

31 August 2017

Conservative Balanced Fund



Fund description

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

Market Review

The fund reported a solid return for the month, with all asset classes contributing. International shares bounced back from a poor July to lead returns in nominal terms, although it was in New Zealand shares where we provided the best outperformance relative to the index. New Zealand investors whose currency position was not hedged in international shares saw enhanced returns as the New Zealand dollar fell by around 4.5% on a trade-weighted index basis over the month.

It was also a good month for fixed interest markets, with yields falling in most major markets. That saw returns in excess of 1% in international bonds and around 0.6% in the New Zealand market. Both were close to or slightly better than index. The lower yields, and therefore better August performance, were largely due to heightened geopolitical risk as North Korea carried out further missile tests.

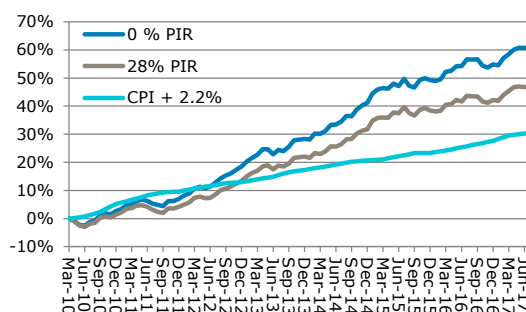
New Zealand economic data was a little weaker than expected, with soft employment figures and the Treasury's Pre-election Fiscal Update coming in a little short on the sweeteners some politicians had been hoping for. There was no change in monetary policy after Graeme Wheeler's final meeting as Governor of the Reserve Bank of New Zealand; the cash rate is expected to remain unchanged for some time to come.

Fund performance

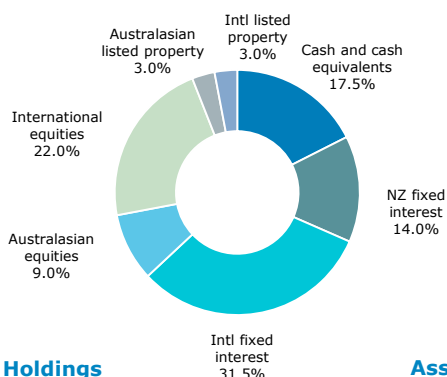
| | 1mth | 3mth | 6mth | 1yr | 3yrs | 5yrs | Since Inception |
|---------|------|------|------|------|------|------|-----------------|
| 0% PIR | 1.1% | 1.3% | 3.7% | 4.0% | 6.1% | 7.3% | 6.8% |
| 28% PIR | 1.1% | 1.1% | 3.3% | 3.7% | 5.1% | 6.2% | 5.5% |

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.

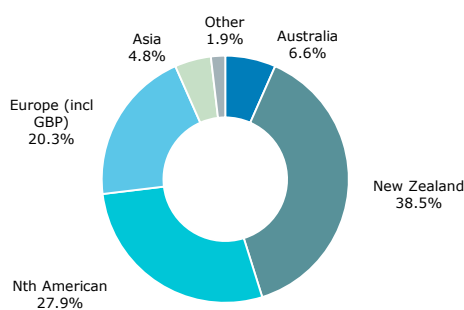
Fund performance since inception



Actual investment mix



Country allocation



Top 10 Holdings

| | | |
|----|-------------------------|------|
| 1 | NZ Govt Stock 5.0% 2019 | 2.1% |
| 2 | NZ Govt Stock 6.0% 2021 | 1.4% |
| 3 | NZ Govt Stock 5.5% 2023 | 1.2% |
| 4 | S&P 500 Future Sep 17 | 1.0% |
| 5 | NZ Govt Stock 4.5% 2027 | 0.8% |
| 6 | BNZ RCD 12/12/2017 | 0.8% |
| 7 | NZ Govt Stock 3.0% 2020 | 0.8% |
| 8 | ASB RCD 17/11/2017 | 0.7% |
| 9 | ANZ RCD 20/10/2017 | 0.7% |
| 10 | ANZ Bank FRN 22/03/2019 | 0.7% |

| | |
|-----------------------|-------|
| Total Top 10 Holdings | 10.2% |
| # of other holdings | 1640 |

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% | 3.2% | 3.3% |
| NZ Fixed Interest | 0.6% | 0.5% | 3.0% | 0.8% | 5.8% | 4.5% |
| International Fixed Interest | 1.2% | 1.0% | 2.3% | 0.3% | 5.2% | 5.1% |
| Australasian listed property | 1.1% | 2.4% | 3.8% | -1.5% | 11.4% | 13.9% |
| International listed property | 0.4% | 2.7% | 1.3% | -0.7% | 7.5% | 11.0% |
| Australasian equities | 3.3% | 6.9% | 8.3% | 8.5% | 8.1% | 12.7% |
| International equities (unhedged) | 4.7% | 2.1% | 12.3% | 20.5% | 14.5% | 16.0% |

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 Balanced Fund

Target investment mix and ranges

| Asset Class | Target Mix | Range | Aggregate Ranges |
|-------------------------------|---------------|--------|------------------|
| Cash and cash equivalents | 15.0% | 0-35% | 50-80 |
| NZ fixed interest | 15.0% | 0-30% | |
| International fixed interest | 35.0% | 20-50% | |
| Australasian listed property | 3.0% | 0-16% | 20-50 |
| International listed property | 3.0% | | |
| Australasian equities | 9.0% | 0-24% | |
| International equities | 20.0% | 5-35% | |
| Other (inc alternatives) | 0.0% | 0-10% | |
| 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 | 100% |
| International listed property | Benchmark 100% hedged | 98% |
| Australasian equities | Benchmark 50% AUD hedged (range of 0-100%) | 50% |
| International equities | Benchmark 65% hedged (range of 0-100%) | 56% |

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 |

| | | |
|--|------------------------------------|--|
| Launch date | Minimum transaction amounts | Detailed fund information |
| 15 April 2010 | Lump sum payments \$500 | Guide and product disclosure statement (PDS) |
| Contact information | Regular payments \$50 | Forms to alter your investment |
| | Lump sum withdrawals \$500 | |
| | Regular withdrawals \$100 | |
| 0800 736 034 | Fees | |
| service@anzinvestments.co.nz | Annual fund charge | 1.29% |
| www.anz.co.nz | | |

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 for our full awards history, ratings and disclaimers.