

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 December 2023



Portfolio Managers



Anthony Ip
Portfolio Manager



Ian Robertson
Co-Portfolio Manager



Paul Morris
Co-Portfolio Manager

The rally in bonds and risk assets that commenced late October continued in December, underpinning a Fund return of 2.4%. This was 0.2% ahead of the benchmark.

A dovish shift from the US Federal Reserve led investors to price in rate cuts across a number of bond markets in early 2024. This drove a strong performance in bonds, with Australasian corporate bond spreads (the extra yield of corporate bonds versus government bonds) finishing the month near its tightest levels of the year.

This market dynamic has benefitted the Fund's overweight exposure to Australasian corporate bonds. There were positive contributions from the Fund's positions in bank subordinated debt, as well as strong contributions from the Fund's overweight exposure to high quality BBB-rated infrastructure companies. In the coming month, we expect some new issuance from Australian and New Zealand banks, which the Fund may consider investing in should they price cheaply versus existing bonds.

Against our overweight in corporate bonds, we maintain a modest underweight to interest rate exposure. In the near term, market interest rates may have become overbought as investors price in multiple rate cuts for 2024 and push longer-dated bond yields too low relative to shorter dated bonds. While we think there may be some rate cuts during the course of the year, this view is excessively priced in.

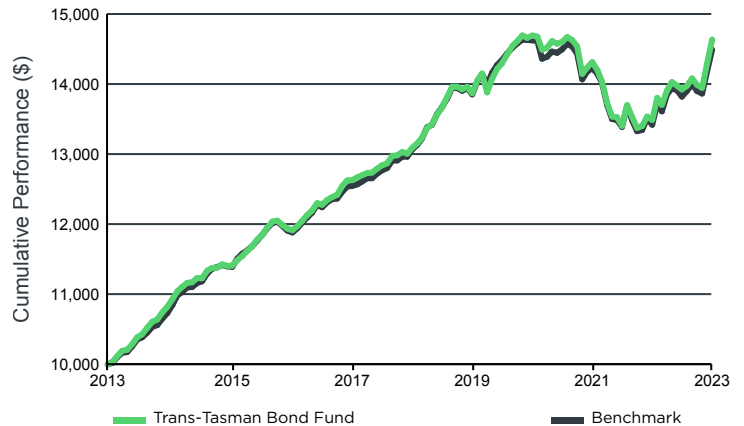
Looking ahead to 2024, we think corporate bond spreads will be largely rangebound. While we think the fundamental outlook for Australian and New Zealand corporate credit quality is benign, the Fund will look to trim its overweight corporate bonds position if spreads compress further. In the interest rate space, we will add to the Fund's exposure on a pull back in valuations.

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

For previous fund reports see milfordasset.com/fund-reports.

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) \$1,398.9 M

Yield² 4.73%

Average Credit Rating A

Duration 3 years

Rating Categories Inv.Grade 91% / High Yield 3% / Unrated 4%

Inception Date 2 December 2013

Current Distribution 0.95 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 Higher risk

1 2 **3** 4 5 6 7

Potentially lower returns Potentially higher returns



Trans-Tasman Bond Fund as at 31 December 2023

Investment Performance after fees as at 31 December 2023⁵

Unit Price: \$1.1363

	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)	2.42%	4.62%	8.52%	-0.13%	2.25%	3.85%
After Tax 10.50%	2.18%	4.15%	7.61%	-0.10%	2.03%	3.45%
After Tax 17.50%	2.02%	3.83%	7.01%	-0.08%	1.87%	3.18%
After Tax 28.00%	1.78%	3.35%	6.12%	-0.06%	1.65%	2.78%
Benchmark	2.20%	4.26%	8.00%	-0.30%	2.09%	3.75%

Top Fixed Interest Holdings

Holdings	% of Fund
NZGBI 2% 2025	7.61%
NZLGFA 4.5% 2030	3.51%
NZLGFA 1.5% 2026	2.67%
Housing NZ 3.42% 2028	2.57%
Westpac 7.199% 2038	2.50%
NZLGFA 1.5% 2029	2.45%
GTA Finance 2.2% 2027	2.21%
NAB 5.4% 2028	2.05%
Contact 6.398% 2030	1.80%
NZLGFA 4.5% 2027	1.80%
Monash University 4.05% 2029	1.57%
Lonsdale Finance 2.1% 2027	1.54%
Rabobank Float 2026	1.44%
Coles 5.8% 2031	1.41%
NZ Govt. 3.5% 2033	1.35%
B & A Bank Float 2026	1.32%
Housing NZ 3.36% 2025	1.29%
AGI Finance 6.109% 2030	1.28%
NBN Co 4.75% 2028	1.28%
Westpac 5% 2028	1.26%

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

Current Asset Allocation

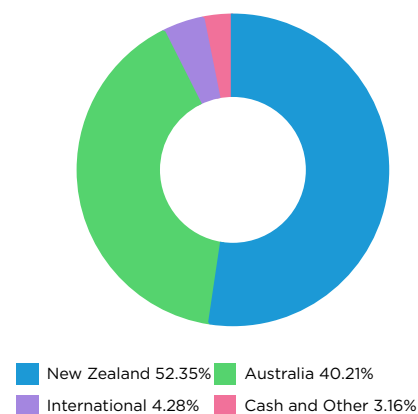
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	2.77%	3%
New Zealand Fixed Interest	50.71%	48.5%
International Fixed Interest	46.13%	48.5%
New Zealand Equities	0.00%	0.0%
Australian Equities	0.00%	0.0%
International Equities	0.00%	0.0%
Other	0.39%	0.0%

The actual cash held by the Fund is 1.99%. 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	28.20%
Financials	24.43%
Utilities	16.49%
Real Estate	10.12%
Industrials	7.04%
Communication Services	3.86%
Consumer Staples	2.79%
Consumer Discretionary	2.25%
Other Sectors	1.66%
Cash and Other	3.16%

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.

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