



# IOOF

August 2020

## Investment closures and terminations explained

At IOOF, we offer you access to a wide range of managed funds, term investments, annuities and listed securities to help you reach your financial goals. To ensure you have the choice of the most appropriate investment options, we review our investment menu on a regular basis.

From time to time, investment options on our investment menu may be terminated or closed.

### Why would an investment option be closed or terminated?

There are many reasons why a fund manager may choose to close or terminate an investment option or we, as the Trustee or Service Operator<sup>1</sup>, may choose to remove the investment option from the menu.

Here are some examples of why a fund manager may decide to close or terminate an investment option:

- There are too few people choosing the investment option and the fund size is too small. This along with the ongoing management and administration costs of the investment option, may lead to the fund manager being unable to effectively manage the portfolio in accordance with its investment objective.
- The investment option may not be meeting its investment objective.
- The investment option can't be managed in a cost-effective manner without the fund manager needing to increase the fees charged to investors.

If we deem an investment option to be no longer suitable, we will close or terminate the fund on our investment menu. Here are some examples of why we may decide to close or terminate an investment option:

- The investment option's research rating is downgraded because a research provider has decided there is a lower probability that it will meet its stated investment objectives. The research rating could be provided by the IOOF Research Team and/or an independent research organisation.
- There is insufficient demand for the investment option via our products.

These are just some examples - there may be other reasons why a fund is closed or terminated.

### What happens when you hold an investment option that is closed?

When an investment option is closed, it can be either a soft closure or a hard closure.

A **soft closure** means the investment option is closed to all new investors, however existing unitholders can continue to hold the investment option in their account and are able to purchase additional units.

A **hard closure** occurs when the investment option is closed to all further investments. This means existing unitholders can continue to hold the investment option in their account but will not be able to reinvest earnings or purchase additional units.

<sup>1</sup> IOOF Investment Management Limited (IIML) ABN 53 006 695 021, AFSL 230524, is Trustee of the IOOF Portfolio Service Superannuation Fund ABN 70 815 369 818 and IOOF Investment Services Ltd (IISL) ABN 80 007 350 405, AFSL 230703, is Service Operator of each Investor Directed Portfolio Service

## What happens when you hold an investment option that is terminated?

When an investment option is terminated, it is no longer available for investment and all units are redeemed. This means you will no longer hold the investment option in your account and your units will be sold down to cash and placed in your Cash Account.

## What happens if a terminated or hard closed investment option formed part of the investment instructions on your account?

We offer different kinds of investment instructions for various actions that you may want to do, such as informing us how you'd like your deposits invested and how you would like to manage your Cash Account. The impact on your investment instructions will depend on the product you have with us. Some examples are shown below but we recommend you read the product disclosure documents carefully to understand the impact on your account. These can be found at [www.ioof.com.au/forms](http://www.ioof.com.au/forms)

**You should carefully consider whether the new instructions will continue to meet your investment strategy and objectives. If you would like to discuss or change your investment instructions, please speak with your financial adviser.**

The below examples are types of Standing Instructions which apply to IOOF Employer Super, IOOF Personal Super, IOOF Pension and IOOF Essential

### 1. Deposit Instruction

A Deposit Instruction tells us how you would like new deposits to be invested. If a terminated or hard closed investment option formed part of your Deposit Instruction, the percentage of your deposit that you allocated to invest in that managed investment will be retained in the Cash Account. The terminated or hard closed investment option will still appear in your instructions until you update them, however it will not accept any purchases. Please see example below which shows how a deposit of \$1,000 would be invested after an investment option has been terminated or hard closed.

Managed investment	Deposit Instruction	\$1,000 deposit
Cash Account	1%	\$510
Investment A – Terminated/closed	50%	No purchases accepted
Investment B	10%	\$100
Investment C	20%	\$200
Investment D	19%	\$190

### 2. Redemption Instruction – Percentage

Redemption Instruction – Percentage is a method you can choose to top up your Cash Account which sells funds from specified managed investments according to the percentage allocation nominated by you. If the terminated investment option formed part of your Redemption Instruction – Percentage, the remaining investment options in these instructions will be used to top up your Cash Account. If there are no remaining investment options, your Cash Account top up method will revert to the default Pro-rata<sup>2</sup> option.

Note: Redemption Instruction – Percentage is only impacted when a fund is terminated. A hard closed investment option will remain in the instruction and will continue to be sold down to top up the Cash Account as required.

Managed investment	Redemption Instruction before termination	Redemption Instruction after termination
Investment A	50%	Terminated
Investment B	10%	20%
Investment C	20%	40%
Investment D	20%	40%

For example, a cash top up of \$1,000 would result in the following sell down.

