

**HUNTER GLOBAL FIXED INTEREST FUND**

**FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2017**

# HUNTER GLOBAL FIXED INTEREST FUND

## TABLE OF CONTENTS

	Page
<b>Directory</b>	1
<b>Statement by the Manager</b>	2
<b>Financial Statements</b>	
Statement of Comprehensive Income	3
Statement of Changes in Funds Attributable to Unitholders	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 22
<b>Independent Auditor's Report</b>	23

# **HUNTER GLOBAL FIXED INTEREST FUND**

## **DIRECTORY**

### **THE MANAGER**

Implemented Investment Solutions Limited  
Level 3, 1 Woodward Street  
PO Box 25003  
Wellington

This is also the address of the registered office.

### **DIRECTORS OF THE MANAGER**

Anthony R J Edmonds  
Ian H Russon  
David S Stevens  
Alister Van Der Maas

### **INVESTMENT MANAGER**

PIMCO Australia Pty Ltd

### **THE SUPERVISOR**

Public Trust  
100 Molesworth Street, New Zealand Rugby House  
PO Box 5067  
Wellington 6145

### **BANKERS**

Westpac New Zealand Limited  
BNP Paribas Securities Services

### **FUND ADMINISTRATOR & CUSTODIAN**

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

### **AUDITOR**

PricewaterhouseCoopers  
113-119 The Terrace  
PO Box 243  
Wellington 6140 New Zealand

## **CORRESPONDENCE**

All correspondence and enquiries to the Manager about the Hunter Global Fixed Interest Fund should be addressed to the Manager, Implemented Investment Solutions Limited, at the above address.

## HUNTER GLOBAL FIXED INTEREST FUND

Implemented Investment Solutions Limited (the "Manager") and Public Trust are parties to a trust deed dated 1 December 2016 (the "Trust Deed") which sets out the terms and conditions applicable to schemes and funds established by the Manager and the Supervisor with such scheme.

The Trust Deed provides that each scheme is to be established by the Manager and the Supervisor entering into a Scheme Establishment Deed setting out the specific terms and conditions relating to that fund.

The Scheme Establishment Deed dated 1 December 2016 (the "Scheme Establishment Deed") by the Manager and the Supervisor established the Hunter Investment Fund Scheme setting out the specific terms and conditions relating to the Scheme.

The Trust Deed provides that funds are to be established by the Manager and the Supervisor with respect to each scheme by the Manager and Supervisor enter into a Fund Establishment Deed setting out the specific terms and conditions relating to that fund.

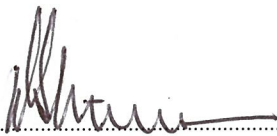
The Manager has resolved to establish a fund to be known as the Hunter Global Fixed Interest Fund (the "Fund").

### STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with generally accepted accounting practice and present fairly the financial position of the Fund as at 31 March 2017, and of the results of its financial performance and cash flows for the period ended on that date in accordance with the requirements of the Trust Deed and Establishment Deed each dated 1 December 2016.

It is believed that there are no circumstances that may materially and adversely affect any interest of the Unitholders in the assets other than those already disclosed in this report.

For and on behalf of:  
**Implemented Investment Solutions Limited**



Director



Director



# HUNTER GLOBAL FIXED INTEREST FUND

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2017

	Note	Period ended 31 March 2017 S'000
<b>INCOME</b>		
Interest income		(44)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		<u>1,781</u>
<b>TOTAL INCOME</b>		<u>1,737</u>
<b>EXPENSES</b>		
Management fees	12	45
Foreign exchange loss		491
Other expenses		<u>2</u>
<b>TOTAL EXPENSES</b>		<u>538</u>
<b>NET PROFIT</b>		1,199
Other comprehensive income		<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>1,199</u>

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

# HUNTER GLOBAL FIXED INTEREST FUND

## STATEMENT OF CHANGES IN FUNDS ATTRIBUTABLE TO UNITHOLDERS FOR THE PERIOD ENDED 31 MARCH 2017

	Note	Period ended 31 March 2017 S'000
<b>FUNDS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE PERIOD</b>		-
Net profit and other comprehensive income for the period		<u>1,199</u>
<b>Total comprehensive income</b>		<b>1,199</b>
Subscriptions from Unitholders		174,367
Redemptions by Unitholders		<u>-</u>
		<b>174,367</b>
<b>FUNDS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE PERIOD</b>	8b	<b><u>175,566</u></b>

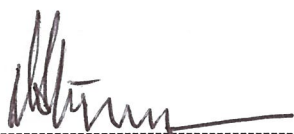
*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

