

QUAYSTREET FIXED INTEREST FUND

Update as at 31 Dec 2016

Fund Description

The QuayStreet Fixed Interest Fund invests in a diversified portfolio of high quality income assets such as cash, term deposits and securities issued by corporate and government entities. The investment objective is to provide investors with a level of return consistent with the New Zealand fixed interest market. Investment returns will vary from year to year and may be negative.

Monthly Update

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. As expected the Fed Funds target rate range was raised to 0.50% - 0.75%. There were subtle changes in the language of the press release with more positive comments on economic activity and the labour market but nothing specific on the potential impact of new policies by Donald Trump. It has been 12 months since the first hike by the Fed in this cycle and while future adjustments are still expected to be gradual, the market is pricing in at least two more hikes in 2017.

The Fund was impacted by rising bond yields and fell 0.3% but did outperform its benchmark that was down 0.4%. As has been the case for the last couple of months the main driver of the outperformance has been lower exposure to long term interest rates. However there has also been the benefit of exposure to corporate bonds which have done better than government bonds. There were no significant changes made in the Fund this month.

Monthly Return before fees and tax*

Fixed Interest Fund	-0.34%
S&P/NZX Investment Grade Corporate Bond Index	-0.40%
*Longer term returns on page 2.	

Fixed Interest Fund Facts

Launch Date	31-Oct-09
Management Fee	0.75%
Unit Price (31 Dec 16)	\$1.2824
Fund NAV (31 Dec 16)	\$142,929,847
Last Distribution (25 Oct 16)	1.2cpu
Distribution Frequency	6 months
Trailing Gross Distribution Yield	2.60%
<i>(This is the annualised distribution yield based on the last distribution, the current unit price and gross of tax at a PIR of 28%)</i>	

Investment Ranges

NZ Fixed Interest	0-100%
International Fixed Interest	0-100%
Cash	0-40%

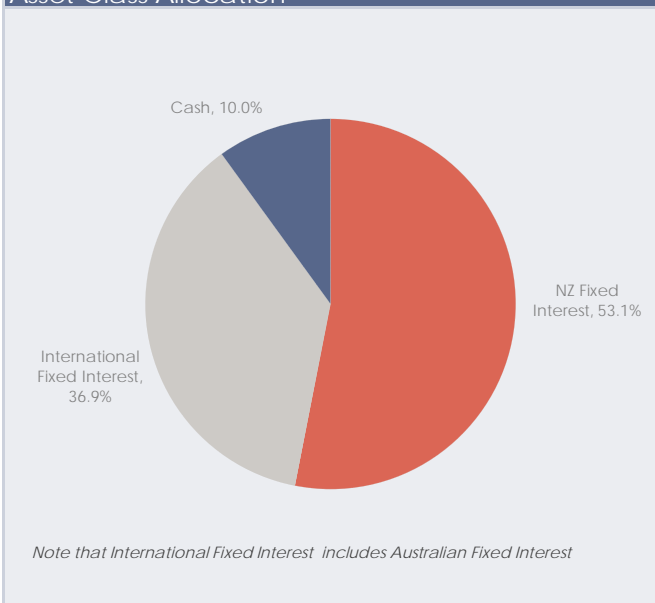
Benchmark

S&P/NZX Investment Grade Corp Bond Index	100%
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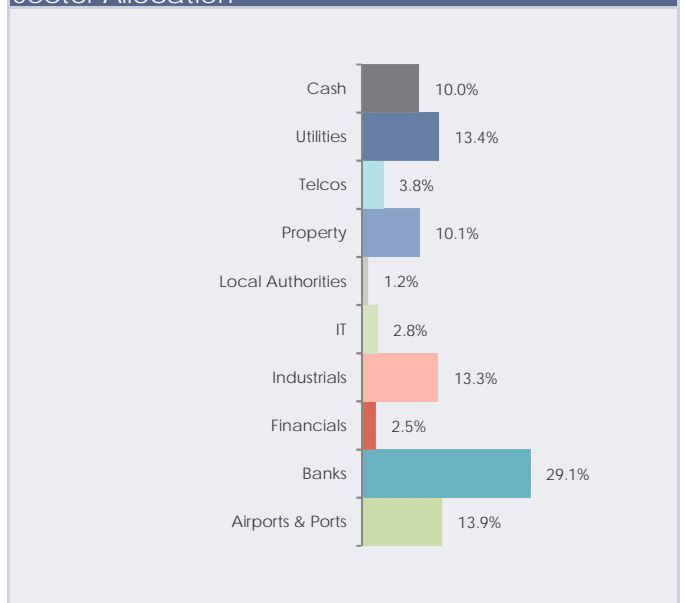
Top 5 Holdings

