

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 May 2020



Portfolio Managers



Paul Morris
Portfolio Manager



David Lewis
Co-Portfolio Manager

Central bank intervention has reduced volatility in Australasian government bonds with yields generally close to unchanged over the month. This has improved liquidity in Australasian corporate bonds, giving investors confidence to accept smaller credit spreads (the extra interest of corporate bonds over government bonds). Australasian credit spreads also benefitted from investor optimism for a better economic outlook and strong performance from offshore corporate bonds. It all combined to deliver a strong 1.0% Fund return in May, 0.2% more than the benchmark.

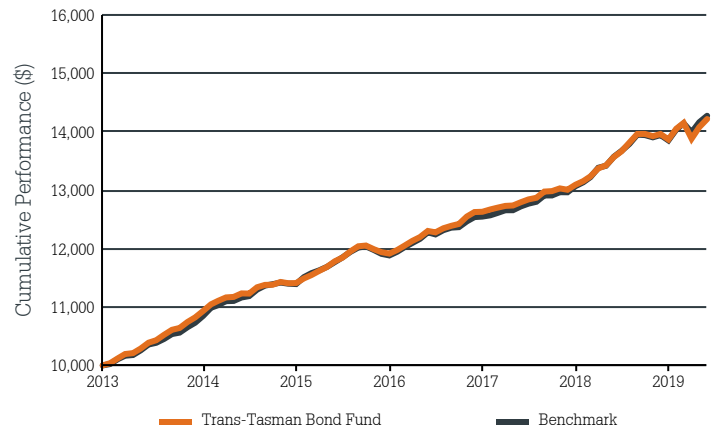
The contributors to benchmark outperformance included (i) a larger NZ dollar interest rate exposure (on which we took profit before yields rose later in the month), (ii) a further recovery and the Fund's retention of several of the corporate bonds which had lagged the initial leg of the price recovery in April and (iii) participation in the reopened new issue market which allowed access to new bonds at a discount to existing (including Woolworths, Credit Suisse and Australian state owned Air Services).

Looking forward, central bank support should underpin moderate Fund returns but given an uncertain backdrop it is prudent to retain a cautious exposure to lower rated bonds. We have moved interest rate exposure closer to neutral. Near term, on any material increase in government bond yields we may add interest exposure as central banks are likely to control short and medium term government bonds yields to their desired level.

To view Milford's June 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)	\$746.9 M
Yield ²	1.83%
Average Credit Rating	A
Duration	3.8 years
Rating Categories	Inv. Grade 84% / 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 May 2020⁵

Unit Price: \$1.1877

	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)	0.99%	0.47%	4.79%	4.94%	4.82%	5.57%
After Tax 10.50%	0.89%	0.42%	4.28%	4.42%	4.31%	4.97%
After Tax 17.50%	0.82%	0.39%	3.94%	4.07%	3.97%	4.58%
After Tax 28.00%	0.72%	0.34%	3.44%	3.54%	3.46%	3.99%
Benchmark	0.79%	0.93%	5.17%	5.15%	5.04%	5.63%

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
NZLGFA 1.5% 2029	3.25%
Housing NZ 3.36% 2025	2.82%
Westpac 2.22% 2024	2.60%
ANZ Bank 3.03% 2024	2.32%
ASB Bank 1.83% 2024	2.22%
ANZ Bank Float 2024	2.12%
Macquarie Group Float 2025	2.01%
ING Group 1.45% 2024	1.82%
John Deere 1.75% 2024	1.81%
NZLGFA 3.5% 2033	1.80%
Woolworths 1.85% 2025	1.73%
Vector 3.45% 2025	1.52%
BPCE Float 2025	1.51%
Sumitomo Mitsui Float 2022	1.46%
NAB Float 2024	1.46%
Spark New Zealand 3.37% 2024	1.45%
NZLGFA 1.5% 2026	1.39%
Bank Of China 2.4% 2020	1.35%
Housing NZ 2.247% 2026	1.31%
BNZ 3.648% 2023	1.29%

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

Current Asset Allocation

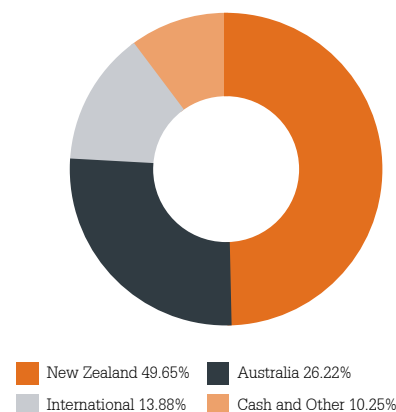
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	10.25%	3.00%
New Zealand Fixed Interest	48.89%	48.50%
International Fixed Interest	40.86%	48.50%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	0.00%	0%

The actual cash held by the Fund is 1.94%. 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	37.73%
Government	18.82%
Utilities	8.47%
Industrials	8.41%
Real Estate	8.23%
Communication Services	4.51%
Consumer Staples	2.80%
Consumer Discretionary	0.75%
Other Sectors	0.03%
Cash and Other	10.25%

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

