

# Important update – new approach to release available funds from OnePath Mortgages and Income Plus

## New approach to release funds to investors

In order to distribute surplus liquidity more efficiently, the OnePath Mortgages and Income Plus funds (the Funds) will move to a return of capital approach from the first quarter of 2011. This new approach will replace withdrawal offers.

No further withdrawal offers will be made at this stage. Instead, payments will be made to all investors on a pro rata basis each quarter. The following investment funds impacted by this change:

- OnePath Mortgage Trust No.2
- OnePath Income Plus Trust
- OnePath Original Income Plus Trust
- OnePath Monthly Income Trust
- OnePath AJ Mortgage Fund

### What do investors need to do?

Investors do not need to do anything. They will automatically receive the payments each quarter. There will not be any further withdrawal offers.

**Please note, any requests to switch or withdraw received after 19 November 2010 (closing date of Withdrawal Offer 8) cannot be actioned as we are no longer making withdrawal offers. Please ensure your clients do not make any further requests as these can no longer be processed.**

### When will the first payment be made under the new approach?

The first release of capital under this approach will be in April 2011, following the end of the March quarter. Thereafter, we intend to make these payments on a quarterly basis, after the end of June, September, December and March each year.

### Investment Portfolio and other retail trusts

The payments are expected to be processed during the second week of April 2011.

### How much will investors receive?

The change in payment approach does not alter the amount of total liquidity available. Consistent with the previous approach, each quarter we will determine the amount of liquidity available however this will be paid on a pro rata basis to all investors rather than only those requesting a withdrawal or switch. Recent quarters have seen approximately 6% of funds under management released. We expect to release approximately 6-10% in April 2011. Future releases in 2011 are likely to be around the same level, however we will be endeavouring to distribute larger total amounts of liquidity in 2011 and 2012 than distributed in 2010.

### How will the payments be made?

We will process the return of capital with income distributions. The proceeds will be deposited into clients' nominated bank accounts or paid by cheque if no account details have been provided.

### Clients with small balances

The minimum withdrawal payment of \$500 introduced for the withdrawal windows is not applicable under the new return of capital approach.

### How does a return of capital work and how does it affect unit prices?

Note that the below does not apply for super and pension products. For these products a switch is processed and therefore client unit balances reduce – there is no impact on the unit price.

A return of capital is not income that would be assessable for tax purposes. A return of capital reduces the cost base of the units. The unit price of the Fund will fall by exactly the value of the capital payment. The number of units a client holds in the Fund will not change. For Funds which have a \$1.00 unit price, for example OnePath Mortgage Trust No.2, the unit price will fall below \$1.00 over time as capital is paid out.

Provided by



An example of a capital payment is outlined below:

- Mr Smith has 20,000 units in OnePath Mortgage Trust No.2 and the unit price is \$1.00. His account balance is \$20,000.
- The Fund returns capital to investors of 8 cents per unit (ie. \$0.08 per unit).
- Mr Smith is paid \$1,600 ( $\$0.08 \times 20,000$ ).
- The new unit price of the OnePath Mortgage Trust No.2 is \$0.92.
- After the capital payment Mr Smith still has 20,000 units however the value of his units has reduced by the amount of the capital return. Therefore his account balance is \$18,400 ( $20,000 \times \$0.92$ ).

Over time, the unit price will fall. It is important to note that this is in line with capital returned and does not reflect the performance of the underlying assets.

### **Why is the payment method changing?**

We understand that many investors and their advisers are frustrated with having their capital locked away and with the effort required to participate in withdrawal windows each quarter. Also, the number of withdrawal requests from investors is increasing, leading to an increase in the time it takes us to process requests. This results in clients waiting for an extended period after the end of the withdrawal offer to be paid.

The new approach of returning capital will mean processing can occur in a more efficient and timely manner with no action required by clients and advisers.

### **What is the long-term outlook for the Funds?**

Currently, it is our expectation that close to all capital will be returned to investors within approximately 3-4 years.

### **Further updates**

If there are any changes or updates in relation to suspended funds, we post the information on our website and publish it in Perspective extra. You should visit the dedicated fund suspension section regularly to ensure you have the latest details. Go to [onepath.com.au](http://onepath.com.au) > Performance & updates > Fund suspensions.

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