ANZ Dynamic International Equities Portfolio

ANZ PRIVATE

Investment strategy and approach

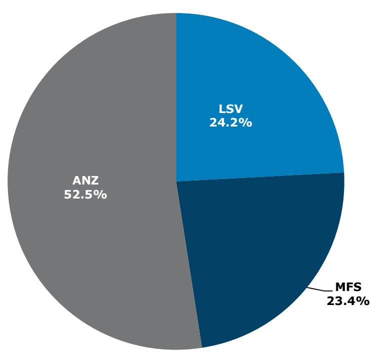
The ANZ Dynamic International Equities Portfolio ('the Portfolio') invests primarily in international equity assets. The overall portfolio is managed by ANZ, including the allocation to underlying strategies, cash and hedging levels which are driven by the views of ANZ's Chief Investment Office (CIO) and the Regional Investment Council. The underlying international equities exposure is held in two core equity strategies; a strategy managed by ANZ's CIO which consists of ASX-listed ETFs, and the ANZ Active International Equities Portfolio which is managed by MFS Asset Management (MFS) and LSV Asset Management (LSV).

Portfolio performance

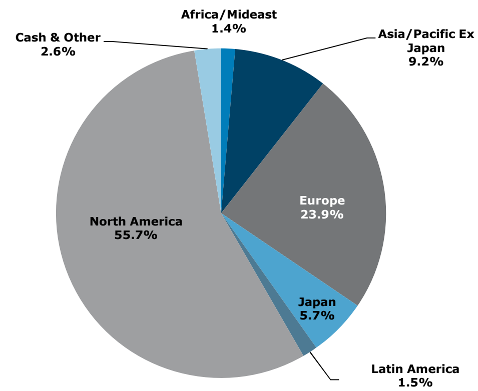
	1mth	3 mths	1 yr	3yrs (p.a.)	5yrs (p.a.)	Since Inception (p.a.)[3]
Total return[1]	0.5%	5.4%	25.7%	11.9%	9.8%	9.9%
Benchmark return[2]	0.6%	5.6%	26.5%	13.1%	11.2%	11.5%
Value added against benchmark[2]	-0.1%	-0.2%	-0.8%	-1.3%	-1.4%	-1.6%

1. Total return excludes franking credits
2. The relative benchmark is a weighted average return of 70% MSCI All Countries (AC) World Index (Ex Australia) Net Return in AUD, 30% MSCI All Countries (AC) World Index (Ex Australia) Net Return hedged to AUD.
3. Inception date is 1 April 2010
Figures may not add up due to rounding.

Allocation between strategies



Geographical Exposure by Region



Top Holdings-Strategy managed by ANZ

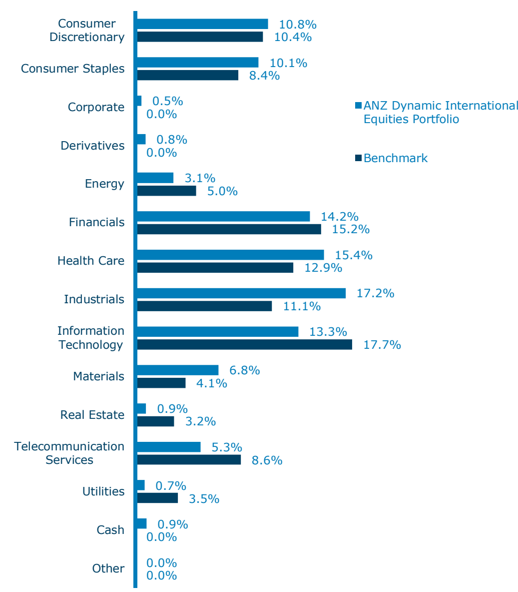
	Stock	%
1	iShares S&P 500 ETF CDI	34.0%
2	ANZ PRIVATE GLOBAL EQUITIES(ACTVLY HDG)*	28.3%
3	iShares MSCI Emerging Markets ETF CDI	18.5%
4	iShares Europe ETF CDI	10.3%
5	iShares MSCI Japan ETF CDI	3.9%

The equity weighting of this ETF has been split out and reflected in the regions above.

Top Holdings-Strategy managed by MFS & LSV

	Stock	Sector	Region	%
1	Comcast Corporation Class A	Communication Service	North America	0.80%
2	Roche Holding AG	Health Care	Europe	0.77%
3	Thermo Fisher Scientific Inc.	Health Care	North America	0.74%
4	Visa Inc. Class A	Information Technology	North America	0.72%
5	Medtronic Plc	Health Care	North America	0.71%
6	Nestle S.A.	Consumer Staples	Europe	0.64%
7	Oracle Corporation	Information Technology	North America	0.62%
8	LVMH Moet Hennessy Louis Vuitton SE	Consumer Discretionary	Europe	0.62%
9	Accenture Plc Class A	Information Technology	North America	0.61%
10	Honeywell International Inc.	Industrials	North America	0.58%

Industry Exposure by GICS Sector*



*Excludes ETFs exposure

Hedging strategy

	Current Portfolio Target	Strategic Target
Hedging level	29%	30%

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Market commentary

International equities climbed higher in December, capping off a strong year as the anticipation of an interim trade deal between the U.S. and China as well as ongoing global central bank support lifted investor sentiment.

In the US the S&P 500 finished the month up 3.0%. Large cap stocks performed on par with small caps over the month as both the Russell 1000 and Russell 2000 indices were up 2.9% in December. From a style perspective, value stocks (as defined by the U.S. Russell indices) modestly underperformed as the Russell 1000 Value Index was up 2.8% while the Russell 1000 Growth Index returned 3.0%.

