

# The Offer – A Summary

May 2009

Further to the enclosed letter, please find below additional information relating to the offer that will be made to investors in the suspended ING Diversified Yield Fund (DYF) and ING Regular Income Fund (RIF) (the funds). The offer, including full details of your options and an acceptance form, will be sent to you during the week commencing 8 June.

If you choose to accept the forthcoming offer, ING NZ AUT Investments Limited (ING Investments), a subsidiary of ING New Zealand that will be established to make the offer, will purchase the units you hold in the fund(s).

You have two options under the offer:

## 1. The Cash Out Option

If you choose this option, you will sell your units to ING Investments for 60 cents per unit for DYF and 62 cents per unit for RIF. Payment will be made directly to you by direct credit or cheque. We expect payment to be made by no later than 28 August 2009.

## 2. The Five Year Option

If you choose this option, you will sell your units to ING Investments for 60 cents per unit for DYF and 62 cents per unit for RIF and the money will be transferred, in your name, to a special cash account with ANZ National Bank (ANZ Cash Account)<sup>1</sup>. This special cash account is only available to investors accepting the offer and will pay a very competitive interest rate of 8.3% per annum fixed for the next five years while still providing you access to all or part of your money when you want it.

The ANZ Cash Account will work in a similar way to an ordinary bank account with interest compounding monthly and resident withholding tax deducted accordingly. The special ANZ Cash Account has been offered solely for the purpose of investing the proceeds of the offer. You will not be able to deposit other money in the ANZ Cash Account and once you withdraw money you can not reinvest it back into this account. ANZ will not charge you monthly account or transaction fees on this account.

### Further detail on the Five Year Option

If you choose to accept the Five Year Option:

- You will have exclusive access to a fixed five year interest rate that is currently at least 4% higher than any call account, and around 2% higher than any five year term deposit, currently being offered by any major bank to retail investors in New Zealand.
- You will have the flexibility to access and withdraw any or all of your money throughout the five year period, while being able to take advantage of the high interest rate on offer.
- Your ANZ Cash Account will have the benefit of the New Zealand Deposit Guarantee Scheme, which currently expires in October 2010.

### The returns you will receive under the Five Year Option

Because of restrictions under securities laws, we are not able to show investors' after-tax returns if they accept the Five Year Option and deposit the Cash Out Price in the ANZ Cash Account for the five years.

The following table sets out, for illustrative purposes only, a calculation of the maximum potential gross return on a deposit of the Cash Out Price in the ANZ Cash Account at the end of the five year period. This calculation assumes no tax is deducted from interest earned on the ANZ Cash Account, which will not be the case for most investors.

	Cash Out Price per unit (before tax)	Gross interest at 8.30%p.a compounding (without any RWT deduction) for five years	Maximum potential gross return in five years
DYF	60 cents	30.8 cents	Approx. 91 cents
RIF	62 cents	31.8 cents	Approx. 94 cents

This calculation assumes no withdrawals are made and that interest is credited monthly and compounded without any resident withholding tax being deducted. It also does not take into account the effect of any other tax on interest earned.

Of course, your actual gross return from the ANZ Cash Account will almost certainly be less than the illustrative gross return calculation shown above because that calculation assumes that no tax is deducted from any interest earned when interest is compounded each month. Therefore, unless you are exempt from withholding tax, your actual gross return will be less than that shown.

Your actual returns from the ANZ Cash Account will depend on the rate at which resident withholding tax is deducted, any other tax payable and how long you keep your money in the ANZ Cash Account. You should seek professional taxation advice in relation to the potential outcomes and returns for you.

### Terms and conditions

The offer will be made possible due to a substantial financial commitment from ING NZ's shareholders, ANZ National Bank and ING Group, which will enable you to receive around three times the manager's current estimated value of units in the funds. If you accept the offer, you will have to agree to certain terms and conditions. In particular, if you decide to accept the offer in respect of a fund, you will be required to give a release whereby you settle and release all claims, currently known and unknown, in connection with that fund and your investment in it.

The beneficiaries of the release include ING (NZ) Limited, ING (NZ) Administration Pty Limited, ANZ National Bank Limited, Australia and New Zealand Banking Group Limited and each of their directors, officers and employees. The release will also benefit the financial adviser who recommended these funds to you.

The full terms of the release and its related disclosures will be contained in the Offer Letter, which will form part of your offer pack, together with the detailed terms and conditions of the offer.

