

31 October 2021

# Conservative Fund



## Fund description

The Conservative Fund invests mainly in income assets (cash and cash equivalents and fixed interest), with a smaller exposure to growth assets (equities, listed property and listed infrastructure). The fund may also invest in alternative assets.

## Market Review

It was a challenging month for bond markets as inflation in most major markets continues to run at above-target rates. In the US, inflation rose to 5.4% during the year to end September, faster than many had expected. Elsewhere, eurozone inflation rose to its highest level in more than a decade, while inflation in the UK, Canada and Australia also jumped higher.

Against this backdrop the world's major central banks began to prepare investors for a tightening of monetary conditions ahead. In fact, in New Zealand, the Reserve Bank of New Zealand became one of the first major central banks to raise interest rates, when it raised the Official Cash Rate by 25 basis points to 0.50%. Typically, when interest rates rise (or are anticipated to rise), the prices of bonds go down.

Our tactical positioning was beneficial to performance, as we were underweight to weak performing bond markets and overweight to stronger performing share markets. In particular, we were underweight to both New Zealand and Australian bonds, as these markets struggled to make headway against the backdrop of rising interest rates in the former, and a notable jump higher in inflation for the latter.

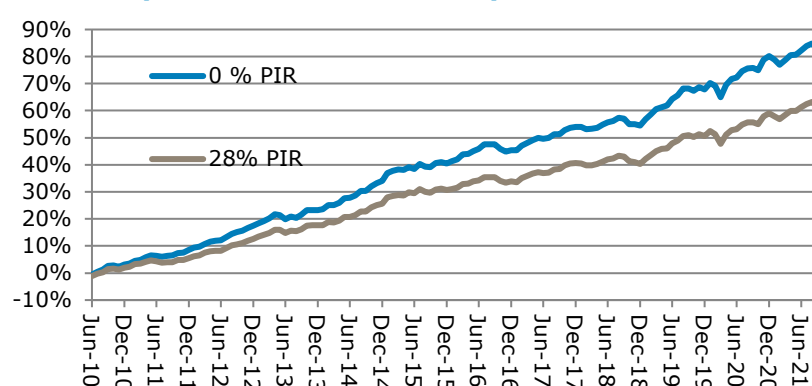
While inflation continues to run at decade-high levels in some countries, we believe growth will continue to recover as we head into 2022, supported by the vaccination rollout and a gradual reopening of economies. We expect central banks to gradually remove accommodative monetary policy, leading to higher bond yields. In light of this, we maintain our overweight position to international and Australian equities, listed property and listed infrastructure, while holding an underweight to domestic and international fixed interest.

## Fund performance

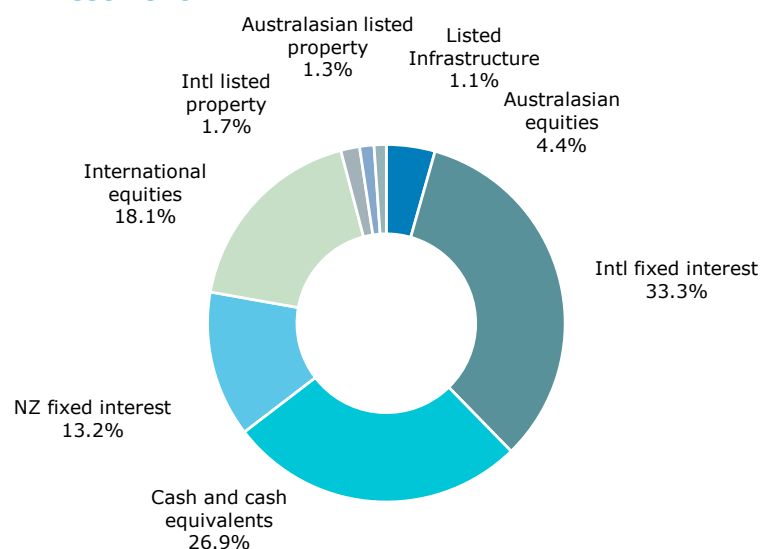
	1mth	3mth	6mth	1yr	3yrs	5yrs	Since Inception
At 0% PIR Tax	0.2%	-0.5%	1.4%	4.6%	5.7%	4.6%	5.4%
At 28% PIR Tax	0.2%	-0.4%	1.3%	4.4%	4.7%	3.8%	4.3%

Performance is after fund fees and stated PIR. The 28% PIR return series shows returns at the highest PIR at the time of the performance. Performance for periods longer than one year are annualised.

## Fund performance since inception

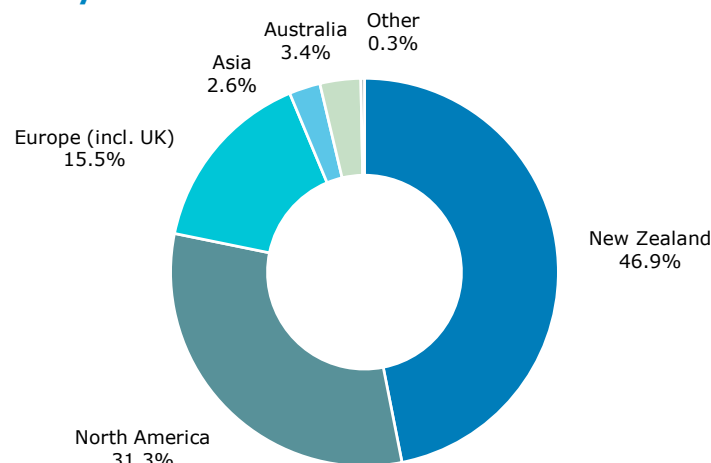


## Actual investment mix



The actual investment mix of this fund is based on the cash and cash equivalents held by the fund, and the asset class of the underlying funds in which the fund invests.

