

Investor Update

ANZ ONEANSWER INVESTMENT PORTFOLIO JUNE 2012

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- Economic insights to build investments
- Reach your financial goals with ANZ OneAnswer

New – get transaction confirmations five days earlier



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OnePath's Chief Investment Officer gives his insights for managing investments in current markets

Stronger investments for the future

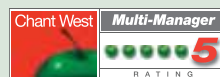
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The award-winning path

At OnePath, we're committed to providing the kind of award-winning solutions that you'd expect from one of Australia's leading investment, insurance and superannuation companies. Our commitment to making key improvements has resulted in ANZ OneAnswer winning national awards which include:

- Money magazine Best of the Best 2012 Award for Best Featured Pension for OneAnswer Frontier Pension
- SuperRatings 2012 Rising Star of the Year Award for ANZ OneAnswer
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- The Heron Partnership – '5 Quality Star' rating 2011/12 for OneAnswer Personal Super and Pension and OneAnswer Frontier Personal Super.
- Chant West rating of 5 Apples for OptiMix Manage the Managers process



For more information visit finance.ninemsn.com.au > money mag, superratings.com.au, heronpartners.com.au and chantwest.com.au

Welcome to your end of financial year Investor Update



So far, 2012 has proved a challenging year for global investment markets.

The good news is that your investments have never been in better hands. OnePath is fully owned by ANZ and part of ANZ's Global Wealth and Private Banking business – a division that looks after the superannuation and investments of more than one million Australians.

Your investments

Ongoing uncertainty in European markets in particular has made it difficult for the Australian share market to gain any real momentum this year, and this has affected the performance of most investments that have exposure to shares.

In this issue of your Investor Update, you can find out what's been happening in global economies and signs for recovery in our new economic update by ANZ's Chief Economist, Warren Hogan. OnePath's Chief Investment Officer, Stewart Brentnall, also provides insights into how we're managing your investments in the current market, which present both challenges and opportunities.

Changes to OnePath funds

Over the last year, we've made some significant enhancements to your investment options to help you achieve stronger performance in all market conditions. We hope you make time to read about the changes (on pages 6 and 7) so you fully understand how we're managing your investments, and what they mean for you.

An award-winning solution

We are continually striving to improve our product and service offering, and we recently launched a range of new features and services. These include six new ANZ term deposits, plus convenient new online reporting and transaction confirmations which allow you to monitor your investments more closely.

Finally, ANZ OneAnswer is designed to support you through every stage of your life. It allows you to combine your super, retirement and investment needs in one place, making it easier to reach your financial goals sooner. Find out more about our award-winning solution by contacting your financial adviser, or calling us on 13 38 63.

Thank you again for entrusting your investments with us, and I wish you all the best for the year ahead.

Regards,

Mark Pankhurst
Head of OneAnswer and
Employer Superannuation
Superannuation and Investments

About ANZ

With a history that dates back over 175 years, ANZ is one of Australia's leading banks as well as the largest bank in New Zealand and the largest Australian bank in Asia.

ANZ operates 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.

ANZ aims to become a super regional bank. This involves growing in the Asia Pacific region while also remaining very focused on the business and opportunities that exist in Australia and New Zealand.

ANZ has a strong involvement in the community, leading the way with programs targeting financial literacy, indigenous inclusion, the environment, volunteering and sponsorship.

We leverage our financial expertise and resources to deliver innovative financial inclusion programs in the community, such as our SaverPlus and MoneyMinded programs which help thousands of people from disadvantaged backgrounds to build their financial knowledge, skills and confidence.

Please tell us what you'd like to see in future issues of your Investor Update.
Email your_voice@anz.com.au

ANZ economic update

Warren Hogan, ANZ's Chief Economist, updates us on the global economy and prospects for recovery.

Our view at ANZ is that the global economy is taking tentative steps down the path to recovery from the GFC. Economic signals, however, are mixed and many of the major developed economies face significant challenges before a sustained recovery takes hold.

Growth expectations have begun to improve through the first quarter of 2012 in response to better economic data in the USA and injections of money by central banks in Europe and Japan.

Sustained global recovery depends on North America and Europe returning to stable growth.

At a global level the data is encouraging. We expect global Gross Domestic Product (GDP) growth of around 3.5% in 2012 and 4.25% in 2013, compared to a long-term average of around 3.5%. Much of this growth, however, will come from the developing world, including China, India and Brazil. By contrast, growth forecasts for the large developed economies of the USA, Japan and Germany are much lower.

