

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 April 2020



Portfolio Managers



Paul Morris
Portfolio Manager



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A wave of central bank intervention in bond markets, coupled with government support packages, enabled Australasian bond markets to recover a semblance of normalcy. The intervention has been very impactful in New Zealand where the central bank kept buying a sizable proportion of the government bond market even as yields fell. It also expanded into buying bonds of the Local Government Funding Agency. This pushed these bond prices higher (yields lower) and had a halo effect on other highly rated corporate bonds, such as bank senior bonds which have recovered from weakness.

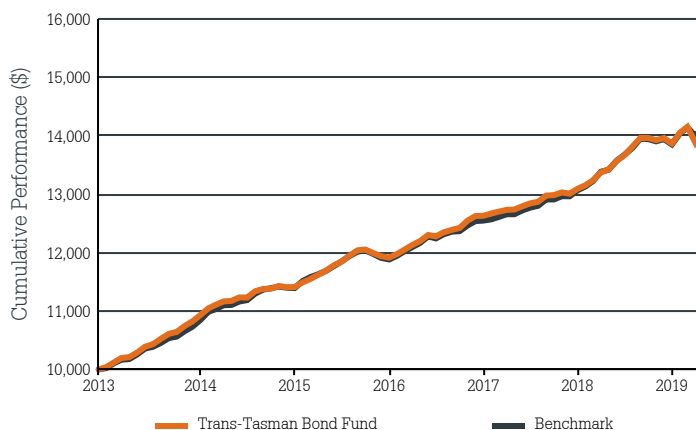
In Australia central bank buying has been proportionately smaller, with a focus on keeping 3-year government bond yields at 0.25%, and the market rally muted but generous bank funding facilities has enabled bank senior debt and other high rated bond prices to rise. The Fund was exposed to these sectors and also held more interest rate exposure than neutral/benchmark which supported a recovery in value more than its benchmark.

The Fund was up 1.4% in April and is up 4.9% over 1-year. It has yet to recover all of the March underperformance as several sectors of the market have lagged. Some of this is justified but for many exposures we believe prices should recover further as investors look for returns in a low (or even negative) interest rate environment. 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.

To view Milford's May 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)	\$729.3 M
Yield ²	2.04%
Average Credit Rating	A
Duration	4.23 years
Rating Categories	Inv.Grade 82% / 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><div>Lower risk</div><div>1 2 3 4 5 6 7</div><div>Potentially lower returns</div><div>Potentially higher returns</div></div>

Investment Performance after fees as at 30 April 2020⁵

Unit Price: \$1.176

	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)	1.41%	0.18%	4.87%	4.90%	4.73%	5.48%
After Tax 10.50%	1.27%	0.16%	4.35%	4.37%	4.23%	4.89%
After Tax 17.50%	1.17%	0.15%	4.01%	4.03%	3.89%	4.50%
After Tax 28.00%	1.02%	0.14%	3.49%	3.51%	3.39%	3.92%
Benchmark	1.23%	0.88%	5.55%	5.19%	4.99%	5.58%

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
NZLGFA 1.5% 2029	3.26%
Housing NZ 3.36% 2025	2.87%
Westpac 2.22% 2024	2.64%
ANZ Bank 3.03% 2024	2.35%
ASB Bank 1.83% 2024	2.25%
ANZ Bank Float 2024	2.15%
Macquarie Group Float 2025	2.03%
ING Group 1.45% 2024	1.83%
John Deere 1.75% 2024	1.80%
Vector 3.45% 2025	1.56%
Spark New Zealand 3.37% 2024	1.48%
Sumitomo Mitsui Float 2022	1.48%
NAB Float 2024	1.48%
NZLGFA 1.5% 2026	1.42%
Bank Of China 2.4% 2020	1.38%
BNZ 3.648% 2023	1.34%
Housing NZ 2.247% 2026	1.33%
NZ Government Bond 4.5% 2027	1.31%
Property for Industry 4.59% 2024	1.28%
Suncorp-Metway 3% 2023	1.24%

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

Current Asset Allocation

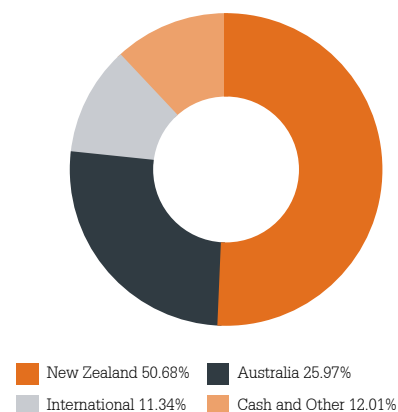
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	12.01%	3.00%
New Zealand Fixed Interest	50.23%	48.50%
International Fixed Interest	37.76%	48.50%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	0.00%	0%

The actual cash held by the Fund is 3.16%. 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	36.81%
Government	17.97%
Real Estate	9.36%
Industrials	8.78%
Utilities	8.07%
Communication Services	5.02%
Consumer Staples	1.31%
Consumer Discretionary	1.21%
Other Sectors	-0.54%
Cash and Other	12.01%

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.

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