

Fund Information	28 February 2023			
Fund Size	\$1.097 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 (%)	-1.65%	-0.37%	-8.85%	-2.52%
Benchmark (%)	-1.71%	-0.74%	-8.75%	-3.61%
Alpha (%)	+0.07%	+0.37%	-0.10%	+1.10%

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 slightly outperformed its benchmark again in February although absolute returns were negative as interest rates gave back a lot of January's gains after economic data showed surprising resilience in the face of higher interest rates.

Duration and curve positioning generally added value in February. Underweight positions in the US and Europe more than offset losses from duration and curve positioning in Japan, UK, Australasia and emerging markets.

Credit strategies also contributed positively in February with mortgage backed bonds and select corporate holdings (financials) both adding value given the more favourable economic outlook. Holdings of inflation linked bonds also added value this month.

However, currency positions generally subtracted value in February, particularly our underweight to the US which strengthened throughout the period.

Investment markets

February was generally a poor month for investors even as the economic news improved with the US PMI coming in at 50.2 versus the expected 47.5, strong US retail sales numbers and US payrolls increasing sharply while unemployment fell to 3.4%, the lowest number in 50 years. All of this pointing to a much more resilient economy than expected given interest rate rises to date and crushing expectations for a "Fed Pivot" in the short term. Central banks remained hawkish with the US Fed hiking rates 0.25% while signalling more to come and the ECB and BOE both raising rates 0.50%.

Accordingly, both bond and equity markets generally sold off, bond markets largely giving back January's gains and global equities also weaker, with the MSCI world down 2.5%.

That said, the economic resilience also provided some reassurance for investors around the possibility of a "soft landing", where economic growth remains positive while inflation still abates, albeit more slowly than the market had been anticipating last month. Hence, the timing and extent of any easing in official interest rates was pushed out with the "higher for longer" scenario holding sway.

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 increased slightly during the month to 5.5 years, now 1.2 years lower than the benchmark's duration of 6.7 years.

PIMCO is predominantly underweight duration in Japan, Emerging Markets and core Europe with a smaller underweight to North America. PIMCO remains overweight Australia but has reduced its overweight position in non-core Europe. They have a largely neutral exposure to the UK.

The Fund remains underweight corporate credit generally, targeting 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 retaining 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, and non-EMU Europe while underweight the North America and British Pound.

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

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Hunter Global Fixed Interest Fund
Investment Portfolio Characteristics



Investment Statistics	
Effective Duration	5.5
Benchmark Duration	6.7
Average Maturity	6.5
Average Coupon	2.6
Average Quality	AA
Fund Total Carry	5.6
Benchmark Total Carry	5.1

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
73.8	AAA	39.9
2.2	AA	13.5
9.6	A	32.1
10.7	BBB	14.5
3.7	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
1.6	0.1	0 - 1 years	0.1	0.0
6.5	7.5	1 - 3 years	0.4	0.5
7.7	12.9	3 - 5 years	0.4	0.9
60.0	34.8	5-10 years	3.3	2.3
24.2	44.7	10+ years	1.3	3.0
100	100	Total	5.5	6.7

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
8.6	1.3	Australia/NZ	0.5	0.1
8.8	16.8	Japan	0.5	1.1
15.3	20.1	Europe - EMU	0.8	1.3
5.7	1.2	Europe - Non EMU	0.3	0.1
7.2	5.0	United Kingdom	0.4	0.3
48.5	44.5	North America	2.7	3.0
-1.4	9.4	Emerging Markets	-0.1	0.6
7.4	1.7	Other	0.4	0.1
100	100	Total	5.5	6.7

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
49.2	50.5	Government	2.7	3.4
0.8	7.4	Agency/Semi	0.0	0.5
29.7	12.3	Mortgage	1.6	0.8
8.1	16.0	Inv Grade Corp	0.4	1.1
0.2	0.0	High Yield Corp	0.0	0.0
10.8	13.8	Emerging Markets	0.6	0.9
1.2	0.0	Cash Equivalents	0.1	0.0
100	100	Total	5.5	6.7

