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ANZ

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welcome

WELCOME TO YOUR END OF FINANCIAL YEAR INVESTOR UPDATE

So far, 2013 has seen its fair share of market ups and downs, important legislative change for super, lower interest rates and a looming Federal election.

In the midst of this, there are some signs of a thawing in investment attitudes. We are beginning to see investors starting to shift out of cash and term deposits and moving towards growth assets like property and shares. This has been strongly influenced by a lower interest rate environment and central bank stimulus to motivate economic and investment activity.

The great news is that the extensive changes made to our investment process and team are beginning to bear fruit, with strong returns being delivered to our customers over the past year.

Investment outlook

In this edition, ANZ's Chief Economist, Warren Hogan, details what influences household spending and how data gives us valuable clues to market performance.

ANZ Global Wealth's Chief Investment Officer, Stewart Brentnall, provides further insight into changing market behaviour towards risk and what is driving performance in each sector.

OneAnswer - an award-winning solution

We have recently made some exciting enhancements to our flagship OneAnswer super, pension and investment suite of products. We have introduced five new investment options, providing better investment choice with new managers experienced in delivering stronger returns. You will find a summary of the key benefits of OneAnswer on page 8.

Latest updates

We also examine the impact of recent legislative changes affecting super as well as showcasing some of our new online videos and educational tools that you may find useful.

Thank you for choosing us for your super, investment and retirement needs. We look forward to and managing your savings, now and into the future.

Craig Brackenrig
Managing Director
Global Pensions and Investments

ANZ's specialist wealth business

ANZ is committed to building lasting partnerships with our customers, shareholders and communities in 32 markets globally with representation in Australia, New Zealand, Asia Pacific, Europe, America and the Middle East. ANZ provides products and services to more than 8 million retail customers worldwide and employs over 48,000 people.

Since 2009, OnePath has been operating as a wholly owned subsidiary of ANZ. It is part of ANZ's specialist wealth business responsible for delivering investment, superannuation, retirement, insurance and advice solutions, as well as private banking services to 2.6 million customers across Australia, New Zealand and Asia.

With 130 years of superannuation, investment and insurance expertise and the strength of 4,200 staff in six countries, our services support customers through all of their life stages to help them achieve their life goals and live comfortably in retirement.

OUR SUPERANNUATION AND INVESTMENTS BUSINESS IN AUSTRALIA HAS OVER 1 MILLION CUSTOMERS WITH $45 BILLION IN FUNDS UNDER MANAGEMENT ACROSS A RANGE OF SUPERANNUATION, RETIREMENT AND INVESTMENT PRODUCTS.

Why it pays to follow the money

WARREN HOGAN, ANZ'S CHIEF ECONOMIST, EXPLAINS WHY HOUSEHOLD SPENDING DATA IS SO VALUABLE.

The ABS report is a treasure trove. It is not simply because we love number crunching (which we do) but because spending data gives us valuable clues about how markets may perform in the short and medium term.

If you're like me, you struggle to remember what you purchased last month, let alone last year or even five years ago. Chances are, however, that like most Australians your spending has changed. That is, you are spending more on some items and less on others. We know this because the Australian Bureau of Statistics (ABS) monitors and reports on household spending and prices.

For ANZ Global Wealth, the ABS report is a treasure trove. It is not simply because we love number crunching (which we do) but because spending data gives us valuable clues about how markets may perform in the short and medium term. Broadly, any dollar you spend becomes a dollar of revenue for a business. By extension, a business (or industry) whose revenue is growing is more likely to be profitable and offer better investment potential than one in decline.

WHAT INFLUENCES OUR SPENDING?

Deciding what and how much you purchase involves a multitude of factors. A crucial distinction is between your 'needs and wants'. The ABS breaks down spending into 'Necessities' like food and transport, 'Relative necessities' like a PC or mobile phone and 'Discretionary' items. Your spending decision will reflect:

- **Capacity** – this is your disposable (after-tax) income plus any credit (loans).
- **Price** – price dictates both an item's perceived value (good or bad) and outright affordability (yes or no).
- **Lifestage** – there is a strong link between spending and household structure (single, couple, family) and age. Starting, then supporting a family (dependants) changes the scale and type of spending. So too, health-related spending typically rises as we get older.
- **Confidence** – your expectations about the future can influence firstly whether you spend or save, and secondly, what you purchase. For many people, job security is a big driver of confidence.
- **Values (priorities)** – spending can reflect what you as an individual 'feel' is important. This might include everything from private schooling for children to a luxury sports car like 'the Joneses'.

At an aggregated (national) level other factors affect spending. For instance, technology advances have made information technology cheaper, weather events like cyclones can temporarily inflate food prices and changes in attitude have altered smoking and alcohol consumption.

HOW HAS SPENDING CHANGED?

