

# Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 December 2019



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**David Lewis**  
Co-Portfolio Manager

Improving growth expectations continue to push market interest rates higher, translating to lower bond prices and a disappointing Fund return of -0.7% in the month. The Fund is however up 5.9% over the past year as it benefited from the fall in market interest rates earlier in the year and outperformance of corporate bonds (its primary exposure) over governments.

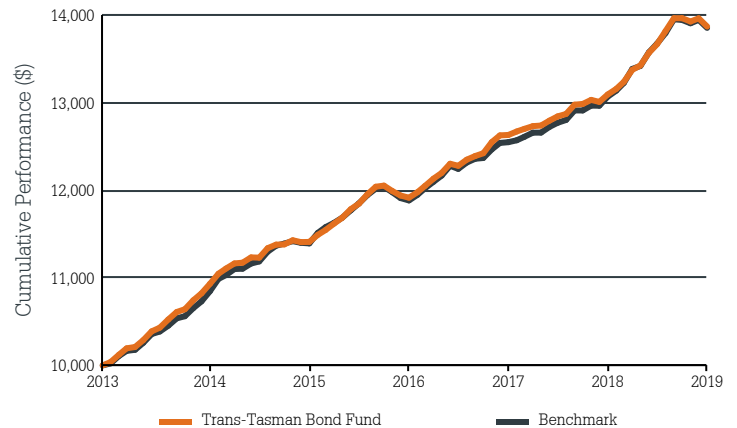
During the month the Reserve Bank of New Zealand released its Bank Capital Review results which we deem constructive for NZ bank senior bonds. We have a similar view on Australian bank senior bonds. Therefore, we increased NZ and Australian senior bank exposure, primarily at the expense of NZ government bonds where fiscal stimulus may weigh on relative performance versus corporate bonds. Also of note was our participation in the new Synlait Milk subordinated notes issue.

December saw Australasian bonds, especially corporates, lag offshore peer performance. This increases their relative attractiveness and may provide some near-term support. That said, risks remain for a further adjustment higher in global and Australasian market interest rates. Therefore, Fund interest rate exposure remains slightly below neutral. Looking forward, the outlook is for moderate returns which, as evidenced by recent months, may be lower than last year given lower prevailing bond yields and less likelihood of another move lower 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>	Positive, low volatility return that exceeds the relevant benchmark over a minimum of three years
<b>Description</b>	Primarily invests in trans-Tasman 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>	\$698.4 M
<b>Yield <sup>2</sup></b>	2.46%
<b>Average Credit Rating</b>	A
<b>Duration</b>	3.45 years
<b>Rating Categories</b>	Inv. Grade 83% / High Yield 1% / Unrated 6%
<b>Inception Date</b>	2 December 2013
<b>Current Distribution</b>	0.45 cents per unit (Quarterly)
<b>Benchmark</b>	50% x S&P/ASX Corporate Bond 0+ Total Return Index (100% NZD-hedged) + 50% x S&P/NZX Investment Grade Corporate Bond Total Return Index
<b>Base Fund Fee <sup>3</sup></b>	0.65%
<b>Performance Fee</b>	Not applicable
<b>Total Fund Fees <sup>4</sup></b>	0.65%
<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: \$1.1629

	1 Month	3 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Trans-Tasman Bond Fund (Gross Of Tax)	-0.67%	-0.68%	5.92%	5.19%	4.87%	5.52%
After Tax 10.50%	-0.60%	-0.61%	5.29%	4.64%	4.35%	4.93%
After Tax 17.50%	-0.55%	-0.56%	4.86%	4.27%	4.01%	4.54%
After Tax 28.00%	-0.48%	-0.49%	4.23%	3.72%	3.49%	3.96%
Benchmark	-0.66%	-0.65%	6.00%	5.24%	5.01%	5.50%

## Top Fixed Interest Holdings

Holdings	% of Fund's NAV
Westpac 2.22% 2024	3.23%
ANZ Bank Float 2024	3.15%
NZLGFA 1.5% 2029	3.14%
ASB Bank 1.83% 2024	2.98%
NAB Float 2024	2.88%
ANZ Bank 3.03% 2024	2.39%
Housing NZ 3.36% 2025	1.86%
John Deere 1.75% 2024	1.86%
ING Group 1.45% 2024	1.85%
Synlait Milk 3.83% 2024	1.67%
Sumitomo Mitsui Float 2022	1.51%
Spark New Zealand 3.37% 2024	1.50%
Bank Of China 2.4% 2020	1.43%
BNZ 3.648% 2023	1.34%
Property for Industry 4.59% 2024	1.32%
Housing NZ 2.247% 2026	1.31%
Suncorp-Metway 3% 2023	1.26%
Vector 3.45% 2025	1.26%
Optus 3.25% 2023	1.24%
Westpac Float 2024	1.20%

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

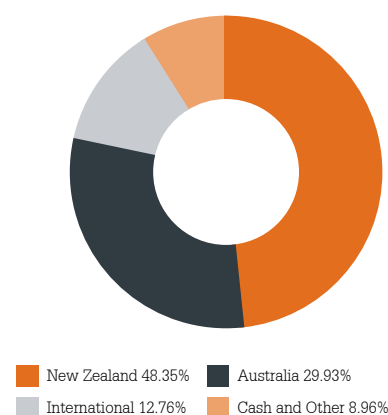
## Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	7.78%	3.00%
New Zealand Fixed Interest	49.06%	48.50%
International Fixed Interest	41.98%	48.50%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	1.18%	0%

## Sector Exposure

Allocation	Weight %
Financials	41.94%
Government	13.08%
Industrials	9.99%
Real Estate	8.37%
Utilities	8.07%
Communication Services	5.56%
Consumer Staples	2.28%
Consumer Discretionary	1.14%
Other Sectors	0.61%
Cash and Other	8.96%

## 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

