

Fund Information	28 February 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	11 months
Portfolio (%)	-0.46%	-0.36%	+3.82%
Benchmark (%)	-0.20%	-0.57%	+2.36%
Alpha (%)	-0.26%	+0.21%	+1.46%

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 -0.46% for the month of February, underperforming the benchmark return of -0.20% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged).

The Fund benefited from PIMCO's underweight to investment grade credit, an exposure to US non-agency Mortgage backed securities (MBS) and a modest emerging markets position.

However, this was overwhelmed by an overweight exposure to US duration, as yields rose through the month. Similarly, an overweight to Agency MBS and positioning in non-EMU currencies also detracted.

Investment markets

February saw equity market volatility reach record highs. The ripple effects were felt primarily across equity markets as they entered correction territory. Wall Street closed the month with the S&P 500 down 3.9% ending one of the longest winning streaks in history. Japanese and European equities were also down.

While yields rose in the Treasury bond market, volatility in both Treasury and currency markets remains relatively subdued in comparison with equity markets and well below the peaks seen the last few times the VIX spiked.

Commodities generally weakened with the exception of Gold that benefited from "risk off" sentiment.

Portfolio positioning

The Fund continues to remain defensively positioned, underweight duration overall (5.4 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 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 maintains a constructive outlook in emerging markets as growth recovers but prefers to reflect this view via more liquid foreign exchange markets. Hence, the Fund continues to have exposure to a basket of high yielding emerging market currencies that PIMCO believe will outperform the USD.

The Fund also continues to hold a modest exposure to local Brazilian rates via interest rates swaps.

In the credit risk sector, the Fund remains underweight investment-grade corporate credit, as valuations remain 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.

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28 February 2018

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



Investment Statistics	
Effective Duration	5.4
Benchmark Duration	7.0
Average Maturity	8.0
Average Coupon	2.0
Average Quality	AA-
Total Carry	5.1

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
60.5	AAA	38.8
8.1	AA	16.3
11.4	A	27.6
11.8	BBB	17.3
8.3	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
5.6	0.1	0 - 1 years	0.3	0.0
2.0	6.7	1 - 3 years	0.1	0.5
41.0	12.7	3 - 5 years	2.2	0.9
29.7	32.4	5-10 years	1.6	2.3
21.8	48.2	10+ years	1.2	3.4
100	100	Total	5.4	7.0

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4.3	1.2	Australia/NZ	0.2	0.1
4.9	21.6	Japan	0.3	1.5
23.5	25.1	Europe - EMU	1.3	1.8
8.6	1.6	Europe - Non EMU	0.5	0.1
5.4	8.0	United Kingdom	0.3	0.6
51.9	40.1	North America	2.8	2.8
4.0	1.0	Emerging Markets	0.2	0.1
-2.7	1.4	Other	-0.1	0.1
100	100	Total	5.4	7.0

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
43.9	58.3	Government	2.4	4.1
6.2	8.4	Agency/Semi	0.3	0.6
28.7	11.0	Mortgage	1.6	0.8
10.8	17.1	Inv Grade Corp	0.6	1.2
1.5	0.0	High Yield Corp	0.1	0.0
4.3	5.3	Emerging Markets	0.2	0.4
4.6	0.0	Cash Equivalents	0.2	0.0
100	100	Total	5.4	7.0