Some of the more interesting trends that have emerged since the Global Financial Crisis (GFC) are:

- **Paying down debt** – following the GFC, Australians started to pay down debt more quickly, or put another way, save more. The net household saving rate peaked at 12% of disposable income in 2011, helped by falling interest rates. It later fell back to around 10%, possibly due to the 'wealth effect' from rising property and share values (as some households felt wealthier and hence saved less).*
- **Offshore spending** – the strong Australian dollar has seen a rise in overseas travel and online (offshore) retail spending. Slower domestic retail revenue growth reflects both the online leakage and subsequent discounting. The subsequent decline in retailers' revenues and margins has seen their share price under-perform the broader share market.
- **'Aspirational' spending** – social commentators and politicians believe strongly-held aspirations motivate spending. The examples cited are the extensive borrowing pre-GFC to buy or improve residential property and the rise in private school enrolments.

HEADING UP, DOWN OR SIDEWAYS?

ANZ forecasts consumption growth to pick up modestly over 2013 and be a little below 3% (year over year) by the end of 2014. This will be good for the Australian economy as it reduces its reliance on mining investment to support growth.

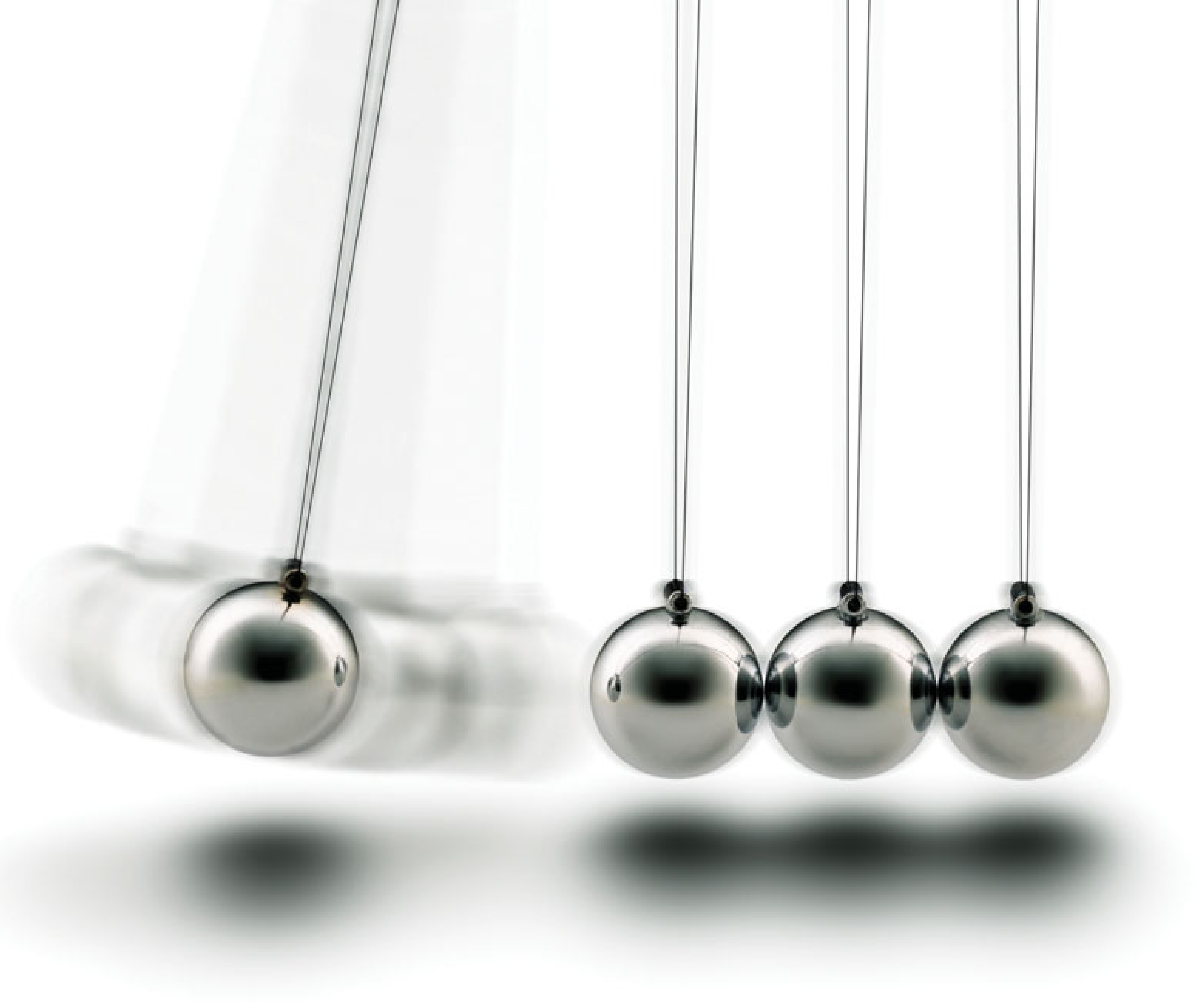
With over $45 billion of funds under management, we combine spending data with a myriad of inputs to guide our asset allocation strategy.

* Source: "Australian Economic Weekly, A Close Look at Household Consumption", ANZ Research, 25 March 2013.

For the latest market information and expert analysis, visit anz.com/corporate/research

Is the risk pendulum moving?

