

31 May 2018

Balanced Fund



Fund description

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

Market Review

The fund delivered a return of 1.0% over the month. Over one year, the fund is up 6.4%.

Share markets finished higher thanks to a generally upbeat reporting season in the US and Europe. This was despite an escalation in geopolitical concerns as Italy tried to form a new coalition government. Meanwhile, bond markets benefited from some 'safe haven' buying on the back of the events in Italy. This meant they too finished higher, although were unable to match the returns from shares.

The fund held a small overweight position to international equities. This was beneficial, as international share markets were up over the month. Some good stock selection within the fund's underlying managers was of particular benefit; with two out of the four managers comfortably outperforming.

Listed property assets were the best performers this month. While the fund benefited from the strong returns of this asset class, company selection within the fund's international property holdings did hold returns back slightly.

We have been underweight international bonds and this was of benefit during the month. In addition, our unique approach to investing in this asset class meant investors had a greater weighting to those bond markets that did well, such as the US and Germany, while having a lower weighting to those that underperformed, such as Italy.

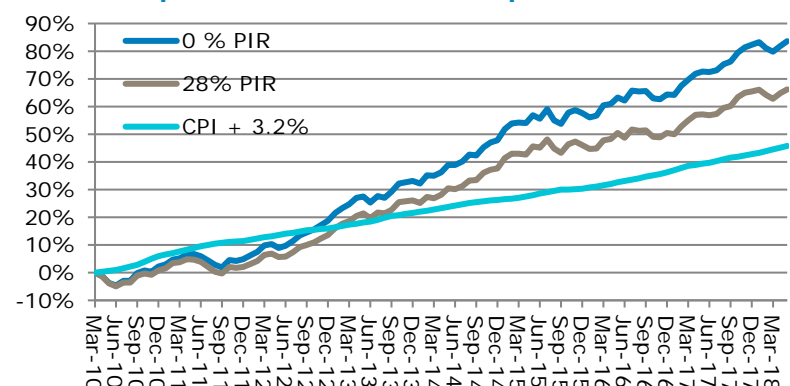
Our outlook is unchanged. International shares should be supported by a continuation of global growth and so we retain a small overweight position. Elsewhere, we are underweight international bonds, which we expect to struggle as global interest rates continue to move higher.

Fund performance

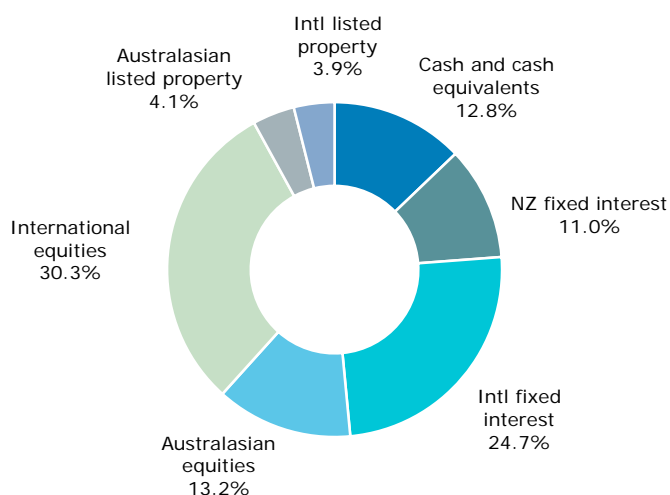
| | 1mth | 3mth | 6mth | 1yr | 3yrs | 5yrs | Since Inception |
|---------|------|------|------|------|------|------|-----------------|
| 0% PIR | 1.0% | 1.4% | 1.3% | 6.4% | 5.4% | 7.6% | 7.8% |
| 28% PIR | 0.8% | 1.2% | 0.7% | 5.7% | 4.5% | 6.5% | 6.4% |

