

31 October 2018

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 fund delivered a negative return of 1.2% over the month. Bonds delivered modest gains over the month, benefiting from a 'flight to quality' as investors became a lot more cautious. However, it was a challenging month for investors in shares, as ongoing trade tensions, a pick-up in geopolitical risk (with approaching mid-term elections in the US) and a mixed company earnings season all combined to send share markets sharply lower.

Our tactical positioning was detrimental to fund performance this month. We have been overweight international shares, which performed poorly, and underweight international bonds, which did well. Also holding back performance was the fund's exposure to the Australian share market, where some of its holdings in materials companies fell sharply due to weaker commodity prices and trade-related concerns.

Despite the recent falls, we believe the fundamentals for good share market performance remain in place. We are of the view that once trade tensions ease and US mid-term elections have passed, global growth should continue, albeit at a more muted pace. We retain a modest overweight position in international shares. Meanwhile, we continue to hold an underweight position in international bond markets, where returns should be limited as global interest rates move higher.

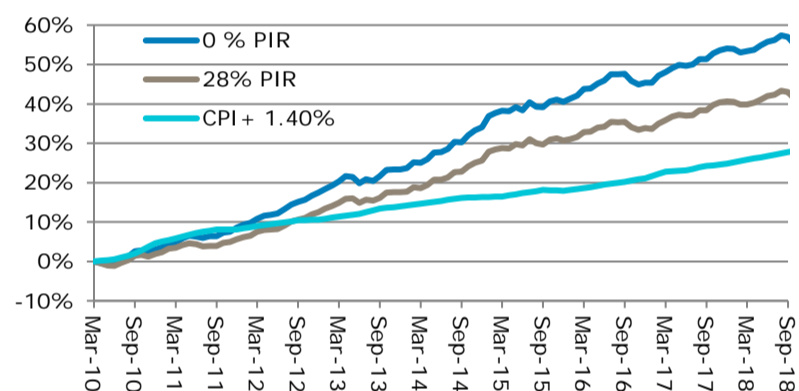
We understand that it's difficult seeing your investment fall in value. There will continue to be some 'noise' in the media and markets may remain turbulent for some time. However, we believe that maintaining good investment discipline and staying focused on your long-term goals is more important than ever.

Fund performance

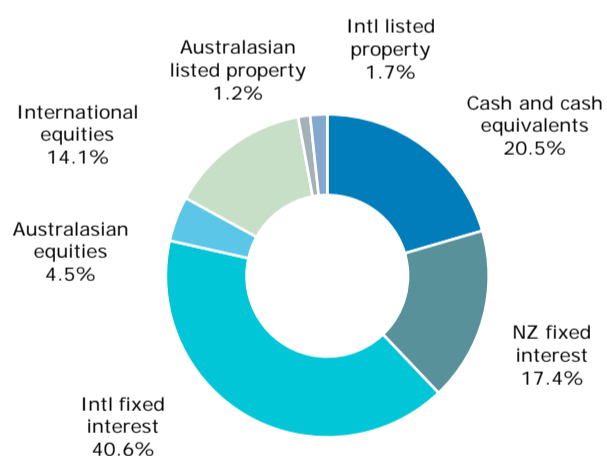
	1mth	3mth	6mth	1yr	3yrs	5yrs	Since Inception
0% PIR	-1.2%	-0.8%	0.8%	1.5%	3.2%	4.7%	5.2%
28% PIR	-1.2%	-0.8%	0.7%	1.1%	2.6%	3.7%	4.1%

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

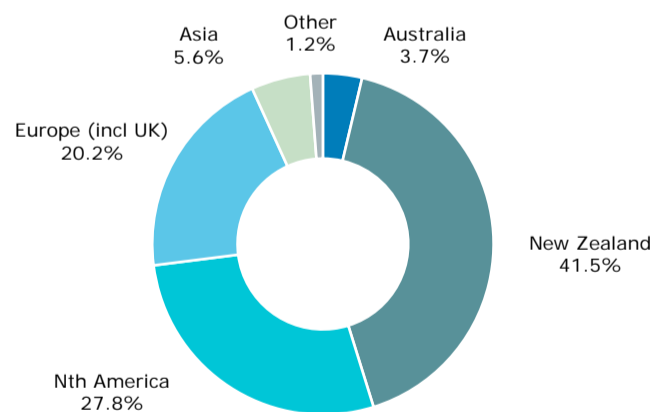


Actual investment mix



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 6.00% 2021	2.5%
2	NZ Govt Stock 5.00% 2019	1.8%
3	NZ Govt Stock 3.00% 2020	1.5%
4	NZ Govt Stock 5.50% 2023	1.5%
5	BNZ RCD 16/10/2018	1.2%
6	Rabobank RCD 21/12/2018	1.2%
7	ANZ RCD 22/03/2019	0.8%
8	ANZ RCD 21/12/2020	0.8%
9	BNZ RCD 29/11/2018	0.7%
10	BNZ RCD 07/11/2018	0.7%

Total Top 10 Holdings	12.7%
# of other holdings	1608

Asset class performance (before fund fees and tax)

	1mth	3mth	6mth	1yr	3yrs	5yrs
Cash and cash equivalents	0.2%	0.6%	1.3%	2.6%	2.8%	3.1%
NZ Fixed Interest	0.4%	1.5%	3.1%	4.7%	4.4%	5.5%
International Fixed Interest	0.2%	0.1%	0.9%	0.9%	2.8%	4.6%
Australasian listed property	-4.3%	-1.4%	5.2%	9.9%	9.0%	12.6%
International listed property	-2.3%	-2.4%	2.2%	4.1%	3.9%	8.8%
Australasian equities	-7.7%	-6.3%	0.6%	2.0%	9.7%	7.8%
International equities (unhedged)	-6.0%	-2.7%	3.7%	5.2%	10.3%	13.3%

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	20.0%		10-40%	70-90
NZ fixed interest	18.0%		8-28%	
International fixed interest	42.0%		32-52%	
Australasian listed property	1.5%		0-9%	10-30
International listed property	1.5%			
Australasian equities	4.5%		0-14.5%	
International equities	12.5%		2.5-22.5%	
Other (inc alternatives)	0.0%		0-8%	
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	102%
International listed property	Benchmark 100% hedged	100%
Australasian equities	Benchmark 50% AUD hedged (range of 0-100%)	51%
International equities	Benchmark 65% hedged (range of 0-100%)	67%

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, Nikko AM Limited
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 withdrawals \$500 Regular withdrawals \$100	Detailed fund information Guide and product disclosure statement (PDS)
Contact information 0800 736 034 service@anzinvestments.co.nz investments.anz.co.nz	Fees Annual fund charge 1.21%	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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The Morningstar Analyst Rating for OneAnswer Multi-Asset-Class Funds assigned on 16 March 2018 is Silver. See anzinvestments.co.nz/awards for our full awards history, ratings and disclaimers.