One factor inhibiting a recovery in the industrialised economies has been 'de-leveraging' or businesses and households paying down debt. To combat this, the key central banks – the USA Federal Reserve and the European Central Bank (ECB) – have injected vast amounts of money into the system to help support asset prices and growth. This is likely to continue. A potential side-effect, however, is inflation.

Financial volatility in the global economy is set to continue in the near future. Key drivers of this instability are high debt levels coupled with weak growth in peripheral European Union countries tied to the euro, especially Spain, Italy and of course, Greece.

Europe

While the ECB's Long-Term Refinancing Operation (LTRO) has reduced the probability of a credit crunch and severe economic contraction in Europe, other risks still remain, including a political backlash against economic austerity, a rising oil price and inflation.

USA

The world's largest economy continues to improve modestly, but we believe a sustained recovery in the USA requires a rebound in the housing sector. While there are encouraging signs in construction and affordability indicators, recovery in housing looks muted at this stage.

China and emerging Asian nations

China, which has been the cornerstone of recent world growth, has revised official forecasts down to 7.5% GDP growth in 2012. We expect over 8% growth as global demand recovers. Moderating of inflation pressures will allow its central bank, the People's Bank of China, to lower interest rates and support strong economic growth which is important during the transition to new political leadership.

Financial markets are expecting a recovery in the emerging economies in Asia (many of which are strongly linked to China). Capital inflows since late 2011, together with recent economic data, both point towards an acceleration in economic activity in the region.

Australia

At home, the Australian economy is experiencing a number of diverse and sometimes conflicting forces, including the impact of the energy, mining and infrastructure investment boom. This has spawned a 'two-speed economy', wilting consumer confidence and the strong Australian dollar, which has impacted trade exposed industries.

In the face of these forces, the Reserve Bank of Australia (RBA), has recently lowered official interest rates to 3.5%. The demand for workers, together with other labour market statistics, gives an indicator of economic health.

Recent improvements in the ANZ Job Advertisement Series suggests a cyclical recovery is underway in the Australian economy.

“We can't yet see strong signals of sustained recovery in the global economy. There are still many patchy areas which call for an effective policy response from governments to stabilise and further stimulate demand. Without this, the path to recovery will be longer and bumpier.”

Warren Hogan
ANZ Chief Economist

Stewart Brentnall, OnePath’s Chief Investment Officer, updates us on how OnePath investments are being managed in current markets.

As Warren Hogan’s economic overview from the previous page highlights, a sustained global recovery seems stalled, with patchy growth forecasts and troubles within the European Union. As a result, markets are experiencing periods of volatility, driven as much by emotion as fundamentals.

Volatility, by definition, is unexpected and short term; however, we typically estimate potential return and risk over the medium term. So, to accommodate both, we apply an active approach, which means we analyse the underlying drivers of asset class performance and, if necessary, adjust the portfolio settings.

Mindful of the present market uncertainty and our analysis, we outline below how your OnePath investments are being managed.

Growth assets: Still ‘safety first’

For some time financial markets have been fixed on a cautious, risk-averse setting, which has seen investors move out of shares and into defensive assets such as cash and AAA-rated government bonds. As a consequence, share prices and bond yields have both fallen.

Companies, both here and in the USA, are ‘sitting on the sidelines’ waiting for growth signals that will spur them to invest or increase production. Until then, many are opting to retain earnings and pay down debt or accumulate cash, which strengthens their balance sheets.

Some sectors of the Australian sharemarket reflect broad economic fundamentals. For example, retailers and companies exposed to a stronger Australian dollar (exporters) have been sold down. So too,

have mining and resource stocks in the face of lower commodity prices. Financials, principally bank stocks, have also come under pressure as global volatility and unsettled markets increase their potential cost of funding.

Share prices on global markets have also retreated on weaker than expected US employment numbers and signs of a potential slowdown in China.

Defensive assets: ‘Get me Bond, ‘AAA’ bond’

The ‘flight to safety’ typically sees investors move out of shares and into high-quality AAA-rated government bonds in safe haven countries like the USA, Germany, Japan, UK and Australia. The price of these countries’ 10-year bonds has risen, causing a corresponding fall in yields.

This may continue until the sovereign debt concerns and political tensions within the European Union are definitively resolved.

