

Fund Update

For the quarter ended 31 December 2017

- Hunter Investment Funds
- Hunter Global Fixed Interest Fund

This fund update was first made publicly available on: 31 January 2018

What is the purpose of this update?

This document tells you how the Hunter Global Fixed Interest Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Implemented Investment Solutions Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this fund

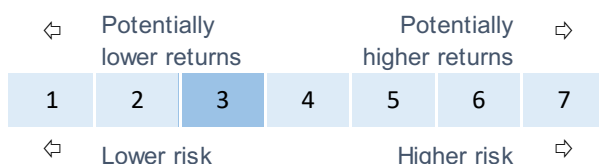
Objective: to provide a total return, before costs and tax, 1% higher than the Bloomberg Barclays Global Aggregate Index – 100% New Zealand dollar hedged over the long term.

Strategy: 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. The fund targets being fully hedged to New Zealand dollars).

| | |
|---------------------------|------------------|
| Total value of the fund | \$NZ 595,137,544 |
| The date the fund started | 15 March 2017 |

What are the risks of investing?

Risk indicator for the Hunter Global Fixed Interest Fund.¹



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. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz.

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 a combination of actual and market index returns data for the 5 years to 31 December 2017. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

See the product disclosure statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

| | Past year |
|--|----------------|
| Annual return (after deductions for charges and tax) | Not applicable |
| Annual return (after deductions for charges but before tax) | Not applicable |
| Market index annual return (reflects no deduction for charges and tax) | 4.01% |

The market index return is the Bloomberg Barclays Global Aggregate Index – 100% New Zealand dollar hedged. Additional information about the market index is available on the offer register at www.companiesoffice.govt.nz/disclose.

What fees are investors charged?

Investors in the Hunter Global Fixed Interest Fund are charged fund charges which are:

| | % of net asset value |
|---|----------------------|
| Total fund charges | 0.62% |
| Which are made up of - | |
| Total management and administration charges | 0.62% |
| Including - | |
| Manager's basic fee (including GST) | 0.62% |
| Other management and administration charges (including GST) | 0.00% |

The 'manager's basic fee' has been estimated. See Note 2 at the end of this fund update for more information about this estimate.

The 'other management and administration charges' have also been estimated. See Note 3 at the end of this fund update for more information about this estimate.

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the PDS for the Hunter Investment Funds on the offer register at www.companiesoffice.govt.nz/disclose for more information about those fees.

Example of how this applies to an investor⁴

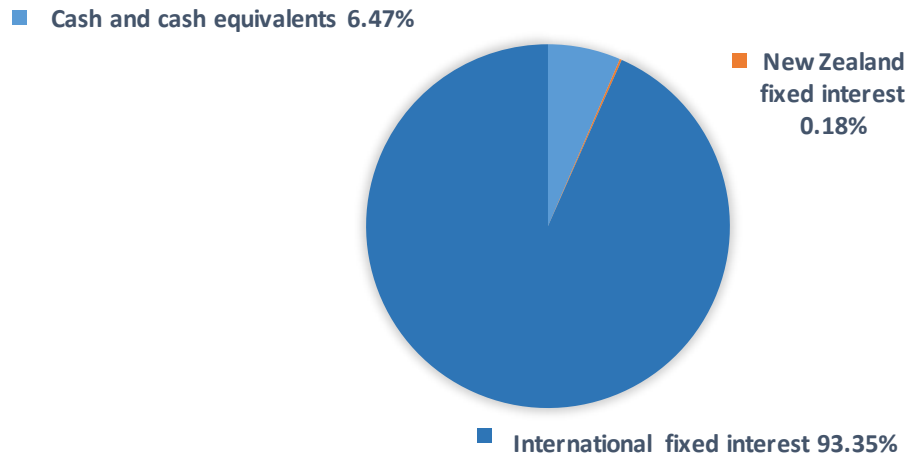
Small differences in fees and charges can have a big impact on your investment over the long term.

Anthony had \$10,000 in the fund when the fund received its first contribution, on 15 March 2017, and did not make any further contributions. At the end of the period to 31 December 2017 Anthony received a return after fund charges were deducted of \$481 (that is 4.81% of his initial \$10,000). This gives Anthony a total return after tax of \$345 for the period.

