

Fund Information		30 September 2023			
Fund Size	\$1.347 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 (%)	-1.69%	-1.29%	+3.24%	-3.00%	
Benchmark (%)	-1.71%	-1.82%	+1.67%	-3.93%	
Alpha (%)	+0.02%	+0.52%	+1.57%	+0.93%	

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's performance was around benchmark in September although nominal returns were strongly negative reflecting the sharp sell-off in bond yields across the globe this month.

Rising yields saw positive alpha contributions from interest rate strategies, particularly the underweight duration position in Japan, especially at the long end of the yield curve. Our underweight to European duration, particularly longer dated maturities, also added value as did our positioning in inflation linked securities where "break evens" moved higher.

Main detractors this month were our overweight to Australian and Canadian duration, especially around the 7 – 10-year maturities where yields rose.

### Investment markets

September was another difficult month for investors with pretty much all asset classes selling off, yields rising and equity markets tumbling. Expectations for a "soft landing" took a hit as macro data, rising oil prices and central bank actions challenged markets sanguine outlook. In the US, Treasury bond yields hit levels not seen since 2007 on fears of another rate hike and a "hawkish" Fed pause. In Europe, the ECB raised rates and threatened more to come. The outlier was the UK which saw stronger growth and a positive inflation surprise seeing a more "dovish" BoE response.

Compounding growth and inflation concerns was the continued turmoil in US politics which saw another eleventh hour deal done on the US debt ceiling but only until mid-November. Investors also worry about the sheer volume of government borrowing required going forward leading to a higher term premium in bonds.

Looking forward, markets remain data focussed, equities still optimistic that a "soft landing" can be achieved while

bond markets remain sceptical that inflation can be controlled without a somewhat harder landing.

### 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 overall duration remained at 5.5 years in August, 1.1 years less than the benchmark's duration of 6.6 years.

The underweight duration position is quite targeted, focussed on Japan, core Europe and Emerging Markets. However, PIMCO is increasingly overweight in more interest rate sensitive countries (having a higher proportion of floating rate and short-term mortgages) including the UK, Australasia and non-core Europe. PIMCO is now also slightly overweight the US market reflecting the improved value following the recent sell off in yields.

In terms of the yield curve, the Fund is underweight in the 1-3 years maturities, slightly overweight 3-5 years with a larger overweight to the 5–10 years portion of the curve. The Fund's largest yield curve position remains its underweight to 10 years plus maturities. This positioning is premised on an expected positive steepening of the curve, pivoting around 10-year maturities, as inflation normalises.

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" programme 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, Emerging market currencies, and non-EMU Europe predominantly against the North American dollar bloc with a smaller underweight to the Euro.

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

**Tony Hildyard** - 021 830 720

[tony.hildyard@harbourasset.co.nz](mailto:tony.hildyard@harbourasset.co.nz)

**Manager: Harbour Asset Management Limited**

[contactus@harbourasset.co.nz](mailto:contactus@harbourasset.co.nz)

0800 460 830

### Important Notice and Disclaimer

This report is provided for general information purposes only. The information provided is not intended to be financial advice. The information provided is given in good faith and has been prepared from sources believed to be accurate and complete as at the date of issue, but such information may be subject to change. Harbour Asset Management Limited is the issuer of Hunter Investment Funds (Funds). A copy of the Product Disclosure Statement (PDS) for the Funds is available at [www.hunterinvestments.co.nz/resources/](http://www.hunterinvestments.co.nz/resources/). Past performance is not indicative of future results and no representation is made regarding future performance of the Funds. No person guarantees the performance of any funds managed by Harbour Asset Management Limited