# HUNTER GLOBAL FIXED INTEREST FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	As at 31 March 2017 \$'000
<b>ASSETS</b>		
Cash at bank		2,375
Receivables	6	795
Investment securities designated at fair value through profit or loss	4	173,091
Derivatives held for trading	5	3,971
Margin accounts	3	<u>722</u>
<b>TOTAL ASSETS</b>		<b><u>180,954</u></b>
<b>LIABILITIES</b>		
Payables	7	2,848
Derivatives held for trading	5	<u>2,540</u>
<b>TOTAL LIABILITIES</b>		<b><u>5,388</u></b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	8b	<b><u>175,566</u></b>
<b>FUNDS ATTRIBUTABLE TO UNITHOLDERS</b>		<b><u>175,566</u></b>

For and on behalf of the Manager, Implemented Investment Solutions Limited, who authorised the issue of the Financial Statements on 25 July 2017.



Director



Director

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

# HUNTER GLOBAL FIXED INTEREST FUND

## STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2017

	Note	Period ended 31 March 2017 S'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Interest income		(5)
Maturity/Realisation of investments and derivatives		8,976
<i>Cash was applied to:</i>		
Purchase of investments and settlement of derivatives		(21,806)
Other expenses		(2)
<b>NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES</b>	9	<u>(12,837)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Subscriptions from Unitholders		<u>15,937</u>
<i>Cash was applied to:</i>		
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<u>15,937</u>
<b>Net increase in cash and cash equivalents</b>		3,100
Effect of exchange rate fluctuations on cash and cash equivalents		<u>(3)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<u><u>3,097</u></u>
<b>CASH AND CASH EQUIVALENTS COMPRISES OF:</b>		
Cash at bank		2,375
Margin accounts	3	<u>722</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u><u>3,097</u></u>

The accompanying notes form part of and should be read in conjunction with these Financial Statements.

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 1. GENERAL INFORMATION

The Hunter Global Fixed Interest Fund (the "Fund") is a for-profit unit trust fund domiciled in New Zealand and established under the Financial Markets Conduct Act 2013 ("FMC Act 2013").

The Fund was established under a Trust Deed and Establishment Deed each dated 1 December 2016 and commenced operations on 15 March 2017.

The objective of the Fund is to provide a total return, before costs and tax, 1% higher than the Bloomberg Barclays Global Aggregate Index - 100% New Zealand dollar hedged over the long term (3 years plus).

The Fund invests in a diversified portfolio of actively managed fixed interest securities, cash and derivatives. The predominant investment is in securities issued by governments, supranationals, local authorities, and corporates. The Fund may also invest in emerging market debt, asset backed securities, mortgage backed securities, structured notes, bank loans, high yield securities, mortgage derivatives, preferred securities, unrated securities, cash and cash equivalents, and derivative instruments, including currency hedging instruments.

Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk. PIMCO Australia Pty Ltd ('PIMCO') has been appointed as the Investment Manager of the Fund and is responsible for investing and managing the Fund's assets.

#### Statement of Compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other New Zealand accounting standards and authoritative notices as appropriate for a for-profit entity.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### Reporting period

These are the Fund's first financial statements for the period 15 March 2017 to 31 March 2017.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### Basis of Preparation

The financial statements of the Fund have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of FMC Act 2013 and Financial Reporting Act 2013. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The financial statements are prepared in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). However, where specific amounts are referred to in the note wording, the figures are rounded to the nearest dollar.

#### Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- \* NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018.

The Fund intends to adopt this standard in the reporting period commencing 1 April 2018 in which it becomes mandatory. The adoption of the standard in the future period is not expected to have a material impact on recognition, measurement and disclosure.



## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Foreign Currency Translation**

###### *Functional and presentation currency*

The Manager considers the New Zealand dollar the currency that most accurately represents the economic effect of the underlying transactions, events and conditions, the Fund's functional currency. The New Zealand dollar is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from Unitholders.

###### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Statement of Financial Position date.

Foreign exchange gains and losses arising from translation are included in profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

Foreign exchange gains and losses relating to financial assets carried at fair value through profit or loss are presented in the Statement of Profit or Loss and Other Comprehensive Income within 'net changes in fair value of financial assets and financial liabilities designated at fair value through profit or loss'.

##### **Income Recognition**

Income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

###### *Interest*

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

###### *Changes in fair value of investments*

Net gains or losses on investments at fair value through profit or loss are calculated as the difference between the fair value at sale, or at period end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest income.

##### **Financial Instruments**

###### *Classification*

The Fund classifies its investments and derivatives as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

###### *Financial assets and liabilities held for trading*

Financial instruments held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. Derivatives are categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

###### *Financial assets and liabilities designated at fair value through profit or loss*

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information. The Manager has determined that investments are designated at fair value through profit or loss.

The Fund does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, nor does it make use of short sales for various arbitrage transactions.

