

Fund Information	31 December 2017		
Fund Size	\$597 million		
Fund Type	PIE		
Investment management	PIMCO		
Benchmark	Bloomberg Barclays Global Aggregate Index - \$NZ hedged		
Performance (gross)	1 month	3 months	9 months
Portfolio (%)	0.17%	0.95%	4.37%
Benchmark (%)	0.27%	0.98%	3.22%
Alpha (%)	-0.10%	-0.03%	1.15%

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 and business.govt.nz/disclose.

Performance update

The Hunter Global Fixed Interest Fund returned +0.17% for the month of December, slightly underperforming the benchmark return of 0.27% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged).

PIMCO's slightly defensive duration and curve positioning in the US detracted from performance, as short term yields rose while very long dated bond yields actually fell slightly. Similarly an underweight duration position in the UK also detracted from performance as interest rates in the UK actually fell despite the generally rising rate trend on other developed markets including Europe.

Sector strategies had little impact this month with the overweight to mortgage sector largely off-setting the underweight to investment grade credit and an underweight to credit risk in general.

Investment markets

The continuing pick up in global economic growth momentum in December saw risk assets generally perform well with most equity markets, high yield securities and commodities all rallying. In commodities, Oil, gold and copper all did particularly well while grains weakened. European equities were the notable exception, Eurostoxx down slightly.

Fixed income markets saw noteworthy moves, the US curve garnering significant attention in December as the spread between short and long term bonds narrowed to the tightest level since 2007.

Meanwhile, the UK bond market bucked the global rising rate trend, interest rates falling across the board and especially in the longer maturities, perhaps reflecting that the market become a little oversold in recent months.

Portfolio positioning

The Fund is currently defensively positioned, underweight duration overall (5.2 years vs index at 6.8 years).

Within regions, the fund remains overweight U.S. duration, but positioned in the 3-10 year section of the yield curve that should be less effected by rising rates and any inflation shocks.

In contrast, duration is underweight in Europe as PIMCO expects marginally higher rates as the improved growth outlook sees ECB policy normalization in 2018.

The Fund is underweight duration in Japan, concentrated at the longest end of the curve as an inexpensive hedge against global rates recalibrating higher..

PIMCO remains cautious in emerging markets, looking to reduce risk and increase liquidity in the Fund. Emerging markets exposure is primarily via high-carry, and highly liquid, EM currency positions. PIMCO believes that high-carry currencies will outperform in a stable USD environment.

Credit spread strategies see the Fund underweight investment-grade corporate credit, as valuations appear rich compared to historical averages. The mortgage sector remains PIMCO's preferred spread strategy, due to their attractive yields, downside protection and the outlook for price appreciation in the US housing market.

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31 December 2017

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



Investment Statistics	
Effective Duration	5.2
Benchmark Duration	6.8
Average Maturity	8.3
Average Coupon	2.0
Average Quality	AA-
Total Carry	4.8

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
63.0	AAA	40.0
5.1	AA	17.8
11.0	A	26.2
13.0	BBB	15.7
7.9	Sub Inv Grade	0.4
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4.7	0.0	0 - 1 years	0.2	0.0
5.7	7.8	1 - 3 years	0.3	0.5
30.7	13.8	3 - 5 years	1.6	0.9
38.7	28.8	5-10 years	2.0	2.0
20.1	49.7	10+ years	1.0	3.4
100	100	Total	5.2	6.8

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
3.3	2.5	Australia/NZ	0.2	0.2
9.0	21.7	Japan	0.5	1.5
26.0	25.0	Europe - EMU	1.4	1.7
8.6	1.6	Europe - Non EMU	0.4	0.1
-0.2	8.2	United Kingdom	0.0	0.6
54.1	38.6	North America	2.8	2.6
2.4	1.0	Emerging Markets	0.1	0.1
-3.0	1.5	Other	-0.2	0.1
100	100	Total	5.2	6.8

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
50.0	60.3	Government	2.6	4.1
5.9	8.1	Agency/Semi	0.3	0.5
24.5	8.0	Mortgage	1.3	0.5
11.5	18.1	Inv Grade Corp	0.6	1.2
1.5	0.0	High Yield Corp	0.1	0.0
2.2	5.5	Emerging Markets	0.1	0.4
4.4	0.0	Cash Equivalents	0.2	0.0
100	100	Total	5.2	6.8

