

Fund Information	30 September 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	6 months
Portfolio (%)	-0.14%	1.70%	3.39%
Benchmark (%)	-0.40%	0.99%	2.22%
Alpha (%)	0.26%	0.71%	1.17%

Performance update

The Hunter Global Fixed Interest Fund returned -0.14% for the month of September, outperforming the benchmark return of -0.40% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged). The Fund benefited from exposure to securitised assets including US non-Agency mortgage backed securities, an overweight to high quality European covered bonds, and an underweight to duration in Japan and the UK.

Investment markets

Market volatility was mixed through September, with equity markets continuing to rally, while bonds suffered as central banks began working towards monetary policy normalisation. Bunds, Treasuries, Spanish, and Italian bonds all posted underwhelming results.

September marked the historical decision by the US Federal Reserve to start unwinding its balance sheet. The plan for reduction had already been announced in June, and markets were largely expecting this. To make the process more predictable, the Federal Reserve will impose caps on the maximum dollar amount of US treasuries and mortgage backed securities that will be allowed to roll off each month.

Markets saw punchy price action over the month with core rates selling off on the back of hawkish central bank rhetoric. 10-year US rates were up over 20 basis points and 10-year Gilt yields around 35 basis points higher. The Bank of England surprised markets when a “majority” of officials stated that they would support a hike in the near term if the economy performs in line with expectations. On the back of these remarks, sterling ended the month around 4% firmer than the USD, while Gilt yields rose.

Oil prices hit a 26-month high with Brent crude hitting \$59 per barrel – its highest price since July 2015. This was due in part to Turkey’s threat to shut the pipeline carrying oil from Iraqi Kurdistan. Prices have been stabilising and rising steadily in a sign that markets are now readjusting to the OPEC led drive to reduce global supply.

Global equities continued to gain ground throughout September. The S&P 500 ended the month higher for the eleventh month in a row, making this the second longest bull market on record.

The hawkish stance the Federal Reserve adopted over the month seems to have halted US dollar depreciation, at least for now.

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 both shorter and longer dated assets, where they believe there is scope for rate increases and volatility.

PIMCO are underweight duration in Europe, primarily on the long end of the curve, expecting the curve to steepen in advance of ECB policy normalisation in 2018. The Fund is also underweight duration in Japan and slightly overweight to New Zealand and Canada.

PIMCO continues to be cautious in emerging markets as they look to reduce risk and maintain liquidity within the portfolio.

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

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30 September 2017

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



Investment Statistics	
Effective Duration	5.3
Benchmark Duration	7.0
Average Maturity	8.4
Average Coupon	2.2
Average Quality	AA-
Total Carry	4.7

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
60.1	AAA	40.3
6.4	AA	17.9
14.8	A	25.8
9.7	BBB	15.9
9.2	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
6.1	0.1	0 - 1 years	0.3	0.0
-1.2	7.7	1 - 3 years	-0.1	0.5
18.3	14.2	3 - 5 years	1.0	1.0
56.5	29.4	5-10 years	3.0	2.0
20.3	48.6	10+ years	1.1	3.3
100	100	Total	5.3	6.8

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4.2	2.4	Australia/NZ	0.2	0.2
9.0	21.9	Japan	0.5	1.5
23.7	24.7	Europe - EMU	1.2	1.7
5.6	1.6	Europe - Non EMU	0.3	0.1
1.9	8.1	United Kingdom	0.1	0.5
58.1	38.6	North America	3.1	2.6
0.7	1.2	Emerging Markets	0.0	0.1
-3.1	1.5	Other	-0.2	0.1
100	100	Total	5.3	6.8

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
43.0	60.1	Government	2.3	4.1
6.1	8.1	Agency/Semi	0.3	0.5
26.5	8.2	Mortgage	1.4	0.6
16.2	18.0	Inv Grade Corp	0.9	1.2
1.8	0.0	High Yield Corp	0.1	0.0
0.5	5.6	Emerging Markets	0.0	0.4
5.9	0.0	Cash Equivalents	0.3	0.0
100	100	Total	5.3	6.8

