DOLLAR COST AVERAGING

ANZ INVESTMENTS

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All investments rise and fall over time – this is inevitable and is referred to as market volatility. The volatility associated with investment markets is one of the major reasons some investors have been reluctant to invest in the past. However, if you follow the practice of 'dollar-cost averaging', the volatility risk can be diminished.

WHAT IS DOLLAR-COST AVERAGING?

Dollar-cost averaging is a wealth-building strategy that involves investing money at regular intervals over a long period. It is a smart investment technique employed by investors worldwide.

HOW DOES IT WORK?

The essence of this strategy is that the amount of money invested at each interval remains the same, but the number of units purchased varies, based on the market value at the time.

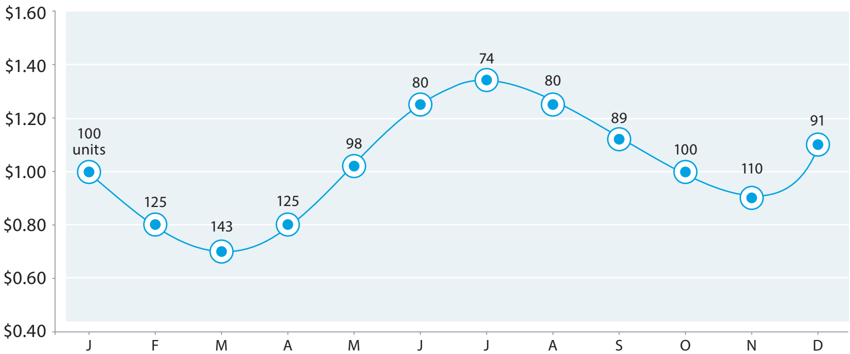
So, when investment markets fall, you acquire more units, due to the lower cost per unit. When the market rises, the situation is reversed; your existing holdings are worth more, but you can now buy fewer units per dollar invested.

Dollar-cost averaging is more effective over periods of time; in other words, it requires patience.

DOLLAR-COST AVERAGING CAN WORK IN ALL MARKET CYCLES

Consider each of the following market cycles where an investor invests $100 per month into a Balanced Fund.

Bull market - When the sharemarket rises

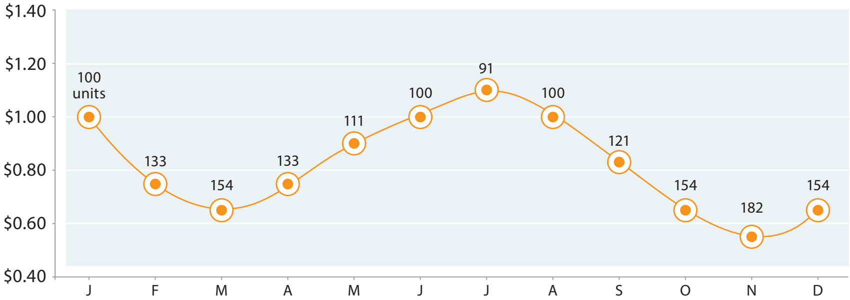


Net investment	$1,200
Average cost per unit	$0.99
Closing unit price	$1.30
Total units held at year end	1,215
Investment value at year end	$1,580

"A short quiz: If you plan to eat hamburgers throughout your life and are not a cattle producer, should you wish for higher or lower prices for beef? Likewise, if you are going to buy a car from time to time but are not an auto manufacturer, should you prefer higher or lower car prices? These questions, of course, answer themselves."

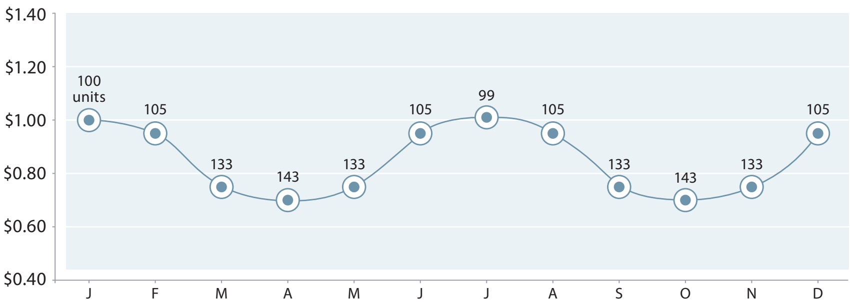
Warren Buffett, one of the most successful investor in the world – Berkshire Hathaway Chairman's Letter 1997

Bear market - When the sharemarket falls



Net investment	$1,200
Average cost per unit	$0.78
Closing unit price	$0.80
Total units held at year end	1,533
Investment value at year end	$1,226

Crab market - When the sharemarket goes sideways



Net investment	$1,200
Average cost per unit	$0.83
Closing unit price	$1.00
Total units held at year end	1,437
Investment value at year end	$1,437

SUMMARY

Dollar-cost averaging:

- Helps you avoid timing the market
- Helps toward you accumulating wealth over a number of years
- Smooths the effects of market volatility on your portfolio over time.

ANZ Investments has a comprehensive range of funds investing in cash, fixed interest securities, listed property securities, listed infrastructure and shares.

Our OneAnswer Multi-Asset-Class Funds and Single-Asset-Class Funds do not have minimum investment contribution amounts. You can choose to make regular fortnightly, monthly or quarterly investments at any time.

NB: the success of dollar-cost averaging is based on the assumption that the unit price, on withdrawing from the investment, exceeds the average cost per unit.

> "Many investors get this one wrong. Even though they are going to be net buyers of stocks for many years to come, they are elated when stock prices rise and depressed when they fall. In effect, they rejoice because prices have risen for the 'hamburgers' they will soon be buying."
>
> Warren Buffett, one of the most successful investor in the world – Berkshire Hathaway Chairman's Letter 1997

WANT TO KNOW MORE?

For more information, talk to your financial adviser.

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