STEWART BRENTNALL, GLOBAL CHIEF INVESTMENT OFFICER, ANZ GLOBAL WEALTH



Markets appear to be shifting (again). In 2010 and 2011 we saw a flight to safety into defensive assets like cash and Government bonds. However, in 2012 capital began moving out of defensive assets to growth assets like shares and property.

2013 started strongly for growth with the US Dow Jones share index setting record highs. More recently, global share markets broadly retreated over speculation about when the US Federal Reserve may wind down its asset purchasing programme and mounting anxiety about the growth outlook in China.

NO FUNDAMENTAL CHANGE TO STIMULUS

The US Federal Reserve has spent trillions of dollars buying US Government bonds and securities under its program of quantitative easing (QE). The aim is to encourage investors to take on risk, in the process stimulating investment and consumer spending to bring unemployment down towards 6%.

This QE program has successfully boosted share markets, however US job growth, though improving, has been painfully slow. In recent weeks Federal Reserve Chairman Ben Bernanke cited improving job numbers paving the way for future slowing of QE. Investors interpreted this as 'sooner not later', which prompted a sell down of shares. Ongoing speculation regarding the Federal Reserve intentions with their QE programme will likely see volatility persist in the short term.

Closer examination suggests markets may have overreacted to the Federal Reserve Chairman's comments. Importantly Chairman Bernanke has reiterated that any wind back of QE is contingent on both a pick-up in growth and a continuation of the jobs recovery. This will take time. Moreover, as central banks are well aware, the prospects for cyclical recovery still hinge on keeping interest rates in the major developed economies close to zero. This is underscored by the Federal Reserve's continued commitment to hold US short term rates near zero until the middle of 2015.

Meanwhile it could be some years yet before the assets purchased as part of the QE programme are sold. In short, the Federal Reserve has shown no inclination to remove the significant stimulus it has already implemented over the past few years.

Elsewhere, the European Central Bank has stepped in to push down Government bond yields in the region. And in Japan the central bank joined the 'asset purchasing' game in an effort to end the period of deflation (falling prices) which has held back demand for the past two decades.

For the world economy (and Australia in particular) the wild card could increasingly prove to be China. The past year has illustrated that Chinese policy makers now face a starker trade-off between growth and asset price bubbles than was the case previously. In response, the official growth rate has slipped below 8%. While this has panicked markets, the focus now for China is the quality and long term sustainability of growth and not the headline rate.

The Government justifiably wants to avoid market bubbles, which is why it is clamping down on improper business lending.

The Reserve Bank of Australia (RBA) in particular will be watching China intently when setting interest rates. The RBA will also monitor markets to see if the recent falls in the Australian dollar are sustained. The hope is that, over time, a lower dollar will boost exports and help fill the gap left by a scaling back of investment by mining companies.

Despite this, we expect rates are more likely to fall further in 2013 which suggests that the risk pendulum will continue to favour growth assets.

Ensure your portfolio is still working for you

Naturally, sectors may move at different times. Your ANZ Financial Planner can review your portfolio to help you stay on track towards your goals.

	Sector	Positioning
Growth sectors	Australian shares	Continuing low Government bond yields will help stocks that pay high dividends (yield). Further signs of cyclical recovery should help growth and value stocks, and small caps. Mining stocks (and commodity prices) will be influenced by the growth outlook in China.
	International shares	Returns will vary across regions. US and Japanese stocks will continue to benefit from central bank stimulus. European markets remain vulnerable to political risk, though central bank actions have reduced this considerably. While valuation in Asian emerging markets look attractive, much will depend on the outlook for China.
	Australian listed property	Listed property's good yield potential against bonds will help sustain values. However, the current high prices suggest limited capital growth potential for the remainder of 2013.
	Global listed property	Listed property's good yield potential against bonds will help sustain values. The opportunites will vary across regions.
Defensive sectors	Australian cash	With growth below potential and the Australian dollar still elevated relative to fundamentals, we believe there is scope for further rate cuts.
	Australian fixed interest	The prospect of further rate cuts along with demand from investors seeking yield is likely to keep Australian Government bond yields at their current low levels. This, in turn, will support demand for quality corporate (company) credit that offers higher yield potential.
	International fixed interest	Stimulatory monetary policy in the US, Japan, UK and EU is likely to keep safe-haven Government bond yields at low levels. There are return opportunities from Government bonds of emerging countries with strong budget positions and highly-rated corporate credit.

Bullish Neutral Bearish

OneAnswer – support for every stage

ONEANSWER IS DESIGNED TO SUPPORT YOU THROUGH EVERY STAGE OF YOUR LIFE BY PROVIDING A COMPREHENSIVE SOLUTION TO HELP YOU BUILD YOUR WEALTH, SAVE FOR YOUR RETIREMENT THROUGH SUPERANNUATION AND ENJOY YOUR RETIREMENT WITH A FLEXIBLE PENSION INCOME STREAM.

BUILD
Build your wealth outside of super with the OneAnswer Investment Portfolio.

SAVE & PROTECT
Save for your retirement with OneAnswer Personal Super and protect what you've worked hard to achieve.

