

Fund Information	31 July 2019			
Fund Size	\$760 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 (%)	+0.74%	+3.41%	+7.65%	+5.22%
Benchmark (%)	+0.73%	+3.47%	+8.02%	+4.88%
Alpha (%)	+0.01%	-0.06%	-0.37%	+0.34%

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 +0.74% for the month of July, in line with the benchmark's return of +0.73% (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 Agency MBS and exposure to emerging markets debt added value as spreads narrowed. A short Euro currency position also added value.

However, this was offset by an underweight to Italian duration and to investment grade corporate debt that detracted from performance as did the overweight to US duration.

Investment markets

Risk assets continued to rally through July, the S&P 500 hitting an all-time high before falling back after the Fed cut rates 0.25% as expected. Credit spreads for investment grade and high yield bonds also tightened.

Sovereign bond markets were more mixed as the ECB, BOJ and BOE continued to signal easier monetary policy, as the global growth outlook continued to falter, while the US Fed rhetoric was less accommodative than expected, despite the rate cut, and saw the USD rally and higher short-term US yields.

Meanwhile, geopolitics remain a focus with Iran escalating tensions by seizing a British tanker, ongoing uncertainty around Brexit following a change in the UK Prime Minister and on again, off again US / China trade tensions.

Portfolio positioning

The Fund is now slightly overweight duration overall as interest rates are generally expected to fall further as growth continues to slow (7.3 years vs index at 7.1 years).

Within regions, the Fund holds an overweight to intermediate U.S. duration but is underweight the long end 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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31 July 2019

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



Investment Statistics	
Effective Duration	7.3
Benchmark Duration	7.1
Average Maturity	11.2
Average Coupon	2.4
Average Quality	AA-
Total Carry	3.3

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
54.5	AAA	39.4
7.1	AA	15.4
15.4	A	29.6
17.2	BBB	15.6
5.7	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	0.6	0.0
1.6	7.8	1 - 3 years	0.1	0.6
23.8	13.4	3 - 5 years	1.7	1.0
38.2	25.3	5-10 years	2.8	1.8
28.2	53.4	10+ years	2.1	3.8
100	100	Total	7.3	7.1

Regional Breakdown by currency of settlement				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
1.7	1.1	Australia/NZ	0.1	0.1
17.6	22.0	Japan	1.3	1.6
25.9	24.7	Europe - EMU	1.9	1.8
1.9	1.5	Europe - Non EMU	0.1	0.1
8.0	7.2	United Kingdom	0.6	0.5
37.7	39.2	North America	2.8	2.8
5.3	2.5	Emerging Markets	0.4	0.2
1.9	1.8	Other	0.1	0.1
100	100	Total	7.3	7.1

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
49.6	59.8	Government	3.6	4.2
3.7	8.1	Agency/Semi	0.3	0.6
18.4	7.3	Mortgage	1.4	0.5
8.1	17.4	Inv Grade Corp	0.6	1.2
1.0	0.0	High Yield Corp	0.1	0.0
11.3	7.5	Emerging Markets	0.8	0.5
8.0	0.0	Cash Equivalents	0.6	0.0
100	100	Total	7.3	7.1

