

QUAYSTREET BALANCED FUND

Update as at 31 Dec 2016

Fund Description

The QuayStreet Balanced Fund invests in a diversified portfolio of defensive and growth assets. The investment objective is to provide a level of return consistent with the target asset allocation and risk profile of the Fund. Investment returns will vary considerably from year to year and may be negative.

Monthly Update

One of the recent themes markets have been busy digesting is what kind of impact the new US president elect, Donald Trump, will have on the US economy and the rest of the world. Trump's economic policies and stance have in general been interpreted as being moderately reflationary for the US. This has been very supportive for risky assets where most leading indices have made strong gains during the last couple of months. For December the MSCI World (NZD) and the Australian S&P/ASX 200 had a strong month returning 4.1% and 4.4% respectively however the global rally did not seem to have any impact in New Zealand as the S&P/NZX 50 returned -0.2%.

It was another negative month for the local bond market as New Zealand interest rates continued to rise. However the rate of change has certainly slowed following the significant moves in October and November. International bond markets had mixed results with longer term yields showing signs of stabilisation.

The Fund returned 1.2% relative to its benchmark which returned 1.9%. The top negative contributor to relative performance was the exposure to Australian equities while the top positive contributor was the exposure to fixed interest. There were no significant asset allocation changes made over the month.

Monthly Return before fees and tax*

| | |
|---------------|-------|
| Balanced Fund | 1.24% |
| Benchmark | 1.94% |

*Longer term returns on page 2.

Balanced Fund Facts

| | |
|------------------------|---------------|
| Launch Date | 25-Oct-07 |
| Management Fee | 1.00% |
| Unit Price (31 Dec 16) | \$1.6211 |
| Fund NAV (31 Dec 16) | \$144,168,158 |

Investment Ranges

| | |
|------------------|--------|
| Growth Assets | 40-80% |
| Defensive Assets | 20-60% |

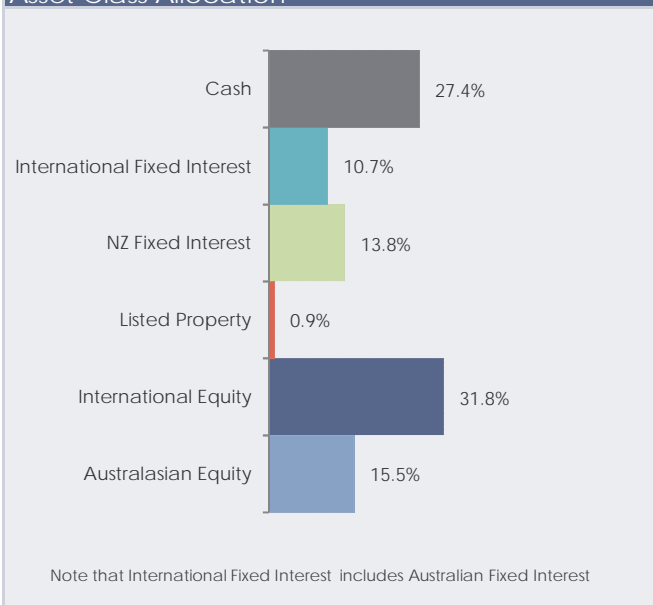
Benchmark

| | |
|--|-------|
| MSCI World Index (NZD) | 40.0% |
| S&P/NZX 50 Index | 10.0% |
| S&P/ASX 200 Index | 10.0% |
| S&P/NZX Investment Grade Corp Bond Index | 30.0% |
| NZX 90 day Bank Bill Index | 10.0% |

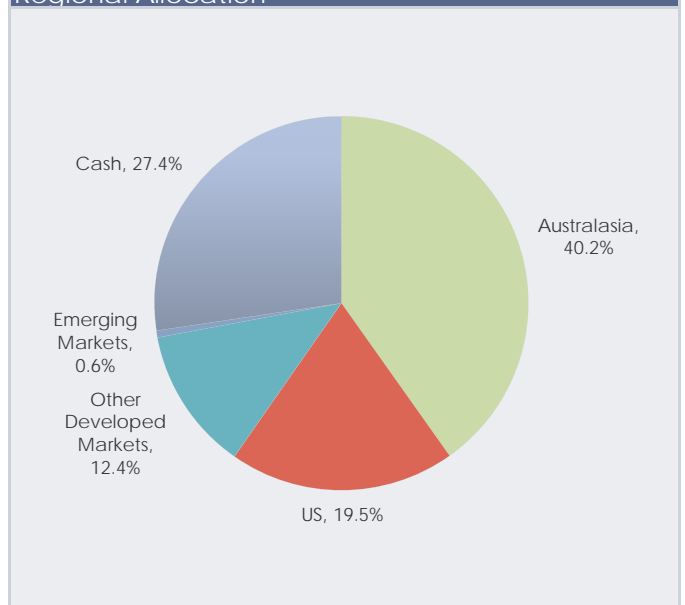
Top 5 Holdings

| | Weight |
|----------------------------|--------|
| Ishares Core S&P 500 ETF | 16.27% |
| MSCI EAFE incl Canada TRS | 11.91% |
| SPDR Gold Shares Fund | 1.19% |
| Fisher & Paykel Healthcare | 0.85% |
| Fletcher Building | 0.85% |

