

Fund Information	30 June 2017	
Fund Size	\$462 million	
Fund Type	PIE	
Investment management	PIMCO	
Benchmark	Bloomberg Barclays Global Aggregate Index - \$NZ hedged	
Performance (gross)	1 month	3 month
Portfolio (%)	0.08%	1.66%
Benchmark (%)	-0.20%	1.22%
Alpha (%)	0.28%	0.44%

Performance update

The Hunter Global Fixed Interest Fund returned +0.08% for the month of June, outperforming the benchmark return of -0.20% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged). The Fund returned +1.66% for the June quarter, which was also ahead of the benchmark return of +1.22%.

Global fixed interest markets generally produced flat to negative returns in the month of June. In the US, the Federal Reserve hiked the Fed funds rate by 0.25 to 1.25%, which was largely anticipated by the market, despite a soft CPI inflation report being released shortly before the announcement. Against this backdrop, the Fed also signalled that it would look to normalize its \$4.5tn balance sheet later this year.

Across the Atlantic, central bankers took the spotlight at the end of June. At a European Central Bank forum in Sintra, Mario Draghi's rhetoric was viewed by markets as a departure from his "whatever it takes" approach adopted in the past. The markets repriced this change quickly with 10-year bund yields rising over 12bps in the immediate aftermath of the speech.

Following a similar theme, the Bank of England's Carney said that "some removal of monetary stimulus is likely to become necessary" if conditions are met. His remarks sent yields higher, with the UK 10-year yield rising 20bps for the month.

Portfolio position and strategy

PIMCO holds a modest overweight to U.S. duration and prefer to focus exposure on the middle of the yield curve which offers more attractive yields. They are underweight

the front end of the curve given potential volatility from a faster than expected hiking cycle. The portfolio is underweight total duration in Europe, and PIMCO has reduced the portfolio's underweight to France, Spain and Italy as political risk has receded.

PIMCO remains cautious within emerging markets, as they balance the uncertainty in the outlook against attractive valuations.

The investment portfolio is underweight investment grade corporate credit (ex financials) as valuations appear rich. PIMCO continues to favour financial credits, focusing on countries with more predictable regulatory and legal frameworks. In particular, they are focused on U.K. banks which have exhibited resilience in the wake of the Brexit referendum.

Non-Agency MBS remains PIMCO's preferred spread sector. PIMCO views non-Agency mortgage-backed securities favourably due to their attractive yields and their outlook for price appreciation in the U.S. housing market. The portfolio continues to hold a modest allocation to Agency mortgage-backed securities as the sector offers high quality downside protection.

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30 June 2017

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



Investment Statistics	
Effective Duration	6.2
Benchmark Duration	7.0
Average Maturity	9.2
Average Coupon	2.1
Average Quality	AA-
Total Carry	4.4

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
57	AAA	40
6	AA	16
16	A	27
13	BBB	17
8	Sub Inv Grade	0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4	0	0 - 1 years	0.2	0.0
-5	7	1 - 3 years	-0.3	0.5
19	15	3 - 5 years	1.2	1.0
40	15	5 - 7 years	2.5	1.0
4	6	7 - 8 years	0.2	0.4
10	10	8 - 10 years	0.6	0.7
28	47	10+ years	1.7	3.3
100	100	Total	6.2	7.0

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
1.7	2.4	Australia/NZ	0.1	0.2
16.1	22.3	Japan	1.0	1.6
19.7	24.0	Europe - EMU	1.2	1.7
9.6	1.7	Europe - Non EMU	0.6	0.1
0.5	8.1	United Kingdom	0.0	0.6
50.8	38.9	North America	3.1	2.7
1.7	1.1	Emerging Markets	0.1	0.1
-0.1	1.5	Other	0.0	0.1
100.0	100.0	Total	6.2	7.0

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
63	63	Governments	3.9	4.4
5	0	ILBs	0.3	0.0
26	17	Corporates	1.6	1.2
2	0	High Yield	0.1	0.0
-19	0	Swaps	-1.2	0.0
5	6	Agency/Semi	0.3	0.4
12	11	Mortgage	0.7	0.8
0	0	Other	0.0	0.0
1	3	Emerging Markets	0.1	0.2
5	0	Front End	0.3	0.0
100	100	Total	6.2	7.0

