

## Fund Description

The Income Fund invests in a diversified portfolio of income producing assets including cash, term deposits, fixed interest securities, listed property, infrastructure and utility securities and equities. The investment objective is to provide investors with a high level of income relative to prevailing short term interest rates. The Fund will make quarterly distributions and aims to preserve the real value of investments relative to inflation over the medium term. 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 to the financial system 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. Equity market performance was strong on both sides of the Tasman with the S&P / NZX 50 returning 3.2% and the S&P/ASX 200 returning 3.1%.

The Fund returned 0.3% in line with its benchmark return. As was the case last month, there has been strong demand for corporate bonds and credit spreads continue to tighten. This has been most evident in the strong market performances of newly issued bonds in the secondary market. The equity portion of the Fund detracted slightly from overall returns with positive returns from Contact Energy, Growthpoint Properties and Meridian Energy being offset by negative returns from Evolve Education, Ingenia Communities Group and Mighty River Power.

## Monthly Return before fees and tax\*

Income Fund	0.34%
NZ OCR + 2%	0.35%

\*Longer term returns on page 2.

## Income Fund Facts

Launch Date	30-Sep-14
Management Fee	0.75%
Unit Price (31 May 16)	\$1.0571
Fund NAV (31 May 16)	\$57,416,486
Last Distribution (12 Apr 16)	0.7 <i>cpu</i>
Distribution Frequency	3 months
Trailing Gross Distribution Yield	3.68%
<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

Australasian Equity	0-30%
New Zealand Fixed Interest	0-100%
International Fixed Interest	0-100%
Cash	0-20%

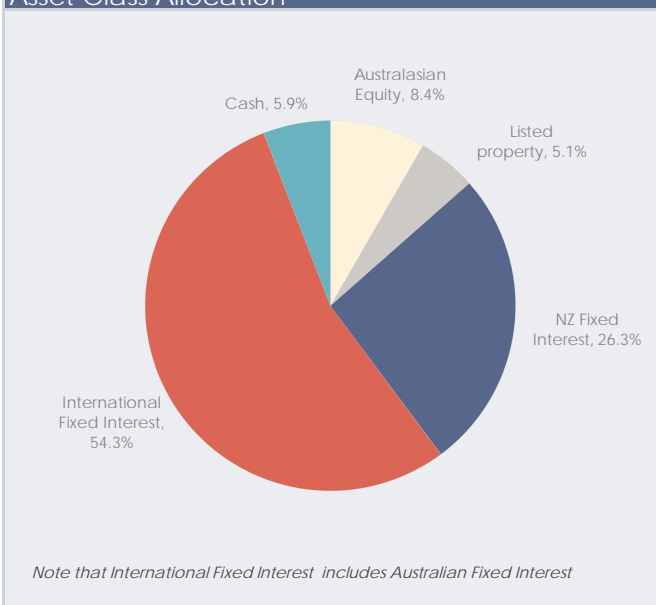
## Benchmark

NZ OCR + 2%	100%
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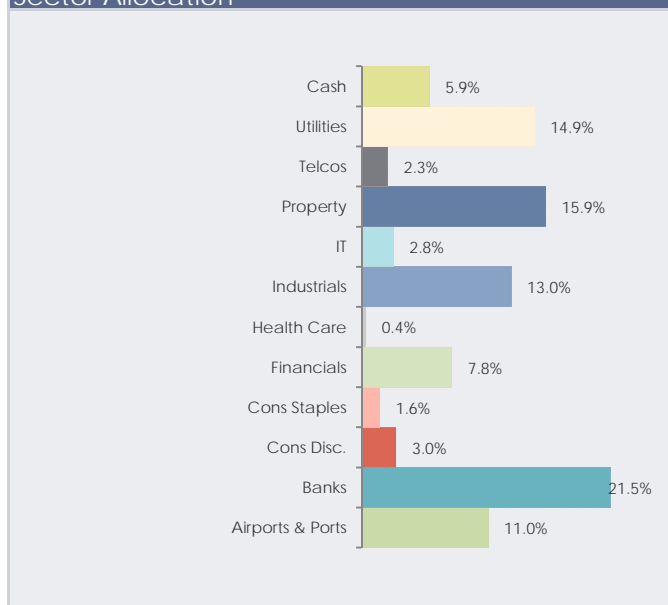
## Top 5 Holdings

