

31 December 2017

Balanced Fund

Fund description

Invests mainly in growth assets (equities and listed property), with some exposure to income assets (cash and cash equivalents and fixed interest). The fund also has a small exposure to alternative assets.

Market and fund review

The Balanced Growth Fund holds a broad range of investments, both in New Zealand and overseas. Over the quarter, the fund returned 4.2% and remains comfortable ahead of its long term objective.

International shares, which make up around 40% of the fund, were particularly strong. Strong global growth, some good corporate profit results and the likelihood of US share markets getting a further boost from US tax reforms helped them to register good gains. While our underlying international share managers lagged the benchmark over the quarter, over the year as a whole they have done well and have contributed to the fund's strong long-term track record. The fund's strategic positioning had a slight positive impact on returns over the quarter. Its underweight position in fixed interest (bond) markets helped, as international bonds delivered only modest gains. That said, its overweight allocation to cash held back performance as the returns from cash lagged behind those from all other investment markets during the quarter. Some good stock selection by our underlying investment managers also helped during the quarter. Of particular note was the fund's domestic and international listed property holdings, as well as in Australian shares, where our managers delivered above-benchmark returns.

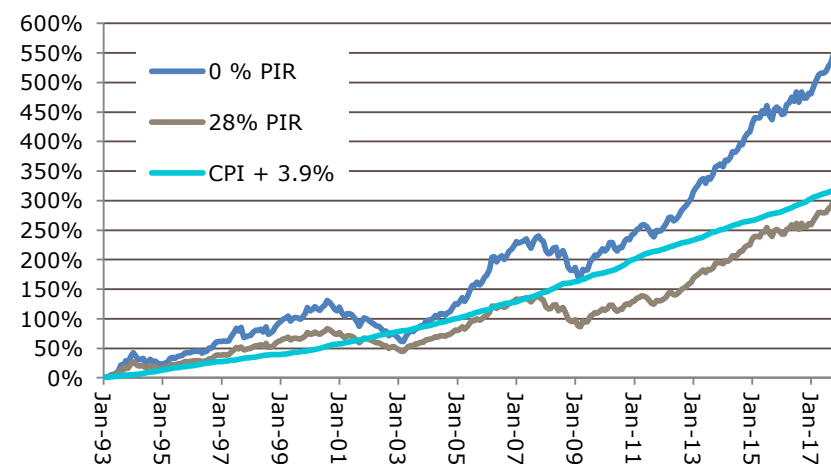
Our outlook is unchanged. We expect bond markets to struggle as global interest rates start moving higher and so we maintain our underweight position. While we believe international share markets will continue to do well, we hold a neutral position, as we recognise that markets look slightly overvalued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

Fund performance

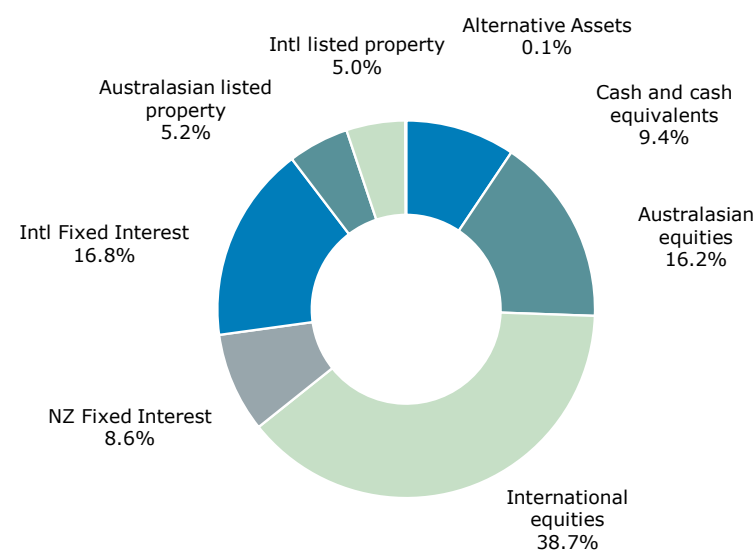
	1mth	3mth	6mth	1yr	3yrs (ann)	5yrs (ann)	Since Launch (ann)
At 0% PIR Tax	0.7%	4.2%	7.1%	13.5%	8.4%	10.3%	7.9%
At 28% PIR Tax	0.3%	4.2%	6.9%	12.4%	7.5%	9.1%	5.8%

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. The fund became a PIE fund on 1 October 2007. Performance of the 0% PIR prior to this date has been recalculated on a before tax basis. Performance of the 28% PIR prior to this date are reflective of the tax regime for that period. Performance for periods longer than one year are annualised.