What does the fund invest in?

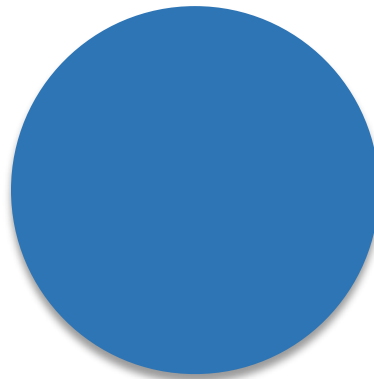
This shows the types of assets that the fund invests in.

Actual investment mix



Target investment mix

International fixed interest 100%



Top 10 investments

| | Name | % of Fund net assets | Type | Country | Credit Rating (if applicable) |
|----|---|----------------------|------------------------------|---------|-------------------------------|
| 1 | FNMA TBA 4.0% Feb. 30 year | 6.26% | International fixed interest | US | AA+ |
| 2 | Japan Treasury Discount Bill (12/03/2018) | 6.18% | Cash and cash equivalents | JP | A1 |
| 3 | FNMA TBA 3.5% Feb. 30 year | 6.17% | International fixed interest | US | AA+ |
| 4 | Japan Treasury Discount Bill (13/02/2018) | 4.99% | Cash and cash equivalents | JP | A1 |
| 5 | Italian BTP Bills (30/04/2018) | 4.74% | Cash and cash equivalents | IT | A2 |
| 6 | US Treasury (31/01/2022) | 3.23% | International fixed interest | JP | AA+ |
| 7 | USD BNP Paribas account | 3.17% | Cash and cash equivalents | US | A1 |
| 8 | FNMA TBA 4.0% Mar. 30 year | 2.46% | International fixed interest | US | AA+ |
| 9 | FNMA TBA 3.5% Mar. 30 year | 2.42% | International fixed interest | US | AA+ |
| 10 | Italian BTP Bills (31/01/2018) | 2.16% | International fixed interest | IT | A2 |

The top 10 investments make up 41.78% of the net asset value of the fund.

Key personnel

This shows the directors and employees who have the most influence on the investment decisions of the fund.

| Name | Current position | Time in current position | Previous position | Time in previous position |
|-----------------|--|--------------------------|--|---------------------------|
| Anthony Edmonds | Managing Director, Implemented Investment Solutions Limited | 7 years 2 months | Financial Services Consultant | 1 years 2 months |
| Hugh Stevens | Manager, Fund Hosting, Implemented Investment Solutions Limited | 2 years 5 months | Global Head of Private Markets Funds Services, BNP Paribas Securities Services | 3 years 7 months |
| Tony Hildyard | Managing Director, Hunter Investment Management Limited | 1 years 3 months | Country Head New Zealand, PIMCO Australia Pty Ltd | 7 years 5 months |
| Sachin Gupta | Executive Vice President and Global Portfolio Manager, Pacific Investment Management Co. | 14 years 0 months | Member of ABN AMRO Bank fixed income and currency derivatives group | 5 years 9 months |
| Andrew Balls | CIO Global Fixed Income, Pacific Investment Management Co. | 4 years 1 months | Head of European Portfolio Management, Pacific Investment Management Co. | 7 years 0 months |

Further information

You can also obtain this information, the PDS for the Hunter Investment Funds, and some additional information from the offer register at www.companiesoffice.govt.nz/disclose.

Notes

- ¹ A combination of actual fund returns and market index returns have been used to determine the risk indicator as the fund has not been operating for the required five years. The risk indicator may therefore provide a less reliable indicator of the fund's future volatility. Market index returns have been used for the period to 15 March 2017.
- ² As the GST component of fund charges (such as Supervisor and Manager fees) varies we have estimated GST using the estimated mix of underlying fund charges.
- ³ We have assumed there are no extraordinary expenses such as costs of any litigation or unitholder meetings.
- ⁴ As the fund has not existed for a full year, this calculation is based on the returns from the date of the first fund contribution (15 March 2017).