###### *Recognition, Derecognition and Measurement*

Purchases and sales of investments and derivatives are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment or derivatives. Financial assets and financial liabilities designated at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in profit or loss.

## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets are derecognised when the rights to receive cash flows from the investments and derivatives have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in profit or loss in the Statement of Profit or Loss and Other Comprehensive income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

##### *Fair value determination*

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the current bid price.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

##### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund and the counterparty.

#### **Receivables**

Receivables include amounts where settlement has not yet occurred, and include outstanding settlements on the sale of investments. Receivables are measured initially at fair value and subsequently at amortised cost. Amounts are generally received within 30 days of being recorded as receivables. Given the short-term nature of most receivables, the carrying amount approximates their fair value.

#### **Payables**

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund, and include outstanding settlements on the purchase of investments. Payables are measured initially at fair value and subsequently at amortised cost. Amounts are generally paid within 30 days of being recorded as payables. Given the short-term nature of most payables, the carrying amount approximates their fair value.

#### **Taxation**

##### *Income taxation*

The Fund has elected to become a Portfolio Investment Entity ("PIE") for the purposes of the Income Tax Act 2007.

Tax treatment applicable to a PIE:

Under current taxation law the Fund pays no income tax on the taxable income of the Fund and all taxable income and associated tax credits applicable are allocated to investors, in proportion to the units they hold on the days when taxable income and credits arise.

The Fund is responsible for deducting tax from each investor's allocation using each investor's Prescribed Investor Rate ("PIR") and pays the tax to the taxation authorities on behalf of the investor, capped at a maximum of 28%.

The Fund calculates and deducts tax based on each investor's PIR and pays the tax to the taxation authorities on behalf of the investor. The PIE tax liabilities, at the end of the year, are due for payment on the last day of the next month.

PIE tax assets or liabilities for the current period are measured at the amount expected to be recovered or paid to the taxation authorities on behalf of the investors based on the investors' current period's income and their PIR.

## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Goods and services tax (GST)*

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where applicable.

##### **Distributions to Unitholders**

The Fund intends to pay distributions six monthly.

The Fund will make a distribution declaration for the periods ending on the last business day in March and September each year and the distribution is expected to be paid within 10 business day in the following month.

##### **Redeemable Units and Unitholders' Interests**

The Fund issues units that are redeemable at the Unitholders' option and do have identical features and are therefore classified as equity of the Fund. The units can be put back to the Fund at any time for cash equal to the value of the Unitholder's proportionate share in the Fund's net asset value on the redemption date. The Fund carries its Unitholders' interest at amortised cost.

The redeemable units are carried at the redemption amount that is payable at the reporting date if the Unitholders exercise their right to put the units back to the Fund. The redemption unit price is based on different valuation principles to that applied in financial reporting. This is explained in more detail in note 8.

The redeemable units are redeemed at the Unitholders' option at price based on the Fund's net assets valued as per the Unit Pricing Methodology less any spread at the time of redemption.

##### **Cash and Cash Equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank, demand deposits and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with an original maturity of three months or less.

Investment securities designed at fair value through profit or loss with original maturities of three months or less that are not held for the purpose of meeting short-term cash commitments and are not considered as 'cash and cash equivalents'.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of the above as defined above, net of outstanding bank overdrafts when applicable.

##### **Repurchased Agreements - Repos**

Securities subject to repurchase agreements are recognised within the investments in "investments securities held at fair value through profit or loss".

##### **Presentation of Cash Flows**

For the purposes of the Statement of Cash Flows, proceeds from the sale and purchase of investments designated at fair value through profit or loss and proceeds from realisation of derivatives are operating activities. The sale and purchase of investments maintain the operating capability of the Fund even though the investments may not be acquired specifically for resale or trading. Where management fees are paid by redeeming units the cash value is included in cash applied.



## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Critical Accounting Estimates and Assumptions**

###### *Fair value of financial assets and liabilities*

The investments of the Fund have been valued at closing bid price. Repos are valued at carrying amount plus accrued interest. Fixed interest securities have been valued at bid price or binding dealer price quotations, therefore there are no accounting estimates or assumptions required in the valuation of the carrying amounts of these assets.

Where an investment is unlisted the value is based on the relevant redemption price established by underlying investment managers.

###### *Fair value of derivative financial instruments*

The Fund may, from time to time, hold financial instruments that are not quoted in an active market, such as over-the-counter derivatives. All of the Fund's derivative financial instruments are classified as held for trading.

