

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 March 2020



Portfolio Managers



Paul Morris
Portfolio Manager



David Lewis
Co-Portfolio Manager

The rapid escalation of the COVID-19 crisis and its economic fallout sparked a selling of bonds more extreme than during the Global Financial Crisis. There were initially few buyers to stand against this given demand for cash liquidity, awareness of vastly increased near-term government and corporate funding needs, plus an extremely uncertain economic future. Thankfully, policy responses from governments and central banks (quantitative easing, rate cuts and much more) have somewhat stabilised markets. However, over the month most Australasian corporate, and many government and government related, bond prices fell.

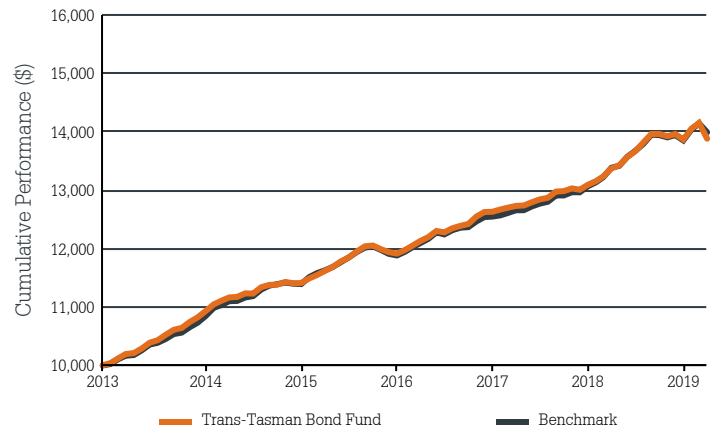
The speed and extent of the price weakness afforded little opportunity to further increase what were already defensive Fund settings going into the month. Therefore, with few safe havens the Fund lost 1.9% in March (but is still up 3.8% over 1-year). Relative to its benchmark, the Fund's reduced subordinated bond and Australasian issuer offshore bond holdings were still a drag, while its NZDX listed corporate bonds also underperformed larger corporate bond issues.

Looking forward, we remain very wary as the near-term economic outlook is unclear while the amount of funding required by governments is unprecedented. We will therefore be extremely selective in adding any bonds and will continue to look for opportunities to reduce exposure to sectors with increased risk. We retain above neutral interest rate sensitivity with a focus on shorter tenors anchored by ongoing low central bank official cash rates.

To view Milford's April 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	Positive, low volatility return that exceeds the relevant benchmark over a minimum of three years
Description	Primarily invests in trans-Tasman fixed interest securities
Target Allocation	100% Income Assets / 0% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	\$729.1 M
Yield ²	2.04%
Average Credit Rating	A
Duration	4.34 years
Rating Categories	Inv. Grade 76% / High Yield 1% / Unrated 5%
Inception Date	2 December 2013
Current Distribution	0.45 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 Fee ³	0.65%
Performance Fee	Not applicable
Total Fund Fees ⁴	0.65%
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 March 2020⁵

Unit Price: \$1.1596

	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)	-1.91%	0.10%	3.80%	4.59%	4.45%	5.32%
After Tax 10.50%	-1.71%	0.09%	3.40%	4.10%	3.98%	4.75%
After Tax 17.50%	-1.57%	0.09%	3.13%	3.78%	3.66%	4.37%
After Tax 28.00%	-1.38%	0.08%	2.73%	3.29%	3.19%	3.81%
Benchmark	-1.08%	1.00%	4.53%	4.97%	4.74%	5.45%

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
NZLGFA 1.5% 2029	3.16%
Westpac 2.22% 2024	2.53%
ANZ Bank 3.03% 2024	2.27%
ASB Bank 1.83% 2024	2.16%
ANZ Bank Float 2024	2.05%
Macquarie Group 0% 2025	1.93%
Housing NZ 3.36% 2025	1.83%
John Deere 1.75% 2024	1.80%
ING Group 1.45% 2024	1.79%
NZ Government Bond 3% 2024	1.62%
Spark New Zealand 3.37% 2024	1.44%
Sumitomo Mitsui Float 2022	1.44%
NAB Float 2024	1.41%
Bank Of China 2.4% 2020	1.37%
BNZ 3.648% 2023	1.29%
Housing NZ 2.247% 2026	1.29%
Property for Industry 4.59% 2024	1.25%
Transurban Finance 4.125% 2026	1.25%
Vector 3.45% 2025	1.22%
Suncorp-Metway 3% 2023	1.20%

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

Current Asset Allocation

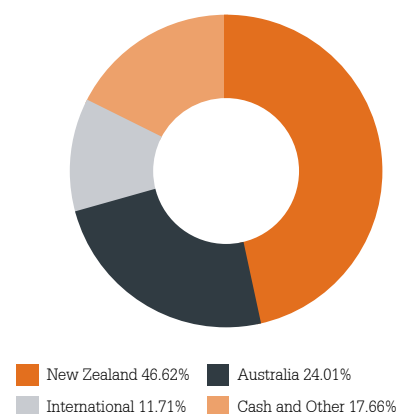
	Actual Investment Mix	Neutral Investment Mix
Effective Cash [#]	17.66%	3.00%
New Zealand Fixed Interest	45.80%	48.50%
International Fixed Interest	36.54%	48.50%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	0.00%	0%

[#] The actual cash held by the Fund is 5.97%. 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	36.28%
Government	14.51%
Real Estate	8.90%
Industrials	8.36%
Utilities	7.26%
Communication Services	5.62%
Consumer Staples	1.09%
Consumer Discretionary	1.04%
Other Sectors	-0.72%
Cash and Other	17.66%

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 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

