 - 75
High Yielding Credit	n.a.	0 - 75
Absolute Return Strategies	n.a.	0 - 75

Underlying fund: Schroder Real Return Fund Wholesale Class

Magellan Global Fund

Investment objective

The primary objectives of the Magellan Global Fund (the Fund) are to achieve attractive risk-adjusted returns over the medium to long-term, while reducing the risk of permanent capital loss.

Description

The Fund is suitable for investors seeking exposure to international shares and who are prepared to accept higher variability of returns.

Investment strategy

The Fund primarily invests in the securities of companies listed on stock exchanges around the world, but will also have some exposure to cash. The Fund can use foreign exchange contracts to facilitate settlement of stock purchases and to mitigate currency risk on specific investments within the portfolio. It is not the Fund's intention to hedge the foreign currency exposure of the Fund arising from investments in overseas markets.

Asset allocation

The Fund primarily invests in the securities of companies listed on stock exchanges around the world, but will also have some exposure to cash.

Asset class	Benchmark (%)	Range (%)
Cash	n.a.	0 - 20
International Shares	n.a.	80 - 100

Underlying fund: Magellan Global Fund

The information in this Product Update is current at May 2014 but may be subject to change. This Product Update is issued by OnePath Funds Management Limited (ABN 21 003 002 800, AFSL 238342). The information is of a general nature and does not take into account an investor's personal needs, financial circumstances or objectives. Before acquiring, disposing or deciding whether to continue to hold the product/s, investors should consider the relevant PDS, this Product Update and any other current OneAnswer Product Updates which are available at onepath.com.au or by calling Customer Services on 133 665.