Fair values of such instruments are determined by using valuation techniques that are primarily based on inputs derived or corroborated by observable market data. Forward foreign exchange contracts are mark to market at the currency forward exchange rate at the valuation date for contracts with similar maturity and risk profiles. The Swaps excluding the interest rate swaps valued using market prices at the valuation date. Fair value for interest rate swaps is calculated using the Interest Rate Swap Yield Curve and currency swaps' fair value is calculated using the London Mid Close rates provided by third party vendor. The fair value of futures is based on quoted market prices. The fair value of To-Be-Announced forward is calculated by reference to underlying bond prices. The valuation techniques are disclosed in note 13f.

## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

#### 3. MARGIN ACCOUNTS

	2017 \$'000
Futures margin accounts	598
Due from financial institutions	124
	<u>722</u>

#### 4. INVESTMENT SECURITIES

	2017 \$'000
<i>Designated upon initial recognition at fair value through profit or loss</i>	
International fixed interest securities	156,703
NZ fixed interest securities	938
Repurchase agreements - Repos	15,450
	<u>173,091</u>

#### 5. DERIVATIVES HELD FOR TRADING

The Fund holds the following derivative instruments:

*(a) Forward foreign exchange contracts (FFX)*

Forward foreign exchange contracts are contractual obligations to buy or sell foreign currencies on a future date at a specified price. Forward foreign exchange contracts are settled on net basis.

*(b) Mortgage-backed securities (To-Be-Announced forwards)*

To-Be-Announced forward contracts are contractual obligations to buy or sell mortgage-backed financial instruments on a future date at a specified price.

To-Be-Announced forward contracts are normally settled on cash basis.

*(c) Swaps*

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts.

Interest rate swaps (IRS) are contractual arrangements to receive or pay a net amount based on changes in interest rates at a future date at a specified price.

Credit default swaps (CDS) are contractual obligations to make payments over time based on specified notional amounts in return for payout in the case of default by the underlying financial instruments.

*(d) Options*

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of financial instrument at a fixed price, either at fixed future date or at any time with a specified date or the current fair value of the instruments.

*(e) Futures*

Futures are exchange-traded derivatives which represent agreements to buy/sell some underlying asset in the future for a specified price, established in an organised market.

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 5. DERIVATIVES HELD FOR TRADING (Continued)

	2017 \$'000
<b>Assets</b>	
<i>Held for Trading :</i>	
Forward foreign exchange contracts	1,266
To-Be-Announced forwards	179
Interest rate swaps	1,126
Credit default swaps	604
Options	40
Futures	756
	<u>3,971</u>
<b>Liabilities</b>	
<i>Held for Trading :</i>	
Forward foreign exchange contracts	1,648
Interest rate swaps	411
Credit default swaps	154
Futures	327
	<u>2,540</u>

### 6. RECEIVABLES

	2017 \$'000
Interest receivable	787
Receivables from sale of investments	8
	<u>795</u>

### 7. PAYABLES

	2017 \$'000
Payables from purchase of investments	2,803
Management fees payable	45
	<u>2,848</u>

#### *Audit fees*

PricewaterhouseCoopers fees for the audit of the financial statements are paid by the Manager. Fees for the period ended 31 March 2017 amount to \$12,000 excluding GST.

### 8. UNITHOLDERS' FUNDS

#### 8a. Units on issue

	2017 '000
Units on issue at beginning of the period	-
Subscriptions from Unitholders	174,366
Redemptions by Unitholders	-
<b>Units on issue at the end of the period</b>	<u>174,366</u>

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 8. UNITHOLDERS' FUNDS (Continued)

#### 8b. Units in dollar value

	2017 \$'000
Funds Attributable to Unitholders' at beginning of the period	-
Subscriptions from Unitholders	174,367
Redemptions by Unitholders	-
Net profit	<u>1,199</u>
<b>Funds Attributable to Unitholders at the end of the period</b>	<b><u>175,566</u></b>
<b>Unit price NAV at the end of the period</b>	<b><u>175,792</u></b>

#### Redeemable Units and Capital Risk Management

The Fund issues redeemable units. The net asset value of the units is shown in the Statement of Financial Position as Funds Attributable to Unitholders. Each Unitholder is entitled to payment based on the value of the Unitholder's share in the Fund's net asset value on the redemption date. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units.

The relevant movements are shown on the Statement of Changes in Funds Attributable to Unitholders. In accordance with the objectives outlined in the Accounting Policies and the risk management policies in Note 13. The Fund invests predominantly in liquid securities and hence has daily application and redemptions. Market conditions can, however, change resulting in some assets becoming difficult to sell. Hence, if the Fund were to experience liquidity problems the Manager may defer or suspend redemptions for a period of time.

Each unit in the Fund ranks equally and provides Unitholders with a beneficial interest of the Fund. Unitholders have various rights under the Trust Deed of the Fund, including the rights to:

- Have their units redeemed;
- Receive the Unitholders' funds of the Fund upon termination of the Fund; and
- Receive distributions distributed by the Manager.