The offer will be available to all unitholders of the funds on 27 May 2009 who are New Zealand residents. If you transfer ownership of your units to someone else after 27 May 2009, neither you nor they will be able to participate in the offer.

The offer will also be conditional on approvals (or confirmation that these approvals are not required) being received from the New Zealand Overseas Investment Office and under Australia's foreign investment regime, and details of these will also be included in the offer pack.

### **You also have a choice not to accept the offer and to remain in the fund(s)**

If you do not want to select one of the options provided, you can remain a unitholder in the relevant fund(s) and retain your rights in relation to these funds. However, the current level of uncertainty, regarding how much money you'll get back on your investment in the funds and when, will remain. By remaining in the fund(s), you will only be able to access your money if the suspension is lifted or if the trustee makes the decision to wind up the fund(s), or you are able to sell your units to someone else. If the suspension is lifted, you will be able to stay in the fund until such time as you wish to withdraw at the applicable unit price at the time. If the funds are wound up, you will receive your share of the wind-up proceeds from the sale of the relevant fund's assets.

Further information about the future prospects of the funds will be included in the independent report summary that you will receive as part of your offer pack to help you make this decision.

**If you do not choose either the Cash Out Option or the Five Year Option, then by default you will remain in the fund(s).**

### **Fund changes**

There are also two changes to the funds that are currently being considered.

The first proposed change relates to the composition of the trustee's board of directors and the location of their decision-making in respect of the funds, and the second proposed change relates to the ongoing need for the special-purpose offshore company that was established to hold the assets of DYF, other than cash.

These proposed changes would not require unitholder approval and will be outlined in detail in your offer pack.

### **Unitholder meetings and briefings**

As mentioned in the enclosed letter, the offer will no longer be reliant on a unitholder vote. You will therefore have an individual choice about whether to accept the offer or not, without it being dependent on collective unitholder approval.

We will however be hosting a series of investor briefings to walk you through why the funds were suspended, the detail of the offer and the future prospects of the funds. Details of the briefings are enclosed in a 'key dates' sheet.

The other meeting outlined in your key dates sheet is a unitholder meeting to consider the financial accounts. Separately to your offer pack, you will receive a copy of the funds' financial accounts and a formal notice of meeting next week.

### **Seeking assistance and next steps**

You will receive an offer pack during the week commencing 8 June, which will include:

- An overview of the offer
- The offer letter and acceptance form from ING Investments (including details of the 'release of claims')
- The summary of the independent report (a full copy will be available on request)
- A letter from the trustee
- The Account Details Flyer for the ANZ Cash Account.

Once you have received your offer pack, you should seek independent professional advice to assist you in making a decision that is best for your individual circumstances, particularly if there is any aspect of our proposal that you do not understand.

If you would like additional support to help you understand the offer, we have arranged for PricewaterhouseCoopers (PwC) to host an interactive website. You will be able to submit questions via the website, or directly to PwC, who will respond to your questions in writing and post responses to frequently asked questions on the site. Details of the information PwC will be able to provide to you, along with the website and their contact details, will be included in your offer pack.

If you decide to accept the offer, you will need to select an option and send the acceptance form back to ING Investments so that it is received by 5pm on 13 July 2009 (unless extended).

If you are not going to be contactable, or are away in June, please contact us on 0800 500 640 as soon as possible so that we can advise you of the steps you will need to take in order to be able to take part in the offer if you wish to do so.

<sup>1</sup> Further information about ANZ National Bank Limited is contained in its most recent General Disclosure Statement published under section 81 of the Reserve Bank of New Zealand Act 1989, a copy of which can be obtained free of charge from the website [www.anz.co.nz](http://www.anz.co.nz) or through any branch of ANZ. The ANZ Cash Account is an unsecured debt obligation of ANZ National Bank Limited. ANZ National Bank Limited has a guarantee under the New Zealand deposit guarantee scheme. There are limits on the application of the scheme to the ANZ Cash Account. These include restrictions on the type of investors who can benefit from the scheme; a limit on the aggregate amount that can be recovered by investors under the scheme; and the scheme terminates on 12 October 2010. Further information about the deposit guarantee scheme is available, free of charge and at all reasonable times, on the website of the Treasury at [www.treasury.govt.nz](http://www.treasury.govt.nz). ANZ National Bank Limited's Cash Account does not receive the benefit of the New Zealand wholesale guarantee scheme.

