

Fund Information	30 September 2022			
Fund Size	\$1.093 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 (%)	-4.07%	-4.06%	-12.88%	-2.49%
Benchmark (%)	-3.50%	-3.68%	-12.28%	-3.25%
Alpha (%)	-0.57%	-0.38%	-0.60%	+0.76%

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 September. Persistently high inflation levels and continued aggressive central bank rate hikes, exacerbated by policy missteps in the UK, saw bond yields rocket higher, yield curves invert or pivot and credit spreads widen. The market, rather than looking for a “peak” in interest rates, became increasingly unsure as to how high official rates would need to go with large daily rate fluctuations the norm.

Underweight positioning to US duration, especially at the 1-5yr and 10yr+ parts of the curve, contributed to alpha as yields rose. Similarly, underweight Japan and UK duration positions, as the curve shifted upwards. An underweight to corporate credit also added value.

However, detracting this month was our overweight to Australian duration, where rates also rose, positioning in securitised assets, especially Agency MBS, where spreads widened and overweights to non-core EUR duration particularly Denmark and Switzerland.

Investment markets

Markets experienced huge collective rate hikes from a large number of central banks, the Fed delivering its third 0.75% rise, the ECB also hiking 0.75% and the BoE hiking 0.50%. With the exception of Turkey and Brazil most other peripheral central banks also hiked rates in September. Consequently both bond and equity markets continued to sell-off, the S&P 500 down over 9% for the month. The UK was hit particularly hard after its new Chancellor of Exchequer announced a “mini budget” tax cut package to

be funded by debt. The BoE eventually had to intervene to control the sell-off in the UK.

PIMCO now views a shallow but prolonged recession as highly probable given the very sticky core inflation outlook.

Portfolio positioning

PIMCO continues to maintain a cautious view towards both interest rates and corporate credit, still focusing on relative value positions and diversified alpha strategies.

The Fund’s nominal duration reduced in September but its benchmark relative duration position was unchanged, currently 5.9 years vs. 6.7 years for the Fund and benchmark respectively. The Fund is predominantly underweight in the 3-5 year and the 10 year+ sections of the yield curve. PIMCO continues to prefer 5-10 year maturities.

PIMCO is generally underweight duration in most regions, including the UK and core Europe although maintains an overweight to non-core Europe which offers a yield premium while still benefiting from ECB support. The Fund also maintains an underweight exposure to Japan and a slight underweight to North America but is overweight the Australia / NZ region.

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

US Federal Reserve “tapering” expectations also sees PIMCO remaining underweight the agency and semi-government sectors, but retains an overweight exposure to the mortgage sector. 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 UK and core Eurozone, predominantly versus non-EMU Europe and the US dollar. We maintain an material underweight position in Emerging Markets currencies. The Fund continues to have a small allocation to inflation-linked bonds.

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30 September 2022



Hunter Global Fixed Interest Fund
Investment Portfolio Characteristics

Investment Statistics	
Effective Duration	5.9
Benchmark Duration	6.7
Average Maturity	7.4
Average Coupon	2.2
Average Quality	AA
Fund Total Carry	5.4
Benchmark Total Carry	4.9

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
72.2	AAA	40.7
0.6	AA	13.2
10.3	A	31.9
12.8	BBB	14.2
4.2	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
-0.8	0.0	0 - 1 years	0.0	0.0
7.6	7.3	1 - 3 years	0.4	0.5
4.4	12.7	3 - 5 years	0.3	0.9
59.9	35.3	5-10 years	3.5	2.4
28.9	44.6	10+ years	1.7	3.0
100	100	Total	5.9	6.7

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
7.6	1.3	Australia/NZ	0.4	0.1
10.9	16.8	Japan	0.6	1.1
16.4	19.9	Europe - EMU	1.0	1.3
9.6	1.2	Europe - Non EMU	0.6	0.1
1.8	4.7	United Kingdom	0.1	0.3
46.6	45.2	North America	2.8	3.0
3.0	9.3	Emerging Markets	0.2	0.6
4.2	1.5	Other	0.2	0.1
100	100	Total	5.9	6.7

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
50.5	50.8	Government	3.0	3.4
1.1	7.5	Agency/Semi	0.1	0.5
28.5	12.3	Mortgage	1.7	0.8
10.1	15.8	Inv Grade Corp	0.6	1.1
0.4	0.0	High Yield Corp	0.0	0.0
9.8	13.6	Emerging Markets	0.6	0.9
-0.6	0.0	Cash Equivalents	0.0	0.0
100	100	Total	5.9	6.7

