Investment Option Summary

ANZ Smart Choice - Moderate

September 2013

Description

This investment option is designed for investors who want to invest over the medium term with a medium to high level of risk. The investment option invests in a mix of defensive and growth assets.

Investment objective

This investment option aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 3.7% p.a., over a period of four years or more.

Investment strategy

This investment option will invest in a combination of defensive and growth asset classes. The allocation to defensive assets will range between 40-60% of the portfolio with a neutral allocation of 50%. The allocation to growth assets will range from 40-60% with a neutral allocation of 50%. Additionally, an active asset allocation process may be utilised to increase or decrease your exposure to relevant asset classes within permitted ranges. This process is designed to optimise your investment performance by adjusting allocations to markets/asset classes which we believe will perform strongly or poorly in the future.

Minimum time horizon

4 years

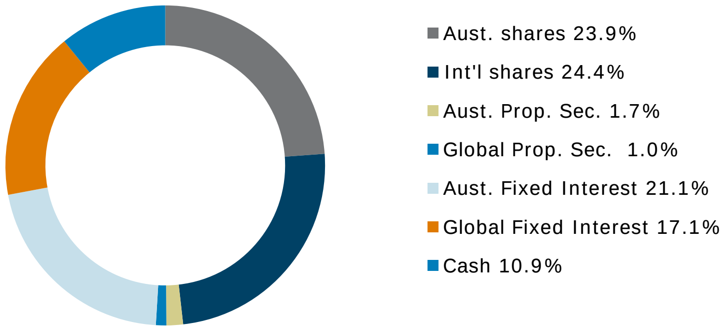
Inception dates

ANZ Smart Choice	Dec 2011
ANZ Smart Choice	Dec 2011

Fund performance

	1 mth	3 mth	6 mth	1 yr pa %	3 yrs pa %	5 yrs pa %
ANZ Smart Choice Super Moderate	1.05	3.97	2.72	9.17	-	-
ANZ Smart Choice Pension Moderate	1.24	4.80	3.39	10.96	-	-

Actual asset allocation



Commentary - September 2013

Economic Conditions

The latest monthly data was broadly supportive of the view that the US household sector continues to regain momentum. Following a strong rise of 6.5% previously, sales of existing homes gained further ground in August (+1.7%). By comparison, housing starts posted a more modest rise of +0.9%, with the initial estimate for July downgraded from +5.9% to +5.7%. However, the forward-looking permits series showed signs of moderation, as a 3.8% monthly fall slowed the year-on-year rate of growth to +11.0%, well down from over 34% in April. Elsewhere, retail sales rose for a fifth consecutive month in August (+0.2%), with increased spending evident in most major categories. Consumers spent more in department stores (+0.6%), and also bought more furniture (+0.9%) and motor vehicles & parts (+0.9%).

Having shown signs of easing over recent months, industrial production in China accelerated in August to a year-on-year growth rate of 10.4%. This was substantially ahead of the previous month's result of 9.7%, and led market observers to upgrade their estimates for the country's broader economic outlook. Increased levels of investment and consumer demand further underscored the resilience in China's economic momentum. Year-on-year growth in fixed asset investment accelerated to 20.3% for the January to August period, up from 20.1% for the period from January to July. Similarly within the consumer sector, year-on-year sales growth accelerated to +13.4%, up from +13.2% previously.

Housing finance (ex-refinancing) rose by 1.3% in July, significantly higher than the initial estimate of +0.2% and the 0.6% gain achieved in June. Investors (+2.9%) were again the major drivers of the overall increase, significantly outpacing demand from owner-occupiers (+0.1%). Although overall demand for finance rose by 18.5% year-on-year terms, upside potential remains in play as the official cash rate is presently 1% lower than it was a year ago.

In contrast to signs of increased momentum in the housing sector, the labour market weakened in August as total employment numbers declined by 10,800. This represented a sharp contrast to market expectations for a similar sized gain.

Market Commentary

Global sharemarkets gained ground in local currency terms in September, driven by strong gains in Japan, Germany and the technology-oriented US NASDAQ Index. The markets were buoyed by the prospect of sustained liquidity stimulus associated with the US Federal Reserve (Fed) decision not to begin scaling back or tapering its QE stimulus policies. Despite the significance of the Fed decision, the focus of market attention quickly shifted to the political arena. In the US, increasingly fractious negotiations over health care reform funding and the nation's debt ceiling raised the spectre of a partial shut-down of US government services if no compromise could be reached by month-end.

In common with its overseas counterparts, the Australian sharemarket was initially buoyed by global manufacturing and services sector survey data that showed solid expansion. The domestic resources sector was particularly boosted by signs of re-acceleration in industrial production in China. This prompted market observers to upgrade their estimates for the country's broader economic growth prospects.

Domestic yields took their cue from overseas, where signs of economic expansion provided the impetus for an initial rise in yields. However, a weaker than expected US non-farm payrolls report for August stalled the upward momentum in yields, with the Fed decision not to commence QE tapering driving a move lower.