HUNTER GLOBAL FIXED INTEREST FUND

HUNTER INVESTMENT FUNDS

Report & Commentary

31 December 2024

Fund Information	31 December 2024				
Fund Size	$2.153 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**	**5 Year pa**
Portfolio (%)	-0.44%	-0.73%	+3.99%	-0.33%	+1.15%
Benchmark (%)	-0.88%	-1.20%	+3.03%	-1.04%	+0.18%
Alpha (%)	+0.44%	+0.47%	+0.96%	+0.70%	+0.97%

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 outperformed its benchmark in December though was still down in absolute terms as bonds sold off due to stickier inflation data, particularly in the US, where the US ten-year treasury yield climbed 40 basis points over the month.

Consequently, our underweight to US, especially around the long end of the curve as rates shifted higher, added significant value over the month. Our overweight to securitised assets also contributed to outperformance as did strategic positioning to Australian and Canadian duration, especially overweight positioning to the 5yr portion of the curve as rates rallied.

However, our overweight to U.K. duration, especially around the 5yr portion of the curve as rates shifted higher, detracted value.

Investment markets

In December, persistent challenges of inflation and rising interest rates dominated market movements. Central banks continued to grapple with sticky inflation, which delayed anticipated rate cuts and kept bond yields elevated. UK Gilts and US Treasuries experienced further sell-offs, with the 10-year yields reflecting ongoing concerns about inflationary pressures and the resilience of labor markets. The Bank of Japan's recent policy shift away from negative rates added to the volatility, as investors adjusted their expectations for future monetary policy in response to changing economic conditions.

Despite pressures from inflation and interest rates, equities showed resilience in December (though the MSCI ACWI still delivered negative returns in local currency), buoyed by investor optimism about growth prospects which helped offset relatively sharp increases in bond yields. The Federal Reserve's eventual decision to cut rates by 50 basis points in September, followed by additional cuts in November and December, provided some relief to the markets. However, the overarching narrative remained focused on the tug-of-war between inflation control and economic growth.

Portfolio positioning

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

PIMCO increased duration materially over the month from 5.9 years to 6.5 years. The Fund's duration is now in line with the index, though where the fund is taking that duration varies markedly from the index.

The Fund is underweight duration in Japan and North America. Elsewhere, PIMCO remain overweight duration in more interest rate sensitive markets or where they see strong evidence of economic slowing, specifically, Australasia and the UK. European duration, in aggregate, is largely neutral as is Emerging Markets, where PIMCO added duration over the month, closing the Fund's underweight.

In terms of the yield curve, the Fund is underweight 1-3 years maturities but has increased the overweight to the 3-5 year and is largely neutral in the 5–10 years part of the curve. The Fund's largest yield curve position remains its underweight to 10 years plus maturities. It is expected that 3-5 years maturities will benefit disproportionately in a variety of scenarios with the yield curve expected to continue to become increasingly steep and positively shaped as investors demand more term premia for moving longer on the curve.

The Fund has maintained its underweight to corporate credit, still targeting high credit quality. The average credit rating of the Fund remains AA-.

US Federal Reserve "tapering" programme also sees PIMCO remaining slightly underweight the agency and semi-government sectors but has maintained an overweight exposure to the mortgage sector. Securitised assets remain PIMCO's preferred way to take spread exposure.

Currency strategies remain largely tactical or target portfolio diversification. The fund's most significant position is an overweight to UK and North America currencies against Australasia and the Eurozone.

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31 December 2024

Hunter Global Fixed Interest Fund
Investment Portfolio Characteristics

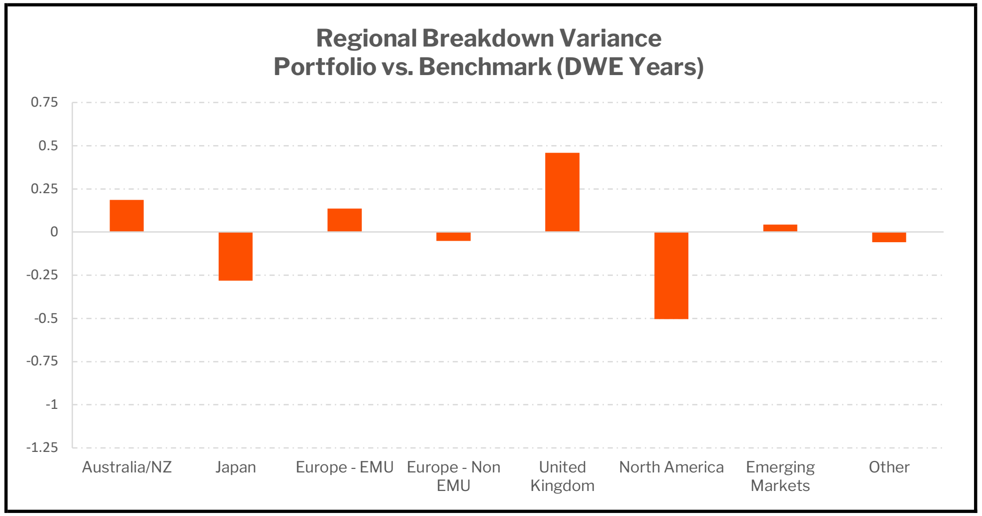
Investment Statistics	
Effective Duration	6.5
Benchmark Duration	6.5
Average Maturity	8.4
Average Coupon	4.3
Average Quality	AA-
Fund Total Carry	5.3
Benchmark Total Carry	4.4

