

30 November 2017

## 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 and listed property). The fund may also invest in alternative assets.

### Market Review

The Conservative Fund holds a broad range of investments, both in New Zealand and overseas. Over the month, the fund returned 0.6%.

The fund has a significant weighting to fixed interest (bonds), which makes up around 60% of its holdings. We have been cautious on bonds, as interest rates look set to move higher and, generally, bonds do not do well in a rising interest rate environment. During the month, our underweight position to this asset class helped the fund's performance, as international bonds delivered only modest gains. International shares, which make up around 12% of the fund, were particularly strong in November, thanks to signs of more synchronised global economic growth. Hopes that proposed US tax reforms will give corporate America a further boost meant that all three major US share market indices hit new highs.

Good stock selection by our underlying investment managers meant that the fund performed well during the month and remains comfortably above its long term objective. Of particular note was the fund's international shares exposure, where three out of our four managers outperformed their benchmark. Strong company selection in the fund's domestic and international listed property holdings, as well as in Australian shares, was also beneficial.

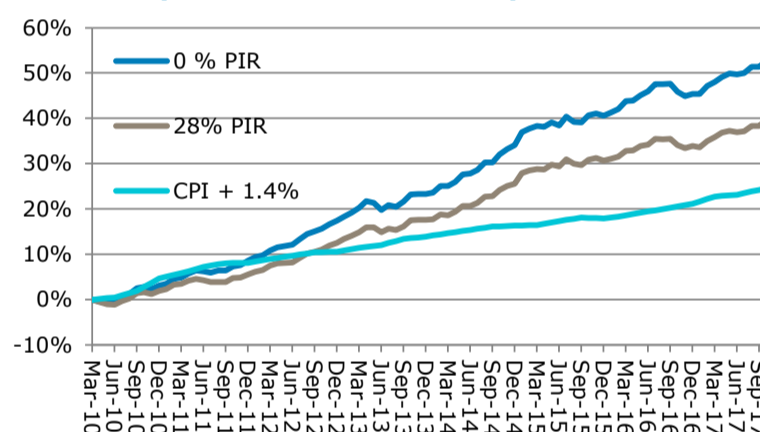
Our outlook is unchanged. We expect bond markets to struggle as global interest rates start moving higher and so we maintain our underweight position. While we believe international share markets will continue to do well, we hold a neutral position, as we recognise that markets look a touch overvalued at present.

### Fund performance

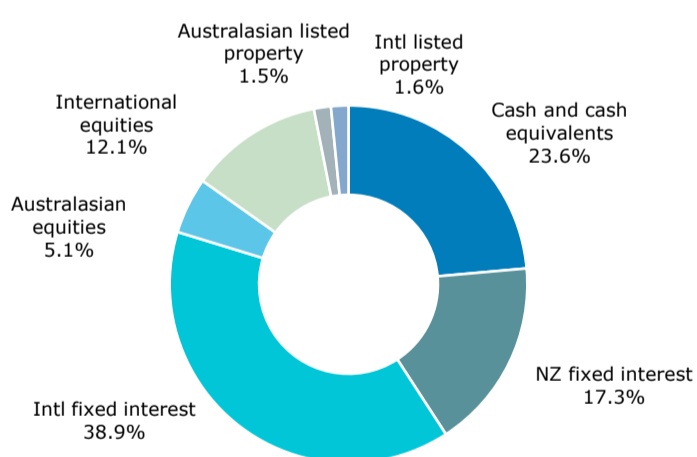
	1mth	3mth	6mth	1yr	3yrs	5yrs	Since Inception
At 0% PIR Tax	0.6%	1.5%	2.5%	5.9%	4.8%	5.6%	5.8%
At 28% PIR Tax	0.5%	1.5%	2.3%	5.2%	3.9%	4.6%	4.5%

