

Fund Information	31 December 2018		
Fund Size	\$673 million		
Fund Type	PIE		
Investment management	PIMCO		
Benchmark	Bloomberg Barclays Global Aggregate Index - \$NZ hedged		
Performance (gross)	1 month	3 months	12 months
Portfolio (%)	+0.55%	+0.50%	+1.52%
Benchmark (%)	+1.42%	+1.65%	+1.82%
Alpha (%)	-0.87%	-1.15%	-0.30%

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 +0.55% for the month of December, significantly behind the benchmark return of +1.42% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged) for the same period.

US and European yield curve steepening strategies sharply underperformed as the US curve inverted and overwhelmed the otherwise overweight duration positions in those markets.

Similarly, underweight duration positions in Japan and Italy, where yields fell significantly, and exposure to US TIPs, where values fell in line with the falls in the inflation breakeven rates, also negatively impacted portfolio performance.

An overall underweight to the credit risk together with targeted credit sector positions in securitised assets, particularly non-agency mortgages, and select holdings of subordinated bank credit, largely offset each other in December.

Investment markets

Core interest rates were again lower in December and credit spreads wider as investors sought “safe” assets in the face of significant weakness in equity markets. The Global Equities MSCI All Country World Index fell 7% in December while the S&P 500 was actually down 9% for the month. Volatility has returned in earnest as investors react to fears of slowing economic growth, the expected impact of tighter US monetary policy and ongoing trade tensions between the USA and China. Interestingly, despite fears, US economic growth remains above trend.

Portfolio positioning

The Fund continues to remain defensively positioned, underweight duration overall. (5.1 years vs index at 7.0 years).

Within regions, the Fund holds a modest overweight to intermediate U.S. duration but is underweight the front and long ends of the yield curve as PIMCO believes that Fed moves are not correctly priced. U.S. rates still offer an attractive pick-up versus other developed market interest rates.

PIMCO is also now flat to underweight European duration where they see limited room for rates to rally. They remain underweight French and Italian duration due to the ECB ending quantitative easing and Italian political and budget concerns.

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 and as a “cheap” hedge for global rates should they recalibrate higher.

The Fund continues to have exposure to a diversified basket of high yielding emerging market currencies (including RUB, ARS, MXN and COP) against the Euro. We are also long the USD versus a basket of “low carry” currencies.

In the credit risk sector, the Fund remains underweight investment-grade corporate credit preferring the non-agency mortgage sector due to their attractive yields and downside protection.

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 December 2018

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



Investment Statistics	
Effective Duration	5.1
Benchmark Duration	7.0
Average Maturity	6.3
Average Coupon	2.5
Average Quality	AA-
Total Carry	3.9

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
61.1	AAA	39.9
7.0	AA	16.0
14.0	A	28.8
11.3	BBB	15.2
6.6	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
8.2	0.1	0 - 1 years	0.4	0.0
1.0	7.0	1 - 3 years	0.1	0.5
52.5	14.5	3 - 5 years	2.7	1.0
22.3	29.8	5-10 years	1.1	2.1
15.9	48.6	10+ years	0.8	3.4
100	100	Total	5.1	7.0

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.9	1.2	Australia/NZ	0.2	0.1
5.7	22.3	Japan	0.3	1.6
29.6	24.0	Europe - EMU	1.5	1.7
6.6	1.5	Europe - Non EMU	0.3	0.1
-0.3	7.4	United Kingdom	0.0	0.5
57.8	40.7	North America	3.0	2.8
0.3	1.2	Emerging Markets	0.0	0.1
-2.6	1.7	Other	-0.1	0.1
100	100	Total	5.1	7.0

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
31.3	59.0	Government	1.6	4.1
6.1	8.1	Agency/Semi	0.3	0.6
34.2	10.5	Mortgage	1.8	0.7
16.1	16.6	Inv Grade Corp	0.8	1.2
1.7	0.0	High Yield Corp	0.1	0.0
2.7	5.8	Emerging Markets	0.1	0.4
7.8	0.0	Cash Equivalents	0.4	0.0
100	100	Total	5.1	7.0

