HUNTER GLOBAL FIXED INTEREST FUND

HUNTER INVESTMENT FUNDS

Report & Commentary

28 February 2021

Fund Information	28 February 2021			
Fund Size	$1.008 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 (%)	-1.42%	-1.05%	+2.86%	+5.16%
Benchmark (%)	-1.54%	-1.80%	+0.12%	+4.44%
Alpha (%)	*+0.12%*	*+0.75%*	*+2.74%*	*+0.72%*

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 in February although nominal returns were again negative this month as investors struggled to balance the impact of stimulative policies and higher growth versus higher interest rates and potential inflation.

Contributors included positions in Agency and non-Agency MBS and high yield and investment grade credit as spreads tightened further.

Underweights to UK and Germany and US duration and curve positioning also added value as yield curves steepened.

Meanwhile, our overweight to Australian duration underperformed as the Australian yield curve also steepened. Similarly, our exposure to a basket of high-carry emerging market currencies also detracted this month.

Investment markets

February was characterised by further volatility in markets as positive news on the vaccine effectiveness and rollout front, combined with the US Congress passing the US$1.9 trillion COVID-relief bill (now with the Senate), saw markets begin to price in higher growth while at the same time grow concerned about the potential inflationary impact of these factors.

This dichotomy of views saw crude oil prices rise 18% in February while real yields shifted higher with the US 10 year Treasury rising to over 1.5% for the first time in a year. The US 10 year yield also had one of the biggest one-day moves in recent history rising 0.14% in a single day.

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.

The Fund has reduced its duration underweight versus the index with absolute duration now 7.0 years vs 7.3 years mainly reflected in yield curve positioning.

PIMCO still prefers US duration but is now marginally underweight versus the benchmark. They maintain a dollar bloc bias for its resilience should the global economy worsen. The Fund also holds an underweight to core Eurozone duration given unattractive low yields and negative carry in some parts of the curve.

The Fund remains underweight to corporate credit generally, while continuing to target shorter maturities and financials.

Securitised assets remain PIMCO's preferred way to take spread exposure. The Fund remains long non-core Europe versus core Europe as ECB support continues to make further spread contraction likely.

Currency strategies are largely tactical or target portfolio diversification. We remain long a basket of emerging market currencies and have recently also bought some developed market currencies including AUD, GBP and JPY vs USD.

The Fund also has a small allocation to inflation linked bonds which have been trading below fair value.

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28 February 2021

Hunter Global Fixed Interest Fund
Investment Portfolio Characteristics

Investment Statistics	
Effective Duration	7.0
Benchmark Duration	7.3
Average Maturity	8.8
Average Coupon	1.9
Average Quality	AA-
Total Carry	2.9

Quality Breakdown		
Market Value % Portfolio		Market Value % Benchmark
52.2	AAA	36.4
7.7	AA	15.4
21.5	A	32.1
13.5	BBB	16.1
5.2	Sub Inv Grade	0.0
100	Total	100

Curve Exposure				
Duration Weighted Exposure			Duration Weighted Exposure	
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
4.1	0.1	0 - 1 years	0.3	0.0
1.0	7.4	1 - 3 years	0.1	0.5
14.7	12.0	3 - 5 years	1.0	0.9
40.4	26.9	5-10 years	2.8	2.0
39.8	53.7	10+ years	2.8	3.9
100	100	Total	7.0	7.3

Regional Breakdown by currency of settlement)				
Duration Weighted Exposure			Duration Weighted Exposure	
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
5.7	1.4	Australia/NZ	0.4	0.1
17.5	17.7	Japan	1.2	1.3
18.0	25.1	Europe - EMU	1.3	1.8
6.6	1.3	Europe - Non EMU	0.5	0.1
4.9	7.6	United Kingdom	0.3	0.6
38.9	38.5	North America	2.7	2.8
7.3	6.7	Emerging Markets	0.5	0.5
1.0	1.7	Other	0.1	0.1
100	100	Total	7.0	7.3

Sector Breakdown				
Duration Weighted Exposure			Duration Weighted Exposure	
% Portfolio	% Benchmark		Years Portfolio	Years Benchmark
53.9	55.2	Government	3.8	4.1
3.0	8.4	Agency/Semi	0.2	0.6
12.4	6.8	Mortgage	0.9	0.5
11.2	17.9	Inv Grade Corp	0.8	1.3
1.1	0.0	High Yield Corp	0.1	0.0
15.2	11.7	Emerging Markets	1.1	0.9
3.2	0.0	Cash Equivalents	0.2	0.0
100	100	Total	7.0	7.3