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

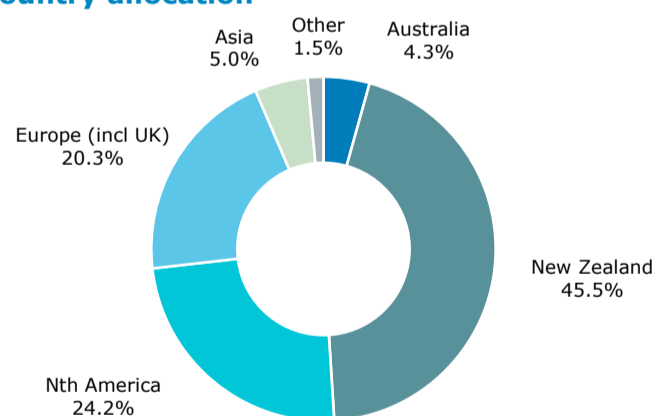


### Actual investment mix



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	NZ Govt Stock 5.0% 2019	2.5%
2	NZ Govt Stock 6.0% 2021	1.7%
3	NZ Govt Stock 5.5% 2023	1.3%
4	US 10Y Note Future Mar 2018	1.2%
5	NZ Govt Stock 3.0% 2020	1.1%
6	BNZ RCD 05/02/2018	1.0%
7	BNZ RCD 12/12/2017	0.9%
8	ASB RCD 17/01/2018	0.9%
9	NZ Govt Stock 4.5% 2027	0.9%
10	ANZ FRN 22/03/2019	0.8%

Total Top 10 Holdings	12.3%
# of other holdings	1585

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

	1mth	3mth	6mth	1yr	3yrs	5yrs
Cash and cash equivalents	0.2%	0.7%	1.3%	2.7%	3.1%	3.3%
NZ Fixed Interest	0.7%	1.3%	1.9%	4.7%	5.6%	4.5%
International Fixed Interest	0.3%	0.0%	1.0%	3.1%	4.4%	4.8%
Australasian listed property	4.2%	4.2%	6.7%	10.0%	11.9%	13.4%
International listed property	3.3%	2.8%	5.7%	11.9%	6.5%	11.2%
Australasian equities	0.6%	5.6%	12.9%	19.7%	10.3%	12.3%
International equities (unhedged)	2.0%	10.8%	13.1%	31.9%	15.5%	17.7%

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	20.0%	20.0%	10-40%	70-90
NZ fixed interest	18.0%	18.0%	8-28%	
International fixed interest	42.0%	42.0%	32-52%	
Australasian listed property	1.5%	1.5%	0-9%	10-30
International listed property	1.5%	1.5%		
Australasian equities	5.0%	5.0%	0-15%	
International equities	12.0%	12.0%	2-22%	
Other (inc alternatives)	0.0%	0.0%	0-8%	
<b>Total</b>	<b>100.0%</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	97%
International listed property	Benchmark 100% hedged	100%
Australasian equities	Benchmark 50% AUD hedged (range of 0-100%)	49%
International equities	Benchmark 65% hedged (range of 0-100%)	69%

### Underlying investment managers

Cash and cash equivalents	ANZ Investments
NZ fixed interest	ANZ Investments
International fixed interest	Vanguard Investments Australia Limited
Australasian listed property	ANZ Investments
International listed property	CBRE Clarion Securities
Australasian equities	ANZ Investments, Arnhem Investment Management
International equities	The Franklin Equity Group, MFS Institutional Advisors, LSV Asset Management, Vontobel
Currency	ANZ Investments

<b>Launch date</b> 15 April 2010	<b>Minimum transaction amounts</b> Lump sum payments \$500 Regular payments \$50	<b>Detailed fund information</b> <a href="#">Guide and product disclosure statement (PDS)</a>
<b>Contact information</b> 0800 736 034 <a href="mailto:service@anzinvestments.co.nz">service@anzinvestments.co.nz</a> <a href="http://www.anz.co.nz">www.anz.co.nz</a>	Lump sum withdrawals \$500 Regular withdrawals \$100	<b>Forms to alter your investment</b> <a href="#">See form section of the PDS</a>
	<b>Fees</b> Annual fund charge 1.21%	

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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The Morningstar Analyst Rating for ANZ Investment Funds assigned on 30 September 2016 is Silver. See [anzinvestments.co.nz/awards](http://anzinvestments.co.nz/awards) for our full awards history, ratings and disclaimers.