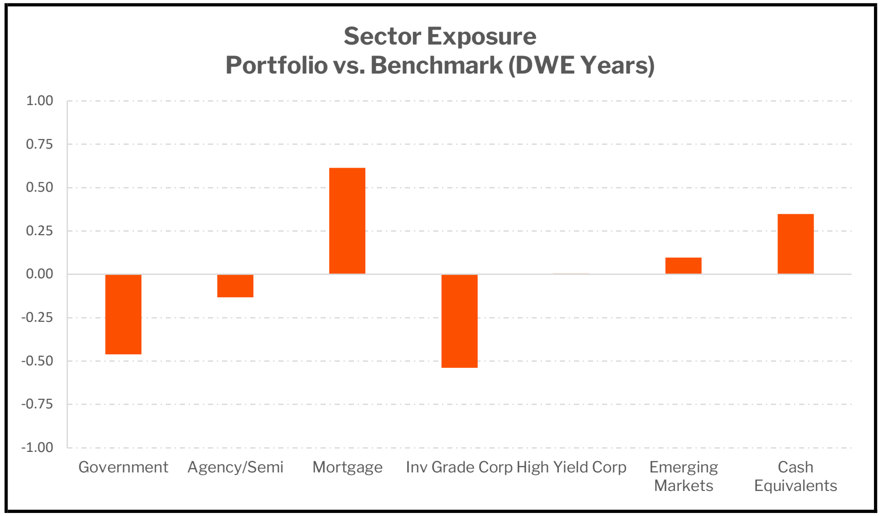
Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
24.7	AAA	11.6
27.8	AA	42.8
6.9	A	31.4
38.5	BBB	14.2
2.1	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure			Duration Weighted Exposure	
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
5.5	0.1	0 - 1 years	0.4	0.0
5.1	7.7	1 - 3 years	0.3	0.5
39.3	13.6	3 - 5 years	2.5	0.9
35.2	34.7	5-10 years	2.3	2.3
14.9	43.9	10+ years	1.0	2.9
100	100	Total	6.5	6.5

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure			Duration Weighted Exposure	
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4.1	1.2	Australia/NZ	0.3	0.1
8.8	13.0	Japan	0.6	0.9
23.6	21.3	Europe - EMU	1.5	1.4
0.6	1.4	Europe - Non EMU	0.0	0.1
11.8	4.6	United Kingdom	0.8	0.3
37.9	45.2	North America	2.5	3.0
12.0	11.2	Emerging Markets	0.8	0.7
1.1	2.0	Other	0.1	0.1
100	100	Total	6.5	6.5

Sector Breakdown				
Duration Weighted Exposure			Duration Weighted Exposure	
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
42.0	48.5	Government	2.7	3.2
5.7	7.7	Agency/Semi	0.4	0.5
21.5	11.8	Mortgage	1.4	0.8
7.8	16.0	Inv Grade Corp	0.5	1.0
0.1	0.0	High Yield Corp	0.0	0.0
17.6	15.9	Emerging Markets	1.1	1.0
5.4	0.0	Cash Equivalents	0.3	0.0
100	100	Total	6.5	6.5





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
Gender Diversity (workforce >40% female)	71%	30%
Modern Slavery Statement	65%	25%
Majority Independent Board	48%	36%

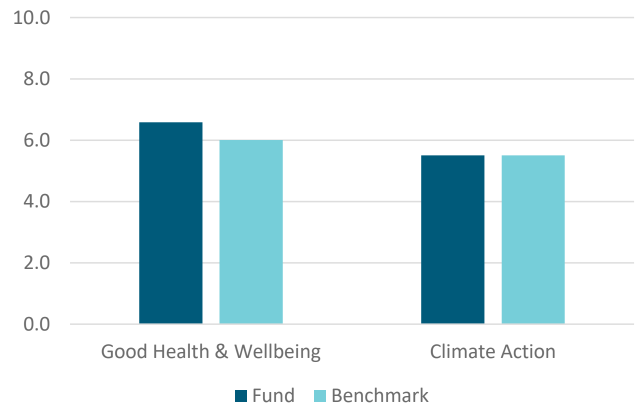
Numbers represent the proportion of holdings meeting the above criteria.
We assess only the corporate bond holdings of both the Benchmark and Fund, figures shown are as a percentage of those holdings in order to maintain comparability.

Climate Targets

	Fund	Benchmark
TCFD Recommendations	79%	49%
SBTi Committed	7%	4%
SBTi Targets Set	5%	13%

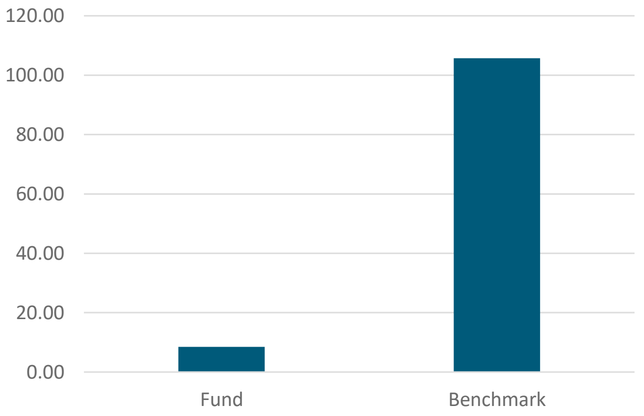
TCFD Recommendations: proportion of portfolio holdings that have commited to adopting recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD). Does not indicate a complete TCFD disclosure.
SBTi Committed indicates the company has made a public commitment to set a science-based 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.

COMPLIANCE CERTIFICATE

Hunter Global Fixed Interest Fund (the "Fund")

For month ended 31 December 2024

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 30th October 2024;
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 Legal, Risk & Compliance
Harbour Asset Management Limited

Dated 04 January 2025