

Fund Information	30 June 2018		
Fund Size	\$647 million		
Fund Type	PIE		
Investment management	PIMCO		
Benchmark	Bloomberg Barclays Global Aggregate Index - \$NZ hedged		
Performance (gross)	1 month	3 months	12 months
Portfolio (%)	+0.21%	+0.36%	+3.24%
Benchmark (%)	+0.19%	+0.19%	+2.20%
Alpha (%)	+0.02%	+0.17%	+1.04%

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 +0.21% for the month of June, marginally ahead of the benchmark return of +0.19% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged).

The Fund benefited from PIMCO's duration positioning in both the US and UK as the market interpreted the additional 2018 rate hike by the Fed as mildly "hawkish" while improved economic data in the UK increased the odds of the Bank of England hiking rates in August.

Security selection, particularly corporate industrials, also contributed as did EM exposures which benefitted from a rebound in crude oil prices.

However, an underweight to Italian duration detracted slightly as Italian yields fell modestly in June. Similarly, currency positions in the EUR also detracted following "dovish" guidance from the ECB.

Investment markets

Geopolitical developments continued to drive markets with acrimonious rhetoric between the US and G7 allies along with escalating trade frictions between US and China setting the tone.

Diverging growth momentum across major economies suggests less synchronised central bank activity going forward. While US growth appears to be on solid ground, growth measures continue to soften in other regions and, in particular, the Eurozone.

Interestingly, the trade tensions continue to support the US dollar.

Portfolio positioning

The Fund continues to remain defensively positioned, underweight duration overall, although less so in prior months as global growth continues to diverge. (5.9 years vs index at 7.0 years)

Within regions, the Fund holds a modest overweight to intermediate U.S. duration as U.S. rates offer an attractive pick-up versus other developed market interest rates.

PIMCO is also now overweight to the 3-5 year section of the European curve where "carry" opportunities are attractive. They remain underweight longer maturities where they see scope for yields to rise. PIMCO is maintaining an underweight to UK duration where they view rates as overvalued.

The Fund is also underweight duration in Japan.

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

The Fund continues to have exposure to a diversified basket of high yielding emerging market currencies (including RUB, ARS, MXN and INR) that PIMCO believes will outperform the USD over time.

In the credit risk sector, the Fund remains underweight investment-grade corporate credit preferring the non-agency mortgage sector due to their attractive yields, downside protection and the outlook for price appreciation in the US housing market.

The Fund also holds exposure to Danish "callable" mortgages and Swedish "covered" bonds which PIMCO view as offering an attractive source of "safe spread".

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30 June 2018

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



Investment Statistics	
Effective Duration	5.9
Benchmark Duration	7.0
Average Maturity	8.4
Average Coupon	2.3
Average Quality	AA-
Total Carry	5.1

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
64.4	AAA	39.5
7.2	AA	16.1
11.9	A	29.4
9.6	BBB	15.1
6.9	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
13.2	0.1	0 - 1 years	0.8	0.0
-6.3	6.7	1 - 3 years	-0.4	0.5
54.1	13.1	3 - 5 years	3.2	0.9
17.3	31.5	5-10 years	1.0	2.2
21.7	48.7	10+ years	1.3	3.4
100	100	Total	5.9	7.0

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
3.7	1.2	Australia/NZ	0.2	0.1
4.5	22.5	Japan	0.3	1.6
30.2	24.1	Europe - EMU	1.8	1.7
6.4	1.6	Europe - Non EMU	0.4	0.1
4.3	7.9	United Kingdom	0.3	0.6
51.8	40.1	North America	3.1	2.8
2.1	1.2	Emerging Markets	0.1	0.1
-2.5	1.5	Other	-0.1	0.1
101	100	Total	5.9	7.0

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
37.0	58.9	Government	2.2	4.1
5.6	8.2	Agency/Semi	0.3	0.6
27.8	10.8	Mortgage	1.6	0.8
11.6	16.5	Inv Grade Corp	0.7	1.2
1.6	0.0	High Yield Corp	0.1	0.0
3.8	5.7	Emerging Markets	0.2	0.4
12.7	0.0	Cash Equivalents	0.8	0.0
100	100	Total	5.9	7.0

