

Fund Information		31 August 2019			
Fund Size	\$776 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 (%)	+1.86%	+3.88%	+9.31%	+5.57%	
Benchmark (%)	+2.30%	+4.38%	+10.15%	+5.55%	
Alpha (%)	-0.44%	-0.50%	-0.84%	+0.02%	

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 +1.86% for the month of August, underperforming the benchmark's return of +2.30% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged) for the same period.

Risk reducing strategies generally detracted from performance in August with positions in inflation linked bonds and high quality securitised assets both subtracting value as core government debt was preferred.

Interest rate strategies, duration and yield curve, were broadly neutral with active duration positions largely offset by a preference for mid-curve maturities in the US where the yield curve continued to invert.

Emerging market positions also detracted slightly as investors preferred core markets as economic growth expectations continued to fall.

Investment markets

Risk assets generally retreated on growing concerns over falling economic growth and the possibility of recession. "Safe haven" assets rallied with the US yield curve inverting between 2 and 10 years and the US 30-year Treasury yield dropping below 2% for the first time.

An uptick in US/China trade tensions, with both sides raising tariffs, together with continued uncertainty around Brexit and news of a selective "default" of Argentinian debt all contributed to broader "risk aversion" and increased market volatility.

Portfolio positioning

The Fund is now overweight duration overall as interest rates are generally expected to fall further as growth continues to slow (7.7 years vs index at 7.2 years).

Within regions, the Fund has reduced the size of its "US curve steepener" positions and while still overweight the "belly" of the curve, the underweight to US 30-year bonds has been reduced. The Fund has increased its general overweight to US duration as U.S. rates still offer an attractive pick-up versus other developed market interest rates.

PIMCO is now overweight European duration and modestly overweight semi-core and peripheral Eurozone duration as they now expect the ECB to initiate further QE.

PIMCO is now neutral on UK duration given the weaker macro outlook and increased uncertainty around Brexit.

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, PLN, PEN, MXN, COP 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 August 2019

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



Investment Statistics	
Effective Duration	7.7
Benchmark Duration	7.2
Average Maturity	11.8
Average Coupon	2.3
Average Quality	AA-
Total Carry	2.6

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
54.2	AAA	39.2
6.4	AA	15.2
14.3	A	30.1
19.0	BBB	15.5
6.0	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
14.6	0.1	0 - 1 years	1.1	0.0
-4.6	8.2	1 - 3 years	-0.4	0.6
19.4	11.6	3 - 5 years	1.5	0.8
30.8	24.6	5-10 years	2.4	1.8
39.8	55.5	10+ years	3.1	4.0
100	100	Total	7.7	7.2

Regional Breakdown by currency of settlement				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.2	1.1	Australia/NZ	0.2	0.1
18.1	22.3	Japan	1.4	1.6
23.9	24.4	Europe - EMU	1.8	1.8
0.9	1.4	Europe - Non EMU	0.1	0.1
6.2	7.3	United Kingdom	0.5	0.5
42.5	39.0	North America	3.3	2.8
4.6	2.7	Emerging Markets	0.4	0.2
1.7	1.7	Other	0.1	0.1
100	100	Total	7.7	7.2

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
47.9	60.8	Government	3.7	4.4
3.6	8.0	Agency/Semi	0.3	0.6
14.6	6.1	Mortgage	1.1	0.4
7.9	17.4	Inv Grade Corp	0.6	1.3
0.9	0.0	High Yield Corp	0.1	0.0
10.6	7.6	Emerging Markets	0.8	0.5
14.4	0.0	Cash Equivalents	1.1	0.0
100	100	Total	7.7	7.2

