

# Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 December 2022



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Ian Robertson**  
Co-Portfolio Manager

December saw global and Australasian market interest rates rise, culminating in a small loss of 0.4% for the Fund over the month. Primarily due to having somewhat limited the Fund's interest rate exposure (notably in Australian dollars), this was a 0.3% better return than its benchmark. Corporate bonds continued their recent outperformance over government bonds. The Fund's slightly larger than benchmark exposure to credit spreads (the extra yield relative to government bonds) also contributed to the Fund's outperformance.

Global evidence continues to build that inflation is peaking, but employment remains tight and risks therefore are that inflation may remain stubbornly elevated. Hope for less aggressive global monetary policy tightening was also quashed in December as myriad central banks reiterated hawkish intentions. This pushed bond prices lower and market interest rates higher. The Bank of Japan, a perennial advocate of loose monetary policy, even increased the target at which it plans to keep 10-year Japanese government bond yields. The latter further weighed on Australian bonds given many Japanese investors have bought Australian bonds as an alternative to the low bond returns available domestically in Japan.

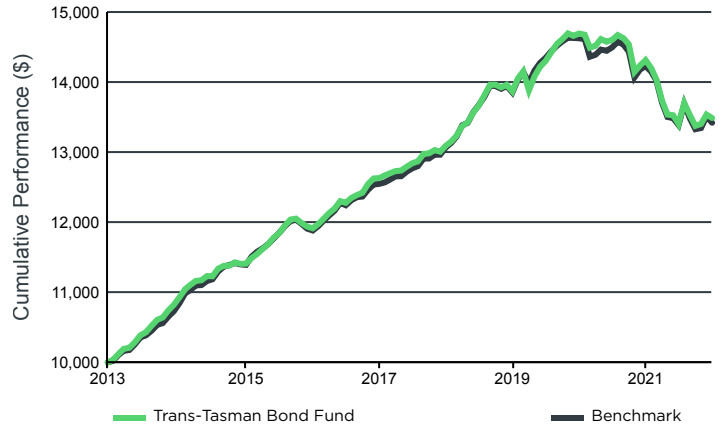
During the month we added back some interest rate exposure as rates rose in both Australian and NZ dollars. While this aggregate rate exposure is still less than benchmark, the difference is now smaller but remains focused in Australian dollars. We continue to look for opportunities to add exposure to Australian corporate bond credit spreads, for example, in December we participated in a new issue from Suncorp-Metway (an Australian bank). We have, however, looked to trim exposure to the "Big 4" Australian banks as these bonds have performed well. We will look to rebuild this exposure via what we expect to be cheaper new issuance in January.

Last month we outlined that bond valuations might be prone to some near-term weakness. To an extent this has played out and we now believe valuations are closer to fair value. That said, the inflation outlook remains uncertain. For now, we will retain what has become a closer to benchmark exposure to credit spreads and interest rates but will remain active in managing the Fund through what are likely to be near term choppy markets. Looking ahead medium term, we think that valuations across Australasian bond markets are attractive. Even if market interest rates were to increase further, the income from prevailing bond yields should provide a significant cushion for returns.

To view Milford's January 2023 Market and Economic Review please see [milfordasset.com/investor-centre](https://milfordasset.com/investor-centre).

## 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

<b>Objective<sup>1</sup></b>	To generate a positive, low volatility return that exceeds the relevant benchmark over the minimum recommended investment timeframe
<b>Description</b>	Primarily invests in trans-Tasman fixed interest securities

<b>Minimum recommended investment timeframe</b>	3 years +
<b>Target Allocation</b>	100% Income Assets / 0% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$1,202.2 M
<b>Yield<sup>2</sup></b>	5.81%
<b>Average Credit Rating</b>	A
<b>Duration</b>	3.17 years
<b>Rating Categories</b>	Inv.Grade 88% / High Yield 3% / Unrated 3%
<b>Inception Date</b>	2 December 2013
<b>Current Distribution</b>	0.45 cents per unit (Quarterly)
<b>Benchmark</b>	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
<b>Base Fund Fee<sup>3</sup></b>	0.65%
<b>Performance Fee</b>	Not applicable
<b>Total Fund Fees<sup>4</sup></b>	0.65%

<b>Risk Indicator</b>	Lower risk	1	2	3	4	5	6	7	Higher risk
				Potentially lower returns					Potentially higher returns

# Trans-Tasman Bond Fund as at 31 December 2022

## Investment Performance after fees as at 31 December 2022<sup>5</sup>

Unit Price: \$1.0795

	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)	-0.36%	0.83%	-5.77%	-0.92%	1.32%	3.35%
After Tax 10.50%	-0.31%	0.76%	-5.18%	-0.82%	1.19%	3.00%
After Tax 17.50%	-0.28%	0.72%	-4.78%	-0.75%	1.10%	2.76%
After Tax 28.00%	-0.22%	0.64%	-4.19%	-0.64%	0.97%	2.41%
Benchmark	-0.68%	0.69%	-5.69%	-1.05%	1.35%	3.29%

## Top Fixed Interest Holdings

Holdings	% of Fund
NZLGFA 1.5% 2026	2.96%
Housing NZ 3.42% 2028	2.87%
NZLGFA 1.5% 2029	2.67%
GTA Finance 2.2% 2027	2.43%
NZLGFA 4.5% 2027	2.04%
NAB 4.95% 2027	1.89%
NZLGFA 2.25% 2031	1.86%
Monash University 4.05% 2029	1.76%
ANZ Float 2027	1.63%
CBA 5.398% 2027	1.59%
Housing NZ 1.534% 2035	1.53%
Housing NZ 3.36% 2025	1.46%
Spark 4.37% 2028	1.35%
Auckland Airport Float 2025	1.26%
ANZ 6.742% 2032	1.25%
Macquarie Float 2025	1.25%
Vector 3.69% 2027	1.25%
Genesis 5.66% 2027	1.17%
BNZ 5.54% 2028	1.16%
CIBC Float 2026	1.16%

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

## Current Asset Allocation

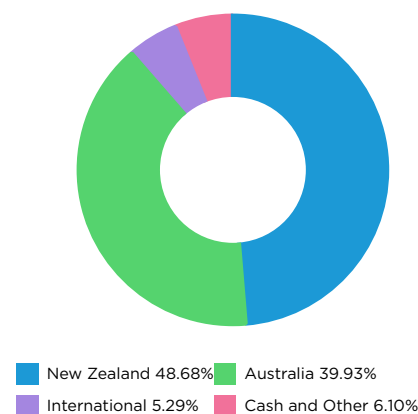
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	5.19%	3%
New Zealand Fixed Interest	45.72%	48.5%
International Fixed Interest	48.18%	48.5%
New Zealand Equities	0.00%	0.0%
Australian Equities	0.00%	0.0%
International Equities	0.00%	0.0%
Other	0.91%	0.0%

# The actual cash held by the Fund is 4.80%. 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	25.53%
Government	23.40%
Real Estate	11.98%
Industrials	10.17%
Utilities	10.11%
Consumer Discretionary	4.62%
Consumer Staples	3.49%
Communication Services	3.16%
Other Sectors	1.44%
Cash and Other	6.10%

## 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](http://milfordasset.com/fact-sheet) for more information about the data published within this document.

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