	Weight
Apple Inc (August 2019)	2.76%
Sydney Airport Inflation Linked (Nov 2020)	2.55%
NAB (May 2021)	2.37%
Lend Lease (Nov 2018)	2.19%
Crown (Nov 2019)	2.01%

Asset Class Allocation



Sector Allocation



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Fixed Interest 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*
Fixed Interest Fund ¹	-0.34%	-1.01%	0.77%	4.85%	5.89%	5.26%	5.88%
Benchmark Return ²	-0.40%	-1.76%	-0.14%	4.11%	5.73%	4.95%	5.92%
Returns after fees and tax³							
Highest PIR tax rate (currently 28%)	-0.28%	-0.86%	0.28%	2.91%	3.64%	3.21%	3.62%
Medium PIR tax rate (currently 17.5%)	-0.33%	-0.99%	0.31%	3.32%	4.18%	3.68%	4.15%
Low PIR tax rate (currently 10.5%)	-0.35%	-1.06%	0.35%	3.62%	4.55%	3.99%	4.49%
Zero PIR tax rate	-0.40%	-1.20%	0.37%	4.05%	5.09%	4.46%	5.08%

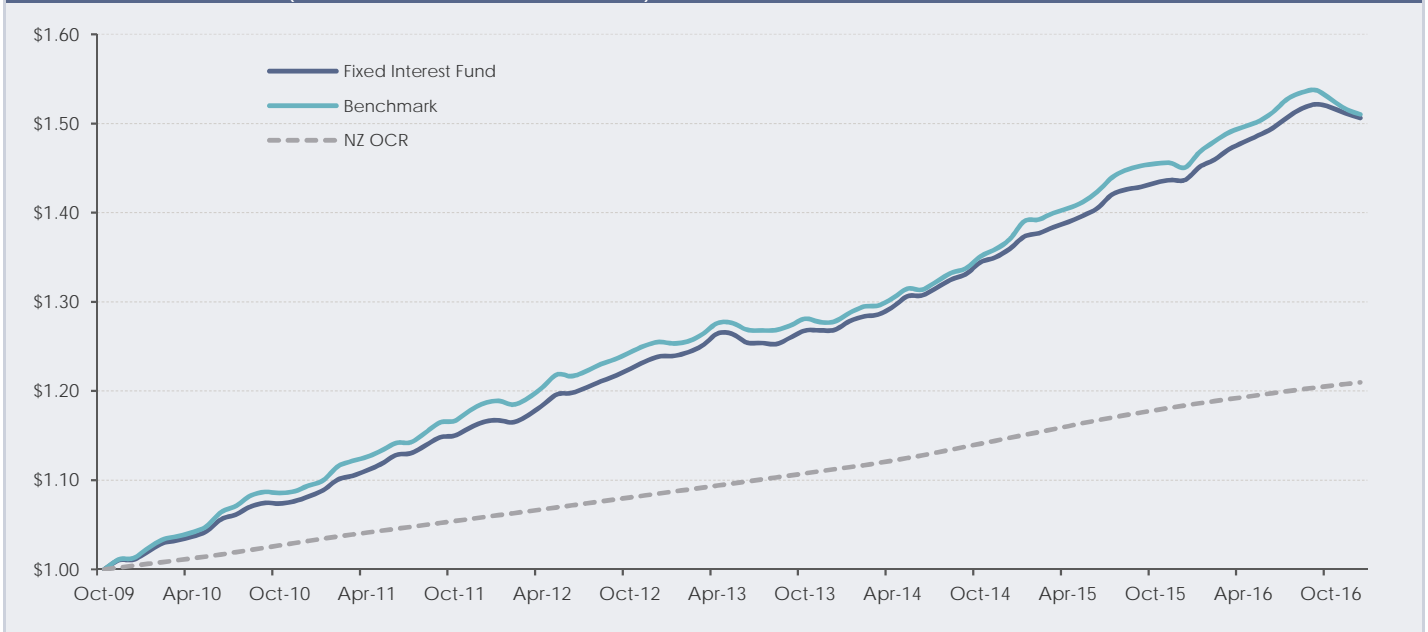
1. Includes imputation credits where applicable

2. Historic performance based on the benchmark that was effective at the time (currently the S&P/NZX Investment Grade Corporate Bond Index)

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 (OSAM) 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.

Past performance is not a reliable guide to future performance. Returns or performance are not guaranteed by OSAM, Craigs Investment Partners Limited, The New Zealand Guardian Trust Company Limited, any related companies or any other person. This information is not a substitute for professional advice and does not take into account the investment objectives, financial situation or particular needs of any particular person. We recommend you read the PDS and seek professional assistance from an Authorised Financial Adviser.

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