

Fund Information		31 December 2019			
Fund Size	\$792 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 (%)	+0.17%	-0.14%	+8.09%	+4.76%	
Benchmark (%)	-0.24%	-0.64%	+7.48%	+4.61%	
Alpha (%)	+0.41%	+0.50%	+0.61%	+0.15%	

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 +0.17% for the month of December, well ahead of the benchmark's return of -0.24% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged) for the same period.

Underweights to European duration, particularly Germany and the UK, added value as rates rose there on positive regional news and Brexit developments. Exposure to US inflation linked bonds and an underweight to the USD also contributed positively as inflation "break evens" widened and the USD fell on weaker economic data and signals from the Fed of a likely extended pause in monetary policy. Positions in US Agency MBS also added value on reduced issuance and a favourable pre-payment data.

However, this was partially off-set by an overweight to US intermediate duration as yields rose on increased optimism around a US-China trade deal and a bounce back in economic data. The long GBP position also detracted following the December 2020 Brexit deadline being passed into law.

### Investment markets

Risk assets rallied further in December (US and UK equity markets closing on highs and credit spreads tightening) as investor sentiment strengthened on the improved outlook for U.S.-China trade, the UK General election and tentative signs that global economic conditions were stabilising.

Core interest rates generally rose on improved sentiment and reduced demand for safe haven assets.

### Portfolio positioning

The Fund remains underweight duration overall (6.6 years vs index at 7.1 years) with a focus on relative value as PIMCO views rates to now be largely anchored given 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 continues to underweight European duration particularly core and semi-core countries preferring peripheral Eurozone duration due to ECB support.

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

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

PIMCO has introduced a modest overweight to China due to a more dovish view of its cyclical growth and its impending inclusion in the Global Aggregate index.

The Fund continues to have exposure to a diversified basket of high yielding emerging market currencies (including RUB, MXN, IDR and BRL) now funded against both the Euro and USD, they see less impetus for USD strength given a more challenging growth outlook. 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 and to European covered bonds and UK residential MBS which PIMCO view as offering an attractive source of "safe spread".

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31 December 2019

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



Investment Statistics	
Effective Duration	6.6
Benchmark Duration	7.1
Average Maturity	9.4
Average Coupon	2.2
Average Quality	AA-
Total Carry	2.9

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
51.7	AAA	38.8
8.2	AA	15.1
12.7	A	30.5
22.2	BBB	15.6
5.3	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
3.2	0.0	0 - 1 years	0.2	0.0
5.4	7.7	1 - 3 years	0.4	0.5
25.5	13.5	3 - 5 years	1.7	1.0
28.2	25.2	5-10 years	1.9	1.8
37.7	53.5	10+ years	2.5	3.8
100	100	Total	6.6	7.1

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
3.6	1.1	Australia/NZ	0.2	0.1
16.6	21.0	Japan	1.1	1.5
17.3	23.6	Europe - EMU	1.1	1.7
6.3	1.4	Europe - Non EMU	0.4	0.1
1.2	7.5	United Kingdom	0.1	0.5
48.0	39.8	North America	3.2	2.8
5.1	3.9	Emerging Markets	0.3	0.3
1.9	1.7	Other	0.1	0.1
100	100	Total	6.6	7.1

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
47.4	58.3	Government	3.1	4.1
2.5	7.8	Agency/Semi	0.2	0.6
26.2	7.4	Mortgage	1.7	0.5
8.9	17.7	Inv Grade Corp	0.6	1.3
1.1	0.0	High Yield Corp	0.1	0.0
11.3	8.8	Emerging Markets	0.7	0.6
2.7	0.0	Cash Equivalents	0.2	0.0
100	100	Total	6.6	7.1

