

Fund Information	31 May 2019			
Fund Size	\$720 million			
Fund Type	PIE			
Investment management	PIMCO			
Benchmark	Bloomberg Barclays Global Aggregate Index - \$NZ hedged			
Performance (gross)	1 month	3 months	1 Year	2 Year pa
Portfolio (%)	+1.39%	+3.11%	+6.04%	+4.56%
Benchmark (%)	+1.41%	+3.15%	+6.09%	+3.92%
Alpha (%)	-0.02%	-0.04%	-0.05%	+0.64%

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 +1.39% for the month of May, largely matching the benchmark's return of 1.41% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged) for the same period, despite being defensively positioned.

The overweight to US duration and underweight to investment grade credit were the main positive contributors to performance while an underweight to UK duration and a US TIPS exposure detracted from performance as core interest rates fell globally and credit spreads widened.

Investment markets

Risk assets sold off globally as trade tensions between the USA and China rose sharply. Washington increased tariffs on Chinese goods, and vice versa, then surprised markets with a Mexican Tariff.

In Europe political developments added to uncertainty, Theresa May announcing her resignation as a Brexit withdrawal agreement was again rejected and populist parties gaining more seats in the European parliamentary elections.

Meanwhile core interest rates continued to fall on dovish rhetoric and "risk off" sentiment. FOMC minutes and Fed Vice Chairman Clarida's comments hinted at more "accommodative" policy and saw US 10 year treasuries rally sharply while the German 10 year Bund reached an all-time low.

Portfolio positioning

The Fund continues to remain defensively positioned, underweight duration overall although the size of the underweight has been reduced (6.6 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 tactically adjusting steepening trades to focus on "carry" generation. 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.

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.

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

Outside the US, the Fund maintains its exposure to European covered bonds and UK residential MBS which PIMCO view as offering an attractive source of "safe spread".

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31 May 2019

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



Investment Statistics	
Effective Duration	6.6
Benchmark Duration	7.0
Average Maturity	9.6
Average Coupon	2.5
Average Quality	AA-
Total Carry	3.2

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
60.1	AAA	39.9
8.3	AA	15.6
14.8	A	29.3
10.5	BBB	15.2
6.3	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
6.5	0.0	0 - 1 years	0.4	0.0
-2.1	7.6	1 - 3 years	-0.1	0.5
36.4	14.7	3 - 5 years	2.4	1.0
36.9	25.5	5-10 years	2.4	1.8
22.3	52.1	10+ years	1.5	3.7
100	100	Total	6.6	7.0

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.4	1.1	Australia/NZ	0.2	0.1
16.7	22.6	Japan	1.1	1.6
20.4	23.9	Europe - EMU	1.3	1.7
4.8	1.5	Europe - Non EMU	0.3	0.1
4.8	7.4	United Kingdom	0.3	0.5
47.2	40.0	North America	3.1	2.8
1.5	2.0	Emerging Markets	0.1	0.1
2.1	1.6	Other	0.1	0.1
100	100	Total	6.6	7.0

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
49.9	60.1	Government	3.3	4.2
4.2	8.1	Agency/Semi	0.3	0.6
20.1	8.0	Mortgage	1.3	0.6
9.1	17.1	Inv Grade Corp	0.6	1.2
1.1	0.0	High Yield Corp	0.1	0.0
8.1	6.7	Emerging Markets	0.5	0.5
7.4	0.0	Cash Equivalents	0.5	0.0
100	100	Total	6.6	7.0

