

Summer Global Fixed Interest

Summer
KiwiSaver Scheme
My Plan

Summer Global Fixed Interest fund performance summary as at 31 December 2017

Fund at a glance

Unit price (as at 31 December 2017): \$1.0263

Date the fund started: 19 September 2016

Annual fund charges: 0.90% pa. of the value of the investment plus GST

Account fee: \$36 per member per year

Manager: Forsyth Barr Investment Management Limited

For more information about the fund, please see the fund's product disclosure statement and most recent fund update at www.summer.co.nz

Fund objective and strategy

The fund invests in selected international fixed interest assets. We aim to achieve positive long-term returns. These kinds of investments will typically have low to moderate levels of movement up and down in value. They can be suitable for someone who wants to achieve higher returns than those expected from investing solely in cash, but with the possibility of some variation in returns.

Risk indicator

Managed funds in New Zealand must have a standard risk indicator. The risk indicator is designed to help members understand the uncertainties both for loss and growth that may affect their investment. You can compare funds using the risk indicator. Below is the risk indicator for the Summer Global Fixed Interest fund:



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way. Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating. This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 31 December 2017. While risk indicators are usually relatively stable, they do shift from time to time.

Fund returns

Annualised total since inception	1 Month	3 Months	1 Year
1.55%	-0.21%	0.24%	2.90%

Fund returns are calculated net of fund charges, trading expenses and accrued tax for a New Zealand resident individual paying tax at the highest Prescribed Investor Rate (28%).

Top 10 Investments

	Asset Name	% of fund net assets
1	ANZ Cash Deposit	9.37%
2	Italy, Republic of (Government) 0.000% 30/04/2018	4.13%
3	Government of Japan 0.00% 22/01/2018 GB	3.11%
4	Italy, Republic of (Government) 0.000% 31/01/2018	1.67%
5	United States Treasury 15/01/25 0.25% ILB	1.13%
6	United Kingdom (Government) 1.5% 22/01/2021	1.02%
7	New Zealand Local Government Funding Agency Ltd 15/05/2021 6.00%	1.01%
8	Transpower New Zealand Ltd 30/06/2022 4.30%	1.00%
9	United Kingdom (Government) 3.50% 01/22/2045	0.96%
10	Credit Agricole Sa 8.125% 19/09/33	0.93%
Total value of top 10 assets		24.34%

Manager's comments

Fund Performance

Summer Global Fixed Interest reported a loss of 0.21% for the month, but delivered returns of 0.24% for the three months to December and 2.90% for the year.

Market Commentary

While we were caught by surprise by the strength of the move lower in global bond yields earlier this year we believe the increase in global bonds yields, in general, over the December quarter, will set the tone for the rest of 2018. Indeed, we point to positive economic metrics globally and the gradual reduction in global monetary policy as likely to push global bond yields and interest rates higher.

The Federal Reserve steadily increased its official cash rates over 2017 and to us is on track to continue the normalisation of monetary policy (higher cash rates) into this year and the next.

Given the recent tax cuts delivered to corporate America and the upbeat business and consumer sentiment evident at the end of last we think the story will be all about inflation this year.

Portfolio Positioning

As United States bond rates moved towards cycle highs over December we took the opportunity to increase the fund's exposure to international fixed interest, which now constitutes around 75% of the portfolio, retaining the remainder in domestic fixed interest and cash.

Our next move is to wait and only when we believe that global yields have reached appropriate levels (as a proxy we use the US Government 10-year bond rate which currently sits around 2.55% versus our target of 3.00%) will we further increase the fund's exposure to international fixed interest.

Outlook

We believe the building blocks are in place for a resurgence in global inflation. We expect other central banks to join the US regulator by withdrawing the monetary policy stimulus that has been in place for some time now.

For more information on the Summer Global Fixed Interest fund or the other Summer KiwiSaver scheme funds, or to read the latest Quarterly Fund Update visit www.summer.co.nz/performance.

The Summer KiwiSaver Scheme is managed by Forsyth Barr Investment Management Ltd. You can obtain the Scheme's product disclosure statement and further information about the Scheme at www.summer.co.nz from one of our offices, or by calling us on 0800 11 55 66. Forsyth Barr Investment Management Ltd is a licenced manager of registered schemes and part of the Forsyth Barr group of companies. Disclosure statements are available from Martin Hawes and your Forsyth Barr Authorised Financial Adviser, on request and free of charge.

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