

Fund Information	31 March 2020			
Fund Size	\$768 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 (%)	-3.83%	-1.45%	+3.28%	+3.89%
Benchmark (%)	-1.67%	+1.37%	+6.02%	+5.32%
Alpha (%)	-2.16%	-2.82%	-2.74%	-1.43%

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 significantly underperformed its benchmark in March as the Coronavirus created widespread panic in financial markets.

Overweights to US intermediate and Canadian duration added value as yields declined over the month, the Coronavirus outbreak resulting in unprecedented Fed policy action and fuelling significant global growth concerns. Our long Japanese Yen exposure also added value benefiting from “safe haven” sentiment as concerns grew.

However, overweights to peripheral Europe (particularly Italy and Spain) detracted as country spreads widened, while an underweight to UK duration also detracted as yields fell there.

Spread sectors (MBS, ABS and investment grade and high yield corporate debt) generally detracted in March with spreads widening on both liquidity and increased default risk concerns.

Our long exposure to a basket of emerging markets (EM) currencies also subtracted value as EM currencies weakened on strong “risk off” sentiment.

Even US Government inflation linked bonds lost value as inflation expectations crumbled with the growth outlook.

Investment markets

Escalating COVID-19 infection rates drove unprecedented market volatility and dislocation. Risk assets sold-off as coronavirus cases outside China multiplied. Developed

market stocks plunged -13.2%, U.S. equities saw both the fastest sell-off on record and the largest weekly percentage gain since 2009, and credit spreads widened significantly. Volatility (VIX) spiked to its highest level on record and oil prices also crashed, with WTI falling below \$20, near 18-year-lows. Sovereign rate moves were largely mixed – U.S. Treasuries fell by -48bps although German Bund yield rose by 14bps – while the U.S. Dollar Index (DXY) and JPY rallied +0.9% and +0.3% respectively.

Economic data deteriorated sharply following government enforced containment measures and a global recession appears likely.

Central banks moved swiftly to support markets with rate cuts and renewed quantitative easing (QE) while governments announced broad support programmes for both businesses and households.

Portfolio positioning

PIMCO is maintaining a cautious view towards both interest rates and corporate credit, with a focus on relative value positions and diversified alpha strategies. Within broader risk exposures, they maintain tactical tilts designed to benefit across a range of scenarios given the increasingly fragile environment.

The Fund maintains a moderate overweight to duration (7.4 years vs 7.0 for index), preferring U.S. duration for its resilience should the global economy worsen.

The Fund remains underweight to corporate credit generally while targeting shorter maturities and financials.

Securitized assets (Agency and non-agency mortgages, U.K. mortgages and Danish covered bonds) remain PIMCO's preferred way to take spread exposure. The Fund is also long Italian Government bonds vs Germany which should benefit from spread contraction as QE takes hold.

Currency strategies are largely tactical or target diversification for the portfolio.

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31 March 2020

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



Investment Statistics	
Effective Duration	7.4
Benchmark Duration	7.0
Average Maturity	10.6
Average Coupon	2.2
Average Quality	AA-
Total Carry	5.0

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
59.2	AAA	39.4
3.8	AA	14.8
15.3	A	31.2
16.8	BBB	14.7
4.9	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4.3	0.4	0 - 1 years	0.3	0.0
-1.3	8.4	1 - 3 years	-0.1	0.6
19.9	10.7	3 - 5 years	1.5	0.7
30.4	24.9	5-10 years	2.2	1.7
46.7	55.8	10+ years	3.4	3.9
100	100	Total	7.4	7.0

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.1	1.0	Australia/NZ	0.2	0.1
17.3	21.1	Japan	1.3	1.5
17.3	23.5	Europe - EMU	1.3	1.7
6.4	1.4	Europe - Non EMU	0.5	0.1
4.6	7.6	United Kingdom	0.3	0.5
45.6	39.1	North America	3.4	2.7
5.0	4.6	Emerging Markets	0.4	0.3
1.9	1.7	Other	0.1	0.1
100	100	Total	7.4	7.0

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
49.0	60.8	Government	3.6	4.3
4.1	7.8	Agency/Semi	0.3	0.6
21.5	5.0	Mortgage	1.6	0.4
9.9	17.0	Inv Grade Corp	0.7	1.2
0.7	0.0	High Yield Corp	0.1	0.0
11.7	9.3	Emerging Markets	0.9	0.7
3.0	0.0	Cash Equivalents	0.2	0.0
100	100	Total	7.4	7.0

