

Fund Information	30 June 2019			
Fund Size	\$727 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 (%)	+1.25%	+2.89%	+7.14%	+5.17%
Benchmark (%)	+1.30%	+2.72%	+7.27%	+4.70%
Alpha (%)	-0.05%	+0.17%	-0.13%	+0.47%

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 returned +1.25% for the month of June, almost matching the benchmark's return of 1.30% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged) for the same period, despite carrying significantly less absolute risk than the benchmark.

An overweight to US duration, exposure to a basket of emerging markets currencies and holdings of subordinated financial debt all added value.

However, an underweight to Italian duration, where yields fell, a short Euro position and overweight to Agency MBS, where spreads widened, detracted from performance this month.

### Investment markets

Risk assets broadly rallied alongside "dovish" central banks and an expectation of more accommodative monetary policy given the uncertainty around the global growth and trade outlook. Equities recovered sharply from last month's sell-off and credit spreads in investment grade and high yield bonds also narrowed. The US dollar also weakened substantially.

Meanwhile, easing trade tensions boosted sentiment but uncertainty remains.

Global yields declined to new all-time lows as ECB Governor Draghi noted additional stimulus will be required to sustain inflation and the Fed's FOMC statement came in more dovish and its "dot points" moved closer to signalling rate

reductions. US 10 year treasury bonds briefly fell below 2% and German 10 years reached record lows (-0.33%).

### Portfolio positioning

The Fund continues to remain defensively positioned, underweight duration overall although the size of the underweight has been reduced (6.8 years vs index at 7.1 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 with 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 now neutral on UK duration given the weaker macro outlook and more dovish central banks.

The Fund remains underweight duration in Japan as a "cheap" hedge for global rates, should they recalibrate higher, but the size of the underweight has been reduced given the deteriorating macro backdrop.

The Fund continues to have exposure to a diversified basket of high yielding emerging market currencies (including RUB and BRL) funded primarily against the Euro. The Fund also has small tactical positions in GBP and JPY.

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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30 June 2019

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



Investment Statistics	
Effective Duration	6.8
Benchmark Duration	7.1
Average Maturity	9.9
Average Coupon	2.5
Average Quality	AA-
Total Carry	3.5

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
57.1	AAA	39.5
7.0	AA	15.6
16.4	A	29.4
13.2	BBB	15.5
6.3	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
7.5	0.1	0 - 1 years	0.5	0.0
2.4	7.8	1 - 3 years	0.2	0.5
21.4	13.7	3 - 5 years	1.5	1.0
34.0	25.5	5-10 years	2.3	1.8
34.7	53.0	10+ years	2.4	3.8
100	100	Total	6.8	7.1

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.5	1.1	Australia/NZ	0.2	0.1
16.2	22.2	Japan	1.1	1.6
22.3	24.7	Europe - EMU	1.5	1.7
3.8	1.5	Europe - Non EMU	0.3	0.1
7.5	7.3	United Kingdom	0.5	0.5
42.2	39.3	North America	2.9	2.8
3.6	2.2	Emerging Markets	0.2	0.2
2.0	1.7	Other	0.1	0.1
100	100	Total	6.8	7.1

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
48.4	60.0	Government	3.3	4.2
4.2	8.1	Agency/Semi	0.3	0.6
19.3	7.5	Mortgage	1.3	0.5
9.1	17.3	Inv Grade Corp	0.6	1.2
1.1	0.0	High Yield Corp	0.1	0.0
9.9	7.1	Emerging Markets	0.7	0.5
7.8	0.0	Cash Equivalents	0.5	0.0
100	100	Total	6.8	7.1

