

31 October 2018

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 fund delivered a negative return of 4.2% over the month. 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. In contrast, bonds delivered modest gains, benefiting from a 'flight to quality' as investors became a lot more cautious.

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.

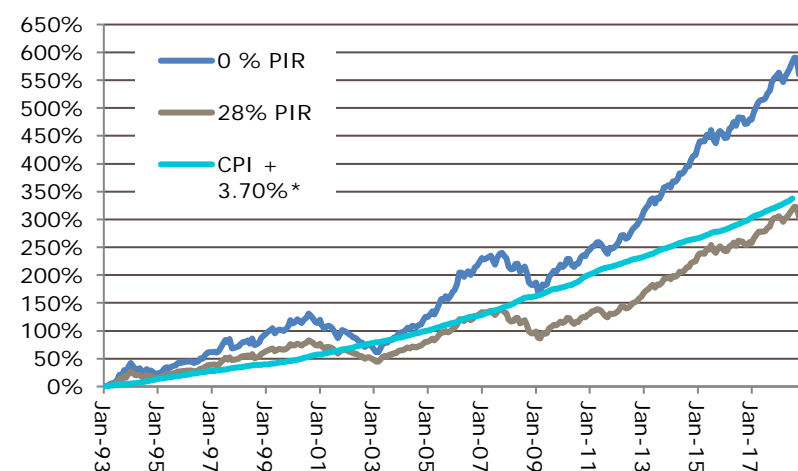
We understand that it's difficult seeing your investment fall in value. There will continue to be some 'noise' in the media and markets may remain turbulent for some time. However, we believe that maintaining good investment disciplines and staying focused on long-term goals is more important than ever.

Fund performance

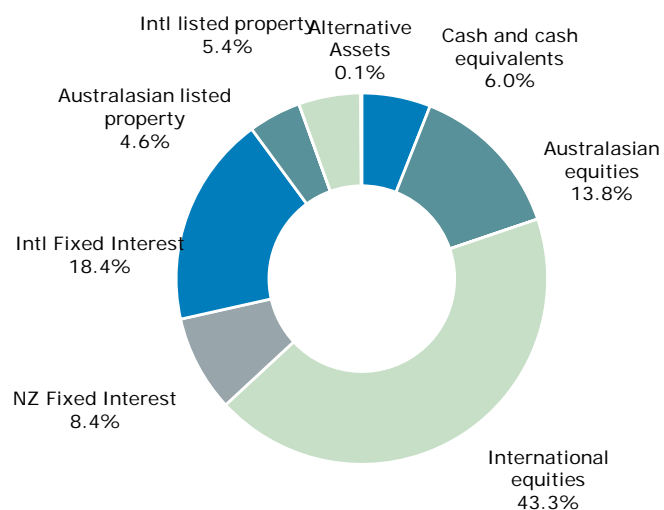
	1mth	3mth	6mth	1yr	3yrs (ann)	5yrs (ann)	Since Launch (ann)
At 0% PIR Tax	-4.2%	-3.1%	0.5%	2.3%	6.0%	7.6%	7.6%
At 28% PIR Tax	-4.1%	-3.0%	0.6%	1.7%	5.1%	6.6%	5.6%

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

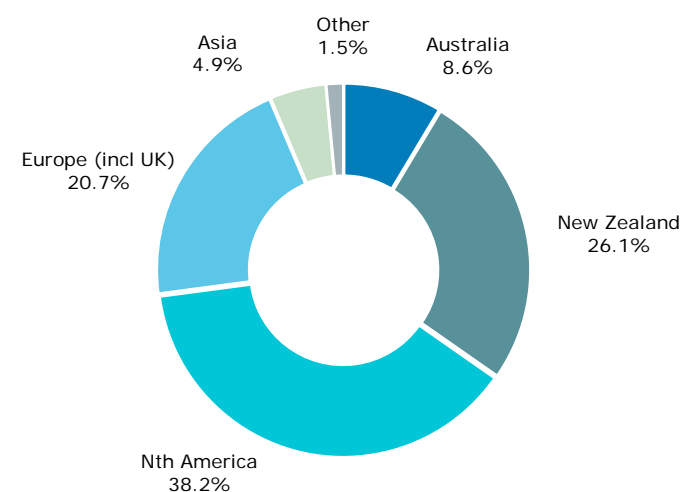


Actual investment mix



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	S&P 500 EMI Future Dec 2018	2.2%
2	S&P 500 Future Dec 18	1.5%
3	United States 10Y Future Dec 2018	1.1%
4	Visa Inc	1.0%
5	Euro Stoxx 50 Future Dec 18	0.9%
6	NZ Govt Stock 6.00% 2021	0.9%
7	Precinct Property NZ Ltd	0.8%
8	Kiwi Income Property Trust	0.7%
9	NZ Govt Stock 5.00% 2019	0.7%
10	NZ Govt Stock 3.00% 2020	0.7%
Total Top 10 Holdings		10.5%
# of 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%	2.6%	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	-3.9%	0.1%	6.9%	12.0%	9.3%	12.7%
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.

*NB: From 10 August 2018 the investment objective for this fund changed from CPI + 3.90% to CPI + 3.70%

Balanced Fund

Benchmark weights

Investment Mix	Target	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	14.0%	0-29%	
International Shares	41.0%	26-56%	
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	102%
International Property	Benchmark 100% hedged	100%
Australasian Shares	Benchmark 50% AUD hedged (range of 0-100%)	51%
International Shares	Benchmark 65% hedged (range of 0-100%)	68%

External fund managers

Cash	ANZ Investments
NZ Fixed Interest	ANZ Investments
International Fixed Interest	Vanguard Investments Australia Limited
Australasian Property	ANZ Investments
International Property	Resolution Capital Limited
Australasian Shares	ANZ Investments, Nikko AM Limited
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 withdrawals	\$500	Guide and product disclosure statement
Regular withdrawals	\$100	
Fees		Forms to alter your investment
Annual fund charge	1.30%	See form section of product disclosure statement
Launch date		Contact information
22 January 1993		0800 736 034
		service@anzinvestments.co.nz
		investments.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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