

Fund Information	31 January 2018		
Fund Size	\$597 million		
Fund Type	PIE		
Investment management	PIMCO		
Benchmark	Bloomberg Barclays Global Aggregate Index - \$NZ hedged		
Performance (gross)	1 month	3 months	10 months
Portfolio (%)	-0.07%	0.29%	4.30%
Benchmark (%)	-0.64%	-0.15%	2.57%
Alpha (%)	+0.57%	+0.44%	+1.73%

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](http://hunterinvestments.co.nz) and [business.govt.nz/disclose](http://business.govt.nz/disclose).

### Performance update

The Hunter Global Fixed Interest Fund returned -0.07% for the month of January, significantly outperforming the benchmark return of -0.64% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged).

The Fund benefited from PIMCO's defensive duration positioning, particularly in the U.K., which contributed to performance as interest rates rose. Similarly, exposure to securitised assets including non-agency mortgages also added value, as did an overweight exposure to a basket of emerging markets currencies.

However, the underweight position to investment grade credit detracted slightly, as credit spreads narrowed during January.

### Investment markets

Equities rallied in January, with strong fundamentals boosting investors' appetite for risk. Other risk assets also performed well with credit spreads continuing to tighten.

Meanwhile, Treasury bond yields rose in response to fading central bank stimulus, prospects for higher inflation, and increased fiscal stimulus in the U.S

After a subdued start, volatility picked up towards the end of the month, with the VIX index reaching its highest level since July 2017.

### Portfolio positioning

The Fund remains defensively positioned, underweight duration overall (5.7 years vs index at 7.0 years).

Within regions, the fund holds an overweight to U.S. duration, focused on the intermediate portion of the curve as U.S. rates offer an attractive pick-up versus other developed market interest rates. Short term interest rates remain unattractive, especially with the "Fed" on the move.

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

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

The Fund has a small exposure to US TIPS to protect against any inflation surprises.

PIMCO remains cautious in emerging markets but is holding a modest exposure to local Brazilian rates via interest rates swaps. However, the Fund continues to have exposure to a basket of high yielding emerging market currencies that PIMCO believe will outperform the USD.

In the credit risk sector, the Fund remains underweight investment-grade corporate credit, as valuations are rich compared to historical averages. The non-agency 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.

**Tony Hildyard** - 021 830 720

[tonyhildyard@hunterinvestments.co.nz](mailto:tonyhildyard@hunterinvestments.co.nz)

**Manager: Implemented Investment Solutions Limited**

[contact@iisolutions.co.nz](mailto:contact@iisolutions.co.nz)

0800 499 466

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31 January 2018

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



Investment Statistics	
Effective Duration	5.7
Benchmark Duration	7.0
Average Maturity	8.5
Average Coupon	2.0
Average Quality	AA-
Total Carry	5.2

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
62.0	AAA	39.0
6.0	AA	16.5
11.8	A	27.1
12.7	BBB	17.4
7.5	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
5.3	0.1	0 - 1 years	0.3	0.0
1.9	6.6	1 - 3 years	0.1	0.5
35.5	14.1	3 - 5 years	2.0	1.0
37.2	30.8	5-10 years	2.1	2.2
20.2	48.5	10+ years	1.1	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
3.9	1.2	Australia/NZ	0.2	0.1
8.2	21.3	Japan	0.5	1.5
25.6	24.5	Europe - EMU	1.4	1.7
7.6	1.6	Europe - Non EMU	0.4	0.1
-0.2	8.0	United Kingdom	0.0	0.6
55.3	41.1	North America	3.1	2.9
2.2	0.9	Emerging Markets	0.1	0.1
-2.5	1.5	Other	-0.1	0.1
100	100	Total	5.7	7.0

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
49.9	58.1	Government	2.8	4.1
6.6	8.3	Agency/Semi	0.4	0.6
24.2	10.7	Mortgage	1.4	0.8
10.5	17.4	Inv Grade Corp	0.6	1.2
1.3	0.0	High Yield Corp	0.1	0.0
2.4	5.4	Emerging Markets	0.1	0.4
5.0	0.0	Cash Equivalents	0.3	0.0
100	100	Total	5.7	7.0

