

Fund Information	31 May 2021			
Fund Size	\$1.029 billion			
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 (%)	+0.29%	+0.45%	+3.96%	+5.01%
Benchmark (%)	+0.23%	+0.08%	+0.00%	+4.16%
Alpha (%)	+0.06%	+0.37%	+3.96%	+0.85%

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 slightly outperformed its benchmark again in May with positive nominal returns although interest rate markets proved difficult to predict this month.

Contributors included holdings in inflation linked bonds and an underweight to the US dollar which weakened substantially.

Detractors included curve positioning in emerging markets where yields rose modestly, an overweight to investment grade corporate financial sector where credit spreads widened, positions in mortgage backed securities and yield curve positioning in the UK when short dated bond yields actually fell.

Investment markets

Investment markets were little changed in May, risk assets perhaps a touch stronger. The US dollar continued to weaken with commodity prices rising concurrently.

A higher than expected April CPI outcome, +0.8% vs +0.2% expected, received significant coverage despite a much weaker payrolls outcome, +266k vs 1 million expected. The question around whether the inflation lift is temporary, as the world recovers from Covid, or indicative of a period of higher inflation, is key in an environment where governments have been printing money and asset price valuations have relied on the very low interest rates.

Elsewhere, China cracked down on cryptocurrencies, the People's Bank of China warning financial institutions about

accepting payments in cryptocurrency, even as China prepares to launch its own digital currency. However, the damage was done and bitcoin and other cryptocurrency prices were sharply lower.

Portfolio positioning

PIMCO is maintaining its cautious view towards both interest rates and corporate credit, focusing on relative value positions and diversified alpha strategies. Within broader risk exposures, they maintain tactical tilts designed to benefit across a range of scenarios.

The Fund increased its underweight duration position versus the index with absolute duration now 6.7 years vs 7.4 years and focused on relative value between regions.

PIMCO still prefers US duration which is currently in line with the benchmark and they maintain a dollar bloc bias for its resilience should the global economy worsen. The Fund also holds an underweight to core Eurozone and UK duration given unattractive low yields and negative carry in some parts of the curve.

The Fund remains underweight to corporate credit generally, targeting financials and non-cyclicals.

Securitized assets remain PIMCO's preferred way to take spread exposure although they have reduced the relative size of this position especially in the Agency and Semi-government area. The Fund remains long non-core Europe versus core Europe as ECB support continues to make further spread contraction likely.

Currency strategies are largely tactical or target portfolio diversification. We remain long a basket of emerging market currencies and also overweight some developed market currencies including AUD and GBP, all versus USD.

The Fund also has a small allocation to inflation linked bonds which are trading below fair value.

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31 May 2021

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



Investment Statistics	
Effective Duration	6.7
Benchmark Duration	7.4
Average Maturity	9.1
Average Coupon	1.9
Average Quality	AA-
Total Carry	2.6

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
55.3	AAA	36.8
6.2	AA	15.3
18.6	A	31.8
14.9	BBB	16.2
5.0	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4.5	0.0	0 - 1 years	0.3	0.0
-0.8	6.7	1 - 3 years	-0.1	0.5
15.5	12.7	3 - 5 years	1.0	0.9
38.4	27.4	5-10 years	2.6	2.0
42.4	53.2	10+ years	2.8	4.0
100	100	Total	6.7	7.4

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.8	1.4	Australia/NZ	0.2	0.1
17.8	17.2	Japan	1.2	1.3
17.9	24.7	Europe - EMU	1.2	1.8
6.7	1.3	Europe - Non EMU	0.5	0.1
3.2	7.7	United Kingdom	0.2	0.6
43.0	39.2	North America	2.9	2.9
7.5	6.9	Emerging Markets	0.5	0.5
1.0	1.7	Other	0.1	0.1
100	100	Total	6.7	7.4

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
58.3	54.3	Government	3.9	4.0
2.1	8.4	Agency/Semi	0.1	0.6
11.3	7.8	Mortgage	0.8	0.6
8.6	17.7	Inv Grade Corp	0.6	1.3
1.3	0.0	High Yield Corp	0.1	0.0
14.7	11.8	Emerging Markets	1.0	0.9
3.7	0.0	Cash Equivalents	0.2	0.0
100	100	Total	6.7	7.4

