

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 August 2020



Portfolio Managers



Paul Morris
Portfolio Manager



Ian Robertson
Co-Portfolio Manager

The Fund posted another strong month of performance on an absolute (+0.8%) and relative (0.3% more than benchmark) basis. Absolute return was supported by a rise in New Zealand bond prices (yields lower) in response to a dovish Reserve Bank of New Zealand.

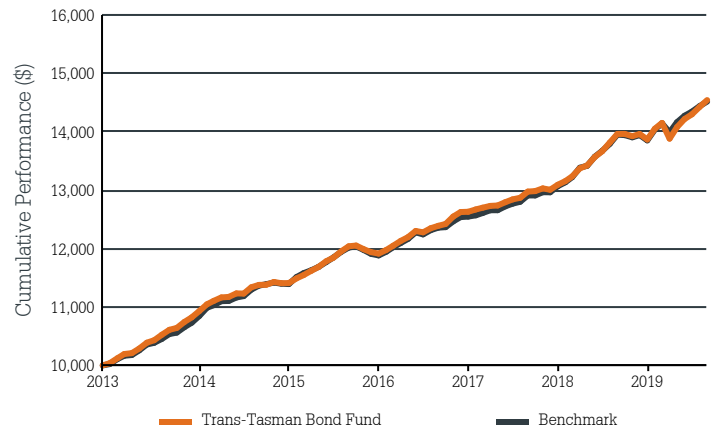
NZ corporate bonds, where the Fund's NZ exposure is focussed, also notably outperformed government bonds again as investors search for yield. Australian bond market performance was however mixed; government bond prices were mostly lower (yields higher) but the negative impact to the Fund was offset by our exposure to corporate bonds which outperformed. Performance relative to the benchmark was driven by factors including more NZ and less Australian interest rate exposure than the benchmark, a larger exposure to corporate bond credit margins (the extra yield of corporate bonds over governments) and further performance from holdings in Australasian issuers' offshore bonds. Active management was very evident in August as the new issue market reopened in force. The Fund participated in deals from the likes of Goodman Property, ANZ Bank, Coles Group, Transpower and Investore, against which it sold more expensive holdings.

Looking forward, now even lower prevailing market yields may moderate returns, but policy support should prevent material price weakness. Indeed, while interest rate exposure is now closer to benchmark, we remain positioned for a further fall in NZ dollar interest rates.

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	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)	\$803.1 M
Yield ²	1.48%
Average Credit Rating	A
Duration	3.99 years
Rating Categories	Inv. Grade 85% / High Yield 3% / Unrated 3%
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 August 2020⁵

Unit Price: \$1.2102

	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)	0.82%	2.28%	4.15%	5.48%	5.03%	5.70%
After Tax 10.50%	0.75%	2.05%	3.72%	4.90%	4.49%	5.10%
After Tax 17.50%	0.70%	1.90%	3.44%	4.51%	4.14%	4.69%
After Tax 28.00%	0.62%	1.67%	3.01%	3.94%	3.61%	4.09%
Benchmark	0.55%	1.71%	4.06%	5.51%	5.01%	5.68%

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
NZLGFA 1.5% 2029	3.08%
Housing NZ 3.36% 2025	2.62%
NZLGFA 3.5% 2033	2.52%
Westpac 2.22% 2024	2.44%
ING Group 1.45% 2024	2.16%
Transpower 1.735% 2025	2.12%
ASB Bank 1.83% 2024	2.09%
ANZ Bank Float 2024	2.03%
Macquarie Group Float 2025	1.93%
NZ Government Bond 4.5% 2027	1.77%
Ausgrid Finance 1.814% 2027	1.76%
Commonwealth of Australia 1% 2031	1.69%
Woolworths 1.85% 2025	1.69%
NZ Government Bond 3% 2024	1.52%
Vector 3.45% 2025	1.46%
NAB Float 2024	1.39%
Sumitomo Mitsui Float 2022	1.38%
Spark New Zealand 3.37% 2024	1.35%
NZLGFA 1.5% 2026	1.32%
UBS Float 2025	1.25%

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

Current Asset Allocation

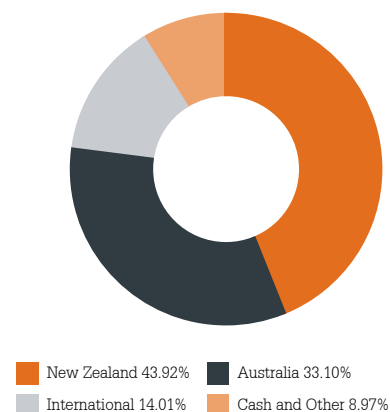
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	8.79%	3.00%
New Zealand Fixed Interest	43.90%	48.50%
International Fixed Interest	47.13%	48.50%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	0.18%	0%

The actual cash held by the Fund is 3.64%. 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	32.67%
Government	21.81%
Utilities	9.99%
Real Estate	8.65%
Industrials	7.16%
Communication Services	5.74%
Consumer Staples	3.64%
Consumer Discretionary	1.25%
Other Sectors	0.12%
Cash and Other	8.97%

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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