ENJOY
Transition and enjoy your retirement with OneAnswer Pension.

Our OneAnswer solutions can help meet your particular lifestyle and financial needs. Here are some of the benefits:

18-25 Age | 25–35 | 35–45 | 45–55 | 55–65 | 65+

Investment Portfolio

- ✓ Build your wealth by generating capital growth and income.
- ✓ Access your money at any time.
- ✓ Diversify by investment managers, investment styles and asset classes.
- ✓ Magnify your investments with access to ANZ Margin Lending.
- ✓ Access day-to-day savings with our exclusive InvestorBenefits program.

Personal Super

- ✓ Access over 80 investment options including a wide range of diversified and single sector investment funds.
- ✓ Better protect yourself and your family with leading insurance solutions.
- ✓ Access to regular updates and educational material to help grow your investment. Refer to the next page for more details.
- ✓ Exclusive InvestorBenefits.

Pension

- ✓ Access a highly-awarded Pension product.
- ✓ Transfer from Super to Pension at no additional cost*.
- ✓ Create a smooth transition to retirement and start receiving a tax-effective income.
- ✓ Comprehensive choice of investment options such as Term Deposits.
- ✓ At-Call access to your pension through ATM's, EFTPOS, ANZ branches, internet and phone banking.

* When you transfer via our seamless transfer option.

For more information about how OneAnswer can help you at every stage of your life, call us on 1800 626 855 or speak to your ANZ Financial Planner.

OneAnswer is designed to support you through every stage of your life by providing comprehensive solutions to help you build your wealth.

Super: your future, today

HOW WELL DO YOU KNOW YOUR SUPER? YOU ARE LIKELY TO HAVE SUPER FOR DECADES, SO UNDERSTANDING HOW TO USE IT TO ACHIEVE YOUR RETIREMENT GOALS IS A GOOD IDEA. DON'T WORRY, WE'VE NOW MADE IT EASIER THAN EVER WITH NEW TOOLS INCLUDING SHORT VIDEOS.

SUPER COMES TO LIFE

Most working Australians have a super account – in many cases more than one – but because we generally don't see the savings until retirement, it's often an afterthought. In reality though, getting to know your super and building a relationship with it may enable you to better grow your retirement savings and allow you to enjoy the lifestyle you want to lead in retirement.

The new range of seven short videos present key super subjects in bite-sized chunks. By cutting through super's sometimes technical language, they allow you to learn about important issues, including:

- an introduction to super
- consolidating multiple accounts
- super investment choice
- taking your super account to a new job
- making additional contributions
- transition to retirement strategies
- retirement options.

These videos are the ideal way to discover what options are available to you.

ENHANCED WEBSITE RESOURCES

The videos are conveniently located on topic specific webpages where you can access updated fact sheets and be guided along the next steps to take. So once you've got the information you need, taking action is simple.

Watch these fantastic new videos from the ANZ Australia YouTube channel at anz.com/supervideos

Getting to know your super and building a relationship with it may enable you to better grow your retirement savings and allow you to enjoy the lifestyle you want.

Super changes you need to know

SEVERAL CHANGES TO SUPERANNUATION HAVE BEEN MADE AND PROPOSED BY THE GOVERNMENT. HERE'S A SNAPSHOT OF WHAT YOU NEED TO KNOW.

BRING YOUR SUPER TOGETHER

Having all your super accounts together in the one place makes sense. Not only could you save on fees and not have to manage multiple sets of paperwork, but you may also reduce the chance of having 'lost super'.

Please talk to your ANZ Financial Planner before deciding to consolidate your super as you may incur additional exit/entry fees, taxes or lose insurance benefits from your existing super funds.

REMOVAL OF MEMBER PROTECTION ON SUPERANNUATION ACCOUNTS

As part of the Federal Government's change to lost and unclaimed superannuation monies, member protection requirements to protect small superannuation account balances have been removed from all superannuation funds effective 1 July 2013.

LOW INCOME SUPERANNUATION CONTRIBUTION

The legislated Low Income Superannuation Contribution will apply from 1 July 2012. This could effectively refund up to $500 of contributions tax on concessional contributions for eligible members with up to $37,000 of adjusted taxable income.

We will keep you updated via our website, anz.com on how we manage these contributions from the ATO.

SUPERANNUATION GUARANTEE INCREASED AND AGE LIMIT ABOLISHED

The Superannuation Guarantee (SG) rate has been legislated to progressively increase from 1 July 2013. The current SG rate is 9.25% in 2013/14 and will rise progressively to 12% by 2019/20.

It has also been legislated that the SG age limit of 70 will be removed from 1 July 2013 and employers need to contribute to complying super funds of eligible employees aged 70 and over.

INCREASE IN CONCESSIONAL CONTRIBUTIONS CAPS

A higher concessional contributions cap of $35,000 (non-indexed) has been legislated from 1 July 2013 for people aged 60 and over. From 1 July 2014, this has been extended to people 50 or over. Refer to the table for details on contributions caps.

