

Fund Information	31 December 2022			
Fund Size	\$1.081 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 (%)	-1.10%	1.48%	-11.88%	-1.96%
Benchmark (%)	-1.20%	0.80%	-11.75%	-2.78%
Alpha (%)	+0.10%	+0.69%	-0.14%	+0.82%

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 out performed its benchmark in December, though delivered a negative return as yields rose over the month, despite falling earlier in the month.

Contributors this month included underweight positions in Europe (especially longer maturities) as yields rose on the back of a hawkish European Central Bank (ECB). Conversely, a long duration position in Australia, particularly around the 10 year portion of the curve, detracted as yields rallied across the curve there.

Meanwhile, better than expected economic data out of the US saw investors contemplate a softer landing bringing in credit spreads across some more cyclical sectors. PIMCO's overweight position in securitised assets and overweight position to financials benefitted from this dynamic.

### Investment markets

December delivered a bond yield roller coaster which initially saw bond yields falling before increasing sharply at the end of the period, thanks largely to the US Federal Reserve making it clear that they saw little chance that cuts might occur through 2023. This saw equity markets deliver strong returns early in the month, before giving up gains in reaction to the bond market. Returns for growth stocks were hit by the increase in long term interest rates, with the discounting of their longer term cashflows being more sensitive to changes in long term interest rate expectations.

A lower-than-expected US Personal Consumption Expenditure inflation rate for November released earlier in the month (+0.2% month and +4.7% year on year) combined with University of Michigan's long-run inflation

expectations for December at 2.9% (i.e. still anchored), gave investors more evidence of near-term downward momentum for inflation and some hope that the US Federal Reserve may be nearing the end of its rate increase programme (with the US federal funds rate at 4.25-4.5%). However, central banks are likely to sustain tighter financial conditions until inflation is firmly back to target ranges. The story of 2022 was how fast inflation rose. The story of 2023 may be how fast it falls. Even as inflation declines, inflation indices may remain well above of the comfort zone for major central banks, necessitating further tightening even as recession risks loom.

### 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 duration reduced during the month to 5.6 years, 1.1 years lower than the benchmark's duration of 6.7 years.

PIMCO is predominantly underweight duration in Japan and Emerging Markets with a smaller underweight to core Europe. PIMCO maintain an overweight to non-core Europe and Australia, are neutral on the UK and have largely closed the underweight position in North America.

The Fund remains underweight corporate credit generally, targetting financials and non-cyclicals, resulting in a portfolio with high credit quality, with an average rating of AA.

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. Currently the fund is overweight the Australian dollar, Yen and Emerging market currencies, while underweight the Euro and British Pound.

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

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31 December 2022



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

Investment Statistics	
Effective Duration	5.6
Benchmark Duration	6.7
Average Maturity	6.5
Average Coupon	2.4
Average Quality	AA
Fund Total Carry	5.4
Benchmark Total Carry	4.8

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
77.4	AAA	40.0
4.2	AA	13.5
6.6	A	32.2
7.7	BBB	14.3
4.2	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
3.2	0.0	0 - 1 years	0.2	0.0
6.4	7.4	1 - 3 years	0.4	0.5
5.4	13.2	3 - 5 years	0.3	0.9
57.2	34.4	5-10 years	3.2	2.3
27.8	44.9	10+ years	1.5	3.0
100	100	Total	5.6	6.7

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
7.1	1.3	Australia/NZ	0.4	0.1
8.9	17.2	Japan	0.5	1.1
19.3	20.1	Europe - EMU	1.1	1.3
5.6	1.2	Europe - Non EMU	0.3	0.1
5.6	5.1	United Kingdom	0.3	0.3
49.9	44.1	North America	2.8	2.9
-0.9	9.3	Emerging Markets	0.0	0.6
4.5	1.7	Other	0.3	0.1
100	100	Total	5.6	6.7

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
52.2	51.0	Government	2.9	3.4
0.7	7.4	Agency/Semi	0.0	0.5
29.2	11.9	Mortgage	1.6	0.8
8.7	15.9	Inv Grade Corp	0.5	1.1
0.5	0.0	High Yield Corp	0.0	0.0
5.8	13.8	Emerging Markets	0.3	0.9
2.8	0.0	Cash Equivalents	0.2	0.0
100	100	Total	5.6	6.7

