

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 June 2023



Portfolio Managers



Paul Morris
Portfolio Manager



Ian Robertson
Co-Portfolio Manager

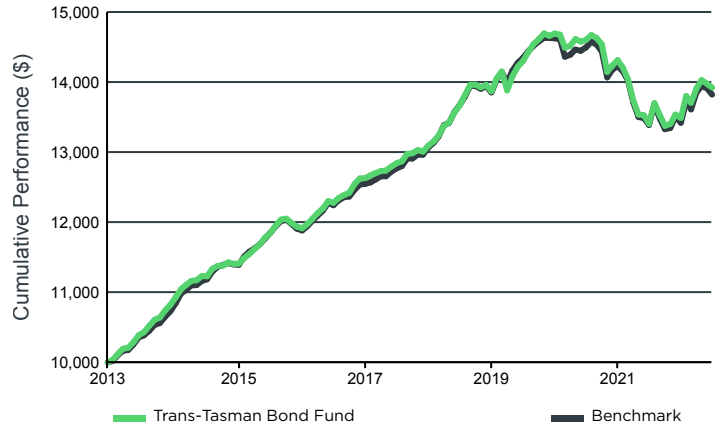
It was a challenging month for bonds as market interest rates rose, pushing bond prices lower. This translated into a Fund return of -0.4% in the month, but that was moderately better than its benchmark. Inflation may have peaked, but work remains to return it to central bank targets, especially as many offshore economies prove resilient to tighter monetary policy delivered thus far. Indeed, although the Reserve Bank of New Zealand indicates its cash rate has possibly peaked, key offshore central banks continue to point to further hikes. This notably includes the Reserve Bank of Australia which surprised the market by hiking rates 0.25 percentage points in June while guiding that further hikes are likely.

We managed to provide some cushion to returns from the blow of rising market interest rates by restricting interest rate exposure. This is, however, now closer to benchmark than earlier in the year as we believe market pricing for the path of interest rates is now more appropriate. The Fund also benefited from a modicum of outperformance in its corporate bonds, especially in NZ dollars. We also captured some value from swapping more expensive bond holdings into cheaper new issuance. These new bonds typically come at a discount to where existing bonds trade and therefore can offer attractive opportunities for the Fund. In June, we were especially active across both NZ and AU dollars, including deals from QBE Insurance, Australia Gas Infrastructure (an Australian regulated gas distributor), Westpac, Mercury NZ, and Genesis Energy.

Looking forward, our base case remains that the global rate hiking cycle may not be finished but is arguably close to an end. Importantly, however, interest rate markets in Australasia and globally are now pricing in a more appropriate path for rates. As noted above, this has given us some comfort to have slightly increased the Fund's interest rate exposure, but it remains a little below that of its benchmark. We have retained a preference for corporate over government/government-related bonds as we think valuations (especially in Australia) are more attractive. We also keep an above neutral exposure to credit spreads (the extra yield of corporate relative to government bonds) for the same reason. We believe the medium-term return outlook for the Fund is attractive, as elevated bond market yields should provide a substantial cushion against all but extremely higher market interest rates.

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

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)	\$1,446.3 M
Yield²	5.25%
Average Credit Rating	A
Duration	3.29 years
Rating Categories	Inv.Grade 90% / High Yield 3% / Unrated 2%
Inception Date	2 December 2013
Current Distribution	0.8 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	<div style="display: flex; justify-content: space-between; align-items: center;"> Lower risk Higher risk </div> <div style="display: flex; justify-content: center; align-items: center; gap: 10px;"> 1 2 3 4 5 6 7 </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> Potentially lower returns Potentially higher returns </div>
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Trans-Tasman Bond Fund as at 30 June 2023

Investment Performance after fees as at 30 June 2023⁵

Unit Price: \$1.0982

	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)	-0.39%	0.10%	3.87%	-0.88%	1.63%	3.52%
After Tax 10.50%	-0.32%	0.12%	3.47%	-0.78%	1.47%	3.15%
After Tax 17.50%	-0.28%	0.13%	3.21%	-0.71%	1.36%	2.90%
After Tax 28.00%	-0.21%	0.15%	2.81%	-0.60%	1.20%	2.54%
Benchmark	-0.65%	-0.22%	3.23%	-1.23%	1.59%	3.44%

Top Fixed Interest Holdings

Holdings	% of Fund
NZGBI 2% 2025	7.19%
NZLGFA 1.5% 2026	2.51%
Housing NZ 3.42% 2028	2.42%
NZLGFA 1.5% 2029	2.27%
GTA Finance 2.2% 2027	2.08%
Bank of Queensland Float 2027	1.90%
NAB 4.2% 2026	1.81%
WBC Float 2033	1.77%
NZLGFA 4.5% 2027	1.70%
NZLGFA 4.5% 2030	1.64%
Monash University 4.05% 2029	1.48%
ANZ 5.22% 2028	1.38%
CBA 5.398% 2027	1.36%
Network Finance 6.061% 2023	1.32%
B & A Bank Float 2026	1.29%
Westpac 6.934% 2038	1.28%
Telstra 4.9% 2028	1.26%
ANZ Float 2026	1.24%
Housing NZ 3.36% 2025	1.22%
AGI 6.109% 2030	1.21%

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

Current Asset Allocation

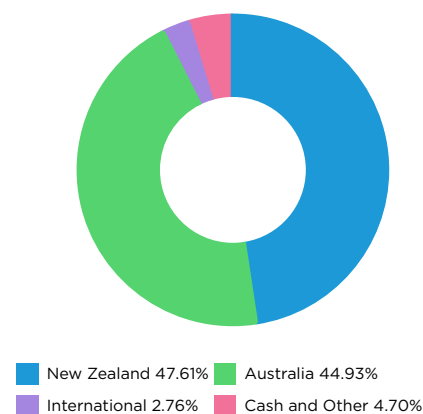
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	4.01%	3%
New Zealand Fixed Interest	45.56%	48.5%
International Fixed Interest	49.74%	48.5%
New Zealand Equities	0.00%	0.0%
Australian Equities	0.00%	0.0%
International Equities	0.00%	0.0%
Other	0.69%	0.0%

The actual cash held by the Fund is 3.46%. 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	29.50%
Government	24.30%
Utilities	13.81%
Real Estate	9.71%
Industrials	8.27%
Communication Services	3.54%
Consumer Discretionary	3.06%
Consumer Staples	2.45%
Other Sectors	0.66%
Cash and Other	4.70%

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). 3. 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. 4. 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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