INCREASED CONTRIBUTIONS TAX FOR VERY HIGH INCOME EARNERS

The Government has legislated that from 1 July 2012, individuals with incomes greater than $300,000 will incur an additional 15% tax on certain concessional contributions – meaning they may be paying 30% tax on certain concessional contributions (including SG contributions and salary sacrifice contributions) from this financial year.

REDUCTION TO GOVERNMENT CO-CONTRIBUTION AMOUNTS

Reductions to the Government co-contribution scheme from 1 July 2012 have been legislated. The maximum co-contribution will reduce from $1,000 to $500, with the co-contribution rate to reduce from $1.00 to $0.50 and the higher income threshold to decrease from $61,920 to $46,920 (2012/13).

CHANGES TO TAX TREATMENT OF EARNINGS ON SUPERANNUATION ASSETS SUPPORTING PENSIONS

The Government has proposed that from 1 July 2014, earnings per individual over $100,000 (indexed) on superannuation assets supporting pensions will be taxed at 15%. The 15% tax rate will only apply to any additional earnings over $100,000. Currently, all earnings in pension accounts are exempt from tax.

DEEMING RULES FOR ACCOUNT BASED PENSIONS

From 1 January 2015, the social security deeming rules applying to financial investments are proposed to apply to certain account based pensions (including transition to retirement pensions). 'Grandfathering rules' will apply for account based pensions started before 1 January 2015 that are held by existing pensioners, allowees and low income health card holders as at 1 January 2015. These income streams will be assessed under the existing rules, that is, the annual payment less the social security deductible amount.

CHANGES TO LOST MEMBER REPORTING AND PAYMENTS

It is important to keep your contact details updated and keep your accounts active, so you do not become 'lost'.

Generally, a member is classified 'lost' if no contribution or rollover has been received within the last 12 months and we cannot contact them.

Additionally, we are required to transfer lost member accounts to the ATO if:

- the account balance is less than $2,000, or
- we have insufficient records to pay an amount to the member.

The Government has proposed to further increase the account balance threshold to $2,500 from 31 December 2015 and $3,000 from 31 December 2016.

For more details on recent Federal Budget updates and how they could impact you, please refer to ato.gov.au or speak to your ANZ Financial Planner.

CONTRIBUTIONS CAPS

You can grow your super by making additional contributions

To help you save for your retirement, the Government allows you to make additional contributions into your super. Learn more about the contributions you can make, by visiting our new education suite at anz.com/supervideos

While additional contributions can be a great way to boost your super, it's important to know the limits (or caps) that apply to before-tax and after-tax contributions and to keep an eye on your payments, as exceeding the caps attracts extra tax.

The table below outlines the caps and the taxes that apply for exceeding these caps.

Contributions caps and penalties

Financial year	Contributions cap	Excess contributions tax
Concessional (before-tax) contributions		
2012/13	$25,000 (all individuals).	Excess contributions are taxed at 31.5% (in addition to the 15% contributions tax). Any concessional contributions in excess of the cap will also count toward the non-concessional cap. The ATO offers a refund for the first time if individuals exceed their cap by $10,000 or less for contribution made on or after 1 July 2011 to 30 June 2013. Individuals can elect to have contributions refunded and taxed at their personal marginal tax rate. Alternatively, the contributions can be kept in super but taxed at the higher additional rate of 31.5%. It has been legislated that excess concessional contributions from 1 July 2013 will be included in an individual's assessable income and taxed at their marginal tax rate. An individual will be entitled to a tax offset equal to 15% of their excess concessional contributions. An interest charge also applies to account for the deferral of tax. Individuals can elect to withdraw up to 85% of their excess concessional contributions from their superannuation. Depending upon the amount withdrawn there may be an impact on the non-concessional contributions cap.
2013/14	$25,000 (individuals under 60 years) $35,000 non-indexed (individuals 60 years or over).	
2014/15	$25,000 indexed (individuals under 50 years) $35,000 non-indexed (individuals 50 years or over).	
Non-concessional (after-tax) contributions		
2012/13 and 2013/14	$150,000 per year. People under 65 years may be able to bring forward two years' contributions caps, to contribute up to $450,000 in the one year or over the three financial year period.	Excess contributions are taxed at 46.5%.

Is there a risk of being too safe?

FOR BETTER OR WORSE, SPORTING JARGON HAS INFUSED DAY-TO-DAY BUSINESS. IN OUR BUSINESS – MANAGING BILLIONS OF INVESTMENT DOLLARS – IT TAKES ON A SPECIAL MEANING. THAT'S NOT SIMPLY BECAUSE MILLIONS OF AUSTRALIANS TAKE A KEEN INTEREST IN BOTH SPORT AND INVESTING (AS PLAYERS OR SPECTATORS). IT IS BECAUSE SUCCESS IN BOTH FIELDS DEMANDS A SPECIAL SKILL: PRUDENT RISK TAKING.

Think about sport. Sporting contests, like markets, aren't static. Momentum ebbs and flows and conditions change. New opportunities and threats come and go, sometimes fleetingly. Coaches drill players for hours on strategies for 'Offence' and 'Defence'. Good players know when and how to take on risk and gain an advantage, and when to shut it down and protect a position.

