

Fund Information		30 September 2019			
Fund Size	\$775 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 (%)	-0.66%	+1.93%	+8.72%	+5.29%	
Benchmark (%)	-0.55%	+2.47%	+9.96%	+5.47%	
Alpha (%)	-0.11%	-0.54%	-1.24%	-0.18%	

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 -0.66% for the month of September, slightly behind the benchmark's return of -0.55% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged) for the same period.

Overweights to Agency MBS and Eurozone duration together with exposure to high quality investment grade credit all added value as the ECB cut rates and US mortgage pre-payments and refinancing slowed helping to extend MBS duration.

However, this was offset by an overweight to intermediate US duration where yields rose despite the Federal Reserve cutting rates by 0.25%. Long Japanese interest rate and currency exposure also detracted driven by BOJ rhetoric and positive investor sentiment.

Investment markets

Risk assets rallied again in September, developed market equities rose over 2% and the US dollar also rallied on an improving outlook for US/China trade talks and surging investor risk appetites given US Fed and ECB rate cuts and indications of more accommodative policy from other Central Banks. Growth concerns and geopolitical developments saw some pull back later in the month.

Idiosyncratic events also effected volatility, the attack on Saudi Arabian oil fields saw a huge jump in oil prices. Meanwhile, a surge in US overnight repo rates saw the NY Fed actively boosting liquidity to support the market and keep Fed Funds rate within the target range.

Portfolio positioning

The Fund remains slightly overweight duration overall as interest rates are generally expected to fall further as growth continues to slow (7.3 years vs index at 7.2 years).

Within regions, the Fund maintains its overweight to US duration preferring the belly of the yield curve but is now more neutral to the rest of the curve. 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 are underweight core and semi-core countries preferring peripheral Eurozone duration due to ECB support.

PIMCO is now modestly underweight UK duration as a no-deal Brexit appears more unlikely given recent developments.

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 is also short a basket of Asian currencies given trade tensions. The Fund also has small tactical positions in GBP and JPY.

In the credit risk sector, the Fund remains underweight generic 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 September 2019

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



Investment Statistics	
Effective Duration	7.3
Benchmark Duration	7.2
Average Maturity	10.3
Average Coupon	2.4
Average Quality	AA-
Total Carry	3.1

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
52.1	AAA	39.3
5.9	AA	15.2
14.1	A	29.8
22.1	BBB	15.7
5.8	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
5.1	0.1	0 - 1 years	0.4	0.0
3.4	8.2	1 - 3 years	0.2	0.6
20.8	12.2	3 - 5 years	1.5	0.9
35.8	24.7	5-10 years	2.6	1.8
35.0	54.8	10+ years	2.6	3.9
100	100	Total	7.3	7.2

Regional Breakdown by currency of settlement				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
3.0	1.1	Australia/NZ	0.2	0.1
16.9	21.6	Japan	1.2	1.6
21.4	24.2	Europe - EMU	1.6	1.7
1.5	1.4	Europe - Non EMU	0.1	0.1
4.5	7.5	United Kingdom	0.3	0.5
46.0	39.4	North America	3.4	2.8
4.9	3.0	Emerging Markets	0.4	0.2
1.7	1.7	Other	0.1	0.1
100	100	Total	7.3	7.2

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
52.9	59.9	Government	3.9	4.3
3.7	8.0	Agency/Semi	0.3	0.6
17.3	6.6	Mortgage	1.3	0.5
9.1	17.5	Inv Grade Corp	0.7	1.3
1.0	0.0	High Yield Corp	0.1	0.0
11.2	7.9	Emerging Markets	0.8	0.6
4.8	0.0	Cash Equivalents	0.4	0.0
100	100	Total	7.3	7.2