### 9. RECONCILIATION OF NET PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	31 March 2017 \$'000
<b>NET PROFIT</b>	<b>1,199</b>
<i>Adjustments for:</i>	
Payments for the purchase investments and derivatives	(21,806)
Proceeds from sales of investment securities and derivatives	8,976
Gain on investments and derivatives	(1,781)
Foreign exchange loss	491
<i>Changes in assets and liabilities:</i>	
Increase in receivables	(787)
Increase in payables	45
Take on interest receivable	826
<b>Net cash outflow from operating activities</b>	<b><u>(12,837)</u></b>

## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

#### 10. CLASSIFICATION OF FINANCIAL INSTRUMENTS

31 March 2017

	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
Cash and cash equivalents	-	-	2,375	-	2,375
Receivables	-	-	795	-	795
Investment securities designated at fair value through profit or loss	-	173,091	-	-	173,091
Derivatives held for trading	3,971	-	-	-	3,971
Margin accounts	-	-	722	-	722
<b>Total Assets</b>	<b>3,971</b>	<b>173,091</b>	<b>3,892</b>	<b>-</b>	<b>180,954</b>
<b>LIABILITIES</b>					
Derivatives held for trading	2,540	-	-	-	2,540
Payables	-	-	-	2,848	2,848
<b>Total Liabilities</b>	<b>2,540</b>	<b>-</b>	<b>-</b>	<b>2,848</b>	<b>5,388</b>

#### 11. MATURITY ANALYSIS

The Fund invests in a diversified portfolio of actively managed fixed interest securities, cash and derivatives.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	Within 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000
<b>ASSETS</b>			
Cash at bank	2,375	-	2,375
Receivables	795	-	795
Investment securities designated at fair value through profit or loss	52,350	120,741	173,091
Derivatives held for trading	1,469	2,502	3,971
Margin accounts	722	-	722
<b>Total Assets</b>	<b>57,711</b>	<b>123,243</b>	<b>180,954</b>
<b>LIABILITIES</b>			
Payables	2,848	-	2,848
Derivatives held for trading	1,648	892	2,540
<b>Total Liabilities</b>	<b>4,496</b>	<b>892</b>	<b>5,388</b>



## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

#### 12. RELATED PARTY TRANSACTIONS

##### Management Fees

As outlined in the Fund's Product Disclosure Statement, the Fund incurs management fees fixed charges of 0.60% of net asset value excluding GST. These charges include day-to-day normal expenses, the Manager fee, the Investment Management fee, the Supervisor fee, administration services costs, bank fees and other various costs incurred such as audit fees, legal fees, valuers and other adviser costs

The Supervisor of the Fund is Public Trust, no fee had been charged to the Fund by the Supervisor as at 31 March 2017.

##### Manager fee

The Manager of the Fund is Implemented Investment Solutions Limited. For the period ended 31 March 2017, the Fund was charged Manager fees of \$44,620 with \$44,620 outstanding at the period end.

#### 13. FINANCIAL RISK MANAGEMENT

##### Strategy in Using Financial Instruments

The objective of the Fund is to provide a total return, before costs and tax, 1% higher than Bloomberg Barclays Global Aggregate Index and 100% hedged back New Zealand dollar over 3 years plus period.

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund uses derivative financial instruments to actively manage portfolio risk where this is more efficient than trading the underlying physical asset. Derivative exposures are generally collateralised and the total risk exposure, both physical and derivative, must fall under mandate risk constraints. Derivatives are not used to leverage the portfolio.

##### 13a. Market Price Risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund's overall market positions are monitored on a daily basis by the Investment Manager. The Fund's derivative financial instruments (excluding interest rate swaps) are susceptible to market price risk arising from uncertainties about future values of the investment.

At 31 March 2017 the overall market exposure were as follows:

31 March 2017  
Fair value  
\$'000

Futures	429
Options	40
Swaps excluding IRS	450
To-be-announced forwards	179

The table below shows the sensitivity analysis to a reasonably possible change in market price with all other variables held constant. As at 31 March 2017 the analysis is based on the assumptions that the market price movement increased or decreased by 10%. The Manager believes the 10% market price movement assumption to be management's best estimate of reasonable possible change in current market condition.

	31 March 2017	
	Profit or loss or	Unitholders' Funds
	10% increase	10% decrease
	\$'000	\$'000
Futures	3,264	(3,264)
Options	4	(4)
Swaps excluding IRS	45	(45)
To-be-announced forwards	18	(18)

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 13. FINANCIAL RISK MANAGEMENT (Continued)

#### 13b. Currency Risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund predominantly invests in international fixed interest securities and therefore is subject to risk due to fluctuations in the prevailing currency exchange rate. A change in exchange rates would impact the New Zealand dollar equivalent market value of the Fund's underlying investments.