Managed investment	Sell down for a Cash top up of \$1,000 (before)	Sell down for a Cash top up of \$1,000 (after)
Investment A	\$500	Terminated/closed
Investment B	\$100	\$200
Investment C	\$200	\$400
Investment D	\$200	\$400

<sup>2</sup> Pro-rata sells funds across all managed investments according to the proportion of the portfolio that they represent.

The below examples apply to IOOF Pursuit Select, IOOF Pursuit Focus and IOOF Pursuit Core

## 1. Investment instructions

Primary Instruction<sup>3</sup>, Distribution Instruction<sup>4</sup>, Regular Contribution Plan & BPAY<sup>®5</sup> Instruction/Regular Savings Plan & BPAY Instruction<sup>6</sup> and Automatic Re-Weight Facility<sup>7</sup> are investment instructions which allow you to choose how your funds are invested. A terminated or hard closed investment option will be removed from the investment instructions and they will be re-weighted in proportion with the investment options that remain. If there are no investment options remaining in the instructions, it will be allocated to your Cash Account. Please see below an example of a Primary Instruction before and after a termination/closure has occurred.

Managed investment	Primary Instruction before termination/closure	Primary Instruction after termination/closure
Cash Account	3%	3%
Investment A	20%	Terminated/closed
Investment B	60%	76%
Investment C	17%	21%

## 2. Cash Account top up instructions

If a **hard closed** investment option forms part of the Cash Account top up instruction, there will be no change. The managed fund will continue to be part of the instruction and can be sold down to top up the Cash Account as required.

A **terminated** investment option, however may change the Cash Account top up instructions. The table below explains how the different types of instructions may be affected when an investment option is terminated.

Cash Account top up method	Terminated investment option
Investment option with the highest balance (default option) <sup>8</sup>	If a terminated investment option had the highest balance, this will be sold down and the next managed investment with the highest balance will be used to top up the Cash Account.
Pecking order <sup>9</sup>	If a terminated investment option forms part of the pecking order, the next managed investment on the list will be sold down to top up the Cash Account. If there are no other managed investments listed in the pecking order, the Cash Account top up method will revert to the default option.
Pro-rata <sup>2</sup>	A terminated investment option will no longer be held in your account. The remaining managed investments held will be redeemed according to the proportion invested in each managed investment.

**Note:** Pecking order and Pro-rata are only available for Pursuit Select.

<sup>3</sup> Primary Instruction is the main Investment Instruction used for all new deposits unless alternative instructions are provided to us.

<sup>4</sup> Distribution Instruction is a method you can choose to invest your income distributions.

<sup>5</sup> BPAY<sup>®</sup> Registered to BPAY Pty Ltd ABN 69 079 137 518.

<sup>6</sup> A Regular Contribution Plan/Regular Savings Plan and BPAY Instruction is used to invest deposits received by direct debit or BPAY.

<sup>7</sup> Automatic Re-weight Facility allows you to re-weight your managed investments and Cash Account to a desired weighting percentage allocation or in line with your Primary Instruction allocation.

<sup>8</sup> Redeems funds from the managed investment with the highest balance. This is the default option which applies if no other Cash Account top up method is chosen.

<sup>9</sup> Redeems funds from your managed investments according to a prioritised list. You can choose which managed investments are to be used and the (pecking) order in which the funds are to be redeemed, one at a time.

The below examples apply to IOOF LifeTrack, IOOF Portfolio Service and Financial Partnership

### 1. Standing Investment Instruction

A Standing Investment Instruction specifies the investment options you wish any excess cash held in your Cash Account to be invested in. A terminated or hard closed investment option will be removed from a Standing Investment Instruction and the instruction will be re-weighted in proportion with the investment options that remain. If there are no remaining investment options, it will remain in the Cash Account.

Managed investment	Investment Instructions before termination/closure	Investment Instructions after termination/closure
Investment A	50%	Terminated/closed
Investment B	10%	20%
Investment C	20%	40%
Investment D	20%	40%

### 2. Standing Redemption Instruction

A Standing Redemption Instruction specifies which investment options you wish to redeem to top up your Cash Account or to fund a withdrawal request. A terminated investment option will be removed from a Standing Redemption Instruction and the instruction will be re-weighted in proportion with the investment options that remain. A hard closed investment option, however, will remain in the instructions and continue to be sold down as required.

**For further information please contact your financial adviser or refer to the product disclosure statements available at our website ([www.ioof.com.au/forms](http://www.ioof.com.au/forms)). Alternatively, contact ClientFirst on 1800 913 118 or [clientfirst@ioof.com.au](mailto:clientfirst@ioof.com.au)**

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