

# Trans-Tasman Bond Fund

## Portfolio Investment Entity

### Monthly Fact Sheet as at 31 January 2024



#### Portfolio Managers



**Anthony Ip**  
Portfolio Manager



**Ian Robertson**  
Co-Portfolio Manager



**Paul Morris**  
Co-Portfolio Manager

January was a busy month for the Australasian bond market with continued volatility in interest rates and a steady pipeline of new issuance from the financial sector. During the month, the Fund returned 0.1% which was 0.1% ahead of the benchmark.

The month saw a continuation of the narrowing in credit spreads (the extra yield of corporate bonds versus government bonds) that was recorded in the final months of 2023. Despite this narrowing in credit spreads, we maintain a positive outlook on the Australian dollar corporate bond market, where there continue to be opportunities to invest in high-quality investment grade bonds at attractive NZ dollar equivalent yields. Examples this month include ANZ Bank's senior and subordinated notes, and the senior notes issued by Westpac. January was a relatively quiet month for non-financial corporates, however we continue to maintain an overweight exposure to this sector given its attractive relative valuations to offshore equivalents.

The Fund's interest rate exposures are close to, but slightly below neutral. While we acknowledge that it's likely both the Reserve Bank of New Zealand and Reserve Bank of Australia are at the end of the interest rate hiking cycle, we remain wary that above-target inflation may prove stickier than expected while the global supply of long bonds is elevated.

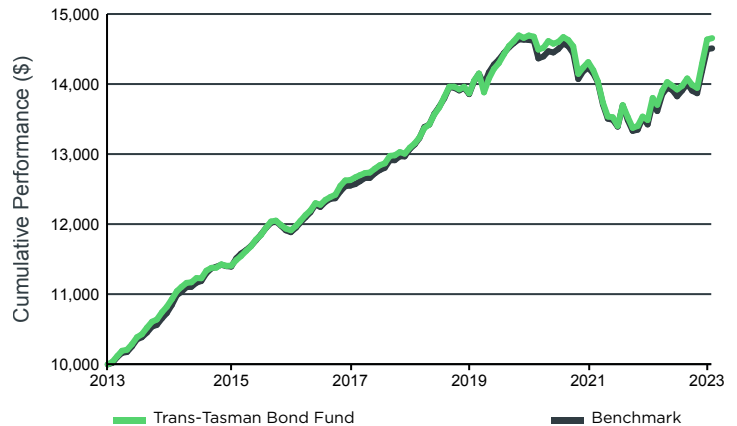
Despite the continued volatility in interest rate markets, attractive corporate bond yields in Australia and New Zealand provide a substantial return cushion. While there is evidence to suggest we face a weaker economic outlook, corporate balance sheets remain in reasonable shape and corporate earnings outlooks are generally stable, which provides a buffer to an economic slowdown. In this context, we are comfortable with running an above neutral exposure to Australasian credit spreads.

To view Milford's January 2024 Market and Economic Review please see [milfordasset.com/insights](https://milfordasset.com/insights).

For previous fund reports see [milfordasset.com/fund-reports](https://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

<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>	\$1,407.0 M
<b>Yield<sup>2</sup></b>	4.66%
<b>Average Credit Rating</b>	A
<b>Duration</b>	2.94 years
<b>Rating Categories</b>	Inv.Grade 89% / High Yield 3% / Unrated 3%
<b>Inception Date</b>	2 December 2013
<b>Current Distribution</b>	0.95 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 January 2024

### Investment Performance after fees as at 31 January 2024<sup>5</sup>

Unit Price: \$1.1378

	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)	0.14%	5.09%	6.18%	-0.05%	2.18%	3.83%
After Tax 10.50%	0.12%	4.57%	5.52%	-0.02%	1.96%	3.43%
After Tax 17.50%	0.11%	4.23%	5.08%	-0.01%	1.82%	3.16%
After Tax 28.00%	0.10%	3.71%	4.43%	0.02%	1.60%	2.76%
Benchmark	0.09%	4.62%	5.70%	-0.25%	2.00%	3.73%

### Top Fixed Interest Holdings

Holdings	% of Fund
NZGBI 2% 2025	7.58%
NZLGFA 4.5% 2030	3.45%
NZLGFA 1.5% 2026	2.65%
Housing NZ 3.42% 2028	2.54%
Westpac 5% 2029	2.43%
NZLGFA 1.5% 2029	2.41%
GTA Finance 2.2% 2027	2.21%
ANZ 5.888% 2034	2.01%
ANZ 4.95% 2029	1.89%
Contact 6.398% 2030	1.79%
NZLGFA 4.5% 2027	1.78%
Monash University 4.05% 2029	1.57%
Lonsdale Finance 2.1% 2027	1.54%
Rabobank Float 2026	1.44%
NZ Govt. 3.5% 2033	1.32%
B & A Bank Float 2026	1.32%
Housing NZ 3.36% 2025	1.28%
AGI Finance 6.109% 2030	1.27%
NBN Co 4.75% 2028	1.27%
Spark 4.37% 2028	1.20%

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

### Current Asset Allocation

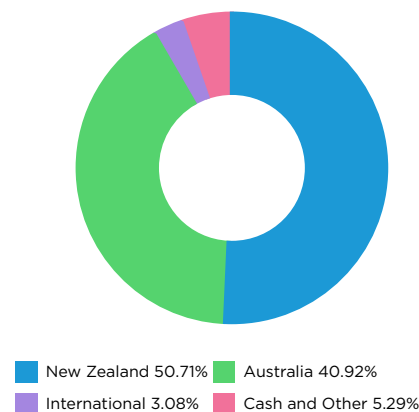
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	4.69%	3%
New Zealand Fixed Interest	50.39%	48.5%
International Fixed Interest	44.32%	48.5%
New Zealand Equities	0.00%	0.0%
Australian Equities	0.00%	0.0%
International Equities	0.00%	0.0%
Other	0.60%	0.0%

# The actual cash held by the Fund is 3.96%. 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	27.91%
Financials	25.23%
Utilities	15.66%
Real Estate	10.07%
Industrials	6.74%
Communication Services	3.84%
Consumer Discretionary	2.23%
Energy	1.43%
Other Sectors	1.60%
Cash and Other	5.29%

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

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