

# OneAnswer Product Update – enhanced disclosure for hedge funds

1 FEBRUARY 2014

## OneAnswer Frontier Investment Portfolio

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From 1 February 2014, the Australian Securities and Investments Commission (ASIC) requires responsible entities of hedge funds and fund of hedge funds to provide enhanced disclosure as set out in its Regulatory Guide 240 "Hedge Funds: Improving disclosure" ('RG240'). The main aim of this guidance is to improve the disclosure of information regarding hedge funds, to help investors understand and assess these funds more easily.

### What does this mean for OneAnswer?

The disclosure benchmarks and principles within RG240 apply to a small number of OnePath funds ('the Funds') offered through OneAnswer that invest wholly in externally managed wholesale hedge funds. These are:

- OneAnswer BlackRock Balanced (ARSN 101 423 732) \*
- OneAnswer Platinum Asia (ARSN 145 329 871) \*
- OneAnswer Platinum International (ARSN 105 700 927)
- OnePath Alternatives Growth (ARSN 121 982 796) (please note, this Fund invests wholly into the GMO Systematic Global Macro Trust).

The information contained in this Product Update is relevant to existing investors and potential investors who wish to invest in the Funds through OneAnswer Frontier Investment Portfolio. Although OneAnswer Investment Portfolio is closed to new investors, the information provided in this Product Update will also be relevant to those investors who wish to switch or make additional investments in the Funds.

**Investors should review this information in conjunction with the relevant OneAnswer Product Disclosure Statement (PDS) before making their investment decision.**

\* This fund is not offered through ANZ OneAnswer Investment Portfolio.

### What Product Disclosure Statements are affected by these changes?

The information in this Product Update applies to the following PDSs:

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

### What additional information should I expect?

ASIC requires responsible entities of fund of hedge funds like the Funds to enhance their existing disclosure by providing specific information regarding how the Funds' assets are valued, the periodic reporting it will provide and the relevant details set out in the disclosure principles in the form outlined under RG240.

The two tables below address the requirements of RG240.

- **Table 1** sets out information relevant to the Funds for which OnePath Funds Management Limited (OnePath) is the responsible entity and which invest wholly into an underlying externally managed wholesale hedge fund.
- **Table 2** sets out information relevant to the underlying externally managed wholesale hedge funds. We have relied on information provided by the responsible entity of the relevant underlying externally managed wholesale hedge fund to prepare this table. Each responsible entity has consented to the relevant statements (relating to that responsible entity) in Table 2 of this Product Update, and has not withdrawn its consent before the date of this Product Update.

## Enhanced disclosure for the Funds

Set out below are the key areas which ASIC has identified as being relevant to an investor's assessment and decision to invest in the Funds.

Table 1

Disclosure benchmarks	Description
<b>Valuation of assets</b>	<p>OnePath Funds Management Limited (OnePath) meets the ASIC benchmark and implements a policy that requires the valuation of the Fund's assets that are not exchange traded be provided by an independent administrator or an independent valuation service provider.</p> <p>Unit prices for externally managed wholesale hedge funds (which are unlisted registered managed investment schemes) are received from the relevant responsible entities of those funds and used to value the assets of the Funds.</p> <p>For further information please refer to:</p> <ul style="list-style-type: none"> <li>• page 19 of the OneAnswer Frontier Investment Portfolio PDS Product Book titled 'Unit prices'</li> <li>• page 23 of the OneAnswer Investment Portfolio PDS Product Book titled 'Unit prices'</li> <li>• the relevant responsible entity disclosures provided in Table 2 below relating to this Disclosure benchmark.</li> </ul>
<b>Periodic reporting</b>	<p>OnePath meets the ASIC benchmark and implements a policy to report (where applicable) on the following Fund information where relevant on an annual basis:</p> <ul style="list-style-type: none"> <li>• the actual allocation to each asset type held by the Fund</li> <li>• the liquidity profile of the Fund's assets</li> <li>• the maturity profile of the Fund's liabilities</li> <li>• the leverage ratio of the Fund</li> <li>• derivative counterparties engaged</li> <li>• annual investment returns</li> <li>• changes to key service providers and their related party status.</li> </ul> <p>OneAnswer's annual financial reports are available at <a href="http://anz.com">anz.com</a> or on request from Customer Services.</p> <p>Monthly reporting (fund summaries) is available via Investor Access on <a href="http://anz.com">anz.com</a>. The monthly fund summaries comprise of;</p> <ul style="list-style-type: none"> <li>• Actual asset allocations</li> <li>• Stock holdings (where appropriate)</li> <li>• Net fund returns after fees, costs and taxes</li> <li>• Funds under management</li> <li>• Fund commentary (investment strategy and objectives)</li> <li>• Standard Risk Measure.</li> </ul>

