

Fund Description

The 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

Local interest rates finished the month essentially flat. There was no RBNZ OCR meeting in May but the bank did release its Financial Stability Report which highlighted increasing risks in New Zealand. As was the case with the last report, the two domestic areas of concern are house price inflation and the impact of lower commodity prices on New Zealand's exports. However the emphasis was on the former, with specific comments of price pressures re-emerging and references to strong property price appreciation outside the Auckland region. In the very short term we think this will create natural resistance to the RBNZ further reducing the OCR. While most economic forecasters still expect another interest rate cut, the timing has been pushed out to later this year.

The Fund returned 0.5% slightly outperforming its benchmark which returned 0.4%. As was the case last month, a key driver of returns was stronger demand for corporate bonds and we saw credit spreads continue to tighten. This has been most evident in the strong market performances of newly issued bonds in the secondary market. The Fund also benefited from its Australian exposure. The RBA interest rate cut at the start of the month and softer volumes of corporate bond issuance have helped drive market performance. The Fund was fairly active this month and participated in new issues from Westpac, Insurance Australia Group, Wellington Airport and Port of Brisbane.

Monthly Return before fees and tax*

Fixed Interest Fund	0.51%
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 May 16)	\$1.2829
Fund NAV (31 May 16)	\$132,797,485
Last Distribution (12 Apr 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%

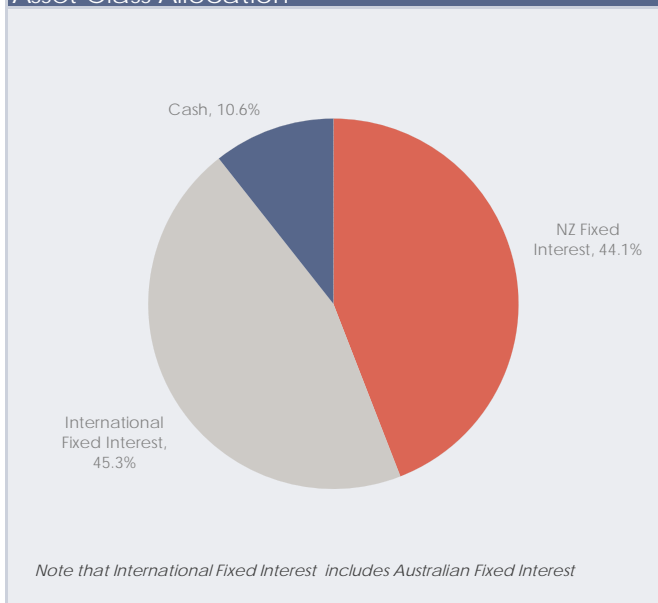
Benchmark

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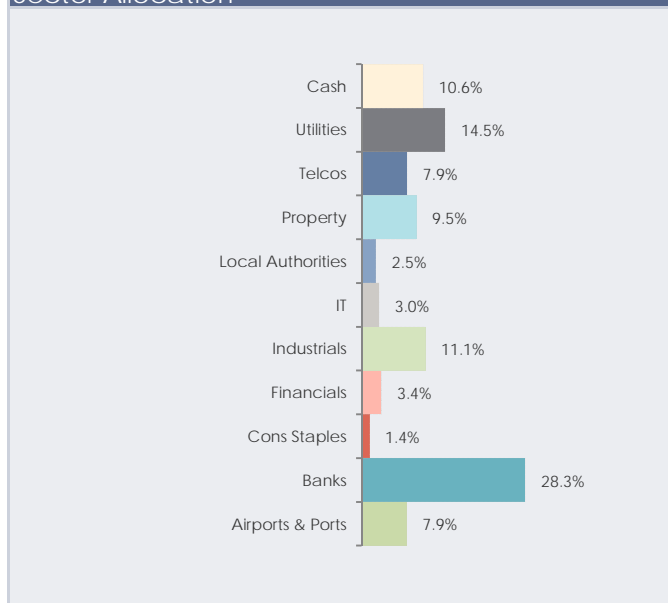
Top 5 Holdings