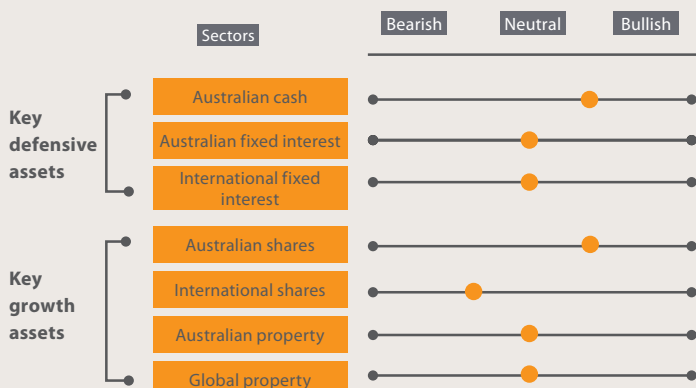
Lower commodity prices have prompted some commentators to suggest the mining boom is over. While it is true that prices have fallen, they are still at historically high levels and, over the medium term, will benefit from continuing Chinese infrastructure spending and the eventual recovery in developed economies.

In the diagram below, you can see how we are positioning the actively managed sectors of OnePath investments.

How we are positioning the actively managed sectors of OnePath investments

As the diagram below shows, for fixed interest, the key defensive asset, we’ve kept our exposure at benchmark reflecting our ‘Neutral’ outlook, while acknowledging that concerns over the European Union and possibility of a global recession have pushed up values in this sector. With regard to growth assets (shares and property), we’ve lowered our exposure to international shares and alternative assets in favour of cash while continuing to look for opportunities in Australian shares and emerging markets. We also remain around the benchmark for listed property as the income from these securities is relatively high.

In summary, our diversified and active model, both at the asset sector and manager level, has given us the capability to respond to these testing times.



The following page sets out some significant enhancements we’ve made to the way we manage your investments.



Stronger investments for the future



Changing how we invest to help you reach your goals.

Like so much in today's world, investment markets are evolving at a breathtaking pace, making them more complex and difficult to navigate than ever.

Recognising this, OnePath's investment strategy experts recently made far-reaching changes to strengthen our investment capability and improve performance.

While the changes primarily affect our OnePath funds, we've also enhanced the OptiMix investment process. (Your accompanying statement identifies which fund(s) you are invested in).

By expanding and improving the range of OneAnswer investment solutions, we are giving you more opportunities to achieve your future goals.

OnePath funds – greater diversification and more choice

Until recently, all the OnePath single manager and OnePath diversified funds were managed by ING Investment Management. This meant one asset manager covered all the different asset classes in your investments.

This has now changed. OnePath now uses an innovative model that brings together our portfolio construction skills with a range of specialist, world-class managers. The result is a range of single manager and diversified multi-manager fund options for each stage of life's investment journey. The following page summarises this new approach.

OptiMix – a proven investment process gets better

In February, ANZ acquired OptiMix and integrated the experienced research, portfolio management and investment team into OnePath. We've recently bolstered the OptiMix capability in three important areas:

- **Governance** – there is now better fund reporting to ensure robust decision making and governance oversight.
- **Investment strategy** – OptiMix now has a broader range of asset sectors and strategy options to maximise performance opportunities.
- **Market intelligence** – OptiMix now uses insights from ANZ's global markets experts in its process.

The following page shows how the OptiMix process works.

OnePath's investment expertise

It is comforting to know that whichever OnePath solution you choose, your investment is managed by a world-class specialist with the clear direction and oversight from OnePath's investment strategy experts.

For further information visit
onepath.com.au/yourinvestmentoffer
or speak to your financial adviser.

OnePath single manager funds

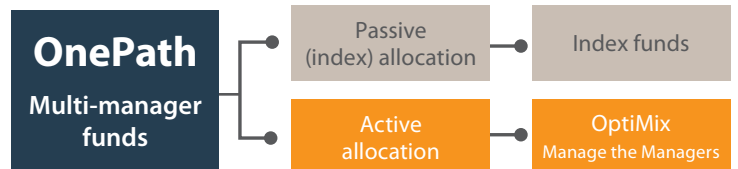
Each single sector fund is managed by a world-class asset manager, hand-picked by OnePath for its track record and approach, and closely monitored by our experienced investment team.

Investing in a single manager fund can provide greater exposure to a specific sector and help deliver a different return profile within a broader portfolio.