The Fund holds financial instruments denominated in currencies other than the New Zealand dollar, the functional currency, at year end. It is therefore exposed to currency risk. The foreign currencies in which the Fund primarily transacts are Australian dollar ("AUD"), US dollar ("USD"), Canadian dollar ("CAD"), British Pound ("GBP"), Euro ("EUR"), Japanese Yen ("JPY") and other various currencies.

The Fund enters into forward exchange contracts designed to economically hedge the currency exposure of the underlying investments. The foreign exchange contracts are held to mitigate the currency exposure by aiming to be fully hedged to the New Zealand dollars. The Investment Manager has a limited discretion to take some currency risk within the overall risk constraint of the portfolio. Accordingly at any point in time currency risk is limited to the currency market movement on the unhedged portion of the portfolio, typically recent gains and losses that have not been hedged.

The foreign exchange risk disclosures have been prepared on the basis of the Fund's direct investments and not on a full look through basis for investments held indirectly through other funds.

The table below summaries the Fund's exposure to foreign currency risk in New Zealand dollar value of the monetary and non-monetary assets and liabilities.

2017

	AUD \$000	CAD \$000	EUR \$000	GBP \$000	JPY \$000	USD \$000	Others \$000
<b>Monetary assets and liabilities</b>							
Foreign cash and cash equivalents	10	10	199	18	19	2,090	28
Margin accounts	(10)	40	219	156	(76)	424	(30)
Receivables/(Payables)	-	57	(817)	73	5	(1,545)	210
Interest bearing securities	357	7,771	18,044	14,880	15,816	102,278	37,279
Derivatives excluding FFX	12	(32)	(127)	(144)	64	1,814	47
	<u>369</u>	<u>7,846</u>	<u>17,518</u>	<u>14,983</u>	<u>15,828</u>	<u>105,061</u>	<u>37,534</u>
<b>Forward foreign exchange contracts</b>							
Notional value	<u>(804)</u>	<u>(7,862)</u>	<u>(18,964)</u>	<u>(16,757)</u>	<u>(15,891)</u>	<u>(77,518)</u>	<u>(34,952)</u>

2017

	Monetary assets and liabilities			
	Profit or loss		Unitholders' Fund	
	10% increase	10% decrease	10% increase	10% decrease
	\$'000	\$'000	\$'000	\$'000
AUD	44	(44)	44	(44)
CAD	3	(3)	3	(3)
EUR	148	(148)	148	(148)
GBP	180	(180)	180	(180)
JPY	9	(9)	9	(9)
USD	(2,752)	2,752	(2,752)	2,752
Other	(236)	236	(236)	236

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 13. FINANCIAL RISK MANAGEMENT (Continued)

#### 13c. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund invests in fixed interest securities and so is exposed to risks arising from the fluctuation in the market interest rates which impact its financial position and cash flows. Interest rate risk is actively managed within the terms of the investment guidance for the Fund as agreed with the Manager.

In accordance with the Fund's policy, the Investment Manager monitors and the Manager reviews the Fund's overall interest sensitivity on a regular basis.

The following table analyses the Fund's interest rate risk exposure. The analysis has been prepared on the basis of the remaining period to contractual repricing or maturity dates.

31 March 2017

	Within 6 months \$'000	Between 6- 12 months \$'000	Between 1- 2 years \$'000	Between 2- 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>ASSETS</b>						
Cash and cash equivalents	2,375	-	-	-	-	2,375
Interest-bearing securities	36,726	15,624	5,730	18,932	96,079	173,091
Interest rate swaps	-	-	-	-	597	597
<b>Total Financial Assets subject to Interest Rate Risk</b>	<b>39,101</b>	<b>15,624</b>	<b>5,730</b>	<b>18,932</b>	<b>96,676</b>	<b>176,063</b>

The table below show the sensitivity of the Fund's profit or loss and equity to a reasonably possible change in interest rates with all other variables remaining constant. The sensitivity of the income statement is the effect of the assumed changes in interest rates on:

- 1) The interest income for the period based on floating rate financial assets held as at 31 March 2017.
- 2) Changes in fair value of investments for the period based on revaluing fixed rate financial assets as at 31 March 2017.

	31 March 2017			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Interest bearing securities	15	(15)	(13,733)	12,723
Interest rate swaps	-	-	1,048	(1,345)
Futures	-	-	(63)	69



## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

#### 13. FINANCIAL RISK MANAGEMENT (Continued)

##### 13d. Credit Risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a loss. The Investment Manager has a counterparty approval process (their risk committee approves all counterparties). All credit assets are individually assessed, rated and monitored by the Investment Manager, the Investment Manager does not rely on external rating agency credit assessment.