	Weight
Apple Inc (August 2019)	3.05%
NAB (May 2021)	2.69%
Lend Lease (Nov 2018)	2.42%
ANZ (Aug 2023)	2.28%
Chorus (May 2021)	2.26%

Asset Class Allocation



Sector Allocation



FIXED INTEREST FUND

Update as at

31 May 2016

Fixed Interest Fund Performance as at 31-May-2016

Returns before fees and tax	1 Month	3 Months	6 Months	1 Year	3 Years*	5 Years*	Inception*
Fixed Interest Fund ¹	0.51%	1.85%	3.47%	6.43%	5.55%	5.85%	6.21%
Benchmark Return ²	0.40%	1.53%	3.18%	6.38%	5.58%	5.79%	6.37%
Returns after fees and tax³							
Highest PIR tax rate (currently 28%)	0.32%	1.19%	2.21%	4.01%	3.39%	3.62%	3.84%
Medium PIR tax rate (currently 17.5%)	0.36%	1.37%	2.53%	4.61%	3.90%	4.16%	4.41%
Low PIR tax rate (currently 10.5%)	0.39%	1.48%	2.74%	5.00%	4.24%	4.51%	4.77%
Zero PIR tax rate	0.44%	1.66%	3.08%	5.61%	4.75%	5.05%	5.40%

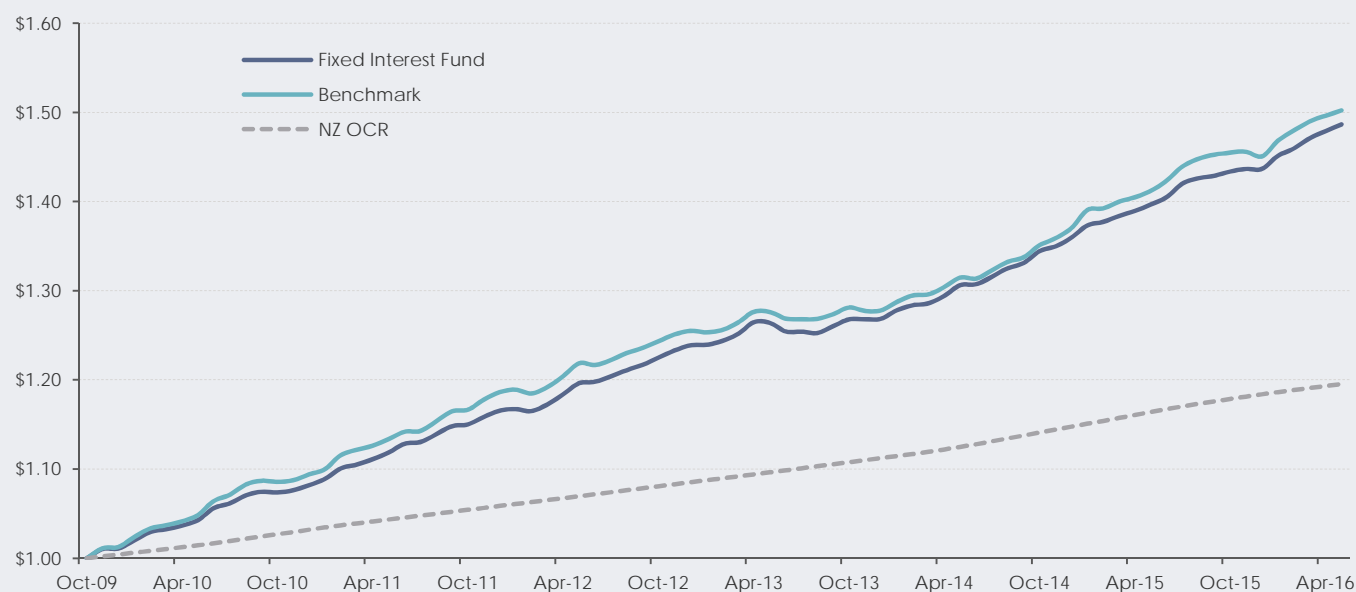
1. Includes imputation credits where applicable

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)



For further information or an investment statement please contact 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 QuayStreet Asset Management Limited, 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 Investment Statement and seek professional assistance from an Authorised Financial Adviser.

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