

Fund Information	31 August 2017		
Fund Size	\$492 million		
Fund Type	PIE		
Investment management	PIMCO		
Benchmark	Bloomberg Barclays Global Aggregate Index - \$NZ hedged		
Performance (gross)	1 month	3 month	5 months
Portfolio (%)	1.19%	1.92%	3.53%
Benchmark (%)	1.01%	1.19%	2.63%
Alpha (%)	0.18%	0.73%	0.90%

Performance update

The Hunter Global Fixed Interest Fund returned +1.19% for the month of July, outperforming the benchmark return of 1.01% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged).

The Fund benefited from its overweight duration position in the US, on the back of yields falling. In addition, value was added through the exposure to non-agency mortgage backed securities that appreciated in value.

Investment markets

In a stark contrast to the previous month, August was turbulent by many measures. There was plenty of news outside of financial markets – from a record-shattering tropical storm Harvey to a hotly anticipated fight between Mayweather and McGregor. Markets reversed recent moves, with risk assets taking a hit from further escalation in the Korean Peninsula as well as gridlock in Washington and terrorist attacks in Europe. Developed market yields headed lower as investors sought safe havens amidst such turbulence.

The North Korean crisis was one of the most prominent drivers of price action in the past few weeks. Kim Jong Un tested the resolve of its neighbours and their allies, threatening Guam with missiles before test-firing a missile directly over Japan. This was the most aggressive step the totalitarian state has taken in nearly 20 years, leading to government-issued alerts in Japan and triggering President Trump to state that “all options are on the table”. The situation remains very fluid.

Inflation continued to be at the top of mind for US observers, with the Fed seemingly doubting the effectiveness of the Philips curve framework and the likelihood of reaching target inflation. The latest CPI print marked the fifth consecutive month of downside misses vs.

consensus forecast, giving policymakers plenty of reasons to worry. As largely expected there were no shocks from the July FOMC minutes, although the officials inserted the “relatively soon” language to clarify when the Fed expected to begin its balance sheet normalization program. More recently at Jackson Hole, Yellen’s focus was more on financial stability and regulation than the future path of interest rates.

In Europe, data releases painted a mixed picture of the continent. On one hand, there were positive signs that the economy continues to grind on – retail sales bested estimates and construction output increased. However, German GDP growth for Q2 underwhelmed investors and many are concerned by the recent rally in EUR. The currency is now ~14% stronger vs. USD following another month of appreciation. Against this backdrop, the latest minutes from the ECB showed that there were concerns over “the risk of the exchange rate overshooting in the future”. Draghi also noted that “the last thing that the council may want is an unwanted tightening of the financing conditions”, calming investor nerves for those who had feared such tightening.

Portfolio positioning

The Fund is overweight duration in the middle of the US yield curve, on the expectation that global influences will keep US interest rates range bound in the near term. In contrast, PIMCO are underweight shorter dated assets, where they believe there are scope for rate increases.

PIMCO continues to be cautious in emerging markets as they look to reduce risk and maintain liquidity within the portfolio. Their main positions are in high-carry markets like Mexico and Indonesia.

The Fund is underweight investment grade corporate credit where valuations appear rich compared to historical averages.

Tony Hildyard - 021 830 720

tonyhildyard@hunterinvestments.co.nz

Manager: Implemented Investment Solutions Limited

contact@iisolutions.co.nz

0800 499 466

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31 August 2017

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



Investment Statistics	
Effective Duration	5.7
Benchmark Duration	7.0
Average Maturity	9.2
Average Coupon	2.1
Average Quality	AA-
Total Carry	4.2

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

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
6	0	0 - 1 years	0.4	0.0
0	7	1 - 3 years	0.0	0.5
20	16	3 - 5 years	1.1	1.1
52	29	5-10 years	3.0	2.0
21	48	10+ years	1.2	3.4
100	100	Total	5.7	7.0

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4.0	1.2	Australia/NZ	0.2	0.1
8.9	22.0	Japan	0.5	1.5
23.8	24.3	Europe - EMU	1.4	1.7
7.0	1.7	Europe - Non EMU	0.4	0.1
0.9	8.1	United Kingdom	0.0	0.6
58.0	40.2	North America	3.3	2.8
0.4	1.1	Emerging Markets	0.0	0.1
-3.1	1.4	Other	-0.2	0.1
100.0	100.0	Total	5.7	7.0

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
46	59	Government	2.6	4.1
6	8	Agency/Semi	0.3	0.6
25	10	Mortgage	1.4	0.7
16	17	Inv Grade Corp	0.9	1.2
2	0	High Yield Corp	0.1	0.0
-1	6	Emerging Markets	0.0	0.4
6	0	Cash Equivalents	0.4	0.0
100	100	Total	5.7	7.0