With respect to credit risk arising from the financial assets of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The Fund's cash and cash equivalents balances are held with Westpac New Zealand Limited (AA- Standard & Poor's ("S&P") credit rating) and BNP Paribas Securities Services (A S&P credit rating).

At the 31 March 2017 substantially all assets are placed in custody with BNP Paribas, which has a S&P credit rating of A .

The table below shows the S&P credit rating grade or the S&P credit rating equivalents grade of each class of the Fund's debt securities that are subject to credit risk as at 31 March 2017.

##### 31 March 2017

	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Less than B- \$'000	No rating \$'000	Total \$'000
Overseas and local government securities	25,829	24,139	4,470	7,398	1,178	63,014
Other overseas fixed interest securities	48,943	2,155	15,477	10,714	16,400	93,689
NZ fixed interest securities	211	-	-	-	727	938
Interest rate swaps	-	1,076	-	-	-	1,076
Swaps (excluding interest rate swaps)	-	604	-	-	-	604
Forward foreign exchange contracts	246	1,020	-	-	-	1,266
	<u>75,229</u>	<u>28,994</u>	<u>19,947</u>	<u>18,112</u>	<u>18,305</u>	<u>160,587</u>

As outlined in the Statement of Investment Policy and Objectives of the Hunter Investment Funds, PIMCO is the Investment Manager. PIMCO's fixed income philosophy revolves around the principle of diversification that no single risk should dominate returns.

The Investment Manager is responsible for assessing and monitoring the creditworthiness of borrower, guarantors, issuers of debt securities, acceptors of bills of exchange, counterparties to any over the counter derivatives contracts or other sources of credit risk. The minimum average credit rating of the portfolio is A-.

Credit ratings refer to Standard & Poor's, Moody's, Fitch or equivalent by other independent rating agencies.

At 31 March 2017, none of these financial assets, which are with no credit rating are past due or impaired

##### 13e. Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due.

The Fund is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that can be readily converted to cash.

## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

#### 13. FINANCIAL RISK MANAGEMENT (Continued)

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

31 March 2017	Statement of Financial Position	Contractual cash flows	Within 6 months	Between 6- 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>							
Cash and cash equivalents	2,375	2,375	2,375	-	-	-	-
Receivables	795	795	795	-	-	-	-
Margin accounts	722	722	722	-	-	-	-
<b>Total</b>	<b>3,892</b>	<b>3,892</b>	<b>3,892</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>							
Payables	2,848	2,848	2,848	-	-	-	-
<b>Total</b>	<b>2,848</b>	<b>2,848</b>	<b>2,848</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The table below analyses the net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

The contractual cash flows are based on the spot rate as at 31 March 2017.

31 March 2017	Statement of Financial Position	Contractual cash flows	Within 6 months	Between 6- 12 months	Between 1- 2 years	Between 2- 5 years	Over 5 years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Derivatives Held for Trading</b>							
<b>Assets</b>							
<i>Foreign forward exchange contracts</i>	1,266						
Inflow		466,790	460,740	4,857	1,193		
Outflow		(465,183)	(459,258)	(4,773)	(1,152)	-	-
<i>To-Be-Announced forwards</i>	179						
Inflow		179	179	-	-	-	-
<i>Interest rate swaps</i>	1,126						
Inflow		7,176	478	478	970	2,458	2,791
Outflow		(1,018)	(51)	(51)	(103)	(308)	(505)
<i>Credit default swaps</i>	604						
Inflow		33,219	-	-	-	26,382	6,837
Outflow		(32,615)	-	-	-	(25,892)	(6,723)
<i>Options</i>	40						
Inflow		40	-	40	-	-	-
<i>Futures</i>	756						
Inflow		756	-	-	756	-	-

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 13. FINANCIAL RISK MANAGEMENT (Continued)

31 March 2017	Statement of Financial Position	Contractual cash flows	Within 6 months	Between 6- 12 months	Between 1- 2 years	Between 2- 5 years	Over 5 years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Derivatives Held for Trading</b>							
<b>Liabilities</b>							
<i>Foreign forward exchange contracts</i>	1,648						
Inflow		321,954	321,954	-	-	-	-
Outflow		(323,601)	(323,601)	-	-	-	-
<i>Interest rate swaps</i>	411						
Inflow		19	1	1	1	4	12
Outflow		(8,050)	(1,001)	(1,001)	(1,687)	(1,276)	(3,085)
<i>Credit default swaps</i>	154						
Inflow		11,016	-	-	-	-	11,016
Outflow		(11,170)	-	-	-	-	(11,170)
<i>Futures</i>	327						
Outflow		(327)	-	-	(155)	(172)	-

### 13f. Fair Value of Financial Instruments

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measured at 31 March 2017.

