

Fund Information		31 October 2019			
Fund Size	\$781 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 (%)	-0.13%	+1.13%	+8.65%	+4.95%	
Benchmark (%)	-0.24%	+1.49%	+9.94%	+5.08%	
Alpha (%)	+0.11%	-0.36%	-1.29%	-0.13%	

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 -0.13% for the month of October, slightly ahead of the benchmark's return of -0.24% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged) for the same period.

Underweights to core Eurozone and Japanese duration added value as interest rates ended the month higher as trade tensions temporarily eased and despite ongoing Central Bank support. Similarly, exposure to GBP, which benefited from reduced probability of a no-deal Brexit, and EM currencies, which saw improved investor sentiment, also added value.

However, this was partially offset by an overweight to peripheral Eurozone duration where yields rose and a tactical long JPY position as safe-haven currencies lost their sheen.

Investment markets

Risk assets rallied further in October as renewed optimism around a US-China trade deal outweighed concerns of softening economic fundamentals. Global equities rallied (the S&P 500 reaching an all-time high), credit spreads tightened and developed market yields rose while the US dollar weakened.

Central banks kept monetary policy accommodative, the US Federal Reserve cutting rates for the third time this year.

The British Pound rallied on renewed Brexit optimism ahead of the December General Election.

Portfolio positioning

The Fund is now slightly underweight duration overall (6.9 years vs index at 7.2 years) with a focus on relative value as PIMCO view rates to now be largely anchored by a more bearish global economic outlook.

Within regions, the Fund maintains its overweight to US duration preferring the belly of the yield curve over longer maturities. 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 has increased the 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, MXN, IDR 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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31 October 2019

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



Investment Statistics	
Effective Duration	6.9
Benchmark Duration	7.2
Average Maturity	9.9
Average Coupon	2.4
Average Quality	AA-
Total Carry	2.9

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
52.1	AAA	39.1
6.4	AA	15.2
13.4	A	30.0
22.4	BBB	15.8
5.7	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
3.7	0.1	0 - 1 years	0.3	0.0
1.0	8.1	1 - 3 years	0.1	0.6
23.9	12.5	3 - 5 years	1.7	0.9
33.6	25.0	5-10 years	2.3	1.8
37.7	54.3	10+ years	2.6	3.9
100	100	Total	6.9	7.2

Regional Breakdown by currency of settlement				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
3.1	1.1	Australia/NZ	0.2	0.1
16.8	21.3	Japan	1.2	1.5
22.0	24.2	Europe - EMU	1.5	1.7
4.0	1.4	Europe - Non EMU	0.3	0.1
-0.4	7.6	United Kingdom	0.0	0.5
47.5	39.5	North America	3.3	2.8
5.0	3.3	Emerging Markets	0.3	0.2
1.9	1.7	Other	0.1	0.1
100	100	Total	6.9	7.2

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
49.5	59.4	Government	3.4	4.3
3.8	8.0	Agency/Semi	0.3	0.6
21.9	6.8	Mortgage	1.5	0.5
8.9	17.7	Inv Grade Corp	0.6	1.3
1.2	0.0	High Yield Corp	0.1	0.0
11.5	8.2	Emerging Markets	0.8	0.6
3.2	0.0	Cash Equivalents	0.2	0.0
100	100	Total	6.9	7.2