OnePath diversified multi-manager funds

OnePath now applies an 'active' and 'passive' investing model across all asset sectors using a wide range of managers. In short, a portion of each dollar you invest is allocated to 'passive' investments which track a market index (eg ASX200). The remainder is 'actively' managed by OptiMix using its proven 'Manage the Managers' strategy which is explained below. OnePath's 'active and passive' investment model is designed for lower volatility and smoother returns over time.



OptiMix multi-manager (multi-sector) funds

OptiMix uses a sophisticated 'Manage the Managers' strategy it has refined over many years. Simply stated, OptiMix hand-picks proven managers in each sector and combines them to form an 'optimal mix' within a diversified portfolio. This can maximise the return potential by spreading your investment both across different sectors and within a sector between different investment 'styles'.

To optimise performance, OptiMix continuously monitors each portfolio and, depending on the market outlook, adjusts the mix between asset classes and managers (within a portfolio's defined range). OptiMix also regularly reviews each manager and, because there is no 'in-house' fund conflict, can quickly replace a poor performer.



ANZ OneAnswer – one place for your investment, superannuation and retirement needs

ANZ OneAnswer has been helping you grow your investment portfolio, now find out how our award-winning solution can help you reach all your financial goals.

When you invest in OnePath you can be confident that you have the support of one of Australia's largest and most respected investment, superannuation and pension providers.

As your life changes, so too do your investment goals. At some stage, investing inside superannuation is likely to play a more prominent role.

OneAnswer allows you to combine your investment, super and pension needs in one place, making it easy to:

- build your wealth by generating capital growth and income
- accumulate and grow your super savings
- access your super to receive a regular income stream
- take advantage of a transition to retirement strategy
- seamlessly transfer from super to pension
- protect you or your loved ones through insurance.

Save for your retirement

An **ANZ OneAnswer Personal Super** account helps you accumulate and grow your super savings tax-effectively as you progress through your working life. It will suit you if you want to:

- save and prepare for retirement tax-effectively
- access tax-effective insurance cover via super

- consolidate superannuation savings and pay less fees
- access a wide range of investment funds.

Enjoy your retirement

ANZ OneAnswer Pension allows you to enjoy your retirement by accessing your super to receive a regular income stream. As well as offering flexible income payment options, it will allow you to:

- take advantage of the tax concessions on pension income
- receive a regular income from your retirement savings
- have at-call access to your pension through ATMs, EFTPOS, ANZ branches, the internet and phone banking.

Seamlessly transfer from super to pension

ANZ OneAnswer allows you to easily transfer your money between our Personal Super and Pension products. And as long as the transfers are made into 'like-for-like' funds with the same investment allocation, you won't pay any transaction costs or capital gains tax.

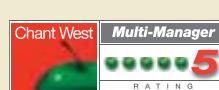
This delivers a much easier and simpler experience when transitioning to retirement.

Talk to your financial adviser about moving your superannuation savings to award-winning ANZ OneAnswer or call 13 38 63

The award-winning path

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For more information visit finance.ninemsn.com.au > money mag, superratings.com.au, heronpartners.com.au and chantwest.com.au

Add more security to your investment portfolio with ANZ Term Deposits

OneAnswer's cash solutions will give you a secure investment with competitive interest rates, to help grow your portfolio.

With 'choppy' investment markets and the potential for further central bank rate decreases, ANZ's competitive cash solutions on OneAnswer is something to consider if you are looking for greater stability from your investment options.

ANZ's six new Term Deposits on OneAnswer offer:

- The security of investing with ANZ, one of Australia's largest banks
- A wide choice of 3, 6 and 12 month or 2, 3 and 5 year investment terms
- The ability to lock away competitive interest rates

- The convenience of being on platform, with no ongoing management fees
- The peace of mind of knowing exactly what your return will be at the end of the term.

If you're seeking greater diversification or waiting for the right opportunity to move into growth assets, ANZ Term Deposits on OneAnswer provide you with the security, competitive returns and simplicity you've been looking for.

For the latest interest rates for cash investments available through OneAnswer visit anz.com > Investing & super > Term deposits



Talk to your financial adviser today to find out how OneAnswer's cash solutions can help you reach your financial goals.

Receive your ANZ OneAnswer transaction confirmations five days earlier

You can now receive your ANZ OneAnswer transaction confirmations up to five days earlier.

We have improved our service to enable you to view your transaction confirmations online in place of the traditional hard copy mail confirmations.

You can also set your preferences to receive an alert via email and/or SMS when confirmations are available.

