

# Russell Investments NZ Fixed Interest Fund

## Report and Update

30 November 2017

### Fund Commentary

The performance in this fact sheet is gross of fees and tax. Investors should also refer to the quarterly Fund Update, which is available on [iisolutions.co.nz](http://iisolutions.co.nz) and [business.govt.nz/disclose](http://business.govt.nz/disclose).

The Russell Investments NZ Fixed Interest Fund returned 0.76% in November, in line with its benchmark, which returned 0.75% (being a 75:25 weighted average of the S&P/NZX NZ Government Stock Index and the S&P/NZX A-Grade Corporate Index).

### Performance Commentary

The Fund's performance was reasonably strong during the month, with moderate falls in long-term bond yields. Losses from duration positioning were offset with small gains from credit, relative value trades and sector selection.

Overall, volatility in the market was quite low and did not offer tremendous opportunity for active management. The Fund has been positioned for higher long-term bond yields, but in November rates fell. Part of this was driven by the surprise decision by Treasury's Debt Management Office to postpone a large placement of 2029 bonds. Falling Australian bond yields and weakness in domestic business confidence also contributed.

Global themes changed only modestly in November. Chinese growth looks to be weakening, but not sharply. Inflation pressures are gradually emerging and the appointment of Jerome Powell as the new US Fed Governor signals continuity in the approach to monetary policy.

### Investment Performance and Positions

The following information provides investment performance and positions within the underlying portfolio. Please note that the position information is indicative only and is provided for general information purposes only.

Returns to 30 November 2017 (% gross of tax and fees)					
	Month	3 Months	1 Year	2 Years	3 Years
Fund	0.76%	1.57%	5.41%	5.02%	5.73%
Index*	0.75%	1.34%	4.58%	4.37%	5.16%

\*As at 1 December 2014 the benchmark is 75:25 weighted average of the S&P/NZX NZ Government Stock Index and S&P/NZX A-Grade Corporate Index. Prior to this date the benchmark was the S&P/NZX NZ Government Stock Index.



Portfolio Information		
	Fund	Index*
Duration	3.69 years	4.42 years
Yield	2.7%	2.4%
Average Quality/Rating	AA	AA-
Number of issuers	44	15

Credit rating		
	Fund	Index*
AAA	12.2%	0.9%
AA+	44.8%	75.0%
AA to A-	36.2%	24.1%
BBB	4.8%	-
Non-rated	2.0%	-
Total	100.0%	100.0%

Top 10 Issuers		
	Fund	Index*
NZ Government	44.8%	75.0%
NZ Local Government	7.8%	8.4%
Bank of New Zealand	3.4%	3.2%
Kommunalbanken AS	3.3%	0.0%
Fonterra Co-operative Group	3.3%	0.9%
Westpac New Zealand	3.1%	2.6%
ANZ Bank New Zealand	2.9%	2.3%
Inter-American Development	2.7%	0.0%
Rabobank UA/New Zealand	2.6%	0.9%
ASB Bank	2.6%	2.0%

\* 75% S&P/NZX NZ Government Stock Index, 25% S&P/NZX A-Grade Corporate Bond Index

### Contact Details

Implemented Investment Solutions Limited  
PO Box 25003, Featherston Street, Wellington  
Tel: 04 499 9654 or 0800 499 466  
Email: [contact@iisolutions.co.nz](mailto:contact@iisolutions.co.nz) or  
[anthonyedmonds@iisolutions.co.nz](mailto:anthonyedmonds@iisolutions.co.nz)  
Web: [www.iisolutions.co.nz](http://www.iisolutions.co.nz)



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