	31 March 2017			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
<i>Financial assets held at fair value through profit or loss</i>				
International fixed interest securities	-	173,091	-	173,091
	<u>-</u>	<u>173,091</u>	<u>-</u>	<u>173,091</u>
<i>Held for Trading:</i>				
Forward foreign exchange contracts	-	1,266	-	1,266
To-Be-Announced forwards	-	179	-	179
Interest rate swaps	-	1,126	-	1,126
Credit default swaps	-	604	-	604
Options	-	40	-	40
Futures	756	-	-	756
	<u>756</u>	<u>3,215</u>	<u>-</u>	<u>3,971</u>
<b>Financial liabilities</b>				
<i>Held for Trading:</i>				
Forward foreign exchange contracts	-	1,648	-	1,648
Interest rate swaps	-	411	-	411
Credit default swaps	-	154	-	154
Futures	327	-	-	327
	<u>327</u>	<u>2,213</u>	<u>-</u>	<u>2,540</u>

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 13. FINANCIAL RISK MANAGEMENT (Continued)

The fair value of fixed interest securities at the reporting date are based on quoted market prices or binding dealer price quotations. The government fixed interest securities and corporate fixed interest bonds are included within level 2.

The fair value of exchange-traded futures is based on quoted market prices and is included within level 1.

The Fund uses widely recognised valuation models for determining fair values of over-the-counter derivatives. For these financial instruments, inputs into models are market observable and are therefore included within level 2. The fair values of forward foreign exchange contracts are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles. The fair values of To-Be-Announced forwards are calculated by reference to underlying bond prices. The fair value of credit default swaps is based on the quoted market prices and included in within level 2. The fair value of the interest rate swaps is calculated by the yield curve of underlying interest securities interest rates and is included in the within level 2.

Due to their short term nature, carrying amounts of cash and cash equivalents, margin accounts, receivables, net assets attributable to Unitholders and payables stated in the Statement of Financial Position approximate their fair value.

#### *Transfers between levels of the fair value hierarchy*

There were no transfers between levels in the period ended 31 March 2017.

### 13g. Financial Assets and Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

The Fund holds derivative financial instruments:

The following table presents the recognised financial assets and liabilities that are subject to offsetting, or other similar arrangements but not offset, as at 31 March 2017.

	31 March 2017					
				Related amounts not set-off in the statement of financial position		
	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>FINANCIAL ASSETS</b>						
Derivatives - FFX Contracts	1,266	-	1,266	(1,266)	-	-
Derivatives - Futures & Options	796	-	796	(327)	-	469
Derivatives - Swaps	1,730	-	1,730	(565)	-	1,165
<b>Total Financial Assets</b>	<b>3,792</b>	<b>-</b>	<b>3,792</b>	<b>(2,158)</b>	<b>-</b>	<b>1,634</b>
<b>FINANCIAL LIABILITIES</b>						
Derivatives - FFX Contracts	1,648	-	1,648	(1,266)	-	382
Derivatives - Futures & Options	327	-	327	(327)	-	-
Derivatives - Swaps	565	-	565	(565)	-	-
<b>Total Financial Liabilities</b>	<b>2,540</b>	<b>-</b>	<b>2,540</b>	<b>(2,158)</b>	<b>-</b>	<b>382</b>

### 14. CONTINGENT LIABILITIES AND COMMITMENTS

Other than derivatives, the Fund had no material commitments or contingencies at 31 March 2017.

### 15. EVENTS SUBSEQUENT TO BALANCE DATE

No significant events occurred after balance date.





## *Independent auditor's report*

To the unitholders of the Hunter Global Fixed Interest Fund (the Fund)

The Fund's financial statements comprise:

- the statement of financial position as at 31 March 2017;
- the statement of profit or loss and other comprehensive income for the period then ended;
- the statement of changes in funds attributable to unitholders for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### *Our opinion*

In our opinion, the Fund's financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 2017, its financial performance and its cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Fund in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Fund.

### *Information other than the financial statements and auditor's report*

Implemented Investment Solutions Limited (the Manager) is responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

---

### *Responsibilities of the Manager for the financial statements*

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

This description forms part of our auditor's report.

### *Who we report to*

This report is made solely to the Fund's unitholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's unitholders, as a body, for our audit work, for this report or for the opinions we have formed.

---

The engagement partner on the audit resulting in this independent auditor's report is Richard Day.  
For and on behalf of:

A handwritten signature in blue ink, appearing to read 'Richard Day'.

Chartered Accountants  
25 July 2017

Auckland