

# Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 October 2022



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Ian Robertson**  
Co-Portfolio Manager

The Fund closed the month close to flat as Australasian corporate bonds generally slightly underperformed a modicum of strength in government bonds. This strength in Australasian government bonds was at odds with weakness in most major global government bond markets. It was also irrespective of ongoing evidence of stubbornly high inflation. Instead, NZ government bonds benefitted from inclusion in a major global bond index, which precipitated demand from major offshore investors. In Australia, government bonds benefitted from a smaller than expected Reserve Bank of Australia (RBA) cash rate hike (0.25% versus a market expectation of 0.5%) as the RBA suggested a more moderate approach to the path of future hikes.

During the month, a focus was in reducing some of the holdings where we believe future outperformance may be limited. That included some of the smaller NZ Dollar corporate bonds which had more materially outperformed, such as several lower-rated or unrated bonds which are predominantly held by retail investors who have less sensitivity to market interest rates. These were partially replaced by new issuance from the likes of Auckland International Airport, CBA, and ANZ. Considering the elevated extent of market pricing for the path of central bank cash rates, we did increase the Fund's interest rates exposure slightly during the month, but it remains less than that of its benchmark.

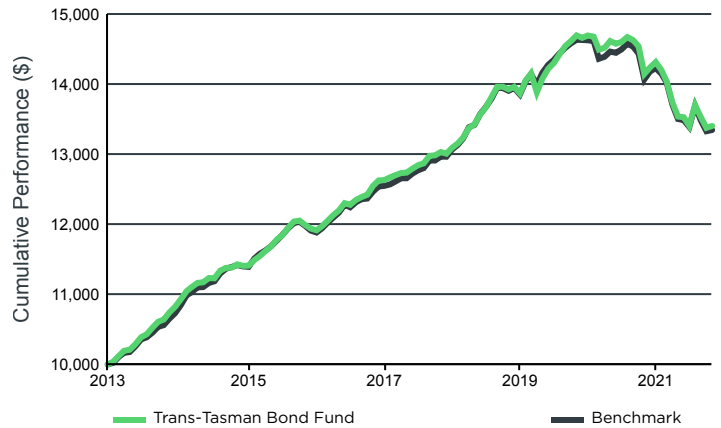
Per above, we believe shorter dated Australasian interest rates are closer to long run fair value, but longer dated bond yields will remain to an extent a hostage to where global bond yields go. For now, therefore, the risks still remain skewed towards higher market interest rates. For that risk to dissipate, or market rates to fall, we will need evidence of a sustained decline in both local and global inflationary pressures.

Looking ahead, while we remain cautious on the near-term outlook for returns and anticipate further volatility, the medium-term return outlook looks reasonable. Moreover, prevailing market yields to maturity of the Fund's bond holdings are now at levels that can act as a significant buffer to the most likely extent of higher interest rates going forward.

To view Milford's November 2022 Market and Economic Review please see [milfordasset.com/fact-sheet](http://milfordasset.com/fact-sheet).

## 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>	\$1,130.4 M
<b>Yield<sup>2</sup></b>	5.70%
<b>Average Credit Rating</b>	A
<b>Duration</b>	3.27 years
<b>Rating Categories</b>	Inv.Grade 86% / High Yield 3% / Unrated 5%
<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	1	2	3	4	5	6	7	Higher risk
				Potentially lower returns					Potentially higher returns

# Trans-Tasman Bond Fund as at 31 October 2022

## Investment Performance after fees as at 31 October 2022<sup>5</sup>

Unit Price: \$1.0772

	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)	0.21%	-2.17%	-5.25%	-1.26%	1.33%	3.34%
After Tax 10.50%	0.20%	-1.95%	-4.71%	-1.12%	1.19%	2.99%
After Tax 17.50%	0.19%	-1.80%	-4.34%	-1.03%	1.10%	2.76%
After Tax 28.00%	0.18%	-1.59%	-3.80%	-0.89%	0.97%	2.41%
Benchmark	0.13%	-2.51%	-5.13%	-1.36%	1.37%	3.29%

## Top Fixed Interest Holdings

Holdings	% of Fund
NZLGFA 1.5% 2026	3.14%
NZLGFA 2.25% 2024	2.93%
NZLGFA 4.5% 2027	2.16%
NZLGFA 2.25% 2031	2.01%
NZLGFA 2.25% 2028	1.98%
Monash University 4.05% 2029	1.93%
ANZ Float 2027	1.76%
Housing NZ 3.36% 2025	1.58%
Spark 4.37% 2028	1.43%
NZLGFA 1.5% 2029	1.42%
Macquarie Float 2025	1.37%
Vector 3.69% 2027	1.36%
Auckland Airport Float 2025	1.33%
CBA 6.86 2032	1.33%
Genesis 5.66% 2027	1.29%
IAG 5.32% 2038	1.26%
CIBC Float 2026	1.26%
Mercury 2.918% 2028	1.24%
Stockland Trust 2.3% 2028	1.24%
NZLGFA 3.5% 2033	1.21%

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

## Current Asset Allocation

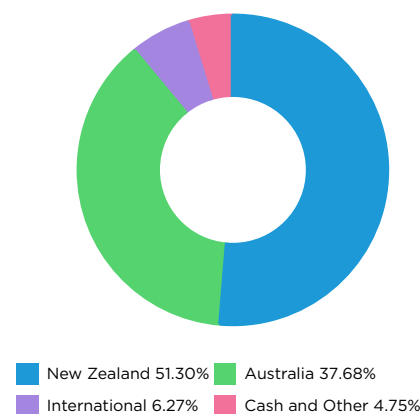
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	3.36%	3%
New Zealand Fixed Interest	49.94%	48.5%
International Fixed Interest	44.43%	48.5%
New Zealand Equities	0.88%	0.0%
Australian Equities	0.00%	0.0%
International Equities	0.00%	0.0%
Other	1.39%	0.0%

# The actual cash held by the Fund is 2.50%. 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	23.10%
Government	22.85%
Real Estate	11.99%
Utilities	11.89%
Industrials	10.74%
Consumer Discretionary	5.05%
Communication Services	4.26%
Consumer Staples	3.80%
Other Sectors	1.57%
Cash and Other	4.75%

## 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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