

| Fund Information      | 30 April 2020   |          |        |           |
|-----------------------|---|----------|--------|-----------|
| Fund Size             | \$781 million   |          |        |           |
| Fund Type             | PIE   |          |        |           |
| Investment management | PIMCO   |          |        |           |
| Benchmark             | Bloomberg Barclays Global Aggregate Index - \$NZ hedged |          |        |           |
| Performance (gross)   | 1 month   | 3 months | 1 Year | 3 Year pa |
| Portfolio (%)         | +2.25%  | -1.07%   | +5.35% | +4.62%    |
| Benchmark (%)         | +1.59%  | +1.13%   | +7.70% | +4.91%    |
| Alpha (%)             | +0.66%  | -2.20%   | -2.35% | -0.29%    |

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 [hunterinvestments.co.nz](http://hunterinvestments.co.nz) and [business.govt.nz/disclose](http://business.govt.nz/disclose).

### Performance update

The Hunter Global Fixed Interest Fund outperformed its benchmark in April as market liquidity improved under sustained monetary and fiscal support from the regulators.

Overweights to US duration and high quality investment grade financials added value as spreads tightened and interest rates generally declined as the Federal Reserve reaffirmed its commitment to accommodative monetary policy. Holdings of securitised assets, particularly non-agency MBS, also added value benefiting from Fed support. However, our overweight to European peripheral rates, particularly Italy and Spain, detracted value on the back of Eurozone political tensions and growing credit quality concerns. Underweights to investment grade industrials and utilities also detracted, with spreads contracting as central bank support programmes took hold. Similarly, an underweight to UK duration also detracted in the face of sustained BoE purchases.

### Investment markets

Improving COVID-19 trends and plans to re-open businesses saw major equity markets rally, the S&P 500 recorded its best monthly gain since 1987. Core developed markets interest rates and risk assets generally rallied while the USD was broadly flat, all boosted by large scale policy responses, on top of monetary support, and ongoing news of potential coronavirus treatments. Markets have, for the moment, shrugged off weaker economic data, global PMI's were largely below consensus and well below the worst

point in the GFC. In the US, jobless claims spiked consistent with a 20% unemployment rate and Q1 GDP contracted 4.8%. Oil was the big loser, WTI crude traded as low as -\$40 per barrel despite OPEC and other large oil producers agreeing to cut global supply by 10% (the largest cut in history) but piling in comparison with the ~30% collapse in demand and storage capacity issues.

### Portfolio positioning

PIMCO is maintaining a cautious view towards both interest rates and corporate credit, with a focus on relative value positions and diversified alpha strategies. Within broader risk exposures, they maintain tactical tilts designed to benefit across a range of scenarios given the increasingly fragile environment.

The Fund's duration is currently in line with the index at 7.2 years with a bias to increase if yields back up. PIMCO still prefers U.S. duration for its resilience should the global economy worsen.

The Fund remains underweight to corporate credit generally, while targeting shorter maturities and financials.

Securitised assets (Agency and non-agency mortgages, U.K. mortgages and Danish covered bonds) remain PIMCO's preferred way to take spread exposure. The Fund is also long Italian Government bonds vs Germany which should benefit from spread contraction as QE takes hold.

The Fund is also long US TIPS given their depressed valuations.

Currency strategies are largely tactical or target diversification for the portfolio. Current key exposures include a long JPY position (which serves as a "risk off" diversifier for the Fund) and to a small basket of emerging markets currencies.

**Tony Hildyard** - 021 830 720

[tonyhildyard@hunterinvestments.co.nz](mailto:tonyhildyard@hunterinvestments.co.nz)

**Manager: Implemented Investment Solutions Limited**

[contact@iisolutions.co.nz](mailto:contact@iisolutions.co.nz)

0800 499 466

This Report is provided by Hunter Investment Management Limited (Hunter) in good faith and is designed as a summary to accompany the Product Disclosure Statement for the Hunter Global Fixed Interest Fund (the Fund). The Product Disclosure Statement is available from Hunter, or the issuer Implemented Investment Solutions Limited (IIS) on <https://iisolutions.co.nz/library/>, and on <https://disclose-register.companiesoffice.govt.nz/>. The information contained in this Report and Update is not an offer of units in the Fund or a proposal or an invitation to make an offer to sell, or a recommendation to subscribe for or purchase, any units in the Fund. Any person wishing to apply for units should contact IIS to get an application form. The information and any opinions in this Report and Update are based on sources Hunter believes are reliable and accurate. Hunter, its directors, officers and employees make no representations or warranties of any kind as to the accuracy or completeness of the information contained in this fact sheet and disclaim liability for any loss, damage, cost or expense that may arise from any reliance on the information or any opinions, conclusions or recommendations contained in it, whether that loss or damage is caused by any fault or negligence on the part of Hunter, or otherwise, except for any statutory liability which cannot be excluded. All opinions reflect Hunter's judgment on the date of this Report and are subject to change without notice. This disclaimer extends to any entity that may distribute this publication and in which IIS or its related companies have an interest. The information in this Report and Update is not intended to be financial advice for the purposes of the Financial Advisers Act 2008 or the Financial Markets Conduct Act 2013. In particular, in preparing this document, Hunter did not take into account the investment objectives, financial situation and particular needs of any particular person. Professional investment advice from an appropriately qualified adviser should be taken before making any investment. Past performance is not necessarily indicative of future performance, unit prices may go down as well as up and an investor in the fund may not recover the full amount the capital that they invest. No part of this document may be reproduced without the permission of Hunter or IIS. IIS is the manager of the Fund and will receive the management fees as set out in the Product Disclosure Statement.

