

Fund Information	30 September 2018		
Fund Size	\$667 million		
Fund Type	PIE		
Investment management	PIMCO		
Benchmark	Bloomberg Barclays Global Aggregate Index - \$NZ hedged		
Performance (gross)	1 month	3 months	12 months
Portfolio (%)	-0.11%	+0.46%	+1.98%
Benchmark (%)	-0.38%	+0.04%	+1.16%
Alpha (%)	+0.27%	+0.42%	+0.82%

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 -0.11% for the month of September, outperforming the benchmark return of -0.38% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged).

The Fund benefited from PIMCO's underweight duration position in the UK, as yields rose there on the back of an unexpected rise in inflation and an upside surprise to wage data.

Security selection, particularly holdings in non-agency MBS, also contributed as the sector outperformed like maturity treasury bonds. Emerging Markets (EM) Sovereign bond positions also added value as country spreads tightened versus the US.

However, duration positions in Italy and Germany detracted as Fitch affirmed Italy's credit rating causing yields to fall while the ECB signalled a move towards less accommodative policy seeing German interest rates higher.

Curve positioning in the US also detracted with intermediate term bond yields rising on the back of the Fed's sustained policy normalisation.

Investment markets

Despite growing trade tensions between the U.S. and China, U.S. equities reached all-time highs and credit spreads tightened modestly. There was a general reprieve for EM assets driven by positive advances in Argentina, which renegotiated its IMF program, and Turkey, which substantially tightened monetary policy and released a fiscal plan to rebalance its economy.

Italy was firmly in the spotlight as the government's cabinet agreed to a 2.4% GDP budget deficit for 2019, which was significantly larger than market expectations. Italian BTPs saw spreads widening in response, resulting in the largest daily move since the selloff in May. Brexit Britain also remained in focus as the EU was reported to be working on its 'no-deal' plans, while also pushing back on the Chequers proposal.

Portfolio positioning

The Fund continues to remain defensively positioned, underweight duration overall. (5.6 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 neutrally positioned in Europe with diversified exposures to Danish, Swedish and core European duration offsetting underweights in semi-core and peripheral Euro Zone duration.

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 that PIMCO believes will outperform the USD overtime.

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 September 2018

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



Investment Statistics	
Effective Duration	5.6
Benchmark Duration	7.0
Average Maturity	7.7
Average Coupon	2.4
Average Quality	AA-
Total Carry	5.5

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
59.9	AAA	39.6
7.1	AA	16.4
13.9	A	28.6
11.9	BBB	15.3
7.1	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
10.1	0.1	0 - 1 years	0.6	0.0
-1.8	6.7	1 - 3 years	-0.1	0.5
53.7	12.7	3 - 5 years	3.0	0.9
22.9	32.1	5-10 years	1.3	2.2
15.2	48.3	10+ years	0.8	3.4
100	100	Total	5.6	7.0

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.9	1.1	Australia/NZ	0.2	0.1
4.8	22.0	Japan	0.3	1.5
25.2	24.0	Europe - EMU	1.4	1.7
6.6	1.5	Europe - Non EMU	0.4	0.1
3.8	7.5	United Kingdom	0.2	0.5
58.7	41.1	North America	3.3	2.9
0.4	1.2	Emerging Markets	0.0	0.1
-2.4	1.6	Other	-0.1	0.1
100	100	Total	5.6	7.0

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
35.3	58.2	Government	2.0	4.1
7.3	8.1	Agency/Semi	0.4	0.6
30.2	11.1	Mortgage	1.7	0.8
13.3	16.8	Inv Grade Corp	0.7	1.2
1.5	0.0	High Yield Corp	0.1	0.0
2.6	5.7	Emerging Markets	0.1	0.4
9.6	0.0	Cash Equivalents	0.5	0.0
100	100	Total	5.6	7.0

