

Fund Information	31 July 2021			
Fund Size	\$1.1 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 (%)	+1.07%	+1.76%	+2.95%	+5.36%
Benchmark (%)	+1.25%	+2.01%	+0.22%	+4.70%
Alpha (%)	-0.18%	-0.25%	+2.73%	+0.66%

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 underperformed its benchmark in July, its defensive positioning meaning it did not benefit as much from declining global bond yields on concerns about the Covid-19 Delta variant and signs of moderating global growth.

Positioning in the 5-10 year part of the US yield curve together with overweights to Danish and Canadian duration added value in July as curves flattened and yields generally fell. Holdings in inflation-linked bonds also added value.

However, our underweight to European and UK duration, particularly the long end of the yield curve, detracted as interest rates fell and curves flattened. An underweight exposure to the US dollar versus a basket of G10 currencies also detracted as the US dollar again appreciated in July.

Investment markets

Both risk assets and safe haven assets rallied in July, bonds benefitting from the unwinding of reflation trades and equities from continued policy support and decent corporate earnings. Asian equity markets lagged as China cracked down on tech and educational sectors.

Meanwhile, the ECB set a new 2% target for inflation and said it would tolerate transitory periods when inflation exceeded targets. This is its first strategy review since 2003 when it targeted a "close to but below 2%" inflation goal.

The vaccination rollout continues to make progress with over 4 billion doses administered so far although there are stark differences between nations.

While vaccines have provided much needed immunity, the re-opening of economies and the more virulent Delta variant continues to pose challenges.

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 6.4 years vs 7.6 years and focused on relative value between regions.

PIMCO is slightly underweight US and Japanese duration versus the benchmark and they maintain a dollar bloc bias for its resilience should the global economy worsen. The Fund is maintaining more significant underweight positions 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.

Securitised assets remain PIMCO's preferred way to take spread exposure although they are now underweight to the Agency and semi-government sectors, preferring the non-agency mortgage sector. 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 continues to have a small allocation to inflation-linked bonds.

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31 July 2021

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



Investment Statistics	
Effective Duration	6.4
Benchmark Duration	7.6
Average Maturity	8.7
Average Coupon	1.9
Average Quality	AA-
Total Carry	2.3

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
51.7	AAA	37.1
5.9	AA	15.3
19.5	A	31.7
18.1	BBB	15.9
4.8	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4.9	0.1	0 - 1 years	0.3	0.0
-1.7	6.6	1 - 3 years	-0.1	0.5
12.7	12.2	3 - 5 years	0.8	0.9
41.6	26.4	5-10 years	2.7	2.0
42.5	54.6	10+ years	2.7	4.1
100	100	Total	6.4	7.6

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
3.0	1.4	Australia/NZ	0.2	0.1
18.4	16.9	Japan	1.2	1.3
17.7	24.5	Europe - EMU	1.1	1.9
6.5	1.3	Europe - Non EMU	0.4	0.1
3.6	7.9	United Kingdom	0.2	0.6
42.2	39.6	North America	2.7	3.0
7.6	6.8	Emerging Markets	0.5	0.5
1.0	1.7	Other	0.1	0.1
100	100	Total	6.4	7.6

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
58.6	54.8	Government	3.8	4.1
1.4	8.4	Agency/Semi	0.1	0.6
10.4	7.3	Mortgage	0.7	0.5
9.1	17.7	Inv Grade Corp	0.6	1.3
1.3	0.0	High Yield Corp	0.1	0.0
15.1	11.7	Emerging Markets	1.0	0.9
4.1	0.0	Cash Equivalents	0.3	0.0
100	100	Total	6.4	7.6