30 September 2023



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

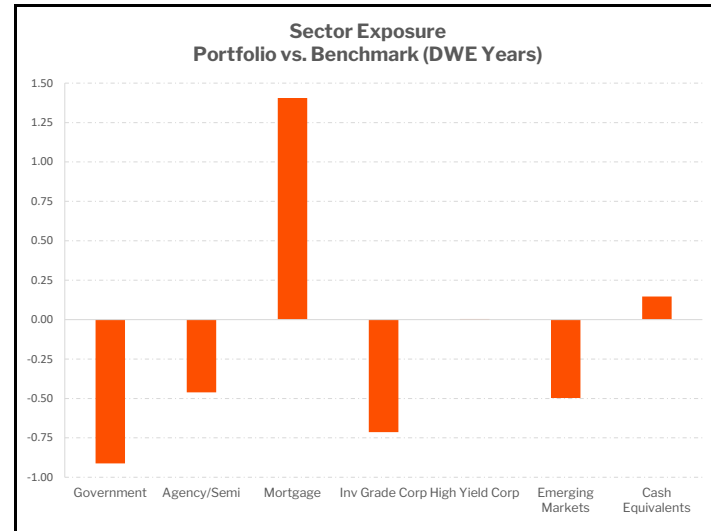
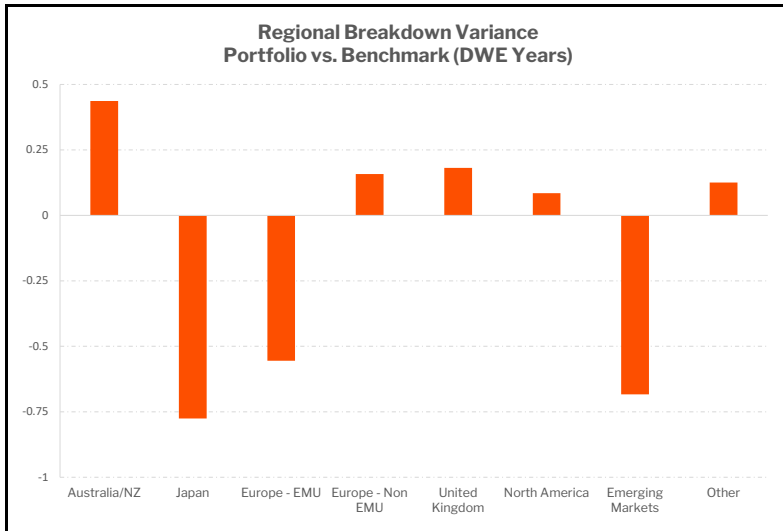
Investment Statistics	
Effective Duration	5.5
Benchmark Duration	6.6
Average Maturity	7.0
Average Coupon	3.0
Average Quality	AA
Fund Total Carry	7.1
Benchmark Total Carry	5.7

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
69.9	AAA	11.7
3.4	AA	42.1
8.2	A	31.8
16.0	BBB	14.4
2.4	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
3.0	0.0	0 - 1 years	0.2	0.0
-5.6	7.8	1 - 3 years	-0.3	0.5
25.7	13.1	3 - 5 years	1.4	0.9
62.1	36.2	5-10 years	3.4	2.4
14.8	42.9	10+ years	0.8	2.8
100	100	Total	5.5	6.6

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
9.4	1.3	Australia/NZ	0.5	0.1
4.4	15.6	Japan	0.2	1.0
14.5	20.7	Europe - EMU	0.8	1.4
4.4	1.3	Europe - Non EMU	0.2	0.1
8.9	4.7	United Kingdom	0.5	0.3
54.3	44.5	North America	3.0	2.9
-0.4	10.1	Emerging Markets	0.0	0.7
4.4	1.8	Other	0.2	0.1
100	100	Total	5.5	6.6

Sector Breakdown				
Duration Weighted Exposure		Duration Weighted Exposure		
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
41.9	49.2	Government	2.3	3.2
0.6	7.5	Agency/Semi	0.0	0.5
40.6	12.8	Mortgage	2.2	0.8
5.9	15.9	Inv Grade Corp	0.3	1.0
0.1	0.0	High Yield Corp	0.0	0.0
8.4	14.6	Emerging Markets	0.5	1.0
2.7	0.0	Cash Equivalents	0.1	0.0
100	100	Total	5.5	6.6



