

# Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 November 2022



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Ian Robertson**  
Co-Portfolio Manager

Irrespective of further Official Cash Rate hikes over the month from the Reserve Bank of New Zealand (RBNZ), the Reserve Bank of Australia (RBA), and key offshore central banks, all but very short-dated Australasian market interest rates were lower over the month. This saw bond prices higher and underpinned a strong return of 1.0% over the month for the Fund, albeit marginally behind its benchmark. Corporate bonds generally kept pace with government bonds in this rally, but there was some notable outperformance from Kianga Ora (Housing NZ) bonds as the agency announced it would stop issuing its own bonds and instead be funded directly by the Crown.

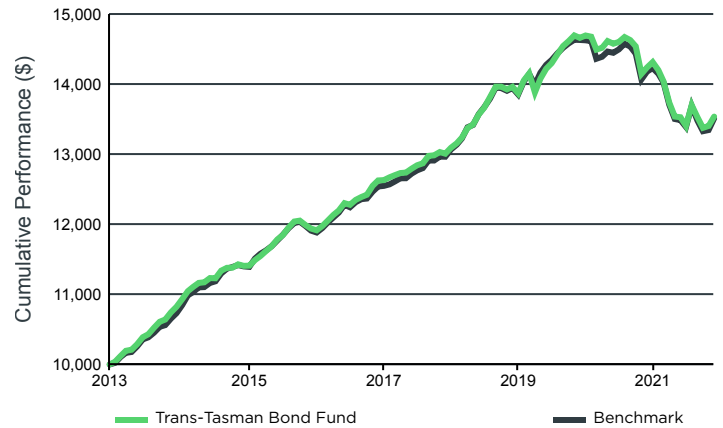
In a falling interest rate backdrop, the Fund's below-neutral exposure to interest rates (to cushion returns if rates went higher) was a small headwind relative to its benchmark's return. However, outperformance of several of the Fund's holdings and active management helped minimise this. Specifically, over the month we were very active in the new issue market, against which we sold more expensive bonds which are less likely to outperform. These new issues included bonds from ASB Bank, BNZ, Transpower and Westpac. We also continue to find attractively priced existing secondary market bonds, such as from Goodman Group's Australian industrial property trusts. Considering the previously elevated extent of market pricing for the path of central bank cash rates, we had already increased the Fund's interest rates exposure this quarter. As per above we had retained that positioning, however we were active intra month managing interest rate exposure. This included reducing the Fund's shorter dated NZ interest rate exposure to higher RBNZ Official Cash Rates over the next two years prior to the RBNZ cash rate decision.

Given the recent rally in bonds, valuations may be prone to some near-term weakness unless we get confirmation that Australasian and global inflation has peaked. NZ shorter dated interest rates do appear closer to long run fair value but the value is less clear in Australia as yet. As we have previously stated, longer dated bond yields will remain, to an extent, hostage to where global bond yields go. We would, however, call out the relative value of Australian corporate bond credit spreads (the extra yield relative to government bonds) versus other markets, as they look attractive versus history. We will look to allocate more exposure here, as credit spreads should provide some buffer for returns if market interest rates were to rise.

To view Milford's December 2022 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>	\$1,122.7 M
<b>Yield<sup>2</sup></b>	6.16%
<b>Average Credit Rating</b>	A
<b>Duration</b>	2.94 years
<b>Rating Categories</b>	Inv.Grade 92% / High Yield 3% / Unrated 4%
<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%
<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 30 November 2022

### Investment Performance after fees as at 30 November 2022<sup>5</sup>

Unit Price: \$1.0879

	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)	0.99%	0.06%	-4.92%	-1.03%	1.40%	3.42%
After Tax 10.50%	0.88%	0.04%	-4.41%	-0.91%	1.26%	3.06%
After Tax 17.50%	0.80%	0.03%	-4.07%	-0.84%	1.16%	2.82%
After Tax 28.00%	0.69%	0.01%	-3.56%	-0.73%	1.02%	2.46%
Benchmark	1.24%	0.22%	-4.70%	-1.05%	1.50%	3.40%

### Top Fixed Interest Holdings

Holdings	% of Fund
NZLGFA 1.5% 2026	3.19%
NZLGFA 2.25% 2024	2.96%
GTAFC 2.2% 2027	2.21%
NZLGFA 4.5% 2027	2.21%
NAB 4.95% 2027	2.06%
NZLGFA 2.25% 2031	2.05%
Monash University 4.05% 2029	1.93%
ANZ Float 2027	1.75%
CBA 5.398% 2027	1.72%
HOUNZ 1.534% 2035	1.72%
Housing NZ 3.36% 2025	1.60%
HOUSNZ 3.42% 2028	1.46%
NZLGFA 1.5% 2029	1.46%
Spark 4.37% 2028	1.46%
ANZ 6.742% 2032	1.35%
Vector 3.69% 2027	1.35%
Macquarie Float 2025	1.34%
Auckland Airport Float 2025	1.34%
Genesis 5.66% 2027	1.27%
NZLGFA 3.5% 2033	1.26%

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

### Current Asset Allocation

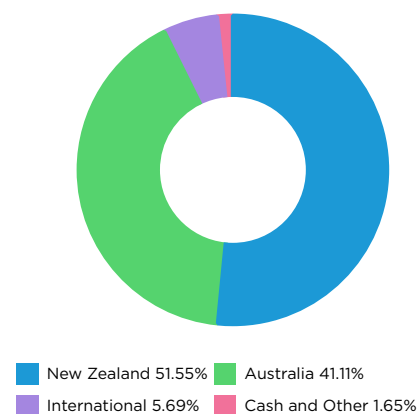
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	0.99%	3%
New Zealand Fixed Interest	48.32%	48.5%
International Fixed Interest	50.03%	48.5%
New Zealand Equities	0.00%	0.0%
Australian Equities	0.00%	0.0%
International Equities	0.00%	0.0%
Other	0.66%	0.0%

# The actual cash held by the Fund is 0.43%. 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	26.43%
Government	23.85%
Real Estate	12.59%
Utilities	10.93%
Industrials	10.73%
Consumer Discretionary	5.07%
Consumer Staples	3.79%
Communication Services	3.41%
Other Sectors	1.55%
Cash and Other	1.65%

### 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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