

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 April 2022



Portfolio Managers



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Portfolio Manager



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Government bond yields continue to move higher (prices lower) extending one of their worst routs in history. The Reserve Bank of New Zealand moved up a gear in their fight against inflation, raising the Official Cash Rate (OCR) by 0.50% to 1.50%, citing the need to move interest rates higher at a faster pace to reduce the risks of rising inflation expectations, whilst leaving their medium-term outlook for the OCR unchanged. Across the Tasman, the Reserve Bank of Australia left the cash rate unchanged in April but signalled they may raise rates sooner than previously indicated as local inflation pressures continue to build.

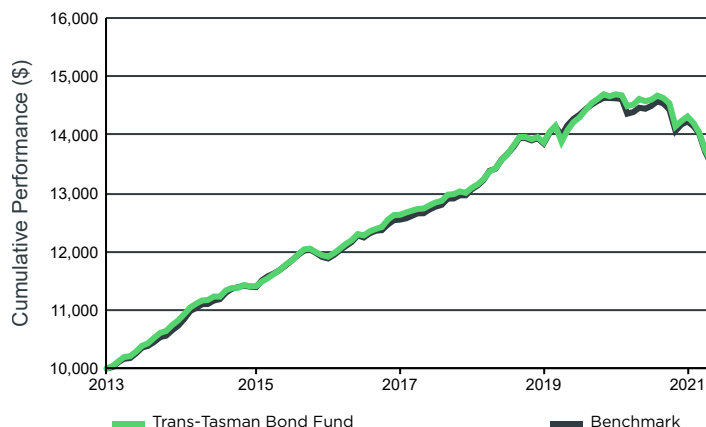
Corporate bonds, to which the Fund is most exposed, had another tough month underperforming government bond markets. The Fund returned -1.5% in the month, which was marginally higher than its benchmark, due in part to an outperformance in the Fund's Australian corporate bond holdings compared to those in the benchmark. The Fund was active in NZ primary markets where it bought new issues from Goodman Property Trust and Precinct Properties which priced at attractive yields of 4.74% and 5.25% respectively. The Fund sold several bonds in the secondary market including Westpac and Vector where we see less potential for price appreciation.

Looking forward, volatility is likely to remain elevated in fixed income markets as central banks move decisively to minimise the risk of spiralling inflation. Nonetheless, we view higher market interest rates in Australasia as largely reflecting the impact of anticipated future central bank rate hikes. As such, the Fund maintains above neutral exposure to NZ interest rates where we think near-term risks to economic growth, which may lead to a lower OCR than is currently priced into bond yields, are partially offset by below neutral exposure to US interest rates.

To view Milford's May 2022 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

| | |
|------------------------------|---|
| 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) | \$1,071.9 M |
| Yield² | 4.67% |
| Average Credit Rating | A |
| Duration | 3.9 years |
| Rating Categories | Inv.Grade 88% / High Yield 2% / Unrated 6% |
| 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 Fee³ | 0.65% |
| Performance Fee | Not applicable |
| Total Fund Fees⁴ | 0.65% |

| | | | | | | | |
|-----------------------|---------------------------|---|---|---|----------------------------|---|-------------|
| | Lower risk | | | | | | Higher risk |
| Risk Indicator | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | Potentially lower returns | | | | Potentially higher returns | | |

Trans-Tasman Bond Fund as at 30 April 2022

Investment Performance after fees as at 30 April 2022⁵

Unit Price: \$1.097

| | 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) | -1.45% | -4.66% | -7.37% | 0.28% | 2.11% | 3.67% |
| After Tax 10.50% | -1.30% | -4.17% | -6.61% | 0.26% | 1.89% | 3.28% |
| After Tax 17.50% | -1.20% | -3.84% | -6.10% | 0.25% | 1.75% | 3.02% |
| After Tax 28.00% | -1.05% | -3.35% | -5.33% | 0.23% | 1.53% | 2.64% |
| Benchmark | -1.49% | -4.56% | -6.65% | 0.21% | 2.11% | 3.63% |

Top Fixed Interest Holdings

| Holdings | % of Fund |
|------------------------------|-----------|
| NZLGFA 2.25% 2028 | 3.83% |
| NZLGFA 1.5% 2026 | 3.37% |
| NZLGFA 2.25% 2024 | 3.12% |
| Housing NZ 3.36% 2025 | 1.70% |
| Spark 4.37% 2028 | 1.56% |
| Vector 3.69% 2027 | 1.55% |
| NZLGFA 1.5% 2029 | 1.55% |
| ANZ Float 2024 | 1.51% |
| IAG 5.32% 2038 | 1.45% |
| NAB Float 2026 | 1.44% |
| Macquarie Float 2025 | 1.43% |
| NZLGFA 4.5% 2027 | 1.42% |
| Monash University 4.05% 2029 | 1.42% |
| Transpower 1.735% 2025 | 1.41% |
| BNZ 3.63% 2024 | 1.39% |
| Mercury 2.918% 2028 | 1.37% |
| NZLGFA 3.5% 2033 | 1.36% |
| Stockland Trust 2.3% 2028 | 1.36% |
| CBA 2.552% 2027 | 1.34% |
| CIBC Float 2026 | 1.33% |

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

Current Asset Allocation

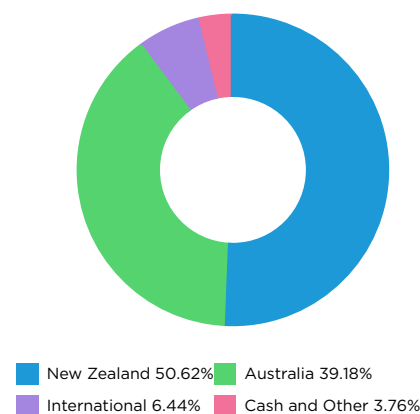
| | Actual Investment Mix | Neutral Investment Mix |
|------------------------------|-----------------------|------------------------|
| Effective Cash # | 3.76% | 3.0% |
| New Zealand Fixed Interest | 49.99% | 48.5% |
| International Fixed Interest | 46.08% | 48.5% |
| New Zealand Equities | 0.17% | 0.0% |
| Australian Equities | 0.00% | 0.0% |
| International Equities | 0.00% | 0.0% |
| Other | 0.00% | 0.0% |

The actual cash held by the Fund is 3.07%. 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 % |
|------------------------|----------|
| Government | 25.26% |
| Financials | 20.79% |
| Real Estate | 15.88% |
| Utilities | 11.38% |
| Industrials | 7.81% |
| Consumer Discretionary | 5.30% |
| Communication Services | 4.22% |
| Consumer Staples | 3.91% |
| Other Sectors | 1.69% |
| Cash and Other | 3.76% |

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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