### ESG Integration (PIMCO)

At PIMCO, we define ESG Integration as the integration of material ESG factors into investment research. We believe incorporating ESG factors should be part of a robust investment process. We recognize that ESG factors are increasingly material inputs into our understanding of global economies, markets, industries and business models. Whether climate change, income inequality, shifting consumer preferences, regulatory risks, human capital management or unethical conduct, ESG factors are important considerations when evaluating long-term investment opportunities. These factors are evaluated across markets and assets classes where applicable. Our commitment to ESG integration was one of the main drivers that led PIMCO to become a signatory to the Principles of Responsible Investment (PRI) in September 2011.

The integration of ESG factors into PIMCO’s investment process seeks to account for material ESG risks in both top-down macro positioning and bottom-up security evaluation. To the extent that ESG risks are material for particular sectors, issuers, etc., our fundamental credit views will reflect this. While ESG scores play a role in security selection for portfolios that follow ESG strategies and guidelines, they are not a criterion for security selection in portfolios that do not follow ESG strategies and guidelines. Additionally, integrating material ESG factors into the evaluation process does not mean that ESG information is the sole consideration for an investment decision; instead, PIMCO’s portfolio managers and analyst teams evaluate a variety of factors, which can include ESG considerations, to make investment decisions. By integrating material ESG factors into the evaluation process, PIMCO is increasing the total amount of information assessed to generate a more holistic view of an investment, in efforts to deliver the best performance outcomes for our clients.

### Exclusions

Further to the ESG integration in the PIMCO investment process, the Hunter Global Fixed Interest Fund has the following exclusions (derivative positions that may include exposures as part of a basket are exempt from these restrictions, e.g. Basket CDS for spread trade or hedging etc.):

- Tobacco Companies;
- Armament Manufacturers;
- Cluster munitions development or production;
- The Portfolio will not invest in companies who derive more than 10% of their earnings from pornography or gambling; and
- The Portfolio will not invest in companies who derive more than 10% of their earnings from or whose only, core, or majority business is the exploration, extraction, refining or processing of fossil fuels. In addition, the Portfolio will not invest in any utility who primarily burns fossil fuels. The development or operation of pipelines are excluded from this restriction.

### ESG Metrics

	Fund	Benchmark
<b>Gender Diversity (workforce &gt;40% female representation)</b>	78%	28%
<b>Modern Slavery Statement</b>	56%	27%
<b>Majority Independent Board</b>	33%	37%

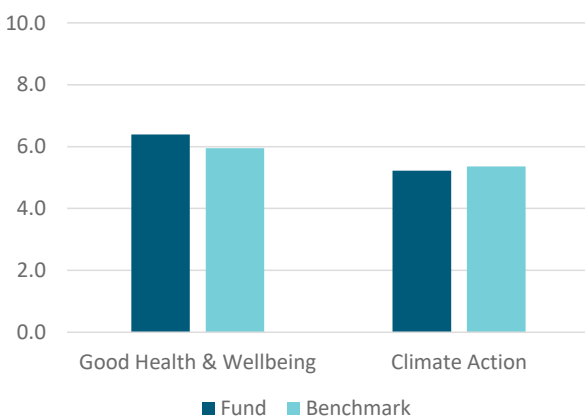
Numbers represent the proportion of holdings meeting the above criteria. We assess only the corporate bond holdings of both the Benchmark and Fund, figures shown are as a percentage of those holdings in order to maintain comparability.

