

Fund Information	31 August 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 (%)	+0.30%	+0.78%	+1.95%
Benchmark (%)	+0.31%	+0.53%	+1.14%
Alpha (%)	-0.01%	+0.25%	+0.81%

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 +0.30% for the month of August, largely in line with the benchmark return of +0.31% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged).

The Fund benefited from PIMCO's duration positioning in intermediate maturity US bonds which provided additional carry and modest gains as yields in that maturity sector fell modestly. Similarly, an underweight to Italian duration also contributed as yields have continued to rise since the appointment of an anti-establishment coalition Government in June.

Security selection, particularly investment grade corporate industrials, also contributed. However, emerging market sovereign debt and currency exposure detracted as did a slight overweight to high yield corporate debt.

Investment markets

Risk sentiment waned in August as emerging market assets struggled, in part due to idiosyncratic effects, while the strengthening USD exacerbated the situation. Argentina and Turkey both saw their currencies fall around 25% in August. Meanwhile, flight to quality trades saw developed market yields broadly lower and credit spreads widen modestly.

Conversely, robust US growth and softening trade tensions saw US equities continue to rise.

Monetary policy remained a focus globally with the US continuing to signal a gradual path to normalisation and the UK raising rates 0.25% to 0.75% following strong labour and wage data.

Portfolio positioning

The Fund continues to remain defensively positioned, underweight duration overall, although positioning differs somewhat country to country. (5.5 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. The Fund is also positioned for further curve steepening in the US as the Fed continues to raise rates there.

PIMCO is 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 and also underweight French duration as the ECB ends QE and as a hedge against volatility in semi-core rates. The Fund is modestly underweight Italian duration, given recent political uncertainty, and is slightly underweight to UK duration where PIMCO view rates as overvalued. Japanese duration is also underweight.

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

The Fund is long the USD against a basket of low yielding Asian currencies and is also modestly long a diversified basket of high yielding emerging market currencies versus the EUR.

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".

Tony Hildyard - 021 830 720

tonyhildyard@hunterinvestments.co.nz

Manager: Implemented Investment Solutions Limited

contact@iisolutions.co.nz

0800 499 466

This Report is provided by Implemented Investment Solutions Limited (IIS) in good faith and is designed as a summary to accompany the Product Disclosure Statement for the Hunter Global Fixed Interest Fund (which is available from IIS and on www.business.govt.nz/disclose). The information contained in this Report and Update is not an offer of units in the Fund or a proposal or an invitation to make an offer to sell, or a recommendation to subscribe for or purchase, any units in the Fund. Any person wishing to apply for units should contact IIS to get an application form. The information and any opinions in this Report and Update are based on sources IIS believes are reliable and accurate. IIS, its directors, officers and employees make no representations or warranties of any kind as to the accuracy or completeness of the information contained in this fact sheet and disclaim liability for any loss, damage, cost or expense that may arise from any reliance on the information or any opinions, conclusions or recommendations contained in it, whether that loss or damage is caused by any fault or negligence on the part of IIS, or otherwise, except for any statutory liability which cannot be excluded. All opinions reflect IIS' judgment on the date of this Report and Update and are subject to change without notice. This disclaimer extends to any entity that may distribute this publication and in which IIS or its related companies have an interest. The information in this Report and Update is not intended to be financial advice for the purposes of the Financial Advisers Act 2008. In particular, in preparing this document, IIS did not take into account the investment objectives, financial situation and particular needs of any particular person. Professional investment advice from an appropriately qualified adviser should be taken before making any investment. Past performance is not necessarily indicative of future performance, unit prices may go down as well as up and an investor in the fund may not recover the full amount of the capital that they invest. This disclaimer must accompany any information regarding IIS or its products. No part of this document may be reproduced without the permission of IIS. IIS is the manager of the Fund and will receive the management fees as set out in the Product Disclosure Statement.

31 August 2018

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



Investment Statistics	
Effective Duration	5.5
Benchmark Duration	7.0
Average Maturity	8.0
Average Coupon	2.4
Average Quality	AA-
Total Carry	5.1

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
61.8	AAA	39.6
6.4	AA	16.4
14.6	A	28.9
10.1	BBB	15.1
7.1	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
14.2	0.1	0 - 1 years	0.8	0.0
-6.3	6.7	1 - 3 years	-0.3	0.5
57.5	13.6	3 - 5 years	3.2	0.9
18.1	31.1	5-10 years	1.0	2.2
16.4	48.5	10+ years	0.9	3.4
100	100	Total	5.5	7.0

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
3.6	1.2	Australia/NZ	0.2	0.1
4.9	22.0	Japan	0.3	1.5
25.2	24.4	Europe - EMU	1.4	1.7
6.6	1.5	Europe - Non EMU	0.4	0.1
5.1	7.7	United Kingdom	0.3	0.5
55.4	40.6	North America	3.1	2.8
1.7	1.2	Emerging Markets	0.1	0.1
-2.6	1.5	Other	-0.1	0.1
100	100	Total	5.5	7.0

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
29.8	58.6	Government	1.6	4.1
7.7	8.2	Agency/Semi	0.4	0.6
29.7	10.7	Mortgage	1.6	0.8
13.2	16.8	Inv Grade Corp	0.7	1.2
1.7	0.0	High Yield Corp	0.1	0.0
4.2	5.7	Emerging Markets	0.2	0.4
13.7	0.0	Cash Equivalents	0.8	0.0
100	100	Total	5.5	7.0

