

# Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 28 February 2021



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Ian Robertson**  
Co-Portfolio Manager

Australasian government bonds had one of their worst months ever in February as global bonds were impacted by markets pricing in an earlier tightening in monetary policy. Things were further exacerbated in NZ by the market initially reading the change to the Reserve Bank of New Zealand's (RBNZ) remit, to contemplate policy impact on housing, as meaning an earlier exit of loose policy settings. Corporate bonds remain the Fund's predominant exposure and were also weak, albeit less so. That provided some cushioning to returns but the Fund was still down 1.3%.

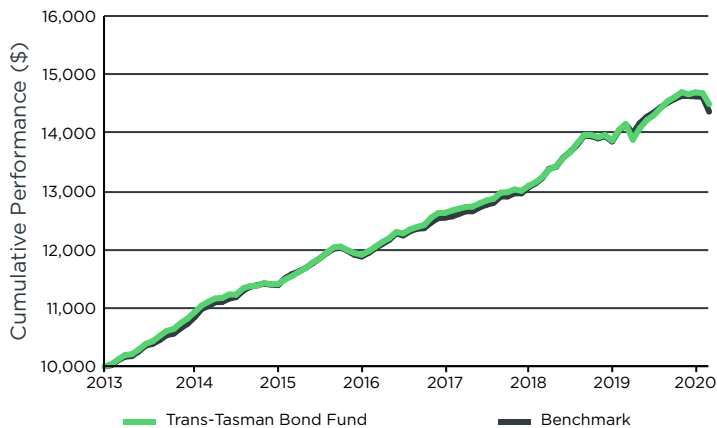
While disappointing, this was better than the benchmark due to factors including the Fund's lower than neutral interest rate exposure and larger than neutral exposure to less interest rate sensitive bonds. As the bond market sell-off became over-extended we did add back interest rate exposure, especially in NZ dollars where pricing of rate hikes was overdone. This means overall interest rate exposure is now closer to neutral, but we retain exposure to steepening yield curves. Our base case sees shorter dated yields anchored by on hold policy/cash rates over the next year at least but we remain wary longer dated yields may increase further on better growth and inflation outcomes.

Separately we have been trimming the above neutral exposure to further outperformance of corporate bonds (including subordinated) relative to governments, looking for cheaper levels to build this again. Looking forward, we believe corporate bonds will outperform government bonds, but absolute returns may face a headwind of rising yields which will need active management to deliver a moderate return.

To view Milford's March 2021 Market and Economic Review please see [milfordasset.com/fact-sheet](http://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

<b>Objective<sup>1</sup></b>	Positive, low volatility return that exceeds the relevant benchmark over a minimum of three years
<b>Description</b>	Primarily invests in trans-Tasman fixed interest securities
<b>Target Allocation</b>	100% Income Assets / 0% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$850.2 M
<b>Yield<sup>2</sup></b>	1.19%
<b>Average Credit Rating</b>	A
<b>Duration</b>	3.8 years
<b>Rating Categories</b>	Inv.Grade 87% / 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%



# Trans-Tasman Bond Fund as at 28 February 2021

## Investment Performance after fees as at 28 February 2021<sup>5</sup>

Unit Price: \$1.1971

	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)	-1.25%	-1.14%	2.41%	4.50%	4.65%	5.25%
After Tax 10.50%	-1.10%	-1.00%	2.17%	4.02%	4.16%	4.69%
After Tax 17.50%	-1.00%	-0.90%	2.01%	3.71%	3.83%	4.32%
After Tax 28.00%	-0.84%	-0.76%	1.77%	3.24%	3.34%	3.77%
Benchmark	-1.72%	-1.83%	1.55%	4.43%	4.40%	5.12%

## Top Fixed Interest Holdings

Holdings	% of Fund
NZLGFA 1.5% 2026	4.75%
Housing NZ 3.36% 2025	2.38%
NZLGFA 1.5% 2029	2.27%
NZLGFA 3.5% 2033	2.08%
Transpower 1.735% 2025	1.93%
Macquarie Float 2025	1.88%
ANZ Bank Float 2024	1.87%
Macquarie Float 2025	1.78%
Westpac 1.439% 2026	1.75%
B & A Bank Float 2025	1.63%
Ausgrid Finance 1.814% 2027	1.59%
Chorus 1.98% 2027	1.58%
Woolworths 1.85% 2025	1.55%
Vector 1.575% 2026	1.41%
Kiwibank 2.36% 2030	1.34%
Vector 3.45% 2025	1.34%
NAB Float 2024	1.28%
Sumitomo Float 2022	1.27%
Spark 3.37% 2024	1.25%
Suncorp Float 2026	1.25%

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

## Current Asset Allocation

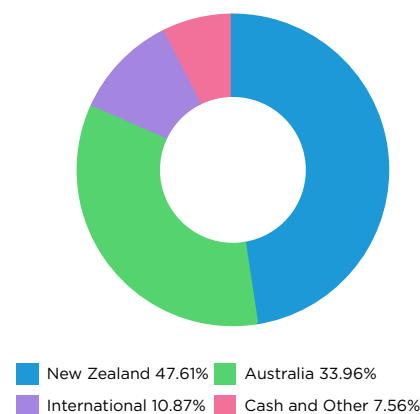
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	6.82%	3.00%
New Zealand Fixed Interest	46.50%	48.50%
International Fixed Interest	45.94%	48.50%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	0.74%	0%

# The actual cash held by the Fund is 2.36%. 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	35.65%
Government	18.33%
Utilities	12.09%
Real Estate	8.98%
Industrials	6.28%
Communication Services	5.99%
Consumer Staples	3.29%
Consumer Discretionary	0.93%
Energy	0.57%
Health Care	0.42%
Cash and Other	7.56%

## 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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