### Climate Targets

	Fund	Benchmark
<b>TCFD Recommendations</b>	77%	45%
<b>SBTi Committed</b>	20%	6%
<b>SBTi Targets Set</b>	8%	11%

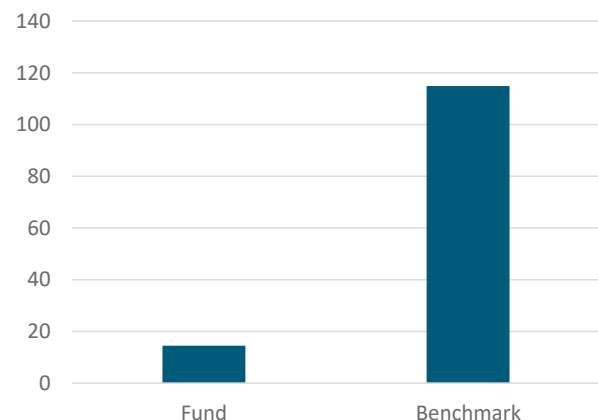
TCFD Recommendations: proportion of portfolio holdings that have committed to adopting recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD). Does not indicate a complete TCFD disclosure.  
 SBTi Committed indicates the company has made a public commitment to set a science-based target aligned with SBTi’s target-setting criteria within 24 months.  
 ‘Targets Set’ indicates that SBTi has reviewed and validated the company’s target(s).

### Contribution to UN SDGs



Represents the overall portfolio impact on progress towards the UN Sustainable Development Goals: 3. Good Health and Wellbeing, and 13. Climate Action, as assessed by ISS. On a scale of 0-10: 0 is a negative impact, 10 a positive impact, and 5 is no net impact.

### Scope 1 & 2 Carbon Emissions Intensity (USD)



Scope 1 & 2 Carbon Emissions Intensity reflects the portfolios weighted average total carbon emissions (tonnes) per million USD of revenue, as a proxy of the carbon efficiency per unit of output.

#### Bloomberg Disclaimer

The BLOOMBERG PROFESSIONAL service, BLOOMBERG Data and BLOOMBERG Order Management Systems (the 'Services') are owned and distributed locally by Bloomberg Finance L.P. ('BFLP') and its subsidiaries in all jurisdictions other than Argentina, Bermuda, China, India, Japan and Korea (the 'BLP Countries'). BFLP is a wholly-owned subsidiary of Bloomberg L.P. ('BLP'). BLP provides BFLP with all global marketing and operational support and service for the Services and distributes the Services either directly or through a non-BFLP subsidiary in the BLP Countries. The Services include electronic trading and order-routing services, which are available only to sophisticated institutional investors and only where necessary legal clearances have been obtained. BFLP, BLP and their affiliates do not provide investment advice or guarantee the accuracy of prices or information in the Services. Nothing on the Services shall constitute an offering of financial instruments by BFLP, BLP or their affiliates. BLOOMBERG, BLOOMBERG PROFESSIONAL, BLOOMBERG MARKET, BLOOMBERG NEWS, BLOOMBERG ANYWHERE, BLOOMBERG TRADEBOOK, BLOOMBERG BONDRADER, BLOOMBERG TELEVISION, BLOOMBERG RADIO, BLOOMBERG PRESS and BLOOMBERG.COM are trademarks and service marks of BFLP, a Delaware limited partnership, or its subsidiaries.

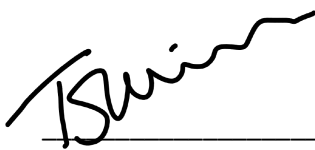
## COMPLIANCE CERTIFICATE

### HUNTER GLOBAL FIXED INTEREST FUND (THE "FUND") (RETAIL UNIT TRUST)

#### Investment Mandate Compliance Certificate for month ended 30 September 2023

Harbour Asset Management Limited (the "Manager"), certifies that to the best of our knowledge, and having made reasonable enquiries, that, and except as specified in this certificate;

1. The Fund has at all times complied with the Fund's Trust Deed;
2. The Fund has complied with internal guidelines as described in the Statement of Investment Policy & Objectives (SIPO), dated 1<sup>st</sup> September 2023;
3. PIMCO Australia Pty Ltd ("PIMCO") as the appointed underlying specialist investment manager for the Hunter Global Fixed Interest Fund, provides Harbour with a monthly certification of compliance.



\_\_\_\_\_  
Tim Morrison  
Head of Compliance  
Harbour Asset Management Limited

03.10.2023

\_\_\_\_\_  
Date