

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 July 2023



Portfolio Managers



Paul Morris
Portfolio Manager



Ian Robertson
Co-Portfolio Manager

The Fund delivered a 0.4% return in July compared to its benchmark which made a return of 0.6%. Broadly speaking bond yields were close to unchanged but there was a little outperformance in shorter dated AU dollar bonds, where yields fell on weaker than expected Australian inflation data. With bond prices moving sideways, the Fund was able to harvest the attractive prevailing yields to support a reasonable return.

Corporate bonds generally outperformed government bonds during July, albeit not to the same extent as seen offshore. Indeed, the outperformance in NZ corporate bonds was somewhat muted given credit spreads (the extra yield of corporate bonds versus government bonds) are already at more expensive levels due to a lack of supply. Pleasingly, however, Australian corporate bonds did post some reasonable outperformance, with credit spread tightening in the Fund's subordinated bank bonds a notable call out.

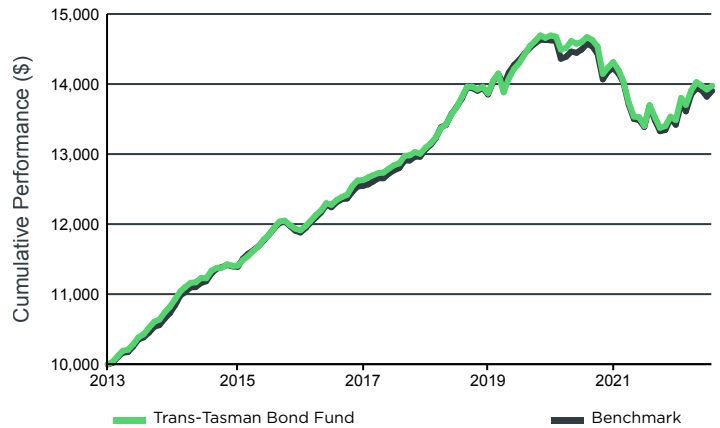
We had entered the month with an overweight exposure to credit spreads in expectation of this tightening. We used the good performance to trim and take some profit, but we retain a preference for Australian corporate bonds where we see opportunities for further outperformance given attractive historic valuation support. The trimming included selling QBE, CBA and Westpac AU dollar subordinated bonds, after very strong performance. We also retained the Fund's interest rate exposure at a smidgeon less than that of its neutral/benchmark exposure. This is longer than we had held earlier in the year as we believe we are closer to peak interest rates. This exposure includes some inflation-linked government bond exposure, where recent and ongoing high inflation supports the bond's income. We will use primary issuance to add back some exposure to Australian corporate bonds if they offer a discount to existing bonds.

The global and Australasian rate hiking cycle may not be finished, but our base case is that it is close to an end. Interest rate markets in Australasia and globally are pricing in conceivable paths for rates. This supports our ongoing close to neutral interest rate exposure. Evidence suggests that the economic slowdown is coming but that it is less likely to be very scarring. With corporate balance sheets in reasonable shape and valuations (albeit more in Australia) still reasonably attractive, we remain comfortable with (i) our preference for corporate over government/government-related bonds and (ii) a moderate above neutral exposure to credit spreads. From an absolute return perspective we believe the medium-term return outlook for the Fund remains attractive, as elevated bond market yields should provide a substantial cushion against all but extremely higher market interest rates.

To view Milford's July 2023 Market and Economic Review please see milfordasset.com/insights.

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

Objective¹	To generate a positive, low volatility return that exceeds the relevant benchmark over the minimum recommended investment timeframe
Description	Primarily invests in trans-Tasman fixed interest securities
Minimum recommended investment timeframe	3 years +
Target Allocation	100% Income Assets / 0% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	\$1,491.7 M
Yield²	5.34%
Average Credit Rating	A+
Duration	3.31 years
Rating Categories	Inv.Grade 88% / High Yield 3% / Unrated 3%
Inception Date	2 December 2013
Current Distribution	0.8 cents per unit (Quarterly)
Benchmark	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
Base Fund Fee³	0.65%
Performance Fee	Not applicable
Total Fund Fees⁴	0.65%
Risk Indicator	<div style="display: flex; justify-content: space-between; align-items: center;"> Lower risk 1 2 3 4 5 6 7 Higher risk </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 5px;"> Potentially lower returns Potentially higher returns </div>

Trans-Tasman Bond Fund as at 31 July 2023

Investment Performance after fees as at 31 July 2023⁵

Unit Price: \$1.1024

	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)	0.39%	-0.37%	2.02%	-1.04%	1.66%	3.53%
After Tax 10.50%	0.32%	-0.35%	1.79%	-0.93%	1.49%	3.15%
After Tax 17.50%	0.28%	-0.34%	1.64%	-0.85%	1.38%	2.91%
After Tax 28.00%	0.22%	-0.32%	1.42%	-0.74%	1.21%	2.54%
Benchmark	0.61%	-0.27%	1.57%	-1.25%	1.67%	3.47%

Top Fixed Interest Holdings

Holdings	% of Fund
NZGBI 2% 2025	6.95%
NZ Govt. 3.5% 2033	2.49%
NZLGFA 1.5% 2026	2.44%
Housing NZ 3.42% 2028	2.35%
NZLGFA 1.5% 2029	2.20%
GTA Finance 2.2% 2027	2.03%
Bank of Queensland Float 2027	1.82%
NAB 4.2% 2026	1.76%
NZLGFA 4.5% 2027	1.66%
NZLGFA 4.5% 2030	1.59%
Monash University 4.05% 2029	1.44%
WBC Float 2033	1.37%
ANZ 5.22% 2028	1.35%
CBA 5.398% 2027	1.30%
Network Finance 6.061% 2030	1.29%
B & A Bank Float 2026	1.25%
Telstra 4.9% 2028	1.23%
ANZ Float 2026	1.21%
Housing NZ 3.36% 2025	1.19%
AGIFN 6.109% 28/06/2030	1.18%

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

Current Asset Allocation

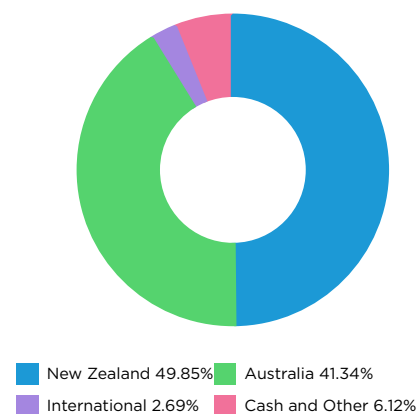
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	5.21%	3%
New Zealand Fixed Interest	47.86%	48.5%
International Fixed Interest	46.02%	48.5%
New Zealand Equities	0.00%	0.0%
Australian Equities	0.00%	0.0%
International Equities	0.00%	0.0%
Other	0.91%	0.0%

The actual cash held by the Fund is 4.74%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Sector Allocation

Allocation	Weight %
Financials	27.07%
Government	25.74%
Utilities	13.45%
Real Estate	9.47%
Industrials	8.04%
Consumer Discretionary	3.63%
Communication Services	3.44%
Consumer Staples	2.39%
Other Sectors	0.65%
Cash and Other	6.12%

Region Exposure



1. After the base fund fee but before tax. 2. The yield to maturity is not an indicator of future return, but reflects the current yield to maturity of the fund's underlying holdings (before tax and after the base fund fee). 3. 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. 4. 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 for more information about the data published within this document.

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