

QUAYSTREET FIXED INTEREST FUND

Update as at 28 Feb 2017

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

February was a good month for fixed interest markets both locally and globally. Bond yields in New Zealand fell slightly across most maturities and when combined with a continued tightening in credit spreads, resulted in solid returns for corporate bonds. The RBNZ left the OCR unchanged at 1.75% as expected but did highlight an improving global outlook for both growth and inflation. Headline inflation is now back within the RBNZ target range of 1-3% but the bank still expects monetary policy to remain accommodative for a considerable period.

The Fund returned 0.8% for the month which was in-line with its benchmark. Longer dated bonds have outperformed this month as they benefitted the most from both lower yields and tighter credit spreads. Corporate bonds continue to outperform Government bonds and this has been particularly true for securities lower down the credit rating spectrum. We have been reducing exposure to these securities as we think this trend may reverse if market volatility starts to rise. This month we added New Zealand Government Inflation Linked bonds to the Fund with a view that the real yields available on these securities are currently attractive.

Monthly Return before fees and tax*

Fixed Interest Fund	0.75%
S&P/NZX Investment Grade Corporate Bond Index	0.79%

*Longer term returns on page 2.

Fixed Interest Fund Facts

Launch Date	31-Oct-09
Management Fee	0.75%
Unit Price (28 Feb 17)	\$1.2963
Fund NAV (28 Feb 17)	\$144,952,139
Last Distribution (25 Oct 16)	1.2cpu
Distribution Frequency	6 months
Trailing Gross Distribution Yield	2.57%

(This is the annualised distribution yield based on the last distribution, the current unit price and gross of tax at a PIR of 28%)

Investment Ranges

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

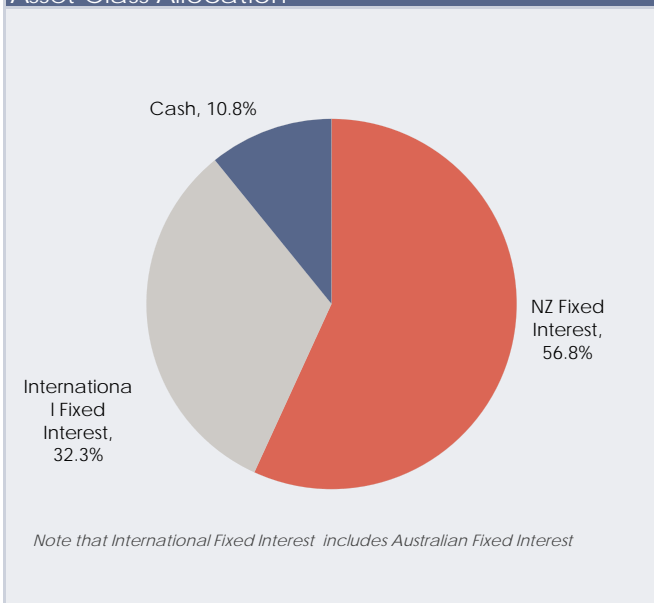
Benchmark

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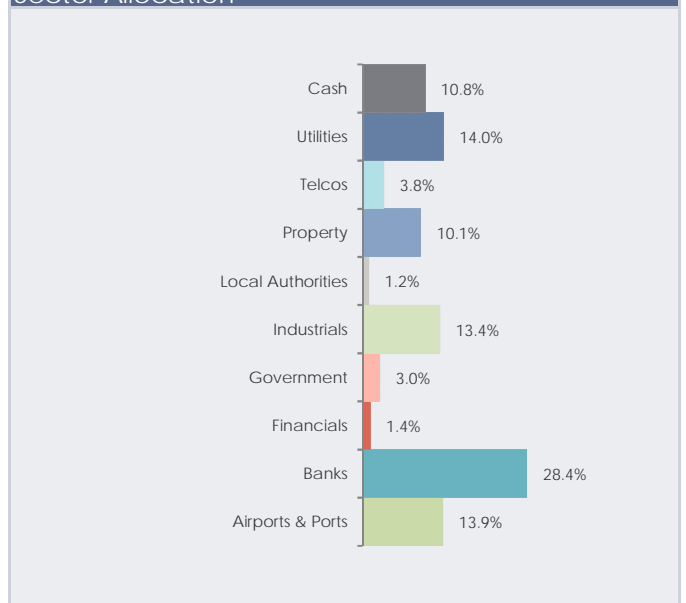
Top 5 Holdings