Investing too is about taking calculated risks, so it is not surprising investors are said to have 'skin in the game'. Over the past year, investors' risk appetite has fundamentally changed. As Stewart Brentnall, Global Chief Investment Officer, ANZ Global Wealth explains on page 6, central banks have encouraged more investing in shares by pushing down bond returns.

This is having an effect here in Australia. For instance, while the benchmark ASX share index has risen strongly over the last year, Government bond yields have fallen. So too is the cash, at historically low levels. The low-rate outlook presents a challenge for term deposit investors. 'Should I roll over at a lower rate or look at an alternative income and return source?' and, if so, what?

Of course, every investor's situation is different and there is no right or wrong answer. So a sensible first step is to speak to your ANZ Financial Planner. To help you prepare, let's touch on some investment fundamentals.

BACK TO BASICS

Today's markets underscore a bedrock principle: to achieve a higher return you generally need to take on more risk. In jargon, you must have skin in the game. But it is also important to both measure and manage risk. Effective diversification is key.

Diversification means spreading your money across different investments so you achieve a more consistent return. Two simple ways to diversify are:

1 | Across sectors to give a mix of defensive assets like cash and fixed income and growth assets like shares, property and alternative assets.

2 | Within sectors between different fund manager styles, industries, countries, company size as well as other factors.

INCOME OR GROWTH, OR BOTH?

Broadly, an investment return comes in two forms:

- **Income** – this can include a fixed amount as in the case of term deposits or a variable (market-linked) payment such as a dividend.
- **Capital growth** – broadly an investment that can be bought and sold offers potential capital growth and capital loss. Managed funds typically hold listed investments that have 'mark to market' pricing whereby the unit price reflects the current market price. These include shares, property, bonds, commodities and currencies.

DIFFERENT SOURCES OF INCOME

Investments that offer both income and growth potential include:

- **Shares (equities)** – some share funds apply strategies designed to optimise dividend income potential (as opposed to capital growth). One strategy is to invest in 'defensive' stocks such as Telstra and banks that have a track record of paying higher dividends. Another approach is to apply a 'buy and write' strategy which uses options to optimise income while lowering volatility.

  Global (international) share funds also allow you to invest in markets that are beyond the reach of retail investors.
- **Diversified fixed interest (income)** – diversified funds typically invest in a range of sovereign (government) bonds, corporate bonds and securities.
- **Listed property** – listed property trusts such as Westfield and Stockland may invest in a range of property types, including CBD office buildings, shopping centres, industrial sites and residential estates. The income potential comes from underlying businesses which typically provide secure, inflation-protected rental income. ■

Talk to us

As every investor's situation is different it is important to get professional advice before making any decision. Your ANZ Financial Planner can explain the options and take account of your needs for income, growth and tax effectiveness.

Important information and changes

BONUS DECLARATION AND POLICY INFORMATION

Investment fund	
ANZ Capital Guaranteed Fund	Interest is calculated on the daily balance of your account, which is credited at the applicable declared rate at 30 June each year, or on exit from the fund. Interest on contributions is paid with effect from the 16th of the month in which the premium falls due.
ANZ Managed Fund	The fund issues units, with each unit representing a share of the underlying assets. The value of the units will vary depending on the value of the assets of the fund. Your investment balance is the number of units you hold multiplied by the unit price. The earnings of the fund (after deduction of management fees and taxes) are reflected by changes in the unit price. The value of your units may rise or fall.

ANZ Traditional Policies

Traditional Policies include Endowment, Whole of Life and Moneymaster Policies and are either participating or non-participating.

Participating policies return a guaranteed amount at death and for Endowment policies, at a date specified in your policy document, to which bonus amounts are added yearly. Such bonuses are allocated from profits of the sub-fund, which are principally from investment returns in excess of what is required to meet the guaranteed benefits. Bonuses declared are also guaranteed.

Non-participating policies return a guaranteed amount at death and for Endowment policies, at a date specified in your policy document. Non-participating policies do not participate in the profits of their sub-fund and consequently do not receive bonuses.

Bonus declarations

Traditional participating series rates of compound reversionary bonus are the rates shown in the following table per $1,000 of sum insured.

Bonus rates will be declared as at 31 December each year unless otherwise notified by OnePath Life. In addition, a terminal bonus is currently in operation for participating policies. The terminal bonus is paid on surrender of the policy. The level of the terminal bonus is not guaranteed.

Year	2012 $	2011 $	2010 $	2009 $	2008 $
GPL: Post-1974	30.50*	20.50†	35.50‡	35.50§	30.50‖
Moneymaster	54.50	44.50	59.50	59.50	54.50
GPL: Pre-1974	35.00	25.00	40.00	40.00	35.00
Low Bonus	20.50	10.50	25.50	25.50	20.50
Ex-Yorkshire	35.00	25.00	40.00	40.00	35.00
Ex-Skandia	35.00	25.00	40.00	40.00	35.00

* $38.50 for policies originally issued as non-superannuation.
† $28.50 for policies originally issued as non-superannuation.
‡ $43.50 for policies originally issued as non-superannuation.
§ $43.50 for policies originally issued as non-superannuation.
‖ $38.50 for policies originally issued as non-superannuation.