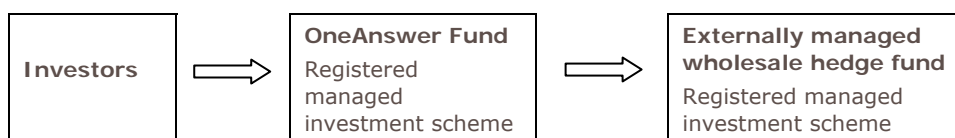
	<p>An investment returns booklet containing net returns for each of the Funds is also available on anz.com.</p> <p>Any material changes (including any changes to key service providers or individuals playing a key role in the investment decision of the Fund or underlying externally managed wholesale hedge fund) will be communicated via a Product Update on anz.com</p>			
Disclosure principles	Description			
	OneAnswer BlackRock Balanced	OneAnswer Platinum Asia	OneAnswer Platinum International	OnePath Alternatives Growth
1: Investment strategy	<p>The Fund wholly invests into an underlying externally managed wholesale hedge fund. Please refer to page 50 in the OneAnswer Investment Funds Guide for the investment strategy, fund objectives, benchmark asset allocations and Standard Risk Measure.</p>	<p>The Fund wholly invests into an underlying externally managed wholesale hedge fund. Please refer to page 72 in the OneAnswer Investment Funds Guide for the investment strategy, fund objectives, benchmark asset allocations and Standard Risk Measure.</p>	<p>The Fund wholly invests into an underlying externally managed wholesale hedge fund. Please refer to page 73 in the OneAnswer Investment Funds Guide for the investment strategy, fund objectives, benchmark asset allocations and Standard Risk Measure.</p>	<p>The Fund wholly invests into an underlying externally managed wholesale hedge fund. Please refer to page 52 in the OneAnswer Investment Funds Guide for the investment strategy, fund objectives, benchmark asset allocations and Standard Risk Measure.</p>
	<p>For information regarding investment risks and how OnePath can change investment strategies, please refer to pages 6 and 10 respectively of the OneAnswer Investment Funds Guide. Additionally, please refer to Disclosure Principle 3 (Fund structure) below for information regarding the due diligence process used in selecting the external managers.</p>			
2: Investment manager	<p>BlackRock Investment Management (Australia) Limited</p> <p>Please refer to page 35 of the OneAnswer Investment Funds Guide for further information on the underlying wholesale hedge fund investment manager.</p>	<p>Platinum Asset Management</p> <p>Please refer to page 38 of the OneAnswer Investment Funds Guide for further information on the underlying wholesale hedge fund investment manager.</p>	<p>Platinum Asset Management Limited</p> <p>Please refer to page 38 of the OneAnswer Investment Funds Guide for further information on the underlying wholesale hedge fund investment manager.</p>	<p>GMO Australia Limited</p> <p>Please refer to page 36 of the OneAnswer Investment Funds Guide for further information on the underlying wholesale hedge fund investment manager.</p>

For details of the responsible entities of each underlying wholesale hedge fund please refer to Table 2.

OnePath may remove or replace a Fund's investment in the underlying externally managed wholesale hedge fund by making a redemption from the underlying fund. For information regarding potential changes to investment managers please refer to page 10 of the OneAnswer Investment Funds Guide.

### 3: Fund structure

Each Fund invests wholly into an externally managed wholesale hedge fund. Please refer to the below diagram for the investment structure.



The profiles and information on the responsible entity of the underlying externally managed wholesale hedge funds are available on pages 35 to 38 of the OneAnswer Investment Funds Guide.

OnePath has formal agreements in place with the responsible entity of the underlying externally managed wholesale hedge fund that cover their obligations and service level requirements including unit pricing, distribution details, tax information and regular reporting. Prior to underlying funds being selected, an agreement is formalised in compliance with OnePath's stringent policies that cover and manage any related party and/or potential conflicts of interest matters.

Before the underlying funds are selected, OnePath undertakes a due diligence process to ensure the responsible entity (and/or investment manager) meet OnePath's investment selection criteria which include:

- consideration of Mercer research ratings (our primary investment consultant)
- the views of OnePath's internal investment research teams
- the experience and stability of the investment team managing the fund's assets
- the strength of the funds management organisation behind a particular fund
- the investment philosophy and investment process followed by the investment managers
- the risks inherent in the underlying fund's investment strategy and the underlying fund's suitability to OnePath's client base
- adequacy of portfolio diversification
- a competitive fee structure aligned with investors' interests
- liquidity of the underlying fund and its underlying investments
- short-term and long-term performance relative to investment objectives and peers
- funds under management in the underlying fund and any capacity issues or constraints
- other external research house ratings.

For information regarding OnePath receiving payments from responsible entities of underlying externally managed wholesale hedge funds and related parties please refer to page 17 of the OneAnswer Frontier Investment Portfolio PDS – Product Book and page 21 of the OneAnswer Investment Portfolio PDS – Product Book.

Performances fees are applicable to the OnePath Alternatives Growth fund. For more information please refer to pages 15 and 16 of the OneAnswer Frontier Investment Portfolio PDS – Product Book and pages 17 and 18 of the OneAnswer Investment Portfolio PDS – Product Book.

