

Global Corporate Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 August 2020



Portfolio Managers



Paul Morris
Portfolio Manager



Ian Robertson
Co-Portfolio Manager

Thanks to the ongoing outperformance of corporate bonds, the Fund overcame rising global government bond yields (falling prices) to post a return of 0.7% in August.

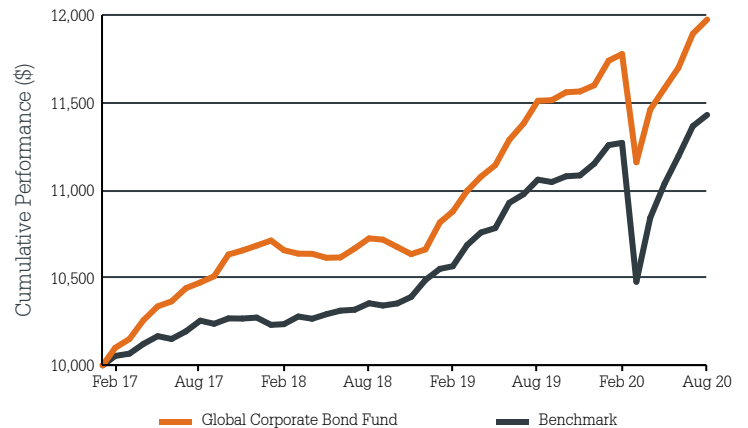
The outperformance of corporate bonds was notable in short to medium maturity investment grade (IG) bonds, where the Fund's exposure is more focused, but also in lower rated (riskier) high-yield (HY). We remain underweight in the latter versus benchmark, due to its higher leverage in what remains an uncertain economic backdrop. Irrespective of this, we were able to deliver a slightly above benchmark return through retaining more sensitivity to the outperformance of corporate bonds over governments relative to the benchmark, investing in subordinated bonds of IG rated issuers (which performed well), and reducing the Fund's exposure to rising government bond yields. The Fund was active in the new issue market, including participating in bonds from Google, Barclays Bank and Vodafone. We used these opportunities to switch out of more expensive holdings, especially higher rated corporate issuers where valuations are less attractive.

The recent strength in corporate bonds has seen many sectors regain the bulk of their COVID crisis underperformance versus government bonds, albeit more directly impacted sectors continue to lag. Nonetheless, given the extent of monetary and fiscal policy support we believe there is still room for further, but more modest, outperformance.

To view Milford's September 2020 Market and Economic Review please see 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

| | |
|-------------------------------------|---|
| Objective ¹ | Protect capital and generate a positive NZD-hedged return that exceeds the relevant benchmark over a minimum of three years |
| Description | Primarily invests in global corporate fixed interest securities |
| Target Allocation | 100% Income Assets / 0% Growth Assets |
| Neutral FX Exposure | 0% |
| Net Asset Value (NAV) | \$764.0 M |
| Yield ² | 1.87% |
| Average Credit Rating | BBB+ |
| Duration | 3.3 years |
| Rating Categories | Inv. Grade 76% / High Yield 15% / Unrated 1% |
| Inception Date | 1 February 2017 |
| Current Distribution | 0.45 cents per unit (Quarterly) |
| Benchmark | Bloomberg Barclays Global Corporate 3-5 Year Total Return Index Value Hedged USD (100% NZD-hedged) |
| Base Fund Fee ³ | 0.85% |
| Performance Fee | Not applicable |
| Total Fund Fees ⁴ | 0.85% |
| Risk Indicator | <div style="display: flex; justify-content: space-between;"> Lower risk Higher risk </div> <div style="display: flex; justify-content: center; align-items: center; gap: 10px;"> 1 2 3 4 5 6 7 </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> Potentially lower returns Potentially higher returns </div> |

Investment Performance after fees as at 31 August 2020⁵

Unit Price: \$1.0948

| | 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) | 0.68% | 3.38% | 4.03% | 4.56% | - | 5.18% |
| After Tax 10.50% | 0.62% | 3.03% | 3.62% | 4.08% | - | 4.62% |
| After Tax 17.50% | 0.58% | 2.80% | 3.35% | 3.76% | - | 4.26% |
| After Tax 28.00% | 0.53% | 2.46% | 2.94% | 3.28% | - | 3.71% |
| Benchmark | 0.57% | 3.55% | 3.34% | 3.68% | - | 3.80% |

Top Fixed Interest Holdings

| Holdings | % of Fund's NAV |
|-----------------------------|-----------------|
| Seagate 4.091% 2029 | 1.82% |
| Kerry Group 0.625% 2029 | 1.75% |
| Danaher Corp 0.45% 2028 | 1.68% |
| McDonald's 3% 2024 | 1.58% |
| Crown Castle 2.25% 2031 | 1.49% |
| John Deere 1.75% 2024 | 1.48% |
| Bank of America 1.898% 2031 | 1.46% |
| Alphabet Inc 0.8% 2027 | 1.36% |
| Nordea Bank 0.5% 2027 | 1.32% |
| Aroundtown 4.5% 2025 | 1.31% |
| Vodafone Group 4.2% 2027 | 1.29% |
| AT&T 1.65% 2028 | 1.28% |
| Woolworths 2.8% 2030 | 1.25% |
| Downer Group 4.50% 2022 | 1.25% |
| Sprint Spectrum 4.738% 2025 | 1.17% |
| Belfius Bank 0.375% 2026 | 1.16% |
| American Tower 3.8% 2029 | 1.12% |
| RBLN 2.75% 2024 | 1.10% |
| CIBC Float 2023 | 1.09% |
| Infineon 1.625% 2029 | 1.09% |

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

Current Asset Allocation

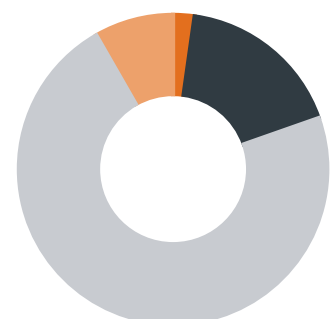
| | Actual Investment Mix | Neutral Investment Mix |
|------------------------------|-----------------------|------------------------|
| Effective Cash # | 8.24% | 5.00% |
| New Zealand Fixed Interest | 0.89% | 0% |
| International Fixed Interest | 90.82% | 95.00% |
| New Zealand Equities | 0.00% | 0% |
| Australian Equities | 0.00% | 0% |
| International Equities | 0.00% | 0% |
| Other | 0.05% | 0% |

The actual cash held by the Fund is 4.99%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Sector Exposure

| Allocation | Weight % |
|------------------------|----------|
| Financials | 29.79% |
| Communication Services | 10.81% |
| Information Technology | 10.26% |
| Consumer Discretionary | 8.82% |
| Industrials | 8.13% |
| Real Estate | 7.45% |
| Materials | 5.10% |
| Health Care | 4.72% |
| Other Sectors | 6.63% |
| Cash and Other | 8.29% |

Region Exposure



■ New Zealand 2.23% ■ Australia 17.40%
■ International 72.08% ■ Cash and Other 8.29%

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 for more information about the data published within this document.

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