Fund performance since launch

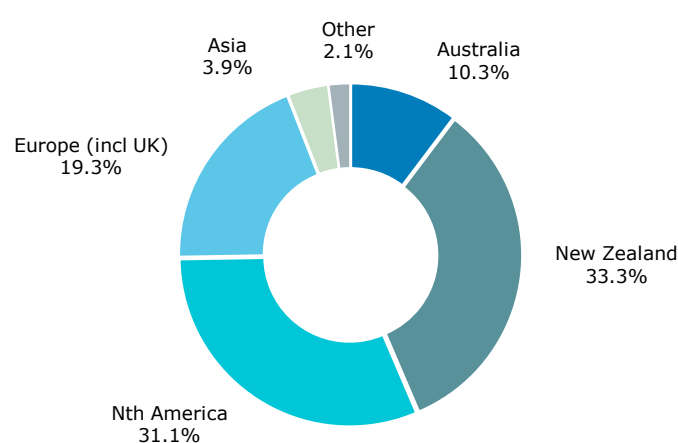


Actual investment mix



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	1.2%
2	NZ Govt Stock 6.0% 2021	0.9%
3	Kiwi Income Property Trust	0.8%
4	Visa Inc	0.8%
5	Precinct Property NZ Ltd	0.8%
6	Fisher and Paykel Healthcare	0.8%
7	Westpac Banking Corporation	0.7%
8	Reckitt Benckiser	0.7%
9	Spark New Zealand Ltd	0.7%
10	NZ Govt Stock 5.5% 2023	0.7%

Total Top 10 Holdings	8.1%
# of holdings	1596

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	0.3%	1.6%	2.7%	5.7%	5.3%	4.5%
International Fixed Interest	0.1%	0.8%	1.3%	3.1%	4.0%	4.8%
Australasian listed property	3.2%	7.5%	8.7%	14.6%	11.5%	14.3%
International listed property	2.0%	4.9%	6.2%	9.2%	6.6%	10.9%
Australasian equities	1.9%	8.2%	12.7%	19.7%	11.0%	12.3%
International equities (unhedged)	-1.9%	6.9%	13.6%	25.2%	15.1%	16.7%

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.

Balanced Fund

Benchmark weights

	Investment Target Mix	Allowable Ranges	Aggregate Permissible Ranges	
Cash	6.0%	0-26%	20-50	
NZ Fixed Interest	9.0%	0-24%		
International Fixed Interest	20.0%	5-35%		
Australasian Property	5.0%	0-20%	50-80	
International Property	5.0%			
Australasian Shares	16.0%	1-31%		
International Shares	39.0%	24-54%		
Alternative Assets	0.0%	0-15%		
Total	100.0%			

Hedging levels

	Benchmark hedging rate	Current hedging
Cash	No foreign currency exposure	n/a
NZ Fixed Interest	No foreign currency exposure	n/a
International Fixed Interest	Benchmark 100% hedged	100%
Australasian Property	Benchmark 100% hedged	101%
International Property	Benchmark 100% hedged	98%
Australasian Shares	Benchmark 50% AUD hedged (range of 0-100%)	50%
International Shares	Benchmark 65% hedged (range of 0-100%)	63%

External fund managers

Cash	ANZ Investments
NZ Fixed Interest	ANZ Investments
International Fixed Interest	Vanguard Investments Australia Limited
Australasian Property	ANZ Investments
International Property	CBRE Clarion Securities
Australasian Shares	ANZ Investments, Arnhem Investment Management
International Shares	The Franklin Equity Group, MFS Institutional Advisors, LSV Asset Management, Vontobel
Alternative Assets	Pomona Capital
Asset Allocation & Currency	ANZ Investments

Additional fund details

Minimum transaction size			Detailed fund information
Lump sum payments	\$500		Guide and product disclosure statement
Regular payments	\$50		
Lump sum withdrawals	\$500		Forms to alter your investment
Regular withdrawals	\$100		See form section of product disclosure statement
Withdrawal size	\$500		
Fees			Contact information
Annual fund charge	1.30%		0800 736 034
			service@anzinvestments.co.nz
			investments.anz.co.nz
Launch date			
22 January 1993			

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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