<b>4: Valuation, location and custody of assets</b>	<p>OnePath, as responsible entity of the relevant Fund, holds the assets of the Funds in the form of units in the underlying externally managed wholesale hedge funds. Each of the underlying funds are managed investment schemes registered in Australia.</p> <p>OnePath's appointed custodian, JPMorgan Chase Bank, N.A. (Sydney Branch) is the custodian of the issued units. The units are held in Sydney under the terms and conditions set out in the custody agreement between the parties.</p> <p>For information on the valuation of assets and the calculation of unit prices of the Funds, please refer to pages 19 and 20 of the OneAnswer Frontier Investment Portfolio PDS – Product Book and pages 23 and 24 of the OneAnswer Investment Portfolio PDS – Product Book.</p>
<b>5: Liquidity</b>	<p>As mentioned in Disclosure Principle 3 (Fund structure), as part of OnePath's due diligence process, liquidity of the underlying funds is considered before selection. During normal market conditions, it has been determined that OnePath can reasonably expect to liquidate 80% of the Funds' assets within 10 days. Therefore, the Funds meet the liquidity requirements under RG240 and are generally open for unit holder applications and redemptions on each business day.</p> <p>During abnormal or extreme market conditions the responsible entity of the underlying externally managed wholesale hedge fund may decide to restrict withdrawals or switches, hence causing the Funds to become illiquid. Under these extreme circumstances, OnePath may suspend or restrict withdrawals from the Funds. We may also terminate the Funds which could result in a delay in the repayment of capital to investors.</p> <p>More information regarding liquidity risks can be found on page 9 of the OneAnswer Investment Funds Guide. For information regarding liquidity in the underlying externally managed wholesale hedge fund please refer to Table 2 below.</p>
<b>6: Leverage</b>	
<b>7: Derivatives</b>	<p>Leveraging, derivatives and short-selling are not used by OnePath in the Funds however they may be used by the underlying externally managed wholesale hedge fund. Please refer to Table 2 below for more details.</p>
<b>8: Short selling</b>	
<b>9: Withdrawals</b>	<p>The Funds are generally available for transactions on each Sydney business day.</p> <p>For additional information regarding withdrawals, please refer to page 8 of the OneAnswer Frontier Investment Portfolio PDS – Product Book and the OneAnswer Investment Portfolio PDS – Product Book.</p>

### Information from the responsible entity of each underlying wholesale hedge fund

The responsible entity of each underlying externally managed wholesale hedge fund has provided enhanced disclosure in response to RG240. This information is also relevant to an investor's assessment and decision to invest as this provides information on the investments and strategies the underlying responsible entity or investment manager will be using.

Table 2

Fund	Responsible entity of underlying externally managed wholesale hedge fund	Where is enhanced hedge fund disclosure material located?	Website link
<b>OneAnswer BlackRock Balanced fund</b>	BlackRock Investment Management (Australia) Limited as responsible entity of the BlackRock Wholesale Balanced Fund  (ARSN 088 051 889)	BlackRock Wholesale Balanced Fund Product Disclosure Statement dated 3 February 2014. Pages 3-20.  BlackRock Wholesale Balanced Fund Incorporation by Reference dated 3 February 2014.	<a href="http://blackrockinvestments.com.au/individual/funds-information/offer-documents">blackrockinvestments.com.au/individual/funds-information/offer-documents</a>
<b>OneAnswer Platinum Asia fund</b>	Platinum Investment Management Limited (trading as Platinum Asset Management) as responsible entity of the Platinum Asia Fund  (ARSN 104 043 110)	The Platinum Trust – Product Disclosure Statement No.9 issued 1 February 2014. Pages 20-21 and 32-52.  Disclosure Principles/Benchmark - Pages 4-14.	<a href="http://platinum.com.au/Documents/Other/pds09_010214.pdf">platinum.com.au/Documents/Other/pds09_010214.pdf</a>
<b>OneAnswer Platinum International fund</b>	Platinum Investment Management Limited (trading as Platinum Asset Management) as responsible entity of the Platinum International Fund  (ARSN 089 528 307)	The Platinum Trust – Product Disclosure Statement No.9 issued 1 February 2014. Pages 16-17 and 32-52.  Disclosure Principles/Benchmark - Pages 4-14.	<a href="http://platinum.com.au/Documents/Other/pds09_010214.pdf">platinum.com.au/Documents/Other/pds09_010214.pdf</a>
<b>OnePath Alternatives Growth fund</b>	GMO Australia Limited as responsible entity of the GMO Systematic Global Macro Trust  (ARSN 090 799 385)	GMO Systematic Global Macro Trust  Product Disclosure Statement for indirect investors dated 31 January 2014	<a href="http://www.gmo.com/websitecontent/product/Australia/pds_sgm.pdf">http://www.gmo.com/websitecontent/product/Australia/pds_sgm.pdf</a>

### Important note

Information other than enhanced hedge fund disclosure information referenced in the above table is not relevant to investors of the Funds and should not be relied upon. Investors should continue to refer to the relevant OneAnswer Investment Portfolio Product Disclosure Statement available at onepath.com.au.

### Any questions?

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

- speak with your financial adviser
- call Customer Services on 13 38 63, weekdays between 8.30am and 6.30pm (AEST)
- email [customer@onepath.com.au](mailto:customer@onepath.com.au)

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