

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 October 2023



Portfolio Managers



Anthony Ip
Portfolio Manager



Ian Robertson
Co-Portfolio Manager



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Global bond yields continued their upward march in October, following generally solid economic data and as markets came to a growing realisation that rates are likely to remain higher for longer. The revaluation of bond prices lower from the increase in market interest rates, saw the Fund fall 0.3% during the month. This was 0.1% behind of the benchmark. The Fund's positioning being overweight Australian corporate bonds and moderately underweight interest rates, helped deliver the outperformance versus benchmark.

The Fund's interest rate exposures are now close to neutral, after having been progressively increased as yields rose during the month, particularly in the front end of the curve. Going forward, our view is that bond yields are close to fair value, as rate hike effects are increasingly flowing through to the real economy. We will further increase interest rate exposure once we see evidence of an economic growth slowdown or faster disinflation.

We maintain a positive outlook on the AU dollar corporate bond market where there are opportunities to invest in high-quality investment grade bonds at attractive NZ dollar equivalent yields. Examples this month included AU dollar-denominated Commonwealth Bank of Australia and QBE Insurance subordinated bonds at NZ dollar equivalent yields in the high 7% and mid 8% respectively. The Fund was also active in the AU dollar non-financial corporate space, having invested in new senior bond issuances from Woolworths, toll road Transurban Queensland, and Port of Brisbane at NZ dollar equivalent yields of mid to high 7%. The Fund will continue to maintain an overweight exposure to the Australian dollar corporate bond market to capitalise on these opportunities. In the NZ dollar market, the Fund invested in a recent issuance from Kiwibank.

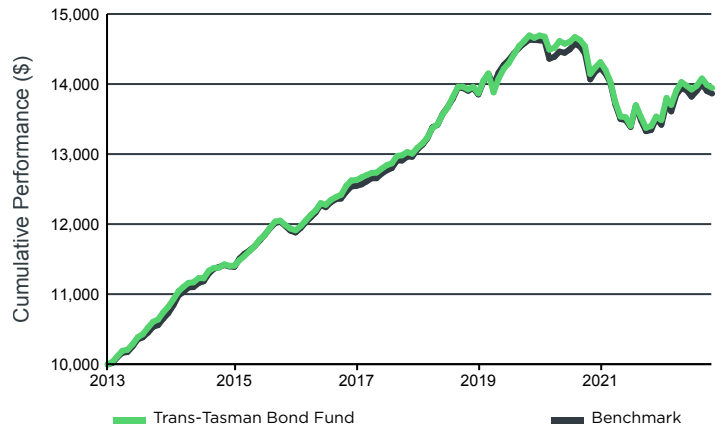
Despite the volatility in interest rate markets, attractive corporate bond yields provide a substantial return cushion. While there is evidence to suggest we face a weaker economic outlook, corporate balance sheets remain in reasonable shape and corporate earnings outlooks are generally stable, which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

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

For previous fund reports see 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

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)	\$1,430.7 M
Yield²	5.99%
Average Credit Rating	A+
Duration	3.1 years
Rating Categories	Inv.Grade 91% / High Yield 2% / Unrated 3%
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	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 2023

Investment Performance after fees as at 31 October 2023⁵

Unit Price: \$1.092

	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)	-0.31%	-0.22%	4.05%	-1.73%	1.37%	3.41%
After Tax 10.50%	-0.29%	-0.20%	3.61%	-1.55%	1.23%	3.05%
After Tax 17.50%	-0.27%	-0.18%	3.33%	-1.42%	1.14%	2.81%
After Tax 28.00%	-0.25%	-0.16%	2.89%	-1.24%	1.00%	2.46%
Benchmark	-0.26%	-0.29%	3.89%	-1.78%	1.35%	3.35%

Top Fixed Interest Holdings

Holdings	% of Fund
NZGBI 2% 2025	7.26%
NZLGFA 4.5% 2030	3.23%
BNZ 5.87% 2028	3.18%
NZLGFA 1.5% 2026	2.53%
NZ Govt. 3.5% 2033	2.41%
Housing NZ 3.42% 2028	2.37%
NZLGFA 1.5% 2029	2.22%
GTA Finance 2.2% 2027	2.10%
Westpac 5% 2028	1.92%
Bank of Queensland Float 2027	1.91%
NAB 4.2% 2026	1.85%
ANZ 4.95% 2028	1.79%
NZLGFA 4.5% 2027	1.68%
Monash University 4.05% 2029	1.48%
Lonsdale Finance 2.1% 2027	1.46%
CBA 5.398% 2027	1.44%
Network Finance 6.061% 2030	1.33%
B & A Bank Float 2026	1.31%
Housing NZ 3.36% 2025	1.25%
Telstra 4.9% 2028	1.25%

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

Current Asset Allocation

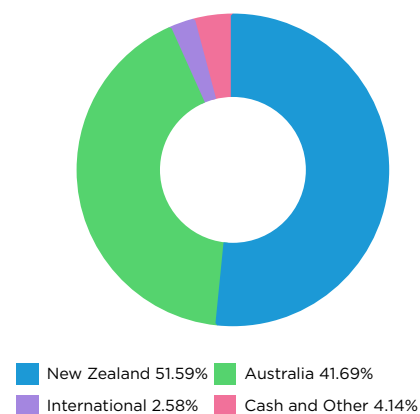
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	4.14%	3%
New Zealand Fixed Interest	48.67%	48.5%
International Fixed Interest	47.19%	48.5%
New Zealand Equities	0.00%	0.0%
Australian Equities	0.00%	0.0%
International Equities	0.00%	0.0%
Other	0.00%	0.0%

The actual cash held by the Fund is 4.03%. 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	27.98%
Financials	26.16%
Utilities	15.02%
Real Estate	9.00%
Industrials	7.47%
Communication Services	4.34%
Consumer Discretionary	3.03%
Consumer Staples	2.18%
Other Sectors	0.68%
Cash and Other	4.14%

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 for more information about the data published within this document.

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