

# Trans-Tasman Bond Fund

## Portfolio Investment Entity

### Monthly Fact Sheet as at 30 September 2023



#### Portfolio Managers



**Anthony Ip**  
Portfolio Manager



**Ian Robertson**  
Co-Portfolio Manager



**Paul Morris**  
Co-Portfolio Manager

Global bond yields increased significantly in September, with a flow-on impact on Australasian bond markets. Despite the Fund's lower-than-neutral interest rate exposure, the revaluation of bond prices lower from the increase in market interest rates, saw the Fund fall 0.7%. This was 0.1% ahead of the benchmark. The Fund's positioning being overweight Australian corporate bonds and underweight interest rates helped deliver the outperformance versus benchmark.

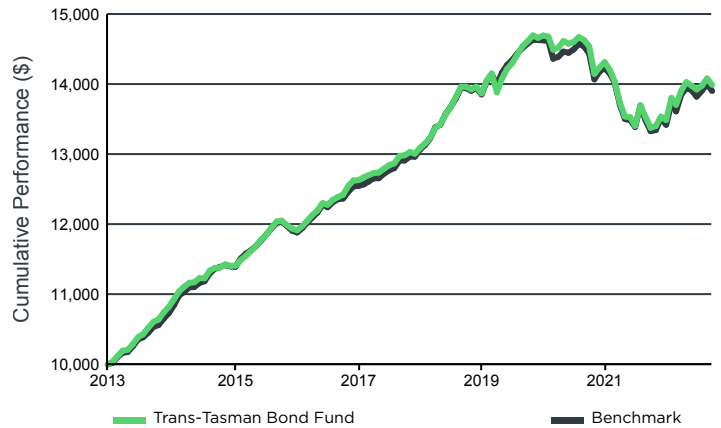
The Fund maintains a preference for Australian corporate bonds over NZ peers, where we see opportunity for further outperformance given attractive valuations relative to historical averages. During the month, the Fund added Australian corporate bond exposure via primary issuance from high-quality issuers including Suncorp Group (banking and insurance), Westconnex (AU roads) and Westpac. The Fund also invested in the inaugural Australian dollar issuance from NZ's Chorus Limited (fibre), and added to existing exposures in Port of Melbourne via the secondary market. Our focus in adding corporate bond exposures has been in the primary market where we have been able to access bonds at cheaper prices. Against this, we reduced exposure to bonds and sectors which have performed well, most notably bank and insurance subordinated bonds, selective Australian bank senior bonds and various Australian industrial issuers in the infrastructure and consumer non-discretionary sectors.

Longer-dated bond market yields may yet rise further but are close to fair value, and attractive corporate bond yields should provide a reasonable return cushion. This supports the Fund's ongoing close to, but less than neutral, interest rate exposure. While there is evidence to suggest we face a weaker economic outlook, corporate balance sheets remain in reasonable shape, 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). Elevated bond market yields continue to provide a substantial cushion against interest rate volatility which underpins our outlook for attractive medium-term Fund returns. Anthony Ip will assume lead portfolio management responsibilities for the Fund from October. Paul Morris will become a co-manager. Ian Robertson will remain as a co-manager.

To view Milford's September 2023 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>	\$1,452.9 M
<b>Yield<sup>2</sup></b>	5.66%
<b>Average Credit Rating</b>	A+
<b>Duration</b>	3.07 years
<b>Rating Categories</b>	Inv.Grade 90% / High Yield 2% / Unrated 3%
<b>Inception Date</b>	2 December 2013
<b>Current Distribution</b>	0.8 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 30 September 2023

## Investment Performance after fees as at 30 September 2023<sup>5</sup>

Unit Price: \$1.0954

	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)	-0.65%	0.47%	4.58%	-1.44%	1.50%	3.47%
After Tax 10.50%	-0.58%	0.41%	4.12%	-1.29%	1.35%	3.11%
After Tax 17.50%	-0.53%	0.37%	3.80%	-1.18%	1.25%	2.87%
After Tax 28.00%	-0.46%	0.31%	3.34%	-1.03%	1.10%	2.50%
Benchmark	-0.72%	0.58%	4.30%	-1.58%	1.49%	3.41%

## Top Fixed Interest Holdings

Holdings	% of Fund
NZGBI 2% 2025	7.10%
NZLGFA 4.5% 2030	3.20%
BNZ 5.87% 2028	3.12%
NZLGFA 1.5% 2026	2.50%
NZ Govt. 3.5% 2033	2.46%
Housing NZ 3.42% 2028	2.38%
NZLGFA 1.5% 2029	2.22%
GTA Finance 2.2% 2027	2.05%
Westpac 5% 2028	1.89%
Bank of Queensland Float 2027	1.88%
NAB 4.2% 2026	1.81%
ANZ 4.95% 2028	1.76%
NZLGFA 4.5% 2027	1.69%
Lonsdale Finance 2.1% 2027	1.45%
Monash University 4.05% 2029	1.44%
CBA 5.398% 2027	1.38%
Network Finance 6.061% 2030	1.32%
CBA 4.9% 2028	1.28%
B & A Bank Float 2026	1.27%
Housing NZ 3.36% 2025	1.23%

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

## Current Asset Allocation

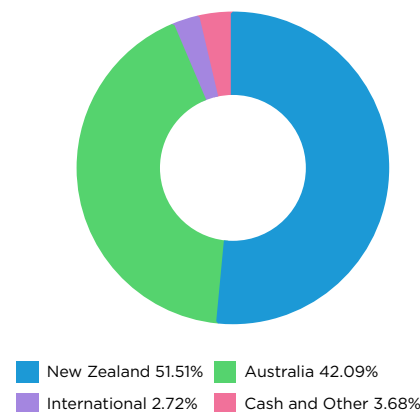
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	3.22%	3%
New Zealand Fixed Interest	48.67%	48.5%
International Fixed Interest	47.65%	48.5%
New Zealand Equities	0.00%	0.0%
Australian Equities	0.00%	0.0%
International Equities	0.00%	0.0%
Other	0.46%	0.0%

# The actual cash held by the Fund is 3.06%. 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	28.39%
Government	27.71%
Utilities	14.82%
Real Estate	9.11%
Industrials	6.07%
Communication Services	5.10%
Consumer Discretionary	2.98%
Consumer Staples	1.28%
Other Sectors	0.86%
Cash and Other	3.68%

## 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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