

28 February 2018

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 registered a negative return of -0.9% for the month, as global financial markets came under pressure. Growth assets, such as shares, fell sharply on the back of concerns around inflationary pressures and rising interest rates. Meanwhile, defensive assets, such as fixed interest (bonds) and cash, held up well.

The fund has a significant weighting to bonds, which make up around 45% of its holdings. We have been underweight international bonds as we believe that rising global interest rates will hold back the returns from this asset class (generally, bonds do not do well in a rising interest rate environment). However, during February, our underweight position detracted from performance, as bonds held their ground while shares markets fell.

While shares were led lower by weakness in international markets and the listed property sectors, some good stock selection within these asset classes helped limit losses for our investors. Within international shares, three out of our four underlying investment managers outperformed the market. In addition, some strong stock selection by our international property manager meant that investors did not get the full impact of that market's falls.

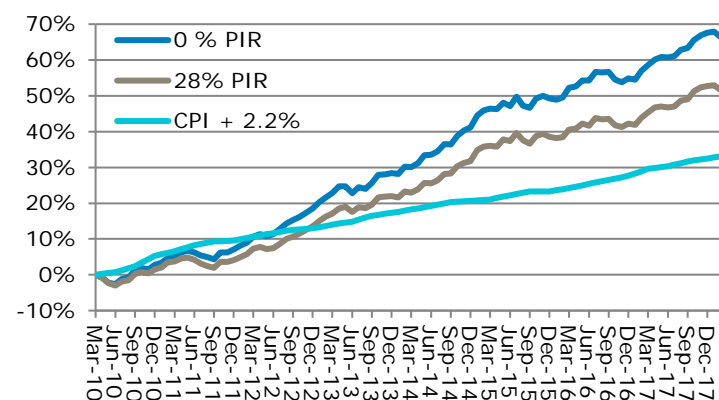
Our outlook is unchanged, despite the recent sell-off in markets. International share markets should be supported by robust growth and the strong corporate earnings backdrop. That said, we maintain a neutral weighting to this asset class as we recognise that markets remain slightly overvalued. Meanwhile, we remain underweight international bonds, expecting that they will continue to struggle as global interest rates move higher this year.

Fund performance

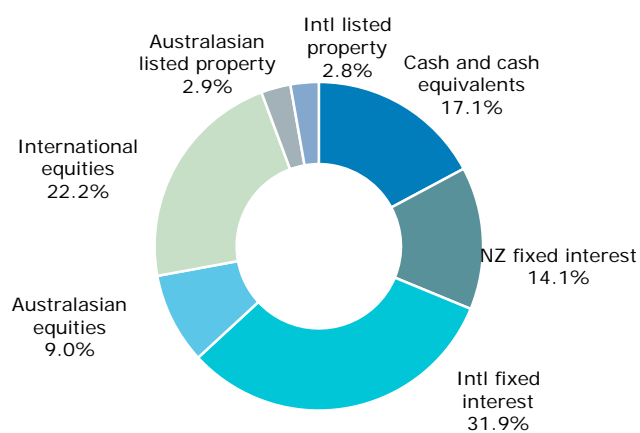
	1mth	3mth	6mth	1yr	3yrs	5yrs	Since Inception
0% PIR	-0.9%	-0.3%	2.2%	6.0%	4.5%	6.5%	6.7%
28% PIR	-0.8%	-0.5%	2.0%	5.4%	3.7%	5.5%	5.4%

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

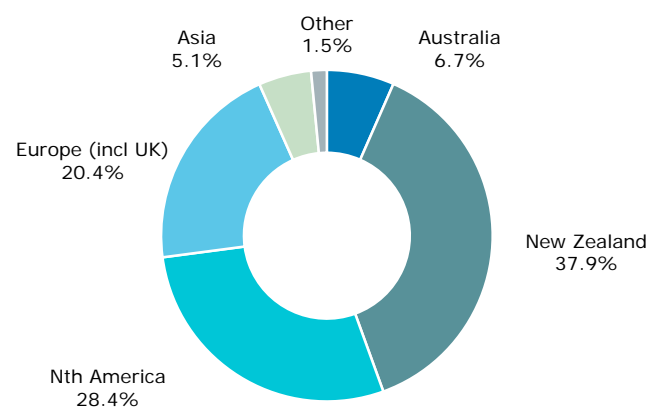


Actual investment mix



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	NZ Govt Stock 5.0% 2019	1.7%
2	NZ Govt Stock 6.0% 2021	1.4%
3	US 10Y Note Future Jun 2018	1.2%
4	NZ Govt Stock 5.5% 2023	1.1%
5	S&P 500 Future Mar 2018	1.1%
6	NZ Govt Stock 3.0% 2020	0.9%
7	BNZ RCD 02/05/2018	0.8%
8	Euro-Bund Future Mar 2018	0.8%
9	ASB RCD 14/05/2018	0.7%
10	Rabobank RCD 18/04/2018	0.7%

Total Top 10 Holdings	10.4%
# of other holdings	1609

Asset class performance (before fund fees and tax)

	1mth	3mth	6mth	1yr	3yrs	5yrs
Cash and cash equivalents	0.2%	0.6%	1.3%	2.7%	3.0%	3.2%
NZ Fixed Interest	0.2%	0.3%	1.6%	4.7%	4.5%	4.6%
International Fixed Interest	-0.2%	-1.0%	-1.0%	1.3%	2.9%	4.5%
Australasian listed property	-3.2%	-1.6%	2.6%	6.4%	8.2%	12.1%
International listed property	-4.7%	-5.1%	-2.4%	-1.1%	2.1%	8.4%
Australasian equities	-1.4%	0.1%	5.7%	14.6%	8.6%	10.1%
International equities (unhedged)	-1.2%	-1.3%	9.4%	22.8%	12.5%	15.7%

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.

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Target investment mix and ranges

Asset Class Mix	Target	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	101%
Australasian listed property	Benchmark 100% hedged	101%
International listed property	Benchmark 100% hedged	99%
Australasian equities	Benchmark 50% AUD hedged (range of 0-100%)	40%
International equities	Benchmark 65% hedged (range of 0-100%)	58%

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 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 1.26%	

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.