

Fund Information		30 November 2020			
Fund Size	\$980 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 (%)	+1.00%	+1.90%	+6.71%	+5.40%	
Benchmark (%)	+0.54%	+0.92%	+4.85%	+4.87%	
Alpha (%)	+0.46%	+0.98%	+1.86%	+0.53%	

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 November.

Contributors this month included the portfolio's holdings of securitised assets and, in particular, corporate financials and peripheral Europe as spreads generally tightened on increased investor risk appetite.

An underweight to non-financial corporates detracted slightly, given the spread contraction, as did an overweight to Australian duration.

### Investment markets

Risk assets rallied strongly during November following the resolution of the U.S. election and positive news on a Covid-19 vaccine efficacy from Pfizer, BioNTech, and Moderna. The S&P 500 and Dow Jones Industrial Average hit record highs in November with both indices posting 10%+ returns, oil prices also benefitted from the vaccine news, posting 25%+ returns. Meanwhile, safe haven assets underperformed with prices for gold and core government bonds both down.

Former Vice President Biden was declared U.S. President-elect and the formal transition process officially began. The House will stay under Democratic control and while the Senate appears divided. This gridlock likely brings reduced risks of regulation and less likelihood of higher taxation. Progress on further U.S. fiscal stimulus remains stalled, needing both Democrats and Republicans agreement.

But, despite vaccine progress, concerns about economic growth persisted, resurging Covid-19 cases prompting many governments to reintroduce lockdown measures.

### 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 still prefers U.S. duration but has trimmed its overweight against the backdrop of positive vaccine news and a clearer path on fiscal outcomes. They maintain a dollar bloc bias 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 Fed's new average inflation target approach.

Currency strategies are largely tactical or target portfolio diversification, we remain long a basket of EM currencies and have recently also bought some developed market currencies including EUR and JPY vs USD.

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30 November 2020

Hunter Global Fixed Interest Fund  
Investment Portfolio Characteristics



Investment Statistics	
Effective Duration	6.9
Benchmark Duration	7.4
Average Maturity	9.3
Average Coupon	2.0
Average Quality	AA-
Total Carry	2.5

Quality Breakdown	
Market Value % Portfolio	Market Value % Benchmark
AAA	36.3
AA	15.4
A	32.2
BBB	16.1
Sub Inv Grade	0.0
Total	100

Curve Exposure			
Duration Weighted Exposure % Portfolio	% Benchmark	Duration Weighted Exposure Years Portfolio	Duration Weighted Exposure Years Benchmark
0 - 1 years	0.1	0.1	0.0
1 - 3 years	7.3	0.0	0.5
3 - 5 years	11.3	0.7	0.8
5 - 10 years	25.4	3.6	1.9
10+ years	55.9	2.3	4.1
Total	100	6.9	7.4

Regional Breakdown by currency of settlement)		
Duration Weighted Exposure % Portfolio	% Benchmark	Duration Weighted Exposure Years Portfolio
Australia/NZ	0.4	0.1
Japan	0.9	1.3
Europe - EMU	1.5	1.9
Europe - Non EMU	0.4	0.1
United Kingdom	0.3	0.6
North America	2.7	2.8
Emerging Markets	0.5	0.5
Other	0.1	0.1
Total	6.9	7.4

Sector Breakdown		
Duration Weighted Exposure % Portfolio	% Benchmark	Duration Weighted Exposure Years Portfolio
Government	56.5	3.1
Agency/Semi Mortgage	8.3	0.2
Inv Grade Corp	5.2	1.4
High Yield Corp	18.6	0.8
Emerging Markets	0.0	0.0
Cash Equivalents	11.5	1.1
Total	100	6.9

