

Fund Information	31 July 2020			
Fund Size	\$855 million			
Fund Type	PIE			
Investment management	PIMCO			
Benchmark	Bloomberg Barclays Global Aggregate Index - \$NZ hedged			
Performance (gross)	1 month	3 months	1 Year	3 Year pa
Portfolio (%)	+1.47%	+3.58%	+5.53%	+5.32%
Benchmark (%)	+1.05%	+1.86%	+6.03%	+5.26%
Alpha (%)	+0.42%	+1.72%	-0.50%	+0.06%

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 outperformed its benchmark again in July as market conditions continued to recover from the March quarter's sell off. Ongoing monetary and fiscal support from the regulators remains a key driver of markets.

Our portfolio's holdings of securitised assets, in particular, US Agency and non-agency mortgages, benefitted from further spread contraction and security selection. Similarly, an overweight to European peripheral debt (especially Italy) also added value as country spreads tightened further on further Eurozone fiscal support.

Holdings of emerging markets external debt also contributed positively on the back of better than expected data and earnings results.

Within the corporate sector, both investment grade and high yield financials saw spread contraction.

Detracting this month was our underweight to generic investment grade corporate debt and to German duration where yields fell on the agreement to establish the E.U. Recovery Fund.

Investment markets

Risk assets continued to rally through July as positive earnings reports and vaccine developments supported risk appetites. Global Equities rallied, credit spreads tightened and oil prices rose. The 4 biggest tech companies in the world reported blockbuster earnings in July and markets shrugged off a headline-grabbing 32.9% contraction in U.S.

GDP in Q2 and cheered the E.U. leaders' fiscal deal on a EUR 750 billion recovery fund.

Safe haven assets (sovereign bonds and gold), also rallied supported by policy and the still uncertain backdrop. However, the US dollar had its worse month in a decade falling to a 2 year low.

But, concerns over a resurgence in COVID-19 and escalating geopolitical friction between the US and China continue to fuel market volatility.

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 has slightly less absolute duration than the index at 7.0 years vs 7.4 years for the benchmark reflecting yield curve positioning with shorter maturities enjoying central bank support whereas the longer maturities are more likely to be impacted by increased issuance and inflation over time.

PIMCO still prefers 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.

Securitised assets remain PIMCO's preferred way to take spread exposure. The Fund is also long non-core Europe vs core Europe as further spread contraction is expected, and long US TIPS given their depressed valuations.

Currency strategies are largely tactical or target portfolio diversification, we are currently short USD vs EUR.

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31 July 2020

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



Investment Statistics	
Effective Duration	7.0
Benchmark Duration	7.4
Average Maturity	9.7
Average Coupon	2.1
Average Quality	AA-
Total Carry	2.4

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
54.5	AAA	36.8
8.3	AA	15.7
16.7	A	31.6
16.3	BBB	15.9
4.2	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
1.8	0.0	0 - 1 years	0.1	0.0
-4.6	7.3	1 - 3 years	-0.3	0.5
19.9	10.9	3 - 5 years	1.4	0.8
43.2	24.9	5-10 years	3.0	1.8
39.6	56.9	10+ years	2.8	4.2
100	100	Total	7.0	7.4

Regional Breakdown by currency of settlement				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4.4	1.3	Australia/NZ	0.3	0.1
14.7	18.8	Japan	1.0	1.4
18.7	24.9	Europe - EMU	1.3	1.8
5.6	1.4	Europe - Non EMU	0.4	0.1
4.9	8.2	United Kingdom	0.3	0.6
43.1	38.5	North America	3.0	2.8
7.1	5.3	Emerging Markets	0.5	0.4
1.6	1.7	Other	0.1	0.1
100	100	Total	7.0	7.4

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
44.7	57.8	Government	3.1	4.3
3.9	8.1	Agency/Semi	0.3	0.6
21.9	4.6	Mortgage	1.5	0.3
11.7	19.1	Inv Grade Corp	0.8	1.4
0.5	0.0	High Yield Corp	0.0	0.0
15.7	10.3	Emerging Markets	1.1	0.8
1.6	0.0	Cash Equivalents	0.1	0.0
100	100	Total	7.0	7.4

