

# Global Corporate Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 December 2019



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**David Lewis**  
Co-Portfolio Manager

The Fund returned 0.3% in December and 8.8% over the past year.

Developments in US-China trade negotiations and the UK election result underpinned outperformance in corporate bonds relative to moderate weakness in government bonds. It also led high yield bonds to outperform investment grade bonds.

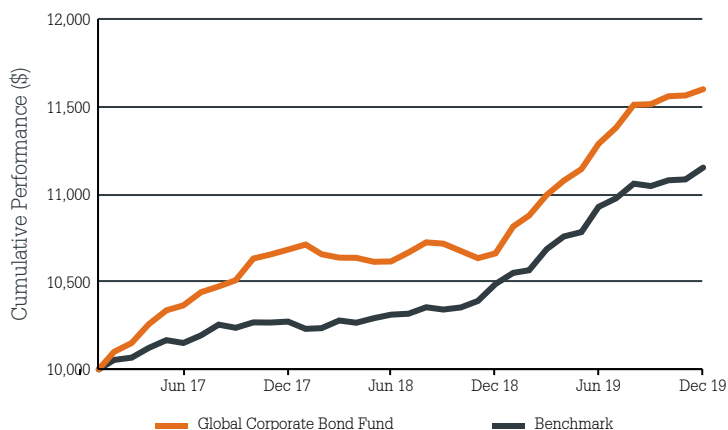
The Fund has posted strong outperformance relative to its benchmark during 2019 but in December it lagged due to a combination of its larger Australian dollar bond exposure (which underperformed global peers) and a lower exposure to lower rated high yield bonds (which partially recovered recent underperformance). The exposure to Australian dollar bonds is primarily to global issuers. These bonds were already cheap versus those issuers' bonds in offshore currencies which should provide valuation support for retaining the exposure.

We are increasingly wary that elevated valuations in global corporate bonds versus government bonds does not adequately reflect their risk, however, we acknowledge accommodative monetary policy and an improving economic environment may underpin near term performance. Therefore, while we will take profit on the most expensive holdings, switching to more attractively priced alternatives, overall Fund settings will remain similar, i.e. slightly defensive positioning and an interest rate exposure slightly below neutral, given the risk remains for a further rise in market interest rates.

To view Milford's January 2020 Market and Economic Review please see [milfordasset.com/fact-sheet](http://milfordasset.com/fact-sheet).

## Cumulative Fund Performance

(after fees and before tax)



Assumes the growth of \$10,000 invested at the Fund's inception date, and assumes reinvestment of distribution.

## Key Fund Facts

<b>Objective <sup>1</sup></b>	Protect capital and generate a positive NZD-hedged return that exceeds the relevant benchmark over a minimum of three years
<b>Description</b>	Primarily invests in global corporate fixed interest securities
<b>Target Allocation</b>	100% Income Assets / 0% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$642.4 M
<b>Yield <sup>2</sup></b>	2.59%
<b>Average Credit Rating</b>	BBB+
<b>Duration</b>	3.2 years
<b>Rating Categories</b>	Inv. Grade 79% / High Yield 11% / Unrated 1%
<b>Inception Date</b>	1 February 2017
<b>Current Distribution</b>	0.45 cents per unit (Quarterly)
<b>Benchmark</b>	Bloomberg Barclays Global Corporate 3-5 Year Total Return Index Value Hedged USD (100% NZD-hedged)
<b>Base Fund Fee <sup>3</sup></b>	0.85%
<b>Performance Fee</b>	Not applicable
<b>Total Fund Fees <sup>4</sup></b>	0.85%
<b>Risk Indicator</b>	<div style="display: flex; justify-content: space-between;"> <span>Lower risk</span> <span>Higher risk</span> </div> <div style="display: flex; justify-content: center; align-items: center; gap: 10px;"> <span>1</span> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">2</span> <span>3</span> <span>4</span> <span>5</span> <span>6</span> <span>7</span> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <span>Potentially lower returns</span> <span>Potentially higher returns</span> </div>

Investment Performance after fees as at 31 December 2019<sup>5</sup>

Unit Price: \$1.0697

	1 Month	3 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Global Corporate Bond Fund (Gross Of Tax)	0.31%	0.74%	8.78%	-	-	5.24%
After Tax 10.50%	0.28%	0.66%	7.82%	-	-	4.68%
After Tax 17.50%	0.25%	0.61%	7.18%	-	-	4.31%
After Tax 28.00%	0.22%	0.53%	6.23%	-	-	3.75%
Benchmark	0.61%	0.95%	6.33%	-	-	3.81%

## Top Fixed Interest Holdings

Holdings	% of Fund's NAV
AT&T 3.45% 2023	2.11%
John Deere 1.75% 2024	2.02%
Kerry Group 0.625% 2029	1.88%
Seagate 4.75% 2025	1.83%
McDonald's 3% 2024	1.78%
Downer Group 4.50% 2022	1.69%
Sumitomo Mitsui Float 2022	1.69%
QBE 6.75% 2044	1.54%
Aroundtown 4.5% 2025	1.49%
Sprint Spectrum 4.738% 2025	1.35%
Belfius Bank 0.375% 2026	1.28%
HCA 4.75% 2023	1.25%
RBLN 2.75% 2024	1.24%
Lendlease 4.5% 2026	1.21%
CNH Industrial 2.1% 2022	1.21%
Goodman 1.375% 2025	1.21%
Rabobank 0.75% 2023	1.20%
Macquarie Group 3.189% 2023	1.18%
S&P Global 2.5% 2029	1.16%
Danaher Corp 0.45% 2028	1.15%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon rate), maturity year.

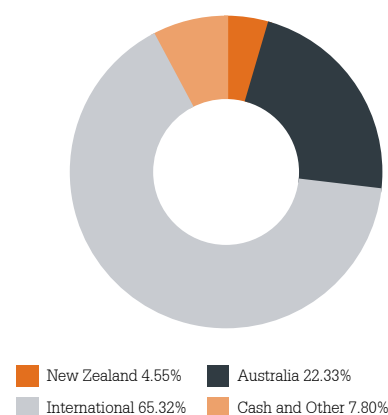
## Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	4.51%	5.00%
New Zealand Fixed Interest	3.25%	0%
International Fixed Interest	88.95%	95.00%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	3.29%	0%

## Sector Exposure

Allocation	Weight %
Financials	38.62%
Information Technology	9.60%
Communication Services	8.96%
Real Estate	7.60%
Industrials	6.88%
Consumer Discretionary	6.38%
Materials	5.27%
Consumer Staples	3.88%
Other Sectors	5.01%
Cash and Other	7.80%

## Region Exposure



1. After the base fund fee but before tax. 2. Yield to maturity (before tax and fees) for underlying investments in the Fund. 3. Where applicable, the Base Fund Fee includes an estimate of non-related underlying fund charges. 4. The Total Fund Fees comprise the Base Fund Fee and any estimated Performance Fee. Please refer to the Product Disclosure Statement for more information as to how these are calculated. 5. Includes the reinvestment of distributions. Returns prior to 1 March 2018 are from when the Fund was previously offered to wholesale investors only and have been adjusted for the current Total Fund Fees. Please note past performance is not a guarantee of future returns.

Please refer to the 'Glossary for the Monthly Fact Sheet' at [milfordasset.com/fact-sheet](http://milfordasset.com/fact-sheet) for more information about the data published within this document.

Level 28, 48 Shortland Street, Auckland  
PO Box 960, Shortland Street, Auckland 1140  
Free phone 0800 662 345  
[milfordasset.com](http://milfordasset.com)

