

| Fund Information | 31 August 2020 | | | |
|-----------------------|---|----------|--------|-----------|
| Fund Size | \$868 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 (%) | +0.17% | +2.64% | +3.78% | +4.97% |
| Benchmark (%) | -0.72% | +0.82% | +2.90% | +4.66% |
| Alpha (%) | +0.89% | +1.82% | +0.88% | +0.31% |

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 outperformed its benchmark in August as strong investor sentiment drove risk assets higher, aided by ongoing monetary and fiscal support from the regulators.

Our portfolio's holdings of securitised assets, in particular, US Agency and non-agency mortgages, added value, benefitting from further spread contraction in August. Similarly, an underweight to European core debt (including German Bunds) also added value as yields in safe haven markets rose alongside the broader rally in risk assets. Similarly, yield curve positioning in the U.S. contributed as the curve steepened on news that the Fed was moving to target average inflation over time.

Our short US dollar versus the Euro added value too, the US dollar continuing to trend lower in August.

Within the corporate sector, overweight investment grade and high yield financials added value as credit spreads tightened with the improved risk sentiment. However, an overweight to Danish duration detracted slightly as yield curves generally steepened over the month.

Investment markets

Risk assets continued to rally through August, US equities hitting record highs and credit spreads tightening while the US dollar weakened, and developed markets bond curves steepened. Promising quarterly earnings, in some sectors, and ongoing central bank support drove investor optimism

with safe haven assets underperforming. Economic data was generally supportive, global PMI rising above 50, US unemployment improving and inflation rebounding. But, concerns over a resurgence in COVID-19 and geopolitical friction between the US and China remain potential sources of 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's duration has slightly less absolute duration than the index at 7.0 years vs 7.3 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.

Securitized 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.

The Fund is also slightly long US TIPS as valuations remain attractive especially given the Fed's new average inflation target approach.

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

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31 August 2020

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



| Investment Statistics | |
|-----------------------|-----|
| Effective Duration | 7.0 |
| Benchmark Duration | 7.3 |
| Average Maturity | 9.6 |
| Average Coupon | 2.1 |
| Average Quality | AA- |
| Total Carry | 2.6 |

| Quality Breakdown | | |
|-----------------------------|---------------|-----------------------------|
| Market Value % Portfolio | | Market Value % Benchmark |
| 54.4 | AAA | 36.7 |
| 6.1 | AA | 15.5 |
| 18.3 | A | 31.8 |
| 16.9 | BBB | 16.0 |
| 4.3 | Sub Inv Grade | 0.0 |
| 100 | Total | 100 |

| Curve Exposure | | | | |
|----------------------------|-------------|----------------------------|-----------------|-----------------|
| Duration Weighted Exposure | | Duration Weighted Exposure | | |
| % Portfolio | % Benchmark | | Years Portfolio | Years Benchmark |
| 2.0 | 0.1 | 0 - 1 years | 0.1 | 0.0 |
| -4.7 | 7.4 | 1 - 3 years | -0.3 | 0.5 |
| 18.3 | 11.5 | 3 - 5 years | 1.3 | 0.8 |
| 46.3 | 25.3 | 5-10 years | 3.3 | 1.8 |
| 38.2 | 55.7 | 10+ years | 2.7 | 4.1 |
| 100 | 100 | Total | 7.0 | 7.3 |

| Regional Breakdown by currency of settlement) | | | | |
|---|-------------|----------------------------|-----------------|-----------------|
| Duration Weighted Exposure | | Duration Weighted Exposure | | |
| % Portfolio | % Benchmark | | Years Portfolio | Years Benchmark |
| 4.5 | 1.4 | Australia/NZ | 0.3 | 0.1 |
| 14.3 | 18.6 | Japan | 1.0 | 1.4 |
| 18.8 | 24.7 | Europe - EMU | 1.3 | 1.8 |
| 6.6 | 1.4 | Europe - Non EMU | 0.5 | 0.1 |
| 4.7 | 8.0 | United Kingdom | 0.3 | 0.6 |
| 43.1 | 38.4 | North America | 3.0 | 2.8 |
| 6.7 | 5.8 | Emerging Markets | 0.5 | 0.4 |
| 1.4 | 1.7 | Other | 0.1 | 0.1 |
| 100 | 100 | Total | 7.0 | 7.3 |

| Sector Breakdown | | | | |
|----------------------------|-------------|----------------------------|-----------------|-----------------|
| Duration Weighted Exposure | | Duration Weighted Exposure | | |
| % Portfolio | % Benchmark | | Years Portfolio | Years Benchmark |
| 43.8 | 57.2 | Government | 3.1 | 4.2 |
| 3.1 | 8.2 | Agency/Semi | 0.2 | 0.6 |
| 24.7 | 5.0 | Mortgage | 1.7 | 0.4 |
| 11.4 | 18.8 | Inv Grade Corp | 0.8 | 1.4 |
| 0.5 | 0.0 | High Yield Corp | 0.0 | 0.0 |
| 14.8 | 10.8 | Emerging Markets | 1.0 | 0.8 |
| 1.7 | 0.0 | Cash Equivalents | 0.1 | 0.0 |
| 100 | 100 | Total | 7.0 | 7.3 |

