HUNTER GLOBAL FIXED INTEREST FUND

HUNTER
INVESTMENT FUNDS

Report & Commentary

31 May 2020

Fund Information	31 May 2020			
Fund Size	$792 million			
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 (%)	+1.08%	-0.60%	+5.04%	+4.72%
Benchmark (%)	+0.30%	+0.20%	+6.53%	+4.79%
Alpha (%)	*+0.78%*	*-0.80%*	*-1.49%*	*-0.07%*

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 May as market liquidity continued to improve under sustained monetary and fiscal support from the regulators.

Our overweight to European peripheral rates, particularly Italy, added value as country spreads tightened due to increased "risk on" sentiment. Similarly, an underweight to German core duration also added value as interest rates rose when European authorities proposed additional fiscal stimulus. Exposures to non-agency MBS, some high yield financials and external emerging market debt and currencies also contributed, all benefiting from the improved risk sentiment.

Within the Agency mortgage sector, our preference for Fannie Mae over Ginnie Mae detracted slightly.

Investment markets

Risk assets continued to rally though May as investors became increasingly optimistic about economies re-opening, easing lockdown measures and progress on a COVID-19 vaccine. Global equities broadly rallied, investment grade and high yield credit spreads tightened, oil markets stabilised, and the US dollar weakened relative to its developed markets counterparts. Investors shrugged off escalating tensions between US and China, over the origination of the virus and new security laws in Hong Kong, and civil unrest in the US following the death of African American man, George Floyd, at the hands of the police.

For the moment, longer term growth concerns are largely being off set by additional fiscal and monetary stimulus.

Portfolio positioning

PIMCO is maintaining a cautious view towards both interest rates and corporate credit, with a focus on relative value positions and diversified alpha strategies. Within broader risk exposures, they maintain tactical tilts designed to benefit across a range of scenarios given the increasingly fragile environment.

The Fund's duration is currently in line with the index at 7.3 years with a bias to increase with downside risks likely to persist for the foreseeable future. PIMCO still prefers U.S. duration for its resilience should the global economy worsen.

The Fund now has a neutral exposure to corporate credit generally, while targeting shorter maturities and financials.

Securitised assets (Agency and non-agency mortgages, U.K. mortgages and Danish covered bonds) remain PIMCO's preferred way to take spread exposure. The Fund is also long Italian Government bonds vs Germany which should benefit from further spread contraction as additional QE takes hold.

The Fund is also long US TIPS given their depressed valuations.

Currency strategies are largely tactical or target diversification for the portfolio. Exposures have been scaled back in the current environment but the Fund maintains a small long exposure to a basket of emerging markets currencies.

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Hunter Global Fixed Interest Fund
Investment Portfolio Characteristics

HUNTER INVESTMENT FUNDS

Investment Statistics	
Effective Duration	7.3
Benchmark Duration	7.3
Average Maturity	10.3
Average Coupon	2.2
Average Quality	AA-
Total Carry	3.1

Quality Breakdown

Market Value % Portfolio		Market Value % Benchmark
56.0	AAA	37.6
8.1	AA	15.2
15.6	A	31.6
15.1	BBB	15.5
5.2	Sub Inv Grade	0.0
100	Total	100

Curve Exposure

Duration Weighted Exposure			Duration Weighted Exposure	
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.4	0.1	0 - 1 years	0.2	0.0
-0.4	7.5	1 - 3 years	0.0	0.5
22.6	11.7	3 - 5 years	1.6	0.8
38.8	25.0	5-10 years	2.8	1.8
36.6	55.7	10+ years	2.7	4.1
100	100	Total	7.3	7.3

Regional Breakdown by currency of settlement)

Duration Weighted Exposure			Duration Weighted Exposure	
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
2.6	1.1	Australia/NZ	0.2	0.1
15.9	19.8	Japan	1.2	1.4
18.5	23.8	Europe - EMU	1.3	1.7
5.2	1.4	Europe - Non EMU	0.4	0.1
4.6	8.0	United Kingdom	0.3	0.6
45.5	39.2	North America	3.3	2.8
5.8	5.0	Emerging Markets	0.4	0.4
1.8	1.7	Other	0.1	0.1
100	100	Total	7.3	7.3

Sector Breakdown

Duration Weighted Exposure			Duration Weighted Exposure	
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
49.1	58.0	Government	3.6	4.2
3.8	8.0	Agency/Semi	0.3	0.6
18.4	5.5	Mortgage	1.3	0.4
10.8	18.6	Inv Grade Corp	0.8	1.4
0.5	0.0	High Yield Corp	0.0	0.0
14.3	9.9	Emerging Markets	1.0	0.7
3.0	0.0	Cash Equivalents	0.2	0.0
100	100	Total	7.3	7.3