Did you know ANZ OneAnswer provides extensive online reporting and support to help you conveniently monitor and manage your investment.

Online confirmations for the following ANZ OneAnswer transactions are now available:

- additional investments
- switches between investment funds
- account maintenance
- withdrawals
- other transactions (such as an ANZ Term Deposit reaching maturity).

To receive information up to five days earlier login to Investor Access and visit My contact preferences and update your delivery preferences.



Reminders

2012 Consolidated Tax Statements

Your 2012 Consolidated Tax Statement will be mailed to you in late August, along with a handy guide to explain your statement and assist you with completing your tax return.

2012 Financial Report

The Financial Report for ANZ OneAnswer Investment Portfolio will be available from 30 September 2012 on our website at anz.com. You may also elect to have a hard copy or electronic copy of the Financial Report sent to you free of charge. Call Customer Services on 13 38 63 for further information.

The latest update on your investment

Some important changes have occurred within ANZ OneAnswer over the past few months, including a number of changes to OnePath funds. We regularly upload the latest information and updates to our website at anz.com > Investing & Super > Resources > Product updates.

Suspended funds update

In late 2008, a number of investment funds were suspended due to events associated with the GFC. Between 2008 and 2011 we continually worked on ways to return capital to impacted investors on a regular basis. To date, almost \$2 billion has been returned to investors across our superannuation, retirement and investment products.

Below, we explain why some funds were suspended, why they remain suspended, and how we continue to manage the suspended funds.

Why funds are suspended

To protect the interests of our investors, we made the difficult decision to suspend withdrawals from, and investments into, our OnePath Mortgages and Income Plus funds. Suspending the funds meant we have been able to ensure any available monies could be released equitably, over time, to all investors.

Why funds continue to be suspended

At this stage the funds remain suspended due to the nature of their underlying investments which include one of the following: mortgages over real property, direct properties or private debt (i.e. loans). These types of assets are not tradable on markets, and therefore need to be held to maturity in the case of mortgages or private debt (unless the borrower can repay early or the debt can be on sold).

How we manage suspended funds

We continue to monitor the suspended funds very closely regarding their future outlook, and understand that many investors wish to access their capital as soon as possible. With this in mind, we have been returning capital to investors on a quarterly basis where possible. As well as managing the funds to return capital to investors, we are also managing the funds to generate an investment return to investors. Our overarching responsibility is to manage these suspended funds in the interests of our investors.

The table below provides a summary for each of the suspended funds and the capital we have returned to date.

Investment fund	Underlying investments	OnePath's approach to releasing capital	% of capital returned to date *
OnePath Mortgages and Income Plus funds	Predominantly invests into mortgages (loans) over real property.	Quarterly capital payments are being made on a pro rata basis to all investors.	Approx 66% over six quarters to June 2012 (prior to this capital was returned through withdrawal offers.)
AXA Australian Property Fund [†]	Predominantly invests into direct property.	Ad hoc return of capital as underlying manager sells properties, and passes on proceeds.	Almost 23% over three capital releases to date.
Challenger Howard Mortgage Fund	Predominantly invests into mortgages (loans) over real property.	Quarterly capital payments are being made on a pro rata basis to all investors.	Approx 92% to June 2012 over seven quarters (prior to this capital was returned through withdrawal offers.)
AMP Capital Enhanced Yield Fund	Predominantly invests into high yielding private debt (loans).	Quarterly capital payments are being made on a pro rata basis to all investors. [‡]	More than 60% to June 2012 (over two and a half years).

* These amounts are the total monies distributed through the return of capital process as a percentage of initial funds under management.

† We have submitted a withdrawal request for 100% of capital. It is expected that this could be received by 30 January 2013. See our website for details.

‡ These payments may contain some income.

We regularly update our website with information, including returns of capital. Please visit anz.com > Investing & super > Resources > Recent updates on suspended funds

Contact us

Customer Services



13 38 63



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anz.com

OnePath Funds Management Limited (ABN 21 003 002 800, AFSL 238342) is the issuer of ANZ OneAnswer Investment Portfolio and the issuer of this Investor Update.

The 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 the issuer is owned by ANZ it is not a Bank. Except as described in the Product Disclosure Statement (PDS), an investment in ANZ OneAnswer Investment Portfolio 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 2012 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. Opinions expressed in this document are those of the authors only.

You should read the PDS available at anz.com and consider whether the product is right for you before making a decision to acquire or continue to hold the product.