30 April 2020

**Hunter Global Fixed Interest Fund  
Investment Portfolio Characteristics**



| Investment Statistics |      |
|-----------------------|------|
| Effective Duration    | 7.2  |
| Benchmark Duration    | 7.2  |
| Average Maturity      | 10.3 |
| Average Coupon        | 2.2  |
| Average Quality       | AA-  |
| Total Carry           | 3.3  |

| Quality Breakdown           |               |                             |
|-----------------------------|---------------|-----------------------------|
| Market Value<br>% Portfolio |               | Market Value<br>% Benchmark |
| 58.1                        | AAA           | 38.1                        |
| 8.3                         | AA            | 15.2                        |
| 13.8                        | A             | 31.5                        |
| 15.2                        | BBB           | 15.1                        |
| 4.5                         | Sub Inv Grade | 0.0                         |
| 100                         | Total         | 100                         |

| Curve Exposure             |             |                            |                 |                 |
|----------------------------|-------------|----------------------------|-----------------|-----------------|
| Duration Weighted Exposure |             | Duration Weighted Exposure |                 |                 |
| % Portfolio                | % Benchmark |                            | Years Portfolio | Years Benchmark |
| 1.8                        | 0.1         | 0 - 1 years                | 0.1             | 0.0             |
| 1.9                        | 7.7         | 1 - 3 years                | 0.1             | 0.6             |
| 21.2                       | 10.3        | 3 - 5 years                | 1.5             | 0.7             |
| 33.4                       | 25.3        | 5-10 years                 | 2.4             | 1.8             |
| 41.7                       | 56.6        | 10+ years                  | 3.0             | 4.1             |
| 100                        | 100         | Total                      | 7.2             | 7.2             |

| Regional Breakdown by currency of settlement) |             |                            |                 |                 |
|---|-------------|----------------------------|-----------------|-----------------|
| Duration Weighted Exposure                    |             | Duration Weighted Exposure |                 |                 |
| % Portfolio                                   | % Benchmark |                            | Years Portfolio | Years Benchmark |
| 2.1   | 1.1         | Australia/NZ               | 0.1             | 0.1             |
| 16.9  | 20.7        | Japan                      | 1.2             | 1.5             |
| 17.6  | 23.9        | Europe - EMU               | 1.3             | 1.7             |
| 5.4   | 1.4         | Europe - Non EMU           | 0.4             | 0.1             |
| 4.9   | 8.2         | United Kingdom             | 0.4             | 0.6             |
| 46.3  | 38.1        | North America              | 3.3             | 2.7             |
| 4.9   | 4.9         | Emerging Markets           | 0.3             | 0.4             |
| 1.8   | 1.7         | Other                      | 0.1             | 0.1             |
| 100   | 100         | Total                      | 7.2             | 7.2             |

| Sector Breakdown           |             |                            |                 |                 |
|----------------------------|-------------|----------------------------|-----------------|-----------------|
| Duration Weighted Exposure |             | Duration Weighted Exposure |                 |                 |
| % Portfolio                | % Benchmark |                            | Years Portfolio | Years Benchmark |
| 50.5                       | 59.6        | Government                 | 3.6             | 4.3             |
| 3.9                        | 8.1         | Agency/Semi                | 0.3             | 0.6             |
| 19.9                       | 4.3         | Mortgage                   | 1.4             | 0.3             |
| 10.4                       | 18.3        | Inv Grade Corp             | 0.7             | 1.3             |
| 0.5                        | 0.0         | High Yield Corp            | 0.0             | 0.0             |
| 12.6                       | 9.7         | Emerging Markets           | 0.9             | 0.7             |
| 2.3                        | 0.0         | Cash Equivalents           | 0.2             | 0.0             |
| 100                        | 100         | Total                      | 7.2             | 7.2             |

