

# Trans-Tasman Bond Fund

## Portfolio Investment Entity

Monthly Fact Sheet as at 31 January 2023



### Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Ian Robertson**  
Co-Portfolio Manager

The Fund returned 2.3% in January, broadly in line with its benchmark. Strong absolute performance was supported by lower market interest rates (higher bond prices) as incoming data suggests inflation may be peaking and economic growth slowing. This has increased the probability central banks may not need to increase interest rates as high as previously anticipated, albeit we remain wary that the Reserve Bank of Australia could be an exception. Although we perceive market interest rates are closer to fair value, we continue to expect interest rate volatility to remain elevated until there is greater confidence peak inflation is behind us. Relative to benchmark, the Fund's small lower than neutral exposure to interest rates was a headwind, but this was offset by an above neutral exposure to credit spreads (the extra yield relative to government bonds) which tightened, and active trading over the month.

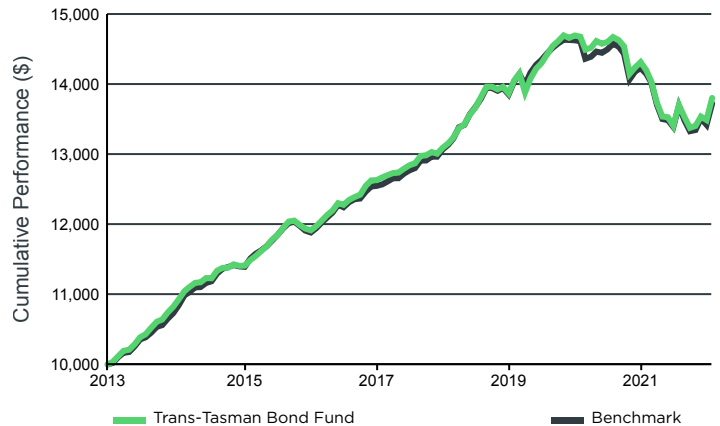
Australasian corporate bond markets started the year well, with credit spreads tightening as risk appetite returned. This performance, however, lagged global market moves and we continue to see some relative valuation support, particularly in Australia. Issuance of new bonds continues to come from financial institutions and we have been active in rotating out of the Fund's more expensive bank holdings and into new issues, including from Bendigo and Adelaide Bank, Bank of Queensland, and National Australia Bank (the latter in US dollars). While corporate bond issuance remains muted, we have continued to add lower risk corporate exposures where we see attractive valuations, including Australian supermarket Coles, Port of Brisbane, and Australian Gas Infrastructure.

Looking forward, we continue to see the absolute medium term return available from Australasian bonds as attractive. We remain constructive on Australasian credit markets relative to government bonds and the Fund retains a slightly longer than benchmark exposure to credit spreads. While market interest rates are close to fair value, near-term volatility could persist, but the yields available should help cushion returns against the risk of rising market interest rates. Additionally, we continue to actively manage the Fund's interest rate exposure and the Fund enters February with a slightly below neutral interest rate exposure to AU dollars but an aggregate exposure close to neutral.

To view Milford's February 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>	\$1,235.6 M
<b>Yield<sup>2</sup></b>	5.48%
<b>Average Credit Rating</b>	A
<b>Duration</b>	3.18 years
<b>Rating Categories</b>	Inv. Grade 90% / High Yield 3% / Unrated 3%
<b>Inception Date</b>	2 December 2013
<b>Current Distribution</b>	0.8 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 <span style="float: right;">Higher risk</span> 1 2 <b>3</b> 4 5 6 7 Potentially lower returns Potentially higher returns



## Trans-Tasman Bond Fund as at 31 January 2023

### Investment Performance after fees as at 31 January 2023<sup>5</sup>

Unit Price: \$1.1047

	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)	2.34%	2.98%	-2.79%	-0.60%	1.73%	3.58%
After Tax 10.50%	2.10%	2.68%	-2.48%	-0.52%	1.55%	3.20%
After Tax 17.50%	1.95%	2.48%	-2.27%	-0.47%	1.44%	2.95%
After Tax 28.00%	1.71%	2.18%	-1.95%	-0.39%	1.26%	2.58%
Benchmark	2.26%	2.83%	-3.00%	-0.76%	1.77%	3.51%

### Top Fixed Interest Holdings

Holdings	% of Fund
NZLGFA 1.5% 2026	2.93%
CBA 5 2028	2.88%
Housing NZ 3.42% 2028	2.88%
NZLGFA 1.5% 2029	2.69%
GTA Finance 2.2% 2027	2.48%
Bank of Queensland Float 2027	2.21%
NZLGFA 4.5% 2027	2.03%
NZLGFA 2.25% 2031	1.89%
Monash University 4.05% 2029	1.80%
Housing NZ 1.534% 2035	1.58%
CBA 5.398% 2027	1.55%
Housing NZ 3.36% 2025	1.44%
Spark 4.37% 2028	1.35%
Lonsdale Finance 2.1% 2027	1.26%
Vector 3.69% 2027	1.25%
Macquarie Float 2025	1.25%
Auckland Airport Float 2025	1.22%
B & A Bank Float 2027	1.20%
Stockland Trust 2.3% 2028	1.17%
NZLGFA 3.5% 2033	1.16%

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

### Current Asset Allocation

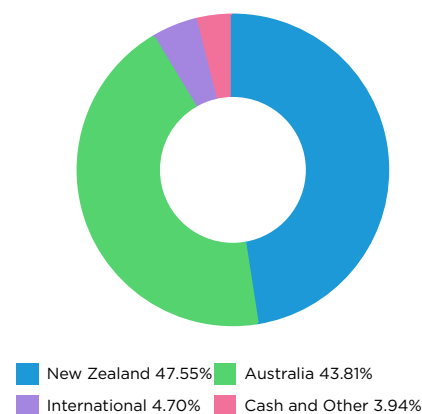
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	3.77%	3%
New Zealand Fixed Interest	44.57%	48.5%
International Fixed Interest	51.49%	48.5%
New Zealand Equities	0.00%	0.0%
Australian Equities	0.00%	0.0%
International Equities	0.00%	0.0%
Other	0.17%	0.0%

# The actual cash held by the Fund is 3.27%. 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	26.22%
Government	22.66%
Real Estate	12.10%
Utilities	11.19%
Industrials	10.60%
Consumer Discretionary	4.74%
Consumer Staples	3.93%
Communication Services	3.17%
Other Sectors	1.45%
Cash and Other	3.94%

### 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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