Traditional policies have a number of features and benefits including the security of life cover and bonus entitlements, which increase over the term of the policy. Please note that future bonus rates are not guaranteed and the rate of bonus declared depends on economic conditions and the operation of the participating policy sub-fund.

For non-participating policies, the benefits are defined by the policy itself and do not change in line with the performance of the non-participating policy sub-fund.

INVESTMENT PERFORMANCE

This section is only relevant to investors of ANZ Traditional Policies, ANZ Savings Products and ANZ Term Life Products.

Actual yearly return as at 30 June (% p.a.) unless otherwise stated and net of management fees. Please note that the five year and ten year returns for the investment funds below will differ from your personalised five year and ten year returns.

Investment fund	One year return (%)	Five year return (%)	Ten year return (%)
ANZ Capital Guaranteed Fund*, Spectrum, Investor Plus, Growing Investor, Investor M S Premier Plan, Money Plus, Regular Savings Plan	3.27	3.20	3.73
ANZ Capital Guaranteed Fund*, Regular Investor/Investor	2.73	2.66	3.15
ANZ Managed Fund	13.58	1.62	4.69

Investments can go up and down. Past performance is not indicative of future performance. Whilst every care has been taken in the preparation of this document, no warranty is given as to the correctness of the information contained in the investment returns table and no liability is accepted by OnePath Custodians, OnePath Life or any related bodies corporate for any error or omission.

* The one year return is interest calculated on the account's daily balance, being credited at the declared rate applicable as at 30 June. The five year return is the compound average return of the yearly returns over the last five years. The ten year return is the compound average return of the yearly returns over the last ten years.

Important to note

This document replaces the Annual Report in 2013 for the following products:

- ANZ Traditional Policies (except superannuation)
- ANZ Savings Products (except superannuation)
- ANZ Term Life Policies (except superannuation).

For ANZ Personal Superannuation Bond, ANZ Direct Super Investments and ANZ Allocated Pension we have also produced an Annual Report containing other important information associated with your membership, which will be available on our website at anz.com > Personal > Investing & Super > Resources then refer to the OnePath MasterFund Annual Report under Financial reports and annual statements. You can also elect to receive an electronic or hard copy free of charge by calling Customer Services on 13 38 63. This Investor Update covers the products listed, however, not all sections will be relevant to you.

INVESTMENT FUND CHANGES

We regularly monitor the investment funds offered within the products covered in this Investor Update.

To maintain the quality and diversity of the funds, we may make changes at any time, including:

- adding, closing or terminating an investment fund
- removing, replacing or adding a fund manager
- changing an investment fund's objective, investment strategy (including the benchmark), asset allocation, neutral position and range, currency strategy and the number of asset classes
- changing the rules that govern an investment fund (e.g. changing fees, notice periods or withdrawal features).

Please read the following for important investment fund changes.

BlackRock Wholesale Balanced

This change is only relevant for **ANZ Allocated Pension.**

New asset allocation

Asset class	Benchmark (%)	Range (%)
Cash	7	n/a
Australian fixed income	14	n/a
International fixed income	7	n/a
Property	8	n/a
Australian shares	35	n/a
International shares	29	n/a

OnePath Wholesale Capital Stable

This change is only relevant to **ANZ Allocated Pension.**

New asset allocation

A review of the investment structure of OnePath Wholesale Capital Stable has resulted in a change of Strategic Asset Allocation for these funds. This will come into effect from 1 August 2013. Asset allocation benchmarks and ranges will be as follows:

Asset class	Benchmark (%)	Range (%)
Cash	30	17 – 39
Australian fixed income	30	10 – 47
International fixed income	20	0 – 38
Australian property securities	1.5	0 – 5
Global property securities	1	0 – 5
Australian equities	10	2 – 15
International equities	2.5	0 – 7
Alternative assets (growth)	5	2 – 7

The maximum allocation to growth assets is 20%.

GATEWAY INVESTMENT MANAGER CHANGES

A number of Gateway funds have been impacted by investment manager changes. These include all Gateway diversified funds plus the relevant sector funds. Diversified funds are: Gateway Aggressive, Gateway Balanced, Gateway Conservative and Gateway Growth.

Gateway's active approach to researching and monitoring investment managers is an integral part of the Gateway investment process and ensures the optimal mix of investment managers is appointed to achieve the best outcome for investors. This active approach has resulted in a number of recent investment manager changes to the following asset classes:

Australian shares

An Australian Small Caps portfolio was constructed in November 2012, allowing cross investment by the Australian Shares portfolio. Fairview, Legg Mason, UBS, Perennial and Montgomery were appointed as managers within the Australian Small Caps portfolio. UBS and Vinva were added to the line-up of managers and Orion and Tyndall were terminated as managers within the Australian Shares portfolio in June 2013.

Funds impacted by the change: all Gateway diversified funds.