A few days ahead of the scheduled December 15th increase in retaliatory tariffs, the U.S. and China announced that they had agreed to terms of a 'phase one' trade deal. The deal is expected to be signed in mid-January and its terms include reduced U.S. tariffs on Chinese goods in exchange for broader Chinese purchases of U.S. agricultural, energy and manufactured goods, stronger intellectual property protections, improved access to China's financial sector and an 'enforceable' pledge to refrain from competitive currency devaluations. The deal was broadly praised by both U.S. and Chinese leaders and is expected to be part of a larger trade pact with China — if nothing else, it was a welcomed sigh of relief for investors following 18+ months of failed negotiations and a tit-for-tat trade war. The yield on 10-Yr treasuries finished higher on the month, closing at 1.92% (up from 1.78% at the end of November) as investors continued to move out of bonds and into risk-on assets. Investor sentiment was further buoyed by stronger-than-expected jobs, wage, retail sales and consumer sentiment data — giving investors additional hope that the economy is on solid ground. In monetary policy news, the Federal Open Market Committee met in December and kept interest rates unchanged while also indicating they plan to hold rates steady throughout 2020. It appears that low interest rates are likely to remain in place for the foreseeable future and the Fed has reiterated it will closely monitor ongoing trade issues, its trickle-down impact on economic data and respond accordingly. On the political front, impeachment proceedings against President Trump continued and thus far has had little impact on markets.

European equities rallied, finishing the month 1.2% higher (in local currency), as optimism regarding global trade and renewed Brexit clarity provided a boost. Similar to US markets, the announcement of a 'phase one' trade deal led to a move into risk-on assets across Europe and cyclical pockets of the market broadly rallied, while safe have assets fell — German Bunds rose to a seven month high of -0.19%. Additionally, economic data across the euro-area broadly surprised to the upside as Composite PMI data posted a positive monthly increase while business and consumer sentiment indicators also rebounded. In the U.K., the Conservative party won a large majority following a mid-December general election, eliminating political hurdles and paving the path for Boris Johnson to put Brexit on track for 2020 — markets rallied in response. In central banking news, ECB president Christine Lagarde left policy unchanged at her first formal meeting and indicated that rates would remain low until euro-area economic data improves and the downside risks of a no-deal Brexit and global trade wars recede.

Japanese equities also posted gains over the month, up 1.3% (in local currency). In 2019, Japanese equities largely traded in response to short-term global trade news, rather than in response to underlying domestic developments as Japan is a major trading partner with both the U.S and China — December was no exception. The positive announcement of a 'phase one' trade deal between the U.S. and China lifted market sentiment and broadly pushed Japanese equities higher. In central bank news, the BoJ met in December and left current monetary policy unchanged. Despite no changes in monetary policy, Prime Minister Shinzo Abe announced a new fiscal stimulus package over the month aimed to fend off weakness in the domestic economy dragged down by recent typhoon damage, sluggish global growth and the newly implemented consumption tax in October. The $121 Billion (USD) government spending package is one of the largest since the Global Financial Crisis and is aimed at both upgrading domestic infrastructure and providing investments in new technology to encourage private investors to take advantage of Japan's ultra-low interest rates. Emerging market equities outperformed their developed market counterparts over the month, finishing December up 7.5% (in USD). In addition to the positive sentiment derived from the announcement of a 'phase one' trade deal between the U.S. and China, several interest rate cuts from emerging market central banks helped lift emerging equities higher. Higher commodity prices and a weaker U.S. dollar also proved helpful for emerging market economies over the month.

Portfolio commentary

The portfolio returned 0.5% in December, underperforming its benchmark by 0.1%.

In the active component of the portfolio, at the sector level, the portfolio's underweight exposure to Communication Services aided relative performance as the sector lagged the broader index in December. This was offset however by a significant overweight to Industrials, the worst performing sector in the index during the month. At the stock level, not owning Boeing contributed positively to relative performance as shares in the US aerospace company fell more than 14% during the month. FAA Chief Stephen Dickson spoke in front of the House Transportation and Infrastructure Committee stating that Boeing's 737 MAX certification will extend into 2020. In response, the company halted production of the 737 MAX.

Positions to aid relative returns included off-benchmark positions in Hong Kong based electronic fittings producer Tongda Group Holdings (+61.7%) and South Korean, global technology manufacturer, Samsung Electronics (+9.7%). Overweight holdings in Bayer (Germany), Schneider Electric (France), and advertising and marketing firm WPP Group (United Kingdom) also benefited relative returns.

Shares in Samsung Electronics rose as profit expectations improved for the company's semiconductor and smartphone businesses. In semiconductors, DRAM prices have fallen less than previously anticipated, and margins are expected to improve in smartphones due to scale efforts.
Bayer's share price rose following management comments at an investor conference suggesting Bayer is making ongoing efforts to pursue settlement of the glyphosate litigations. Management also remains confident in the company's key growth drivers including Xarelto and Eylea. Countering these gains were overweight holdings in Walt Disney (United States), Check Point Software Technologies (Israel), Oracle (United States) and Pernod Ricard (France) which all impacted negatively as each stock fell more than 6% in December. Additionally, holding no exposure to Apple (United States) detracted as shares in the computer and personal electronics maker rose following investor expectations of stronger growth for Apple in fiscal year 2020, with most signs pointing to a robust holiday season driven by Air Pods Pro and iPhone 11 sales.

Currency management

We have moved to a modest underweight in the Australian dollar following recent strength. While bulk commodity prices remain relatively robust, weakness in the domestic economy is the main downside risk to the currency from its current levels.

Launch date	Fees
1 April 2010	Please refer to the relevant PDS and the Investment Menu/Managed Account Profile for more information.
Fund currency	
Australian dollar	