Top 5 Holdings	Weight
NZ Govt Inflation Linked (Sep 2025)	3.05%
Sydney Airport Inflation Linked (Nov 2020)	2.57%
NAB (May 2021)	2.36%
Lend Lease (Nov 2018)	2.23%
Crown (Nov 2019)	2.06%

Asset Class Allocation



Sector Allocation



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Fixed Interest Fund Performance as at 28-Feb-2017

Returns before fees and tax	1 Month	3 Months	6 Months	1 Year	3 Years*	5 Years*	Inception*
Fixed Interest Fund ¹	0.75%	0.87%	0.52%	4.46%	5.90%	5.53%	5.92%
Benchmark Return ²	0.79%	0.74%	-0.47%	3.25%	5.67%	5.21%	5.95%
Returns after fees and tax³							
Highest PIR tax rate (currently 28%)	0.50%	0.50%	0.11%	2.65%	3.65%	3.40%	3.64%
Medium PIR tax rate (currently 17.5%)	0.57%	0.56%	0.12%	3.01%	4.18%	3.89%	4.18%
Low PIR tax rate (currently 10.5%)	0.62%	0.62%	0.15%	3.29%	4.55%	4.23%	4.52%
Zero PIR tax rate	0.69%	0.68%	0.14%	3.67%	5.09%	4.73%	5.12%

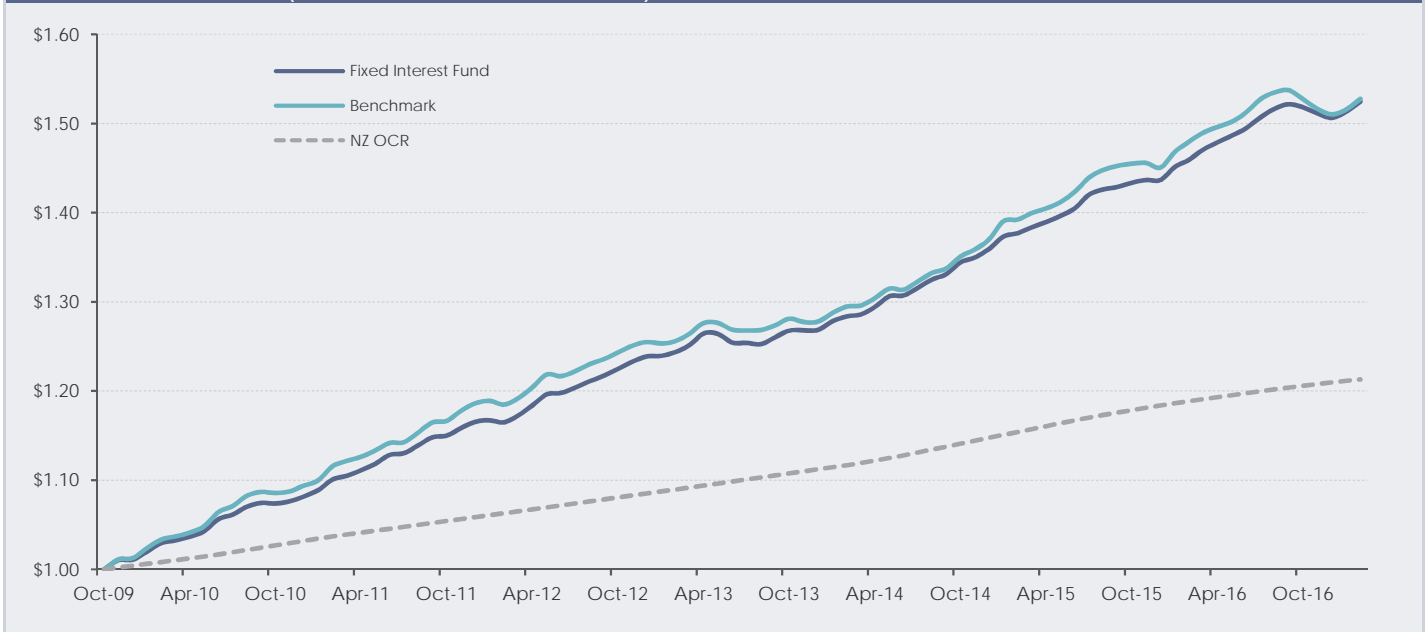
1. Includes imputation credits where applicable

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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