

### Performance update

The Hunter Global Fixed Interest Fund returned 0.79% for the month of May, outperforming the benchmark return of 0.65% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged).

Global fixed interest markets were strong across the board in May as financial and economic data remained broadly positive and investors weathered geopolitical concerns.

In the US, President Trump faced one of his most tumultuous periods yet. Following his controversial sudden dismissal of James Comey as head of the FBI, reports emerged suggesting the president may have committed or attempted an obstruction of justice. The president caused a further stir with the announcement of the US withdrawal from the Paris climate change agreement.

Emmanuel Macron was confirmed as the new French president. However, while this helped sentiment and European yields, focus shifted to Italy amid rising expectations of an early election. With polls still showing strong support for the populist Five Star Movement party, Italian yields retreated coming into the month end.

Despite the somewhat uneven global backdrop, government yields generally narrowed and were aided by benign inflation data. The 10-year Treasury yield fell from 2.28% to 2.20%. The 10-year gilt and Bund yields fell two basis points apiece to 1.07% and 0.30% respectively. Italian and French spreads narrowed modestly.

### Portfolio position and strategy

PIMCO holds a modest overweight to US duration, while being underweight the front end of the yield curve given potential volatility from a faster than expected hiking cycle. The portfolio remains underweight total duration in Europe, although the underweight to France, Spain and Italy has been reduced on the back of political risk abating.

Within the portfolio there is an overweight to emerging market debt, reflecting the attractive valuations available in this sector.

PIMCO are underweight investment grade corporate credit on the view that valuations appear rich. Within this they continue to favour the financial sector, with a focus on countries with more predictable regulatory and legal frameworks.

Non-Agency mortgage backed securities remains PIMCO's preferred spread sector due to the attractive yields in this sector, and the opportunity for price appreciation in the US housing market.

The portfolio has a long US dollar bias against a basket of emerging market Asian currencies.

### Portfolio characteristics and information

Fund Information	31 May 2017
Fund Size	\$419 million
Fund Type	PIE
Investment management	PIMCO
Benchmark	Bloomberg Barclays Global Aggregate Index - \$NZ hedged

Page 2 provides key portfolio statistics and positioning.

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31 May 2017

Hunter Global Fixed Interest Fund  
Investment Portfolio Characteristics



Investment Statistics	
Effective Duration	6.1
Benchmark Duration	7.0
Average Maturity	9.4
Average Coupon	1.9
Average Quality	AA-
Total Carry	4.1

Quality Breakdown		
Market Value % Portfolio	AAA	Market Value % Benchmark
56	AAA	40
9	AA	17
14	A	27
15	BBB	16
6	Sub Inv Grade	0
100	Total	100

Curve Exposure			
Duration Weighted Exposure % Portfolio	% Benchmark	Duration Weighted Exposure Years Portfolio	Years Benchmark
4	0	0-1 years	0.0
-2	7	1-3 years	-0.1
20	16	3-5 years	1.1
39	14	5-7 years	2.4
10	6	7-8 years	0.6
7	10	8-10 years	0.4
22	47	10+ years	0.7
100	100	Total	6.1
			7.0

Regional Breakdown by currency of settlement)			
Duration Weighted Exposure % Portfolio	% Benchmark	Duration Weighted Exposure Years Portfolio	Years Benchmark
2.1	2.3	Australia/NZ	0.1
15.9	22.6	Japan	1.0
18.6	23.9	Europe - EMU	1.1
6.5	1.9	Europe - Non EMU	0.4
5.1	8.3	United Kingdom	0.3
49.9	38.5	North America	3.0
1.9	1.0	Emerging Markets	0.1
0.0	1.5	Other	0.0
100.0	100.0	Total	6.1
			7.0

Sector Breakdown			
Duration Weighted Exposure % Portfolio	% Benchmark	Duration Weighted Exposure Years Portfolio	Years Benchmark
60	64	Governments	3.7
5	0	ILBs	0.3
22	17	Corporates	1.3
1	0	High Yield	0.1
-11	0	Swaps	-0.7
5	6	Agency/Semi	0.3
11	10	Mortgage	0.7
0	0	Other	0.0
2	3	Emerging Markets	0.1
5	0	Front End	0.3
100	100	Total	6.1
			7.0

