

Fund Information	31 December 2020			
Fund Size	\$993 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 (%)	+0.67%	+2.07%	+7.24%	+5.58%
Benchmark (%)	+0.29%	+0.84%	+5.41%	+4.88%
Alpha (%)	+0.38%	+1.23%	+1.83%	+0.70%

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 continued to outperform its benchmark in December.

Contributors this month included duration and curve strategies in the U.S, Europe and emerging markets and, in particular the portfolio's holdings of securitised assets and inflation linked bonds. Currency positions also added value.

Meanwhile duration positions in Japan, the U.K and Australia detracted slightly. Other strategies had a negligible effect on performance.

Investment markets

Risk assets continued to rally through December buoyed by a "no tariff or quota" Brexit deal, a new COVID-19 stimulus package in the US and optimism around the rollout of vaccines and despite the emergence of a more virulent variant of COVID.

PIMCO expects the global economy to continue its transition from "hurting to healing" in 2021 and make good progress on the "long climb" back to its pre-crisis trend, especially in the second half of this year. However, while risk markets can continue to perform well in the near term, supported by policy stimulus and the vaccine rollout, much of this is now priced in and the path to full recovery is likely to be marked by periods of volatility in markets.

Fiscal fatigue in some economies remains a risk as does the likely transition in China from an easing to a tightening bias later in the year.

Moreover, economic scarring could impede the return to pre-pandemic activity levels meaning an uneven recovery across the world especially with renewed lockdowns in force in many countries.

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 6.8 years vs 7.4 years reflecting yield curve positioning.

PIMCO still prefers U.S. duration but is now marginally underweight versus the benchmark 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.

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 Feds 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.

Tony Hildyard - 021 830 720

tonyhildyard@hunterinvestments.co.nz

Manager: Implemented Investment Solutions Limited

contact@iisolutions.co.nz

0800 499 654

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31 December 2020

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



Investment Statistics	
Effective Duration	6.8
Benchmark Duration	7.4
Average Maturity	9.2
Average Coupon	2.0
Average Quality	AA-
Total Carry	2.1

Quality Breakdown		
Market Value % Portfolio	Market Value % Benchmark	
53.4	36.1	AAA
7.8	15.7	AA
20.1	32.2	A
14.1	16.0	BBB
4.6	0.0	Sub Inv Grade
100	100	Total

Curve Exposure			
Duration Weighted Exposure % Portfolio	% Benchmark	Years Portfolio	Duration Weighted Exposure Years Benchmark
2.9	0.1	0 - 1 years	0.0
-2.6	7.2	1 - 3 years	0.5
13.0	11.5	3 - 5 years	0.9
52.1	25.3	5-10 years	1.9
34.5	55.9	10+ years	4.2
100	100	Total	7.4

Regional Breakdown by currency of settlement			
Duration Weighted Exposure % Portfolio	% Benchmark	Years Portfolio	Duration Weighted Exposure Years Benchmark
5.3	1.5	Australia/NZ	0.1
14.9	18.1	Japan	1.3
21.2	25.1	Europe - EMU	1.9
4.9	1.4	Europe - Non EMU	0.1
5.2	8.2	United Kingdom	0.6
40.2	37.6	North America	2.8
7.2	6.5	Emerging Markets	0.5
1.2	1.7	Other	0.1
100	100	Total	6.8
			7.4

Sector Breakdown			
Duration Weighted Exposure % Portfolio	% Benchmark	Years Portfolio	Duration Weighted Exposure Years Benchmark
44.8	56.5	Government	3.0
2.6	8.3	Agency/Semi Mortgage	0.2
22.0	5.3	Inv Grade Corp	1.5
12.1	18.3	High Yield Corp	0.8
0.6	0.0	Emerging Markets	0.0
15.9	11.5	Cash Equivalents	1.1
2.0	0.0	Total	0.1
100	100		6.8
			7.4