Top 5 Holdings	Weight
ANZ Subordinated Notes (Jun 2022)	3.05%
NAB Subordinated Notes (Jun 2022)	3.03%
Westpac Subordinated Notes (Aug 2022)	3.02%
Colonial Subordinated Notes	2.96%
Port of Tauranga (Oct 2019)	2.82%

## Asset Class Allocation



## Sector Allocation



## Income 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
Income Fund <sup>1</sup>	0.34%	2.83%	3.78%	6.83%			7.21%
Benchmark Return <sup>2</sup>	0.35%	1.06%	2.18%	4.70%			5.02%
<b>Returns after fees and tax<sup>3</sup></b>							
Highest PIR tax rate (currently 28%)	0.14%	2.12%	2.68%	4.76%			5.04%
Medium PIR tax rate (currently 17.5%)	0.19%	2.31%	2.94%	5.19%			5.53%
Low PIR tax rate (currently 10.5%)	0.22%	2.45%	3.12%	5.53%			5.88%
Zero PIR tax rate	0.27%	2.65%	3.39%	6.00%			6.39%

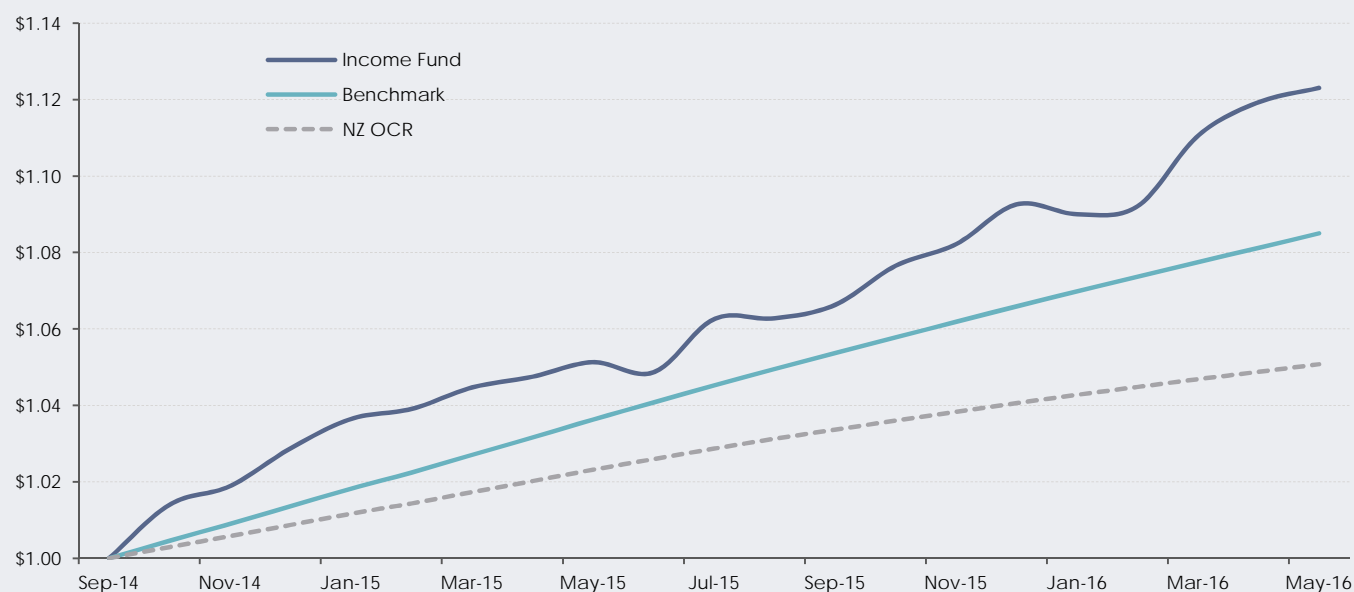
1. Includes imputation credits where applicable

2. Historic performance based on the benchmark that was effective at the time (currently the NZ OCR + 2%)

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](http://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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