

Fund Information		31 January 2020			
Fund Size	\$810 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 (%)	+1.85%	+1.83%	+8.70%	+5.75%	
Benchmark (%)	+1.83%	+1.42%	+8.39%	+5.90%	
Alpha (%)	+0.02%	+0.41%	+0.31%	-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 and business.govt.nz/disclose.

Performance update

The Hunter Global Fixed Interest Fund returned +1.85% for the month of January, largely in line with the benchmark's return of +1.83% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged) for the same period.

Overweights to Italian rates and to US and Danish duration all added value; Italy on the back of tighter country spreads following regional elections while Denmark and the US benefited from increased "risk off" sentiment as markets weighed the impact of the corona virus. Security selection within investment grade credit, particularly industrials and financials, also added value.

However, this was largely off-set by underweight duration positions in core Europe and the UK and exposure to US Agency MBS which were all effected negatively by the global "risk off" trade associated with "corona". The short US dollar position also detracted with the dollar up in January against its developed market counterparts.

Investment markets

US – Iran geopolitics and the corona virus drove volatility up in January and although the S&P reached an all-time high, initially up 3% in January, equities ended the with markets roughly flat as investor sentiment soured on fresh economic risks. Conversely, safe haven assets rallied strongly over the period. January also saw US – China trade tensions continue to de-escalate and Brexit implemented, although we remain in a transition phase on both fronts. Central banks kept monetary policy broadly on hold, for the period, despite an increase in potential tail risks.

Portfolio positioning

The Fund remains underweight duration overall (6.8 years vs index at 7.2 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 following ratification of Brexit and given valuations versus US Treasuries.

The Fund remains underweight duration in Japan as a hedge for global rates, should they recalibrate higher.

PIMCO is introducing 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 AUD.

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".

Tony Hildyard - 021 830 720

tonyhildyard@hunterinvestments.co.nz

Manager: Implemented Investment Solutions Limited

contact@iisolutions.co.nz

0800 499 466

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31 January 2020

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



Investment Statistics	
Effective Duration	6.8
Benchmark Duration	7.2
Average Maturity	10.7
Average Coupon	2.3
Average Quality	AA-
Total Carry	2.8

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
51.4	AAA	38.7
4.6	AA	15.0
13.2	A	30.6
25.5	BBB	15.7
5.3	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.2	0.1	0 - 1 years	0.1	0.0
-0.3	8.2	1 - 3 years	0.0	0.6
24.7	12.0	3 - 5 years	1.7	0.9
35.1	24.7	5-10 years	2.4	1.8
38.3	55.1	10+ years	2.6	4.0
100	100	Total	6.8	7.2

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.6	1.1	Australia/NZ	0.2	0.1
17.9	20.6	Japan	1.2	1.5
19.9	23.9	Europe - EMU	1.4	1.7
5.2	1.4	Europe - Non EMU	0.4	0.1
1.6	7.7	United Kingdom	0.1	0.6
46.0	39.5	North America	3.1	2.8
4.9	4.1	Emerging Markets	0.3	0.3
1.8	1.7	Other	0.1	0.1
100	100	Total	6.8	7.2

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
49.5	58.7	Government	3.4	4.2
3.2	8.0	Agency/Semi	0.2	0.6
23.4	6.4	Mortgage	1.6	0.5
9.1	17.8	Inv Grade Corp	0.6	1.3
1.1	0.0	High Yield Corp	0.1	0.0
11.8	9.1	Emerging Markets	0.8	0.7
1.9	0.0	Cash Equivalents	0.1	0.0
100	100	Total	6.8	7.2