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

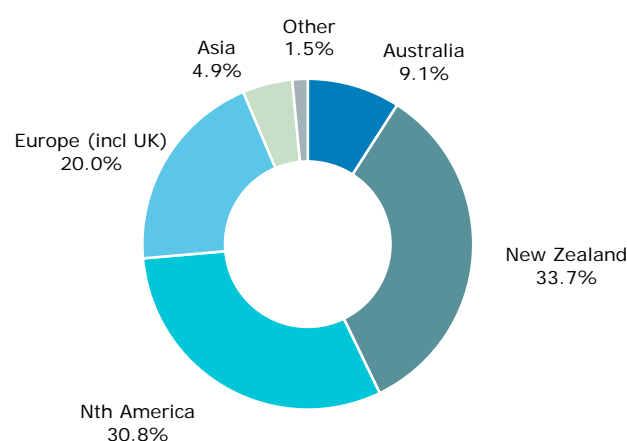


Actual investment mix



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 | S&P 500 Future Jun 18 | 1.3% |
| 2 | NZ Govt Stock 6.00% 2021 | 1.1% |
| 3 | NZ Govt Stock 5.00% 2019 | 1.0% |
| 4 | US 10Y Future Sep 2018 | 0.9% |
| 5 | NZ Govt Stock 5.50% 2023 | 0.8% |
| 6 | Rabobank RCD 20/08/2018 | 0.8% |
| 7 | BNZ RCD 20/08/2018 | 0.7% |
| 8 | Visa Inc | 0.7% |
| 9 | NZ Govt Stock 3.00% 2020 | 0.7% |
| 10 | Precinct Property NZ Ltd | 0.6% |
| Total Top 10 Holdings | | 8.6% |
| # of other holdings | | 1568 |

Asset class performance (before fund fees and tax)

| | 1mth | 3mth | 6mth | 1yr | 3yrs | 5yrs |
|-----------------------------------|------|------|------|-------|-------|-------|
| Cash and cash equivalents | 0.2% | 0.7% | 1.3% | 2.6% | 2.9% | 3.2% |
| NZ Fixed Interest | 0.7% | 1.3% | 1.6% | 3.5% | 4.7% | 4.5% |
| International Fixed Interest | 0.8% | 1.5% | 0.5% | 1.5% | 3.3% | 4.7% |
| Australasian listed property | 3.4% | 6.1% | 3.1% | 10.1% | 9.8% | 12.4% |
| International listed property | 1.4% | 5.3% | 0.0% | 5.6% | 4.5% | 8.8% |
| Australasian equities | 2.1% | 2.7% | 2.8% | 16.1% | 9.0% | 10.2% |
| International equities (unhedged) | 0.7% | 1.6% | 0.3% | 13.4% | 10.3% | 13.9% |

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 | 4.0% | 0-18% | 35-65 |
| International listed property | 4.0% | | |
| Australasian equities | 13.0% | 0-28% | |
| International equities | 29.0% | 14-44% | |
| 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 | 100% |
| Australasian listed property | Benchmark 100% hedged | #N/A |
| International listed property | Benchmark 100% hedged | #N/A |
| Australasian equities | Benchmark 50% AUD hedged (range of 0-100%) | 50% |
| International equities | Benchmark 65% hedged (range of 0-100%) | 64% |

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 | Resolution Capital Limited |
| Australasian equities | ANZ Investments, Arnhem Investment Management |
| International equities | The Franklin Equity Group, MFS Institutional Advisors, LSV Asset Management, Vontobel |
| Currency | ANZ Investments |

| | | |
|--|--|--|
| Launch date 15 April 2010 | Minimum transaction amounts Lump sum payments \$500 Regular payments \$50 | Detailed fund information Guide and product disclosure statement (PDS) |
| Contact information 0800 736 034 service@anzinvestments.co.nz www.anz.co.nz | Lump sum withdrawals \$500 Regular withdrawals \$100 | Forms to alter your investment See form section of the PDS |
| | Fees Annual fund charge 1.31% | |

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 16 March 2018 is Silver. See anzinvestments.co.nz/awards for our full awards history, ratings and disclaimers.