Global emerging markets

Axiom International, Robeco Groep, Quantitative Management Associates and Dupont Capital Management have been appointed and Batterymarch, Pioneer and Congest have been terminated as managers to the Global Emerging Markets portfolio, effective September 2012.

Funds impacted by the change: all Gateway diversified funds.

CHANGES TO SWAP ARRANGEMENTS

This change is only relevant to **ANZ Allocated Pension** and **ANZ Personal Superannuation Bond**.

Each of the investment funds ('the funds') listed below has a level of exposure to Alternative Assets which is achieved through underlying swap arrangements. As at 31 May 2013, these underlying swap arrangements have changed.

- Gateway Conservative
- Gateway Balanced
- Gateway Growth
- Gateway Aggresive

What are Alternative Assets?

Alternative Assets are assets that behave differently to traditional asset classes such as shares, listed property, fixed interest, bonds and cash.

Generally, the Alternative Assets category may include commodities such as precious metals and gold, hedge funds, derivatives (including swaps which provide economic exposure to underlying assets), exchange traded funds, private equity, currencies and other newer asset classes.

What was the underlying swap arrangement for the funds?

The fund's previous swap arrangement provided exposure to Alternative Assets through fully funded swaps provided by a major Australian bank. The fully funded swaps are derivative contracts where we pay an upfront fee to the swap counterparty in return for the swap counterparty paying us the investment return on an underlying 'basket' of Alternative Assets.

What has changed?

Recently, we conducted a review of the underlying swap arrangement. Following this review, and effective from 31 May 2013, Alternative Asset exposure is achieved through fully funded swaps provided by ANZ Wealth Alternative Investments Management Pty Limited, a related body corporate of ANZ. The new swap arrangement took full effect on 1 July 2013.

REMOVAL OF PENSION MINIMUM RELIEF

This change is only relevant to **ANZ Allocated Pension.**

The temporary relief from minimum pension payment requirements for market linked and allocated pensions expired on 30 June 2013. For the 2013/14 financial year, those members who had previously requested this relief, to be paid a pension payment below the annual minimum, will have their pension payments increased to the legislated minimum amount from 1 July 2013, unless a greater amount has already been requested.

CHANGE OF NAME FOR HOLDING COMPANY 17 MAY 2012

OnePath Australia Limited has changed its name to ANZ Wealth Australia Limited.

This was an internal change made to support internal financing requirements and better reflect ownership by the ANZ Group.

There has been no change to our products and services. There is nothing our customers need to do and we will continue to provide the same high level of service and support.

CHANGE OF REGISTERED ADDRESS

As of 17 June 2013, ANZ Wealth's new registered address has changed from 347 Kent Street, Sydney, NSW, 2000 to 242 Pitt Street, Sydney, NSW, 2000.

Customer Services
Phone 13 38 63
Email customer@onepath.com.au
Website anz.com

ANZ Personal Superannuation Bond, ANZ Direct Super Investments and ANZ Allocated Pension are products offered by the OnePath MasterFund (ABN 53 789 980 697, RSE R1001525, SFN 2929 169 44) (Fund). When you invest in one of these products, you become a member of the Fund. OnePath Custodians Pty Limited (ABN 12 008 508 496, AFSL 238346, RSE L0000673) (OnePath Custodians) is the trustee and issuer of the Fund and the issuer of this Investor Update.

OnePath Life Limited (ABN 33 009 657 176, AFSL 238341) (OnePath Life) is the issuer of the products listed below and the issuer of this Investor Update for these products:

- ANZ Traditional Policies (except superannuation)
- ANZ Savings Products (except superannuation)
- ANZ Term Life Policies (except superannuation)

OnePath Custodians Pty Limited (ABN 12 008 508 496, AFSL 238346, RSE L0000673) is the trustee of the OnePath MasterFund (ABN 53 789 980 697, RSE R1001525, SFN 2929 169 44) (Fund) and issuer of the Fund and the issuer of this Investor Update for ANZ Personal Superannuation Bond, ANZ Direct Super Investments and ANZ Allocated Pension.

Each issuer is a wholly owned subsidiary of Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (ANZ). ANZ is an authorised deposit taking institution (Bank) under the *Banking Act 1959* (Cth). Although each issuer is owned by ANZ none of them is a Bank. An investment with an issuer is not a deposit or other liability of ANZ or its related group companies and none of them stands behind or guarantees the issuer or the capital or performance of your investment. Your investment is subject to investment risk,including possible repayment delays and loss of income and principal invested. Returns can go up and down. Past performance is not indicative of future performance.

This information is current as at June 2013 but may be subject to change. Updated information will be available free of charge by contacting Customer Services on 13 38 63.

The information is of a general nature and does not take into account your personal needs, financial circumstances or objectives. Before acting on this information, you should consider the appropriateness of the information, having regard to your needs, financial circumstances and objectives. The examples used in this Investor Update are hypothetical and are not meant to illustrate the circumstances of any particular individual.

You should read the relevant Product Disclosure Statement (PDS) available from Customer Services and any specific product updates for the product and consider whether the product is right for you before making a decision to continue to hold the product.

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