

Fund Information	31 October 2020			
Fund Size	\$901 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 (%)	+0.39%	+1.06%	+5.46%	+5.12%
Benchmark (%)	+0.01%	-0.34%	+4.12%	+4.76%
Alpha (%)	+0.38%	+1.40%	+1.34%	+0.36%

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](http://hunterinvestments.co.nz) and [business.govt.nz/disclose](http://business.govt.nz/disclose).

## Performance update

The Hunter Global Fixed Interest Fund outperformed its benchmark again in October even as investor risk appetites declined on an upsurge in Covid-19 infections, reduced expectations for further fiscal stimulus and pre-election jitters in the US.

Contributors this month included our portfolio's holdings of securitised assets which outperformed like-duration Treasuries driven by a shift in Fed purchases.

An underweight to U.K. duration also added value as their yield curve steepened modestly.

Similarly, our short US dollar position versus a basket of emerging markets currencies contributed positively as the US dollar resumed its downward trend.

Detractors this month included an overweight to US duration where yields rose ahead of the elections and an underweight to German duration where yields fell on a surge in Covid-19 cases that precipitated new "lock down" measures.

## Investment markets

Despite strong earnings reports and better than expected Q3 GDP in many regions, global equity markets fell in October with the S&P 500 down 2.7% and the MSCI World index down 3% for the month. Asian equities and global credit spreads proved resilient.

Covid-19 was the dominant factor with a number of countries implementing a second lockdown, e.g. France and

Germany, while in the UK Boris Johnson and his government had to make a U-turn in their approach, abandoning the 'three tier' system to start a month-long lockdown across the nation. In the US, case numbers (weekly) have hit record highs due to outbreaks in the Midwest and the Southern states

## 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 less absolute duration than the index at 6.9 years vs 7.4 years reflecting yield curve positioning, PIMCO have a preference for the 5-10yr portion of the curve where carry is maximized versus the richer wings (2y and 10-30y).

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.

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 Feds new average inflation target approach.

Currency strategies are largely tactical or target portfolio diversification, we remain short USD vs EUR, JPY and a basket of EM currencies.

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31 October 2020

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



Investment Statistics	
Effective Duration	6.9
Benchmark Duration	7.4
Average Maturity	9.5
Average Coupon	2.1
Average Quality	AA-
Total Carry	2.9

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
52.3	AAA	36.6
6.7	AA	15.2
19.3	A	32.3
17.0	BBB	15.8
4.7	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.2	0.1	0 - 1 years	0.2	0.0
-4.0	7.5	1 - 3 years	-0.3	0.6
16.8	11.5	3 - 5 years	1.2	0.8
50.8	25.4	5-10 years	3.5	1.9
34.2	55.4	10+ years	2.4	4.1
100	100	Total	6.9	7.4

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
6.1	1.4	Australia/NZ	0.4	0.1
14.4	18.6	Japan	1.0	1.4
19.1	24.9	Europe - EMU	1.3	1.8
5.6	1.3	Europe - Non EMU	0.4	0.1
4.4	7.8	United Kingdom	0.3	0.6
42.5	37.8	North America	2.9	2.8
6.8	6.4	Emerging Markets	0.5	0.5
1.0	1.8	Other	0.1	0.1
100	100	Total	6.9	7.4

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
42.9	56.9	Government	3.0	4.2
3.7	8.2	Agency/Semi	0.3	0.6
24.0	5.4	Mortgage	1.7	0.4
12.0	18.2	Inv Grade Corp	0.8	1.3
0.5	0.0	High Yield Corp	0.0	0.0
14.9	11.3	Emerging Markets	1.0	0.8
2.0	0.0	Cash Equivalents	0.1	0.0
100	100	Total	6.9	7.4

