

Fund Information	31 October 2018		
Fund Size	\$664 million		
Fund Type	PIE		
Investment management	PIMCO		
Benchmark	Bloomberg Barclays Global Aggregate Index - \$NZ hedged		
Performance (gross)	1 month	3 months	12 months
Portfolio (%)	+0.00%	+0.19%	+1.37%
Benchmark (%)	-0.22%	-0.29%	+0.43%
Alpha (%)	+0.22%	+0.48%	+0.94%

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](http://hunterinvestments.co.nz) and [business.govt.nz/disclose](http://business.govt.nz/disclose).

## Performance update

The Hunter Global Fixed Interest Fund was flat +0.00% for the month of October, but well ahead of the benchmark return of -0.22% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged) for the same period.

The Fund benefited from PIMCO's duration and curve positioning in the US, an underweight to investment-grade corporate credit and an underweight to select developed market currencies.

However, our underweight to UK duration, long exposure to high-carry Emerging markets currencies and select holdings of Agency-MBS all detracted slightly in October.

## Investment markets

Risk assets, generally, reversed sharply as the S&P500 posted its worst monthly performance since 2011. Global equities sold off, credit spreads widened and USD rallied across the month as investors flocked to safe havens.

There was no singular driver of such market moves, however many pointed out the rise in interest rates in the weeks prior, mixed earnings guidance, and ongoing China-US trade friction as potential culprits.

Similarly, European growth fundamentals continued to worsen while political developments continued to be challenging for Italy, Germany and Britain.

The China-US relationship also remained a focus as Chinese growth slowed and China's business practices remained under the spotlight.

## Portfolio positioning

The Fund continues to remain defensively positioned, slightly increasing our overall underweight to duration as global growth continues to diverge. (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.

PIMCO is also now "flat" to underweight core European duration as they see little room for rates to rally in the face of the ECB ending its quantitative easing programme and the outlook for rates in US and Japan.

PIMCO also added to underweight positions in periphery Eurozone as risks around political and budget factors increased.

PIMCO is maintaining a modest underweight to UK duration both as a relative value trade and because of concerns around Brexit outcomes.

The Fund is also underweight duration in Japan as recent policy changes point to higher rates there.

The Fund continues to have exposure to a diversified basket of high yielding emerging market currencies (including RUB, ARS, MXN and COP) but has reduced the size of the position on the back of increased market volatility.

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 and, recently, UK residential MBS which PIMCO view as offering an attractive source of "safe spread".

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31 October 2018

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



Investment Statistics	
Effective Duration	5.5
Benchmark Duration	7.0
Average Maturity	7.2
Average Coupon	2.5
Average Quality	AA-
Total Carry	5.2

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
60.7	AAA	39.8
7.8	AA	16.3
13.0	A	28.7
11.3	BBB	15.2
7.2	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
9.4	0.0	0 - 1 years	0.5	0.0
-0.5	6.7	1 - 3 years	0.0	0.5
38.6	12.5	3 - 5 years	2.1	0.9
36.9	33.1	5-10 years	2.0	2.3
15.7	47.7	10+ years	0.9	3.3
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
3.8	1.1	Australia/NZ	0.2	0.1
4.9	21.6	Japan	0.3	1.5
22.6	24.2	Europe - EMU	1.2	1.7
6.5	1.5	Europe - Non EMU	0.4	0.1
4.9	7.5	United Kingdom	0.3	0.5
59.4	41.3	North America	3.3	2.9
0.3	1.2	Emerging Markets	0.0	0.1
-2.4	1.6	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
32.2	57.8	Government	1.8	4.0
5.8	8.2	Agency/Semi	0.3	0.6
33.0	11.5	Mortgage	1.8	0.8
15.4	16.9	Inv Grade Corp	0.8	1.2
1.8	0.0	High Yield Corp	0.1	0.0
2.7	5.7	Emerging Markets	0.1	0.4
9.0	0.0	Cash Equivalents	0.5	0.0
100	100	Total	5.5	7.0