Asset Class Allocation



Regional Allocation



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Balanced Fund Performance as at 31-Dec-2016

| Returns before fees and tax | 1 Month | 3 Months | 6 Months | 1 Year | 3 Years* | 5 Years* | Inception* |
|---|---------|----------|----------|--------|----------|----------|------------|
| Balanced Fund ¹ | 1.24% | 0.69% | 3.30% | 4.78% | 8.35% | 9.01% | 6.57% |
| Benchmark Return ² | 1.94% | 1.84% | 4.72% | 5.94% | 8.21% | 9.33% | 5.02% |
| Returns after fees and tax³ | | | | | | | |
| Highest PIR tax rate (currently 28%) | 1.02% | 0.28% | 2.30% | 3.18% | 6.33% | 7.10% | 4.42% |
| Medium PIR tax rate (currently 17.5%) | 1.08% | 0.35% | 2.51% | 3.43% | 6.77% | 7.51% | 4.88% |
| Low PIR tax rate (currently 10.5%) | 1.12% | 0.39% | 2.64% | 3.61% | 7.07% | 7.80% | 5.09% |
| Zero PIR tax rate | 1.19% | 0.47% | 2.86% | 3.87% | 7.50% | 8.20% | 5.69% |

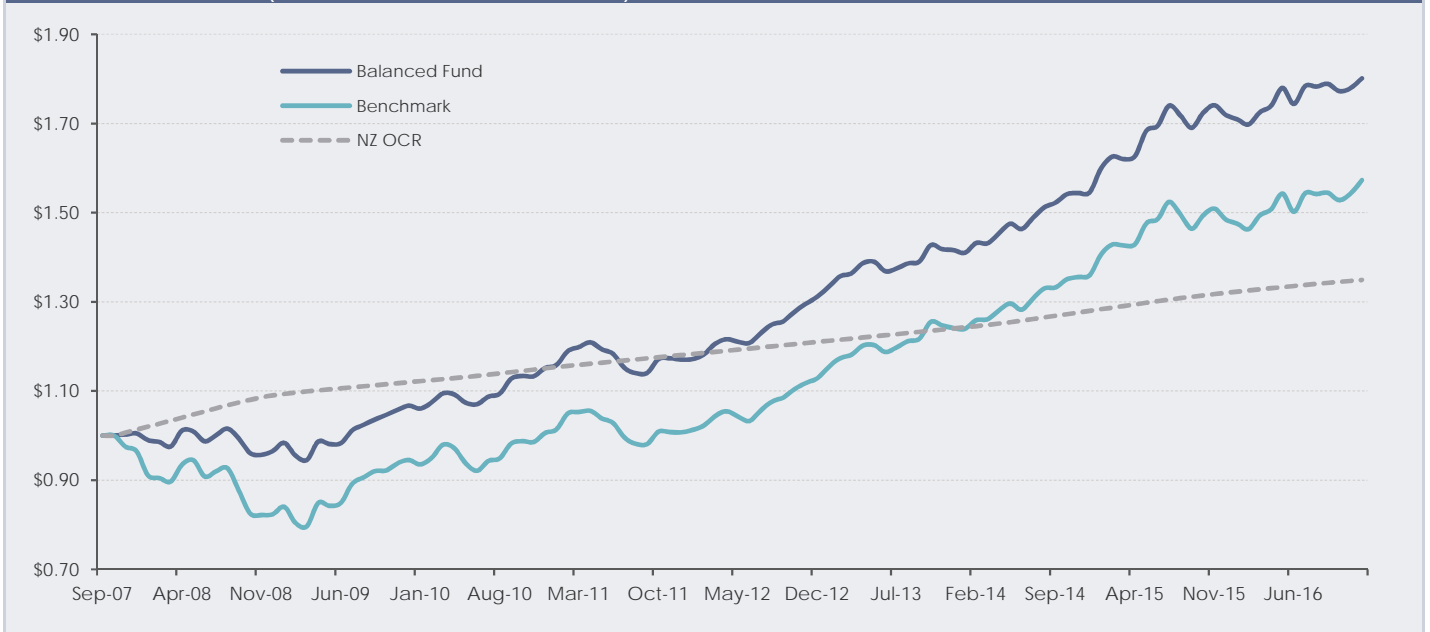
1. Includes imputation credits where applicable

2. Historic performance based on the benchmark that was effective at the time

3. Includes all fees and tax deducted at the Fund level but not advisory or any other third party expenses

* Return calculations are annualised

Performance Chart (returns before fees and tax)



QuayStreet Asset Management Limited (QSAM) is the Manager and Issuer of the QuayStreet Funds. A Product Disclosure Statement (PDS) is available by contacting our Client Services team on 0800 782 900 or visit www.quaystreet.com. Disclosure statements are available on request and free of charge.

This information is intended to provide a general overview of the fund and whilst the information is believed to be accurate and complete at the time of issue no guarantee or warranty is given nor responsibility accepted in this respect. Asset allocations can be changed from time to time and may be different because of factors such as market conditions and our ability to buy or sell assets at that time. Investments are subject to risks, the values can go down as well as up and investors may not get back the full amount invested.

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