

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 August 2023



Portfolio Managers



Paul Morris
Portfolio Manager



Ian Robertson
Co-Portfolio Manager

It was a choppy month for bonds globally, but Australian bonds were notable outperformers as expectations of further rate hikes were tempered. The latter underpinned a positive Fund return of 0.7%. This was marginally behind its benchmark, as a small underweight to these falling Australian interest rates offset the benefit from an overweight to Australian corporate bonds, which outperformed.

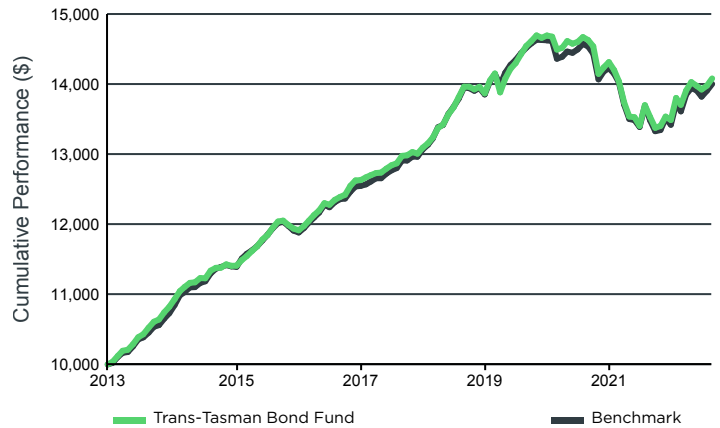
The Fund added credit exposure in August via primary issuance from high-quality issuers including Westpac NZ, NBN Co, NatWest Markets, Mizuho Financial Group (Japanese bank) and Bank of New Zealand. Our focus in adding credit exposures has been to the primary market where we have been able to access bonds at cheaper prices. Against this, we reduced exposure to bonds and sectors which have outperformed and subsequently screen as expensive, including insurance subordinated bonds, selective NZ infrastructure and NZ bank senior bonds. We retained a preference for Australian corporate bonds over NZ peers where we see opportunities for further outperformance given attractive valuations relative to historical averages. We also retained the Fund's interest rate exposure at slightly less than that of its neutral/benchmark exposure.

Our view on bond yields remains that, while the global and Australasian rate hiking cycle may not be finished, it is likely close to an end. Interest rate markets in Australasia and globally are pricing in conceivable paths for rates, which supports our ongoing close to, but less than, neutral interest rate exposure. Recent evidence suggests that an economic slowdown is coming but that the downturn is likely to be mild. Corporate balance sheets remain in reasonable shape, which provides a buffer to an economic slowdown. In this context, we are comfortable with running an above neutral exposure to credit spreads and maintaining a preference for corporate bonds over government bonds. Elevated bond market yields continue to provide a substantial cushion against interest rate volatility, which underpins our outlook for attractive medium-term Fund returns.

To view Milford's August 2023 Market and Economic Review please see milfordasset.com/insights.

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) | \$1,494.0 M |
| Yield² | 5.43% |
| Average Credit Rating | A+ |
| Duration | 3.11 years |
| Rating Categories | Inv.Grade 90% / High Yield 2% / Unrated 3% |
| Inception Date | 2 December 2013 |
| Current Distribution | 0.8 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% |

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

Trans-Tasman Bond Fund as at 31 August 2023

Investment Performance after fees as at 31 August 2023⁵

Unit Price: \$1.1106

| | 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) | 0.74% | 0.74% | 4.08% | -1.07% | 1.65% | 3.57% |
| After Tax 10.50% | 0.68% | 0.68% | 3.65% | -0.95% | 1.48% | 3.20% |
| After Tax 17.50% | 0.63% | 0.63% | 3.37% | -0.87% | 1.37% | 2.95% |
| After Tax 28.00% | 0.56% | 0.57% | 2.94% | -0.76% | 1.20% | 2.57% |
| Benchmark | 0.70% | 0.65% | 3.86% | -1.20% | 1.64% | 3.51% |

Top Fixed Interest Holdings

| Holdings | % of Fund |
|-------------------------------|-----------|
| NZGBI 2% 2025 | 6.95% |
| BNZ 5.87% 2028 | 3.06% |
| NZ Govt. 3.5% 2033 | 2.46% |
| NZLGFA 1.5% 2026 | 2.44% |
| Housing NZ 3.42% 2028 | 2.35% |
| NZLGFA 1.5% 2029 | 2.20% |
| GTA Finance 2.2% 2027 | 2.04% |
| Bank of Queensland Float 2027 | 1.84% |
| NAB 4.2% 2026 | 1.78% |
| NZLGFA 4.5% 2027 | 1.66% |
| NZLGFA 4.5% 2030 | 1.58% |
| Monash University 4.05% 2029 | 1.47% |
| WBC Float 2033 | 1.38% |
| CBA 5.398% 2027 | 1.36% |
| Network Finance 6.061% 2030 | 1.31% |
| CBA 4.9% 2028 | 1.28% |
| Mizuho 6.025% 2029 | 1.25% |
| B & A Bank Float 2026 | 1.25% |
| Telstra 4.9% 2028 | 1.24% |
| ANZ Float 2026 | 1.22% |

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

Current Asset Allocation

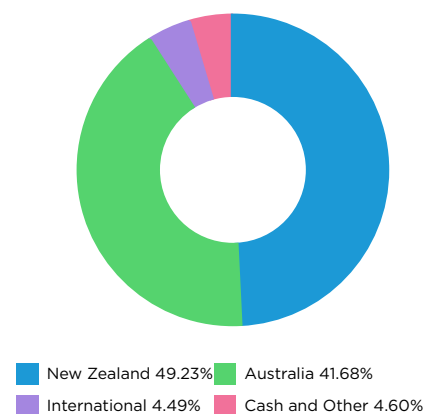
| | Actual Investment Mix | Neutral Investment Mix |
|------------------------------|-----------------------|------------------------|
| Effective Cash # | 3.89% | 3% |
| New Zealand Fixed Interest | 47.18% | 48.5% |
| International Fixed Interest | 48.22% | 48.5% |
| New Zealand Equities | 0.00% | 0.0% |
| Australian Equities | 0.00% | 0.0% |
| International Equities | 0.00% | 0.0% |
| Other | 0.71% | 0.0% |

The actual cash held by the Fund is 3.57%. 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 % |
|------------------------|----------|
| Financials | 31.05% |
| Government | 25.71% |
| Utilities | 13.51% |
| Real Estate | 9.52% |
| Industrials | 5.70% |
| Communication Services | 4.36% |
| Consumer Discretionary | 3.03% |
| Consumer Staples | 1.87% |
| Other Sectors | 0.65% |
| Cash and Other | 4.60% |

Region Exposure



1. After the base fund fee but before tax. 2. The yield to maturity is not an indicator of future return, but reflects the current yield to maturity of the fund's underlying holdings (before tax and after the base fund fee). 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.

Disclaimer: The Milford Fund Fact Sheet has been prepared by Milford Funds Limited. It is based on information believed to be accurate and reliable although no guarantee can be given that this is the case. No reproduction of any material either in part or in full is permitted without prior permission. For more information about the Fund, please refer to the Production Disclosure Statement or the latest Quarterly Fund Update.