

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 28 February 2023



Portfolio Managers



Paul Morris
Portfolio Manager



Ian Robertson
Co-Portfolio Manager

The Fund returned -0.7% in the month, 0.1% ahead of its benchmark. The weakness in the return was due to higher market interest rates which pushed bond prices lower. During the month, hopes that global and Australasian central banks may have been close to the top of rate hiking cycles diminished on evidence of stubborn inflation. Notably, this included the Reserve Bank of Australia which, after increasing the cash rate 0.25 percentage points, pointed to further increases ahead. Closer to home the Reserve Bank of New Zealand increased the Official Cash Rate 0.5 percentage points, despite the recent extreme weather events, and suggested inflation risks remain. Active management of the Fund's interest rate exposure and a lower than neutral exposure to interest rates helped to cushion returns and drove outperformance relative to benchmark.

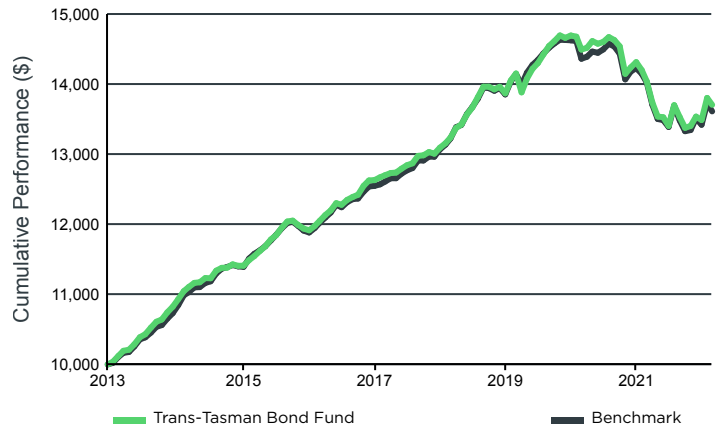
Performance was further supported by credit spreads (the extra yield relative to government bonds) which continued to tighten during the month, as the Fund has been running a moderately higher exposure than benchmark. The Fund was also active in the month. After having added to the aforementioned credit spread exposure, we moved focus towards reducing this, selling more expensive holdings into the strength. That said, we also remain open to attractively priced new issues, but conscious valuations have become less cheap so we have been disciplined in where to participate. During the month this included new issuance from ANZ NZ, Westpac Australia, and Swedish bank Svenska Handelsbanken (in Australian dollars).

Looking forward, we remain constructive on the medium-term absolute and relative to government bond return outlook for Australasian corporate bonds. We continue to think market interest rates are approaching fair value, but we wait for this to be substantiated by economic data and central bank actions. Until then, the risk remains for near-term volatility to persist. To that end, the Fund retains a slightly below neutral interest rate exposure, primarily expressed in NZD, however we have been moving this back closer to neutral. Ultimately, we continue to see the yields available from bonds as sufficient to help cushion returns against all but an extreme move higher in yields.

To view Milford's March 2023 Market and Economic Review please see 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

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)	\$1,229.8 M
Yield²	5.88%
Average Credit Rating	A
Duration	3.06 years
Rating Categories	Inv.Grade 86% / 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 Fee³	0.65%
Performance Fee	Not applicable
Total Fund Fees⁴	0.65%

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

Trans-Tasman Bond Fund as at 28 February 2023

Investment Performance after fees as at 28 February 2023⁵

Unit Price: \$1.0968

	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)	-0.71%	1.24%	-2.38%	-1.07%	1.53%	3.47%
After Tax 10.50%	-0.66%	1.11%	-2.12%	-0.95%	1.38%	3.10%
After Tax 17.50%	-0.63%	1.03%	-1.95%	-0.87%	1.27%	2.86%
After Tax 28.00%	-0.58%	0.90%	-1.69%	-0.75%	1.11%	2.50%
Benchmark	-0.82%	0.74%	-2.93%	-1.27%	1.54%	3.39%

Top Fixed Interest Holdings

Holdings	% of Fund
NZLGFA 1.5% 2026	2.92%
Housing NZ 3.42% 2028	2.83%
NZLGFA 1.5% 2029	2.64%
GTA Finance 2.2% 2027	2.44%
Bank of Queensland Float 2027	2.23%
NZLGFA 4.5% 2027	2.01%
Monash University 4.05% 2029	1.79%
CBA 5.398% 2027	1.59%
ANZ 5.22% 2028	1.58%
Svenska Handelsbanken 5% 2028	1.57%
Housing NZ 1.534% 2035	1.52%
Housing NZ 3.36% 2025	1.44%
CBA 5% 2028	1.34%
Spark 4.37% 2028	1.33%
Lonsdale Finance 2.1% 2027	1.26%
Macquarie Float 2025	1.24%
Vector 3.69% 2027	1.24%
Auckland Airport Float 2025	1.23%
B & A Bank Float 2027	1.21%
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

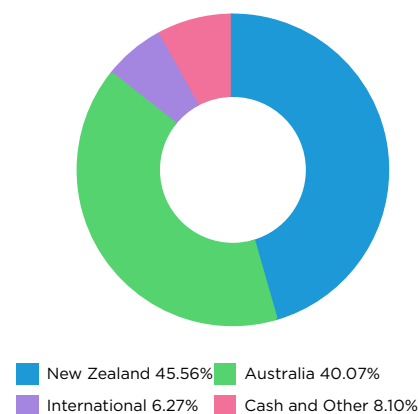
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	7.91%	3%
New Zealand Fixed Interest	41.79%	48.5%
International Fixed Interest	49.39%	48.5%
New Zealand Equities	0.72%	0.0%
Australian Equities	0.00%	0.0%
International Equities	0.00%	0.0%
Other	0.19%	0.0%

The actual cash held by the Fund is 7.56%. 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	26.01%
Government	19.89%
Real Estate	11.58%
Utilities	10.97%
Industrials	10.57%
Consumer Discretionary	4.71%
Consumer Staples	3.90%
Communication Services	3.14%
Other Sectors	1.13%
Cash and Other	8.10%

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 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.