

31 July 2020

Balanced Fund



ANZ INVESTMENTS
DIVERSIFIED
FUND
OF THE YEAR
- FINALIST -



Awards
2020

New Zealand Fund Manager of the Year
For more information, see anz.co.nz/OA-Investmentsawards

Fund description

The Balanced Fund invests in similar amounts of income assets (cash and cash equivalents and fixed interest) and growth assets (equities, listed property and listed infrastructure). The fund may also invest in alternative assets.

Market Review

International equity markets finished July higher, with some major indices we track recording their fourth-consecutive winning month as the post-COVID-19 rally showed no signs of slowing. The rally was helped in part by promising signs in the hunt for a vaccine to treat the virus.

In the US, technology shares continued their stellar run, with the NASDAQ 100 surging to a new record high, rising 7.4% over the month. There were strong gains in large-cap tech stocks including Apple, Google, Microsoft and Facebook. Elsewhere, the broader S&P 500 gained 5.5% over the month. New Zealand markets also posted gains, but slightly underperformed US markets with the NZX 50 ending July up 2.4%.

Meanwhile, global bond markets had a relatively quiet month, with central banks offering little change to their accommodative policy stance. In the US, the Federal Reserve left interest rates unchanged, continuing to say it's ready to do what is needed to support the economy amid the pandemic. "We are committed to using our full range of tools to support our economy in this challenging environment," said Fed Chairman, Jerome Powell.

In New Zealand, bond markets recorded small gains as interest rates continued to grind lower – a scenario in which bonds tend to perform well. The yield on the New Zealand 10-year government bond fell 19 basis points in July, closing at 0.74%, its lowest level since May.

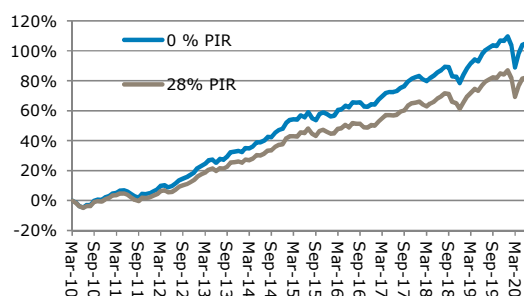
In July, we maintained our small overweight to international equities believing the level of fiscal stimulus will support the economy through this period of uncertainty. Furthermore, we are starting to see some good progress on the vaccine front. Additionally, we added a small overweight to Australian equities.

Fund performance

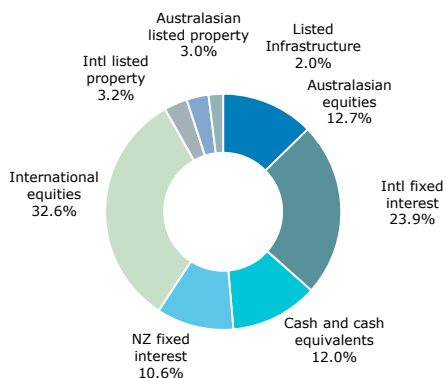
	1mth	3mth	6mth	1yr	3yrs	5yrs	Since Inception
0% PIR	2.0%	5.3%	-0.2%	4.4%	6.5%	5.6%	7.4%
28% PIR	1.7%	4.5%	-1.0%	3.1%	5.6%	4.6%	6.2%

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

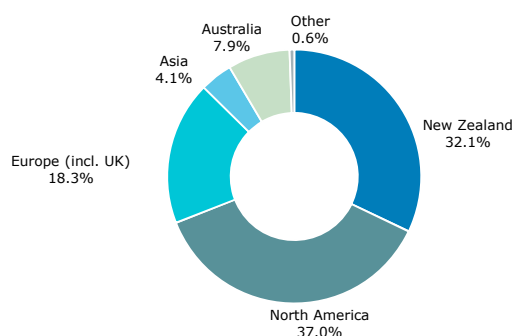


Actual investment mix



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) Sep 20	2.1%
2 ASX SPI 200 (SFE) Sep 20	2.0%
3 NZ Govt 2.75% 15/04/2037	1.4%
4 Fisher & Paykel Healthcare Ltd.	1.2%
5 ASB RCD 27/10/20	1.0%
6 ASB RCD 25/09/2020	1.0%
7 a2 Milk Company Ltd.	1.0%
8 Euro STOXX 50 (EUR) Sep 20	0.9%
9 BNZ RCD 23/10/2020	0.8%
10 Visa Inc. Class A	0.7%

Total Top 10 Holdings	12.1%
# of other holdings	6211

Asset class performance (before fund fees and tax)

	1mth	3mth	6mth	1yr	3yrs	5yrs
Cash and cash equivalents	0.1%	0.2%	0.8%	1.8%	2.3%	2.6%
NZ fixed interest	1.0%	1.2%	5.2%	6.7%	6.5%	5.5%
International fixed interest	1.7%	2.6%	6.2%	9.3%	6.2%	5.4%
Australasian listed property	5.0%	12.8%	-14.8%	-6.0%	9.7%	8.9%
International listed property	4.1%	7.1%	-13.6%	-5.6%	3.8%	4.4%
Australasian equities	0.8%	8.5%	-6.9%	-0.2%	8.5%	7.7%
International equities (unhedged)	2.2%	5.8%	-1.7%	7.6%	13.2%	9.3%
Listed infrastructure	2.9%	3.2%	-13.2%	-6.2%		

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.

Balanced Fund

Target investment mix and ranges

Asset Class	Target Mix	Range	Aggregate Ranges
Cash and cash equivalents	10.0%	0-30%	35-65
NZ fixed interest	12.0%	0-27%	
International fixed interest	28.0%	13-43%	
Australasian listed property	2.8%	0-16%	35-65
International listed property	3.2%		
Australasian equities	11.5%	0-26.5%	
International equities	30.5%	15-45.5%	
Other (listed infrastructure)	2.0%	0-8%	
Other (inc alternatives)	0.0%	0-12%	
Total	100.0%		

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	99%
Australasian listed property	Benchmark 100% hedged	101%
International listed property	Benchmark 100% hedged	100%
Australasian equities	Benchmark 50% AUD hedged (range of 0-100%)	47%
International equities	Benchmark 65% hedged (range of 0-100%)	60%
Listed infrastructure	Benchmark 100% hedged	101%

Underlying investment managers

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

*On 15th May 2020, we added PIMCO Australia Pty Limited as an additional investment manager to our international fixed interest asset class. PIMCO invest in similar assets to our existing investment manager Vanguard Investments Australia, and like Vanguard, are restricted to investment grade securities. PIMCO provide a broad active management approach to international fixed interest and we believe will help to improve the expected return of this asset class.

Launch date 15 April 2010	Minimum transaction amounts Lump sum withdrawals \$500 Regular withdrawals \$100	Detailed fund information Guide and product disclosure statement (PDS)
Contact information 0800 736 034 service@anzinvestments.co.nz anz.co.nz/OA-investmentfundoptions	Fees Annual fund charge 1.03%	Forms to alter your investment See form section of the PDS

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.

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All market returns quoted in commentary are in local currency terms.