

Fund Information		30 September 2020			
Fund Size	\$870 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 (%)	+0.49%	+2.15%	+4.91%	+5.19%	
Benchmark (%)	+0.38%	+0.70%	+3.86%	+4.93%	
Alpha (%)	+0.11%	+1.45%	+1.05%	+0.26%	

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 September even as investor risk appetites declined on an upsurge in Covid-19 infections.

Our portfolio's holdings of securitised assets outperformed like-duration Treasuries on the back of large scale buying during the month. Similarly, an underweight to non-financial investment grade credit also added value as credit spreads widened modestly. Exposure to core safe haven yields contributed positively as yields broadly fell with a decline in risk appetite on the back of an uptick in Covid-19 cases, especially in Europe.

US yield curve positioning continued to add value, the curve steepening further as it digested the Fed's move to target 2% average inflation over time.

However, our short US dollar versus the Euro position subtracted value this month, the US dollar rallying sharply as risk sentiment fell on declining expectations for further fiscal stimulus in the US.

Investment markets

Risk assets declined in September with the S&P 500 experiencing its first monthly fall since March. Technology names were sharply lower, underscoring market fragility. Credit margins also widened while safe haven assets, except in the US which was largely range bound, rallied. The US dollar strengthened.

Economic data was mixed in September, some metrics showing a gradual recovery while others indicated slowing

momentum. The US Fed signalled interest rates to remain anchored at current levels through 2023 and QE to continue at current pace but the Republican bill for extra Covid relief failed, dampening investors expectations for further fiscal stimulus. At the same time, US election uncertainty and tensions between the UK and Europe over the Brexit process further undermined investor confidence.

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 7.2 years vs 7.4 years, reflecting yield curve positioning. PIMCO have a preference for the 10yr portion of the curve where carry is maximized versus the rich wings (2y and 30y).

PIMCO still prefers U.S. duration for its resilience should the global economy worsen. The fund also holds an underweight to European duration given unattractive low yields and negative carry in some parts of the curve.

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.

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 and JPY.

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30 September 2020

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



Investment Statistics	
Effective Duration	7.2
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
54.7	AAA	36.8
6.8	AA	15.3
17.9	A	32.0
16.1	BBB	15.9
4.5	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
-4.5	7.4	1 - 3 years	-0.3	0.5
18.3	11.4	3 - 5 years	1.3	0.8
48.8	25.2	5-10 years	3.5	1.9
35.5	55.9	10+ years	2.6	4.1
100	100	Total	7.2	7.4

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
6.0	1.4	Australia/NZ	0.4	0.1
14.0	18.6	Japan	1.0	1.4
19.3	24.7	Europe - EMU	1.4	1.8
5.4	1.4	Europe - Non EMU	0.4	0.1
4.4	7.9	United Kingdom	0.3	0.6
43.4	38.3	North America	3.1	2.8
6.5	6.0	Emerging Markets	0.5	0.4
1.0	1.7	Other	0.1	0.1
100	100	Total	7.2	7.4

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
45.5	57.2	Government	3.3	4.2
3.4	8.1	Agency/Semi	0.2	0.6
23.0	5.1	Mortgage	1.7	0.4
11.6	18.5	Inv Grade Corp	0.8	1.4
0.4	0.0	High Yield Corp	0.0	0.0
14.4	11.0	Emerging Markets	1.0	0.8
1.7	0.0	Cash Equivalents	0.1	0.0
100	100	Total	7.2	7.4

