

| Fund Information | 31 July 2018 | | |
|-----------------------|---|----------|-----------|
| Fund Size | \$648 million | | |
| Fund Type | PIE | | |
| Investment management | PIMCO | | |
| Benchmark | Bloomberg Barclays Global Aggregate Index - \$NZ hedged | | |
| Performance (gross) | 1 month | 3 months | 12 months |
| Portfolio (%) | +0.26% | +087% | +2.85% |
| Benchmark (%) | +0.03% | +0.60% | +1.84% |
| Alpha (%) | +0.23% | +0.27% | +1.01% |

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 +0.26% for the month of July, outperforming the benchmark return of +0.03% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged).

The Fund benefited from PIMCO's duration underweight in Japan as yields rose there. Similarly, exposure to Mexican and Argentinian Peso's also contributed as both appreciated against the US dollar. Exposure to "hard currency" emerging market debt also added value.

However, an overweight to German duration detracted as yields rose through Europe. An underweight to investment grade corporate debt also detracted as credit spreads narrowed in July.

Investment markets

Riskier assets rebounded in July on the back of a robust economic growth reading in the US and an apparent easing in trade tensions between the US and Europe following a meeting between US President Trump and European Commission President Jean-Claude Juncker.

However, markets continue to expect policy normalisation from the Federal Reserve but diverging growth momentum across other major economies suggesting less synchronised central bank activity going forward. While US growth appears to be on solid ground, growth measures remain mixed in other regions and, in particular, the Eurozone and Japan.

PIMCO's Cyclical outlook remains for above trend world growth in 2018 with low, but gently rising, inflation but the risks of either a "right" or "left" tail event have risen.

Portfolio positioning

The Fund continues to remain defensively positioned, underweight duration overall, although less so in prior months as global growth continues to diverge. (5.7 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 underweight core European duration as they see limited room for interest rates to rally. They are also modestly underweight Italian duration given the political uncertainty.

The Fund is also underweight duration in Japan but is overweight Swedish and Danish duration as an attractive alternative to core Europe.

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 in a stable developed markets currency environment.

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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31 July 2018

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



| Investment Statistics | |
|-----------------------|-----|
| Effective Duration | 5.7 |
| Benchmark Duration | 7.0 |
| Average Maturity | 8.2 |
| Average Coupon | 2.4 |
| Average Quality | AA- |
| Total Carry | 5.3 |

| Quality Breakdown | | |
|--------------------------|---------------|--------------------------|
| Market Value % Portfolio | | Market Value % Benchmark |
| 61.9 | AAA | 39.6 |
| 6.5 | AA | 16.2 |
| 13.9 | A | 28.9 |
| 10.3 | BBB | 15.3 |
| 7.4 | Sub Inv Grade | 0.0 |
| 100 | Total | 100 |

| Curve Exposure | | | | |
|----------------------------|-------------|----------------------------|-----------------|-----------------|
| Duration Weighted Exposure | | Duration Weighted Exposure | | |
| % Portfolio | % Benchmark | | Years Portfolio | Years Benchmark |
| 13.6 | 0.1 | 0 - 1 years | 0.8 | 0.0 |
| -6.2 | 6.7 | 1 - 3 years | -0.3 | 0.5 |
| 52.3 | 12.8 | 3 - 5 years | 3.0 | 0.9 |
| 19.0 | 32.1 | 5-10 years | 1.1 | 2.3 |
| 21.3 | 48.3 | 10+ years | 1.2 | 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 | 1.1 | Australia/NZ | 0.2 | 0.1 |
| 4.7 | 22.2 | Japan | 0.3 | 1.6 |
| 25.0 | 24.4 | Europe - EMU | 1.4 | 1.7 |
| 6.7 | 1.6 | Europe - Non EMU | 0.4 | 0.1 |
| 4.9 | 7.8 | United Kingdom | 0.3 | 0.5 |
| 55.4 | 40.4 | North America | 3.1 | 2.8 |
| 1.8 | 1.2 | Emerging Markets | 0.1 | 0.1 |
| -2.4 | 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 |
| 33.1 | 58.7 | Government | 1.9 | 4.1 |
| 5.8 | 8.1 | Agency/Semi | 0.3 | 0.6 |
| 29.6 | 11.0 | Mortgage | 1.7 | 0.8 |
| 12.6 | 16.6 | Inv Grade Corp | 0.7 | 1.2 |
| 1.7 | 0.0 | High Yield Corp | 0.1 | 0.0 |
| 4.1 | 5.6 | Emerging Markets | 0.2 | 0.4 |
| 13.1 | 0.0 | Cash Equivalents | 0.7 | 0.0 |
| 100 | 100 | Total | 5.7 | 7.0 |

