HUNTER GLOBAL FIXED INTEREST FUND

HUNTER INVESTMENT FUNDS

Report & Commentary

31 October 2017

Fund Information	31 October 2017		
Fund Size	$543 million		
Fund Type	PIE		
Investment management	PIMCO		
Benchmark	Bloomberg Barclays Global Aggregate Index - $NZ hedged		
Performance (gross)	**1 month**	**3 months**	**7 months**
Portfolio (%)	0.59%	1.65%	4.00%
Benchmark (%)	0.50%	1.10%	2.73%
Alpha (%)	*0.09%*	*0.55%*	*1.27%*

Performance update

The Hunter Global Fixed Interest Fund returned +0.59% for the month of October, outperforming the benchmark return of 0.50% (being the Bloomberg Barclays Global Aggregate Index - $NZ hedged).

The Fund benefited from its overweight duration position in the US. Within the Fund, value was added through the exposure to non-agency mortgage-backed securities that appreciated in value.

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.

Investment markets

Investors enjoyed positive returns from global fixed interest assets in October. This was despite a modest rise in US 10-year treasury yields on the back of good economic and political data. Tighter US labour conditions, together with the continued emergence of signs of more robust economic growth, point to a further rate hike by the Fed in December.

In a dovish signal to the market the ECB announced it will continue it will increase its asset purchase program at a rate of 30 billion euro a month for 9 months, causing European rates to rally and the euro to fall. This helped drive positive returns for fixed interest investors over the month.

A narrowing of credit spreads benefited the portfolio's performance in relative and absolute terms. Exposure to securitised assets, including US non-agency mortgage backed securities, added value, as did the modest overweight to higher yield securities, including financials.

Portfolio positioning

The Fund is overweight US duration, as expectations for fiscal expansion and inflation have ebbed somewhat. PIMCO have implemented this by being overweight to the middle part of the curve, while remaining underweight to long dated securities.

The Fund is underweight duration in Japan, which is a hedge against global rates recalibrating higher. It is also underweight in Europe, on the expectation that rates could move higher (albeit marginally) on the back of policy normalisation by the ECB.

PIMCO remains cautious in investment grade corporate credit, as valuations appear rich compared to historical averages. There is a preference towards financial credits, especially UK banks which have exhibited resilience in the wake of the Brexit referendum.

Non-agency remains PIMCO's preferred spread sector exposure. This reflects these securities attractive yields, downside protection, and PIMCO's outlook for appreciation in the US housing market.

The Fund has an overweight to diversified basket of emerging markets currencies, rotating based on valuations and fundamentals, on the belief high carry currencies will outperform in an environment where the US dollar goes through a period of stability.

Tony Hildyard - 021 830 720
tonyhildyard@hunterinvestments.co.nz

Manager: Implemented Investment Solutions Limited
contact@iisolutions.co.nz
0800 499 466

31 October 2017

HUNTER INVESTMENT FUNDS

Hunter Global Fixed Interest Fund
Investment Portfolio Characteristics

Investment Statistics	
Effective Duration	5.7
Benchmark Duration	6.8
Average Maturity	9.2
Average Coupon	2.1
Average Quality	AA-
Total Carry	4.7

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
58.4	AAA	40.3
6.2	AA	17.8
14.4	A	25.8
12.6	BBB	16.0
8.5	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure			Duration Weighted Exposure	
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
6.4	0.0	0 - 1 years	0.4	0.0
-0.7	7.9	1 - 3 years	0.0	0.5
21.9	13.9	3 - 5 years	1.2	0.9
53.7	29.4	5-10 years	3.1	2.0
18.8	48.7	10+ years	1.1	3.3
100	100	Total	5.7	6.8

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure			Duration Weighted Exposure	
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4.2	2.3	Australia/NZ	0.2	0.2
9.6	21.7	Japan	0.5	1.5
22.0	24.8	Europe - EMU	1.3	1.7
9.3	1.6	Europe - Non EMU	0.5	0.1
2.3	8.0	United Kingdom	0.1	0.5
54.9	38.9	North America	3.1	2.6
0.6	1.2	Emerging Markets	0.0	0.1
-2.9	1.5	Other	-0.2	0.1
100	100	Total	5.7	6.8

Sector Breakdown				
Duration Weighted Exposure			Duration Weighted Exposure	
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
46.8	59.9	Government	2.7	4.1
6.2	8.1	Agency/Semi	0.4	0.5
27.2	8.2	Mortgage	1.5	0.6
11.4	18.1	Inv Grade Corp	0.7	1.2
1.5	0.0	High Yield Corp	0.1	0.0
0.7	5.6	Emerging Markets	0.0	0.4
6.1	0.0	Cash Equivalents	0.3	0.0
100	100	Total	5.7	6.8