

Changes to Vanguard diversified funds

December 2013

Vanguard has undertaken a review of the strategic asset allocation for its range of diversified funds.

Vanguard has advised us that the review leverages their international expertise in investment research and applies a global investment methodology to their diversified funds. As a result of the review the asset allocation of their diversified funds has recently changed.

The following funds (referred to collectively as 'the Funds') will be impacted by these changes:

- Vanguard Conservative Index Fund;
- Vanguard Balanced Index Fund;
- Vanguard Growth Index Fund; and
- Vanguard High Growth Index Fund.

Which Product Disclosure Statements (PDSs) are affected by these changes?

The above Funds are offered through the following PDSs:

- OneAnswer Frontier Personal Super and Pension PDS dated 1 July 2013
- OneAnswer Frontier Investment Portfolio PDS dated 1 July 2013
- OneAnswer Personal Super and Pension PDS dated 1 July 2013 (closed to new investors)
- OneAnswer Investment Portfolio PDS dated 1 July 2013 (closed to new investors)

Please note these changes will be reflected in the relevant PDS at their next reissue.

When were the changes effective?

The changes to the Funds' asset allocation came into effect on 1 October 2013 however implementation of the changes was completed in early December 2013. The changes in buy sell spreads were effective 4 December 2013.

A summary of the changes

This review introduces four asset allocation changes

1. Australian and international shares

The allocation to international shares will increase to better reflect the size and diversification benefits of international share markets. In turn, the Australian shares allocation will be lowered in order to reduce home country bias.

2. International small companies and emerging market shares

The allocation to both international small companies and emerging market shares is increasing to better reflect the market capitalisation of these asset classes relative to global share markets.

3. International small companies hedging

For consistency across the entire international shares allocation, the international small companies exposure will move from currency hedged to unhedged.

4. Cash and fixed income

The cash allocation is either being removed or reduced and replaced with fixed income assets. We believe this shift reflects the more attractive long term risk and return profile of fixed income to help investors achieve their financial goals.

Changes to Buy/Sell spreads

The Buy/Sell spreads for the Funds have changed as a result of the underlying investment changes. The Buy/Sell spreads are available to view on our website by following the below path:

www.onepath.com.au > Personal > Performance & updates > Fund details, unit prices & performance history > **Buy/Sell Spreads**

Are there any changes to the risk profile or Standard Risk Measures of the Funds?

The Standard Risk Measure is based on industry guidelines to allow investors to compare investment funds that are expected to deliver a similar number of negative annual returns over any 20 year period. For the Funds:

Fund	Standard Risk Measure
Vanguard Conservative Index Fund	3
Vanguard Balanced Index Fund	4
Vanguard Growth Index Fund	5
Vanguard High Growth Index Fund	5 (Previously 6)

Strategic asset allocation changes by fund

The new asset allocation and ranges for the Funds are reflected in the tables below.

Vanguard Conservative Index Fund

Asset Class	Previous		New	
	Benchmark (%)	Range (%)	Benchmark (%)	Range (%)
Australian Cash	42	40-44	10	8-12
Australian fixed interest	11	9-13	24	22-26
International fixed interest (hedged)	17	15-19	36	11-25
Australian property securities	2	3-5	2	0-4
International property securities (hedged)	2	3-5	2	0-4
International small companies (hedged)	1	0-2	0	0
International small companies	0	0	1.5	0-3.5
Australian shares	15	13-17	13	11-15
International shares	10	9-11	10	8-12
Emerging markets shares	0	n/a	1.5	0-3.5

Underlying fund: Vanguard Conservative Index Fund

Vanguard Balanced Index Fund

Asset Class	Previous		New	
	Benchmark (%)	Range (%)	Benchmark (%)	Range (%)
Australian Cash	22	20-24	0	0
Australian fixed interest	11	9-13	20	18-22
International fixed interest (hedged)	17	15-19	30	9-21
Australian property securities	3	5-7	3	1-5
International property securities (hedged)	3	5-7	3	1-5
International small companies (hedged)	2	1-3	0	0
International small companies	0	0	2.5	0.5-4.5
Australian shares	24	22-26	22	20-24
International shares	17	15-19	17	15-19
Emerging markets shares	1	0.5-1.5	2.5	0.5-4.5

Underlying fund: Vanguard Balanced Index Fund

Vanguard Growth Index Fund

Asset Class	Previous		New	
	Benchmark (%)	Range (%)	Benchmark (%)	Range (%)
Australian Cash	2	1-3	0	0
Australian fixed interest	11	9-13	12	10-14
International fixed interest (hedged)	17	15-19	18	4-14
Australian property securities	4	7-9	4	2-6
International property securities (hedged)	4	7-9	4	2-6
International small companies (hedged)	3	2-4	0	0
International small companies	0	0	3.5	1.5-5.5
Australian shares	34	32-36	31	29-33
International shares	23	21-25	24	22-26
Emerging markets shares	2	1.5-2.5	3.5	1.5-5.5

Underlying fund: Vanguard Growth Index Fund

Vanguard High Growth Index Fund

Asset Class	Previous		New	
	Benchmark (%)	Range (%)	Benchmark (%)	Range (%)
Australian Cash	0	0-1	0	0
Australian fixed interest	4	3-5	4	2-6
International fixed interest (hedged)	6	5-7	6	0-6
Australian property securities	5	9-11	5	3-7
International property securities (hedged)	5	9-11	5	3-7
International small companies (hedged)	4	3-5	0	0
International small companies	0	0	4.5	2.5-6.5
Australian shares	44	42-46	40	38-42
International shares	29	27-31	31	29-33
Emerging markets shares	3	2-4	4.5	2.5-6.5

Underlying fund: Vanguard High Growth Index

Any questions?

If you have any questions or require further information, please:

- speak with your financial adviser
- call Customer Services on 133 665, weekdays between 8.30am and 6.30pm (AEST)
- email customer@onepath.com.au

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