

Global Corporate Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 May 2019



Portfolio Managers



Paul Morris
Portfolio Manager



David Lewis
Co-Portfolio Manager

The US-China trade war, renewed hard Brexit risks and weaker economic data have driven market interest rates lower. Expectations have increased that central banks will react to support growth and inflation. This was good for government bonds but corporate bonds lagged, especially weaker rated bonds.

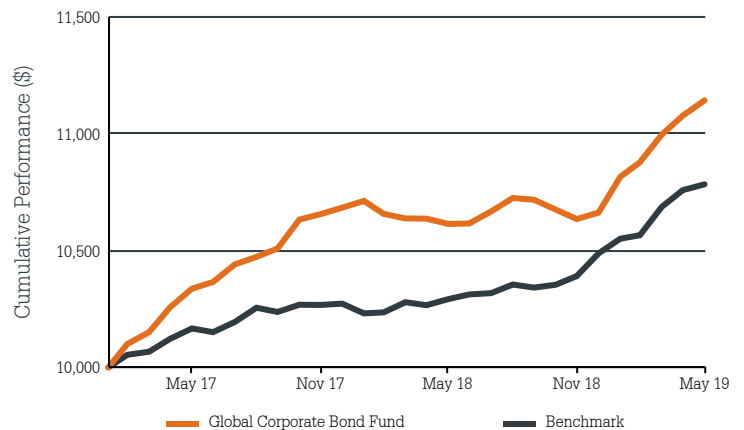
Fund performance was however cushioned by a lower exposure to riskier corporate bonds (such as high yield) than the long run neutral. The Fund did benefit from falling interest rates as its interest rate exposure was kept close to its neutral. That helped the 0.6% return in May which was 0.4% more than its benchmark.

Looking forward, active management in a backdrop of low interest rates, low inflation and supportive central bank policy should underpin moderate returns that beat the benchmark, but with lower risk. We do remain wary of extended valuations in parts of the bond market which coupled with late cycle risks (including elevated company leverage) mean it remains prudent to limit credit exposure to better quality companies. Nevertheless, we continue to find attractive low risk opportunities to generate returns, including this month's new Euro issue from Fidelity National Information Services (a global payment services company). Fund interest rate exposure is still close to its neutral, but we are wary of extending as markets are now pricing significant rate cuts.

To view Milford's June 2019 Market and Economic Review please see 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

| | |
|-------------------------------------|---|
| Objective ¹ | Protect capital and generate a positive NZD-hedged return that exceeds the relevant benchmark over a minimum of three years |
| Description | Primarily invests in global corporate fixed interest securities |
| Target Allocation | 100% Income Assets / 0% Growth Assets |
| Neutral FX Exposure | 0% |
| Net Asset Value (NAV) | \$390.8 M |
| Yield ² | 3.20% |
| Average Credit Rating | BBB+ |
| Duration | 3.15 years |
| Rating Categories | Inv. Grade 85% / High Yield 8% / Unrated 2% |
| Inception Date | 1 February 2017 |
| Current Distribution | 0.75 cents per unit (Quarterly) |
| Benchmark | Bloomberg Barclays Global Corporate 3-5 Year Total Return Index Value Hedged USD (100% NZD-hedged) |
| Base Fund Fee ³ | 0.95% |
| Performance Fee | Not applicable |
| Total Fund Fees ⁴ | 0.95% |
| Risk Indicator | <div style="display: flex; justify-content: space-between;"> 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> |

Investment Performance after fees as at 31 May 2019⁵

Unit Price: \$1.0439

| | 1 Month | 3 Months | 1 year | 3 years (p.a.) | 5 years (p.a.) | Since inception (p.a.) |
|--|---------|----------|--------|----------------|----------------|------------------------|
| Milford Global Corporate Bond Fund (Gross Of Tax) | 0.59% | 2.44% | 4.98% | - | - | 4.79% |
| After Tax 10.50% | 0.53% | 2.18% | 4.45% | - | - | 4.27% |
| After Tax 17.50% | 0.49% | 2.00% | 4.09% | - | - | 3.93% |
| After Tax 28.00% | 0.42% | 1.74% | 3.56% | - | - | 3.43% |
| Benchmark | 0.23% | 2.06% | 4.77% | - | - | 3.30% |

Top Fixed Interest Holdings

| Holdings | % of Fund's NAV |
|----------------------------|-----------------|
| BMO Float 2021 | 2.59% |
| Microsoft 2.875% 2024 | 2.22% |
| RBLN 2.75% 2024 | 2.07% |
| AT&T 3.45% 2023 | 1.93% |
| Apple 3.7% 2022 | 1.92% |
| Aroundtown 4.5% 2025 | 1.88% |
| McDonald's 3% 2024 | 1.86% |
| Bank of America Float 2024 | 1.86% |
| Verizon Float 2023 | 1.81% |
| Seagate 4.75% 2025 | 1.68% |
| HCA 4.75% 2023 | 1.66% |
| FIS 1.5% 2027 | 1.56% |
| Amazon 2.8% 2024 | 1.52% |
| WFC 2% 2025 | 1.50% |
| Citigroup 5.95% 2023 | 1.47% |
| Dell Float 2023 | 1.45% |
| Citibank 5% 2024 | 1.44% |
| NAB Float 2029 | 1.44% |
| JPM Float 2024 | 1.36% |
| Vod Float 2022 | 1.36% |

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

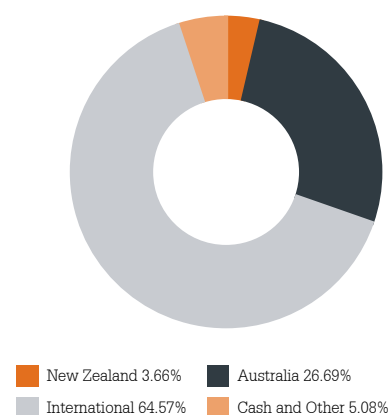
Current Asset Allocation

| | Actual Investment Mix | Neutral Investment Mix |
|------------------------------|-----------------------|------------------------|
| Cash and Cash Equivalents | 5.08% | 5.00% |
| New Zealand Fixed Interest | 5.29% | 0.00% |
| International Fixed Interest | 89.63% | 95.00% |
| New Zealand Equities | 0.00% | 0.00% |
| Australian Equities | 0.00% | 0.00% |
| International Equities | 0.00% | 0.00% |
| Other | 0.00% | 0.00% |

Sector Exposure

| Allocation | Weight % |
|------------------------|----------|
| Financials | 37.13% |
| Communication Services | 11.05% |
| Information Technology | 10.89% |
| Consumer Discretionary | 8.31% |
| Real Estate | 8.28% |
| Industrials | 6.62% |
| Materials | 4.45% |
| Health Care | 3.44% |
| Other Sectors | 4.75% |
| Cash and Other | 5.08% |

Country 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 for more information about the data published within this document.

Level 28, 48 Shortland Street, Auckland
PO Box 960, Shortland Street, Auckland 1140
Free phone 0800 662 345
milfordasset.com

