

Fund Information	29 February 2020			
Fund Size	\$819 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 (%)	+0.61%	+2.64%	+8.96%	+6.32%
Benchmark (%)	+1.23%	+2.84%	+9.67%	+6.66%
Alpha (%)	-0.62%	-0.20%	-0.71%	-0.34%

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 +0.61% for the month of February, underperforming the benchmark's return of +1.23% (being the Bloomberg Barclays Global Aggregate Index - \$NZ hedged) for the same period.

An Overweight to US intermediate duration added value as sovereign yields broadly fell in February amid heightened concerns of the economic impact of the coronavirus.

However, underweights to core European duration (Germany, UK) in favour of peripheral Europe (Italy) together with a "short" USD position overwhelmed the positives as all non-core asset spreads widened with the "flight to quality" tsunami as global growth expectations fell sharply. Even government guaranteed US Agency bond spreads widened and government inflation linked bond prices also dropped as inflation became a non-issue again.

Investment markets

The coronavirus outbreak saw a global sell-off in all risk assets and the S&P 500 retraced record levels with the fastest correction in its history during the last week of February, ending the month 8.2% lower. The sharp turn in sentiment reverberated across markets as global equities fell, developed market yields broadly declined, credit spreads widened, and the dollar strengthened.

In response, international monetary and fiscal efforts began to take form, China, Korea and Italy all early responders and the US Federal Reserve making the right noises. Other issues took a back seat this month.

Portfolio positioning

The Fund's overall duration now largely in line with the index, around 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 now has a modest underweight to European duration particularly core and semi-core countries preferring peripheral Eurozone duration due to ECB support. The Fund is also overweight duration in Denmark.

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 but has a long JPY position which offers some "flight to safety" protection.

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, long GBP and short EUR.

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".

The Fund also has a modest exposure to U.K. financials and to "bend not break" assets with short duration/low beta.

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29 February 2020

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



Investment Statistics	
Effective Duration	7.2
Benchmark Duration	7.2
Average Maturity	11.0
Average Coupon	2.3
Average Quality	AA-
Total Carry	3.0

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
52.8	AAA	38.7
5.2	AA	14.8
12.4	A	31.0
24.5	BBB	15.4
5.1	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4.1	0.2	0 - 1 years	0.3	0.0
1.6	8.4	1 - 3 years	0.1	0.6
19.7	10.8	3 - 5 years	1.4	0.8
28.9	24.6	5-10 years	2.1	1.8
45.8	56.2	10+ years	3.3	4.1
100	100	Total	7.2	7.2

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.0	1.1	Australia/NZ	0.1	0.1
16.9	20.7	Japan	1.2	1.5
23.1	23.8	Europe - EMU	1.7	1.7
4.2	1.4	Europe - Non EMU	0.3	0.1
-0.6	7.5	United Kingdom	0.0	0.5
47.8	39.5	North America	3.4	2.9
4.8	4.3	Emerging Markets	0.3	0.3
1.8	1.7	Other	0.1	0.1
100	100	Total	7.2	7.2

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
50.2	59.4	Government	3.6	4.3
3.8	8.0	Agency/Semi	0.3	0.6
20.5	5.6	Mortgage	1.5	0.4
9.4	17.7	Inv Grade Corp	0.7	1.3
1.1	0.0	High Yield Corp	0.1	0.0
11.6	9.3	Emerging Markets	0.8	0.7
3.4	0.0	Cash Equivalents	0.2	0.0
100	100	Total	7.2	7.2

