

Investments

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Explaining buy and sell spreads

# Explaining buy and sell spreads

Buy and sell spreads are an adjustment to the unit price of a fund, which reflects our estimate of the costs that a fund incurs when it buys and sells assets.

Buy and sell spreads improve fairness between transacting and non-transacting members. Think of it this way - when someone else is transacting in our funds, you don't want to be paying their costs. Likewise, they don't want to be paying for yours when you're doing the transacting.

Investors in the BNZ KiwiSaver Scheme, YouWealth, and Private Wealth Series have buy and sell spreads applied whenever they make transactions.

## How buy and sell spreads work

Buy and sell spreads are applied whenever you make a change which requires you to buy or sell units in our funds, such as making contributions, switching between funds, making a withdrawal, or closing your account.

The unit price at which you buy or sell units in our funds is adjusted by the relevant buy or sell spread for that fund. This creates a:

- buy price: a price at which units are bought (when you make a contribution)
- sell price: a price at which units are sold (when you make a withdrawal).

Buy and sell spreads are not a fee and are not paid to BNZ.

Buy and sell spreads can be subject to change from time to time without notice. They reflect our estimate of the fund's cost of transacting and these estimates can change over time.

## An example of how they're applied

When you invest in one of our funds, you are issued with units in that fund. Each unit has a dollar value - called a unit price - which changes from day to day as the value of the fund's underlying investments go up and down.

We apply a buy and sell spread to the unit price to create a buy price and a sell price.

For example, if units in the Conservative Fund on a particular day are worth \$1.50, and the buy spread is 0.10% and the sell spread is 0.10%, then:

- the buy price for that day is \$1.5015 - calculated by  $\$1.50 \times (1 + 0.10\%)$
- the sell price for that day is \$1.4985 - calculated by  $\$1.50 \times (1 - 0.10\%)$

Transactions that take place on that day are priced using the buy price or sell price.

See below the examples of Alice making a contribution to the Conservative Fund and Ben making a withdrawal from the Conservative Fund on that day.

### Alice makes a \$50 contribution

Alice makes a contribution of \$50 into the Conservative Fund.

Units in the fund are worth \$1.50 and the buy price is \$1.5015.

Alice receives 33.30 units for her \$50 contribution to the fund ( $\$50 / \$1.5015 = 33.30$ ).

These units are worth \$49.95 ( $33.30 \times \$1.50 = \$49.95$ ).

The value of the spread paid to the fund by Alice is \$0.05, which is the difference between the value of the contribution paid (\$50) and the value of the units received in return (\$49.95).

### Ben makes a \$500 withdrawal\*

Ben makes a withdrawal of \$500 from the Conservative Fund.

Units in the fund are worth \$1.50 and the sell price is \$1.4985.

Ben redeems 333.67 units and is paid \$500 ( $\$500 / \$1.4985 = 333.67$ ).

The value of the units Ben redeemed to receive his \$500 is \$500.50 ( $333.67 \times \$1.50 = \$500.50$ ).

The value of the spread paid to the fund by Ben is \$0.50, which is the difference between the value of the units redeemed (\$500.50) and the money paid to Ben in return (\$500).

*\* Note that PIE tax has not been taken into account with this example.*

- BNZ KiwiSaver Scheme buy and sell spreads
- Current YouWealth buy and sell spreads
- Current Private Wealth Series buy and sell spreads

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#### BNZ COMMUNITY

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#### Small Print

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