

| Fund Information | 28 February 2019 | | | |
|-----------------------|---|----------|-----------|------------|
| Fund Size | \$675 million | | | |
| Fund Type | PIE | | | |
| Investment management | PIMCO | | | |
| Benchmark | Bloomberg Barclays Global Aggregate Index - \$NZ hedged | | | |
| Performance (gross) | 1 month | 3 months | 12 months | Inception* |
| Portfolio (%) | +0.38% | +2.22% | +3.75% | +4.37% |
| Benchmark (%) | +0.05% | +2.46% | +3.74% | +3.48% |
| Alpha (%) | +0.33% | -0.24% | +0.01% | +0.89% |

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.

*Annualised performance since inception

Performance update

The Hunter Global Fixed Interest Fund returned +0.38% for the month of February, outperforming the benchmark's return of +0.05% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged) for the same period.

The main contributors this month included an underweight duration exposure in the UK, stock selection in the corporate credit sector, particularly a preference for the financial sector, and country selection in the Eurozone.

These positions more than off-set the negative contributions from a long exposure to Japanese Yen and positions in Agency Mortgage Backed Securities.

Investment markets

Robust investor risk appetites were maintained in February with global equities continuing to rally, credit margins contracting, sovereign yields generally rising and the US dollar strengthening. Increased optimism over US-China trade negotiations, more accommodative stances from global central banks and a stronger than expected Q4 GDP result in the US, all underpinned investor enthusiasm for "risk" markets.

However, geopolitical uncertainty remains in the background with President Trump declaring a national emergency to obtain funds for his "wall" and failing to reach an agreement with North Korea over the nuclear issue. Elsewhere, the UK remained mired in Brexit and Pakistan and India faced off after an Indian jet was shot down over Kashmir. European growth weakened further.

Portfolio positioning

The Fund continues to remain defensively positioned, underweight duration overall. (6.1 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 the yield curve will need to steepen. U.S. rates still offer an attractive pick-up versus other developed market interest rates.

PIMCO is also now flat to underweight European duration. They remain underweight semi-core and peripheral Eurozone duration but overweight to core and some satellite European Countries. The Fund maintains its underweight of French duration as the ECB ends quantitative easing.

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" Asian 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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28 February 2019

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



| Investment Statistics | |
|-----------------------|-----|
| Effective Duration | 6.1 |
| Benchmark Duration | 7.0 |
| Average Maturity | 7.9 |
| Average Coupon | 2.6 |
| Average Quality | AA- |
| Total Carry | 3.7 |

| Quality Breakdown | | |
|-----------------------------|---------------|-----------------------------|
| Market Value % Portfolio | | Market Value % Benchmark |
| 61.0 | AAA | 40.1 |
| 6.8 | AA | 16.1 |
| 15.0 | A | 28.4 |
| 10.5 | BBB | 15.4 |
| 6.8 | Sub Inv Grade | 0.0 |
| 100 | Total | 100 |

| Curve Exposure | | | | |
|----------------------------|-------------|----------------------------|-----------------|-----------------|
| Duration Weighted Exposure | | Duration Weighted Exposure | | |
| % Portfolio | % Benchmark | | Years Portfolio | Years Benchmark |
| 9.3 | 0.1 | 0 - 1 years | 0.6 | 0.0 |
| -1.3 | 6.7 | 1 - 3 years | -0.1 | 0.5 |
| 41.2 | 14.3 | 3 - 5 years | 2.5 | 1.0 |
| 27.1 | 29.5 | 5-10 years | 1.7 | 2.1 |
| 23.7 | 49.4 | 10+ years | 1.4 | 3.5 |
| 100 | 100 | Total | 6.1 | 7.0 |

| Regional Breakdown by currency of settlement) | | | | |
|---|-------------|----------------------------|-----------------|-----------------|
| Duration Weighted Exposure | | Duration Weighted Exposure | | |
| % Portfolio | % Benchmark | | Years Portfolio | Years Benchmark |
| 4.1 | 1.2 | Australia/NZ | 0.3 | 0.1 |
| 13.4 | 22.3 | Japan | 0.8 | 1.6 |
| 22.0 | 23.9 | Europe - EMU | 1.3 | 1.7 |
| 4.8 | 1.5 | Europe - Non EMU | 0.3 | 0.1 |
| 1.1 | 7.6 | United Kingdom | 0.1 | 0.5 |
| 52.3 | 40.8 | North America | 3.2 | 2.8 |
| 0.7 | 1.2 | Emerging Markets | 0.0 | 0.1 |
| 1.6 | 1.6 | Other | 0.1 | 0.1 |
| 100 | 100 | Total | 6.1 | 7.0 |

| Sector Breakdown | | | | |
|----------------------------|-------------|----------------------------|-----------------|-----------------|
| Duration Weighted Exposure | | Duration Weighted Exposure | | |
| % Portfolio | % Benchmark | | Years Portfolio | Years Benchmark |
| 40.5 | 59.1 | Government | 2.5 | 4.1 |
| 5.2 | 7.6 | Agency/Semi | 0.3 | 0.5 |
| 24.1 | 10.4 | Mortgage | 1.5 | 0.7 |
| 13.3 | 17.2 | Inv Grade Corp | 0.8 | 1.2 |
| 1.4 | 0.0 | High Yield Corp | 0.1 | 0.0 |
| 6.6 | 5.8 | Emerging Markets | 0.4 | 0.4 |
| 8.9 | 0.0 | Cash Equivalents | 0.5 | 0.0 |
| 100 | 100 | Total | 6.1 | 7.0 |

