

Fund Information	31 May 2022			
Fund Size	\$1.12 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 (%)	+0.23%	-4.81%	-6.38%	+0.74%
Benchmark (%)	-0.14%	-4.98%	-6.94%	-0.29%
Alpha (%)	+0.38%	+0.16%	+0.56%	+1.02%

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 in May although nominal returns were only slightly positive as yields continued higher.

Rising yields saw our underweight duration positions in Europe, Canada and the UK, particularly longer maturities, add value.

However, an overweight to securitised assets (non-agency mortgages) detracted as credit spreads widened. Currency strategies also detracted modestly as did an overweight to Australian duration where interest rates also rose.

### Investment markets

Financial markets were extremely volatile in May, risk markets down sharply in the first half of the month and interest rate markets also swinging sharply, the US 10 year yield hitting 3.15% early in the month before rallying back to close around 2.75%. Driving markets were some poor earnings results and ongoing concerns around inflation and the Central bank actions to curb the rising inflation expectations.

Unlike prior months the Ukraine war had less of an impact on markets with limited new developments. Headlines focused on Sweden and Finland's applications to join NATO and likely Russian reactions. Similarly, the US Treasury granted a waiver to allow Russia to make interest payments to US creditors but this expired late May shifting the focus to potential Russian credit defaults. Meanwhile, Central Bank messaging continued to be hawkish, the US Fed hiking rates 0.50% in May and signalling that balance sheet tapering would begin in June. The BOE also raised rates

0.25% and forecast a higher inflation and lower growth outlook going forward.

### 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 6.6 years vs 7.1 years for the Index, the underweights predominantly in the 3-5 year and the 10 year+ sections of the yield curve. PIMCO prefer 5-10 year maturities that appear to be more fairly priced.

PIMCO is generally underweight duration in most regions, particularly the US, UK and core Europe although maintains an overweight to non-core Europe which offers a yield premium and is expected to continue to benefit from ECB support. The Fund also maintains a slight underweight exposure to Japan and a marginal overweight the Australia / NZ region.

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

US Federal Reserve "tapering" expectations see's PIMCO remaining underweight the agency and semi-government sectors, but now have a largely neutral exposure to the mortgage sector, slightly preferring the non-agency mortgages. 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 non-EMU Europe, Australia/NZ and now have an underweight position in Emerging Markets currencies.

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

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31 May 2022

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



Investment Statistics	
Effective Duration	6.6
Benchmark Duration	7.1
Average Maturity	8.0
Average Coupon	1.8
Average Quality	AA-
Fund Total Carry	5.2
Benchmark Total Carry	4.2

Quality Breakdown		
Market Value		Market Value
% Portfolio		% Benchmark
56.6	AAA	39.4
6.8	AA	14.2
14.2	A	31.7
16.7	BBB	14.7
5.7	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
-2.8	0.0	0 - 1 years	-0.2	0.0
8.5	6.6	1 - 3 years	0.6	0.5
8.1	12.7	3 - 5 years	0.5	0.9
49.7	32.8	5-10 years	3.3	2.3
36.5	47.9	10+ years	2.4	3.4
100	100	Total	6.6	7.1

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4.9	1.3	Australia/NZ	0.3	0.1
13.6	16.8	Japan	0.9	1.2
17.7	21.3	Europe - EMU	1.2	1.5
10.6	1.2	Europe - Non EMU	0.7	0.1
1.1	6.3	United Kingdom	0.1	0.4
42.3	43.4	North America	2.8	3.1
6.6	8.2	Emerging Markets	0.4	0.6
3.2	1.7	Other	0.2	0.1
100	100	Total	6.6	7.1

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
60.9	51.9	Government	4.0	3.7
1.2	7.7	Agency/Semi	0.1	0.5
14.3	11.3	Mortgage	0.9	0.8
9.9	16.4	Inv Grade Corp	0.6	1.2
0.7	0.0	High Yield Corp	0.0	0.0
12.6	12.7	Emerging Markets	0.8	0.9
0.5	0.0	Cash Equivalents	0.0	0.0
100	100	Total	6.6	7.1

