

| Fund Information | 28 February 2022 | | | |
|-----------------------|---|----------|--------|-----------|
| Fund Size | \$1.158 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 (%) | -1.44% | -2.43% | -1.20% | +3.46% |
| Benchmark (%) | -1.25% | -3.19% | -1.98% | +2.48% |
| Alpha (%) | -0.19% | +0.76% | +0.78% | +0.98% |

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 February, the Fund's preference for longer dated European duration overwhelming other active positioning as yields rose there.

While our curve position in Emerging Markets (EM) duration, holdings in EM external bonds and an underweight to U.K., especially in the 5yr+ section of the curve, added some value this month. The aforementioned European duration position together with holdings of covered bonds and pfandbriefe (German Agency mortgage backed bonds) subtracted value in the rising interest rate environment.

Investment markets

Investment markets were extremely volatile in February as the Russia/Ukraine crisis turned into a fully fledged invasion sending commodity prices spiralling higher as the West moved quickly to sanction Russia. Brent crude surpassed \$105 per barrel for the first time since 2014, European natural gas prices peaked 63% higher before closing 33% up at month end. Equity markets initially struggled seeing heavy losses before rebounding towards the end of the month, with most indices still closing down for the month.

Meanwhile, core government bonds initially benefited from a "flight to quality" before investors again focussed on on the hawkish messaging from central banks, and increased inflation concerns, seeing yields broadly higher.

Gold was the main beneficiary from the risk off trade.

With the situation in Europe, Covid-19 concerns took a back seat in February.

Portfolio positioning

PIMCO is maintaining its cautious view towards both interest rates and corporate credit, still focusing on relative value positions and diversified alpha strategies.

The Fund remains significantly underweight duration with absolute duration currently 6.4 years vs 7.3 years for the Index, the underweights predominantly in the 3-5 year and the 10 year+ sections of the yield curve.

PIMCO is generally underweight duration in most regions, particularly the US, UK and core Europe although maintains an overweight to non-core Europe which is expected to continue to benefit from ECB support. The Fund's exposure to Japan and the Australia / NZ region is now close to neutral.

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

US Federal Reserve "tapering" expectations see's PIMCO remaining underweight all key securitised MBS sectors, particularly the agency and semi-government sectors, slightly preferring the non-agency mortgage sector. However, securitised assets remain PIMCO's preferred way to take spread exposure offering greater default protection in the current environment.

Currency strategies remain largely tactical or target portfolio diversification. We are underweight the US and core Eurozone, predominantly versus Emerging Markets, non-EMU Europe and Australia/NZ.

The Fund continues to have a small allocation to inflation-linked bonds.

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28 February 2022



Hunter Global Fixed Interest Fund
Investment Portfolio Characteristics

| Investment Statistics | |
|-----------------------|-----|
| Effective Duration | 6.4 |
| Benchmark Duration | 7.3 |
| Average Maturity | 8.1 |
| Average Coupon | 1.7 |
| Average Quality | A+ |
| Fund Total Carry | 4.1 |
| Benchmark Total Carry | 2.9 |

| Quality Breakdown | | |
|-----------------------------|---------------|-----------------------------|
| Market Value % Portfolio | | Market Value % Benchmark |
| 43.3 | AAA | 38.4 |
| 8.2 | AA | 14.7 |
| 21.1 | A | 31.8 |
| 21.9 | BBB | 15.1 |
| 5.5 | Sub Inv Grade | 0.0 |
| 100 | Total | 100 |

| Curve Exposure | | | | |
|----------------------------|-------------|----------------------------|-----------------|-----------------|
| Duration Weighted Exposure | | Duration Weighted Exposure | | |
| % Portfolio | % Benchmark | | Years Portfolio | Years Benchmark |
| 3.1 | 0.1 | 0 - 1 years | 0.2 | 0.0 |
| 5.5 | 6.1 | 1 - 3 years | 0.3 | 0.4 |
| -1.9 | 12.9 | 3 - 5 years | -0.1 | 0.9 |
| 38.4 | 29.2 | 5-10 years | 2.5 | 2.1 |
| 54.9 | 51.7 | 10+ years | 3.5 | 3.8 |
| 100 | 100 | Total | 6.4 | 7.3 |

| Regional Breakdown by currency of settlement) | | | | |
|---|-------------|----------------------------|-----------------|-----------------|
| Duration Weighted Exposure | | Duration Weighted Exposure | | |
| % Portfolio | % Benchmark | | Years Portfolio | Years Benchmark |
| 1.7 | 1.3 | Australia/NZ | 0.1 | 0.1 |
| 16.3 | 16.9 | Japan | 1.0 | 1.2 |
| 19.3 | 22.8 | Europe - EMU | 1.2 | 1.7 |
| 9.6 | 1.3 | Europe - Non EMU | 0.6 | 0.1 |
| 4.0 | 7.0 | United Kingdom | 0.3 | 0.5 |
| 40.0 | 41.5 | North America | 2.6 | 3.0 |
| 6.7 | 7.7 | Emerging Markets | 0.4 | 0.6 |
| 2.3 | 1.6 | Other | 0.1 | 0.1 |
| 100 | 100 | Total | 6.4 | 7.3 |

| Sector Breakdown | | | | |
|----------------------------|-------------|----------------------------|-----------------|-----------------|
| Duration Weighted Exposure | | Duration Weighted Exposure | | |
| % Portfolio | % Benchmark | | Years Portfolio | Years Benchmark |
| 70.7 | 53.9 | Government | 4.5 | 4.0 |
| 1.3 | 8.0 | Agency/Semi | 0.1 | 0.6 |
| 5.7 | 9.1 | Mortgage | 0.4 | 0.7 |
| 9.4 | 16.6 | Inv Grade Corp | 0.6 | 1.2 |
| 0.9 | 0.0 | High Yield Corp | 0.1 | 0.0 |
| 12.9 | 12.3 | Emerging Markets | 0.8 | 0.9 |
| -0.9 | 0.0 | Cash Equivalents | -0.1 | 0.0 |
| 100 | 100 | Total | 6.4 | 7.3 |