## Country allocation



## Top 10 Holdings

1	eMini S&P 500 (CME) Dec 21	2.0%
2	5Y T-Note (CBT) Dec 21	1.1%
3	2Y T-Note (CBT) Dec 21	0.9%
4	Euro STOXX 50 (EUR) Dec 21	0.8%
5	NZ Govt 2.75% 15/04/2025	0.7%
6	ASB RCD 24/01/22	0.7%
7	ASB RCD 08/02/22	0.7%
8	BNZ RCD 01/02/22	0.6%
9	ASB RCD 10/01/22	0.6%
10	NZ Govt 4.5% 15/04/2027	0.6%
Total Top 10 Holdings		8.7%
# of other holdings		4613

## Asset class performance (before fund fees and tax)

	1mth	3mth	6mth	1yr	3yrs	5yrs
Cash and cash equivalents	0.1%	0.2%	0.3%	0.7%	1.6%	2.0%
NZ fixed interest	-2.7%	-4.3%	-4.2%	-7.8%	2.3%	2.9%
International fixed interest	-0.2%	-1.4%	0.9%	-1.4%	4.9%	3.4%
Australasian listed property	-0.3%	2.6%	9.7%	20.2%	15.8%	12.5%
International listed property	5.7%	3.1%	12.3%	35.9%	11.6%	9.0%
Australasian equities	-1.2%	3.7%	4.8%	21.9%	12.2%	11.4%
International equities (unhedged)	0.9%	0.0%	7.1%	27.7%	16.3%	16.8%
Listed infrastructure	3.0%	1.8%	3.5%	20.3%		

Performance by asset class shows the performance of the underlying wholesale strategies in which the fund invests. Asset allocation decisions, hedging, fees and other factors will influence the return received by the fund. Performance for periods longer than one year are annualised.

## Conservative Fund

### Target investment mix and ranges

	Asset Class Mix	Target	Range	Aggregate Ranges
Cash and cash equivalents	20.00%		0-40%	65-95
NZ fixed interest	15.00%		0-30%	
International fixed interest	45.00%		30-60%	
Australasian listed property	1.05%		0-9%	5-35
International listed property	1.20%			
Australasian equities	3.50%		0-18.5%	
International equities	13.50%		0-28.5%	
Other (listed infrastructure)	0.75%		0-5.75%	
Other (inc alternatives)	0.00%		0-8%	
<b>Total</b>	<b>100.0%</b>			

### Hedging levels

	Benchmark hedging rate	Current hedging
Cash and cash equivalents	No foreign currency exposure	n/a
NZ fixed interest	No foreign currency exposure	n/a
International fixed interest	Benchmark 100% hedged	100%
Australasian listed property	Benchmark 100% hedged	100%
International listed property	Benchmark 100% hedged	102%
Australasian equities	Benchmark 50% AUD hedged (range of 0-100%)	35%
International equities	Benchmark 65% hedged (range of 0-100%)	64%
Listed infrastructure	Benchmark 100% hedged	101%

### Underlying investment managers

Cash and cash equivalents	ANZ Investments
NZ fixed interest	ANZ Investments
International fixed interest	Northern Trust Investments, Inc., PIMCO Australia Pty Limited, ANZ Investments
Australasian listed property	ANZ Investments
International listed property	Resolution Capital Limited
Australasian equities	ANZ Investments, Tyndall Asset Management
International equities	The Franklin Equity Group, MFS Institutional Advisors, LSV Asset Management, Vontobel
Listed infrastructure	Maple-Brown Abbott Limited
Currency	ANZ Investments

<b>Launch date</b>	<b>Minimum transaction amounts</b>	<b>Detailed fund information</b>
15 April 2010	Lump sum withdrawals \$500 Regular withdrawals \$100	<a href="#">Guide and product disclosure statement (PDS)</a>
<b>Contact information</b>	<b>Fees</b>	<b>Forms to alter your investment</b>
0800 736 034 <a href="mailto:service@anzinvestments.co.nz">service@anzinvestments.co.nz</a> <a href="http://www.anz.co.nz/investmentfunds">www.anz.co.nz/investmentfunds</a>	Annual fund charge 0.69%	<a href="#">See form section of the PDS</a>

All market returns quoted in commentary are in local currency terms. Information is current as at the date of this document and may change on a daily basis. Past performance does not indicate future performance. The actual performance any given investor realises will depend on many things, is not guaranteed and may be negative as well as positive. This document is for information purposes only and is not intended to be financial advice. It is recommended that you seek advice from a financial adviser before you acquire a financial product.

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