

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 May 2019



Portfolio Managers



Paul Morris
Portfolio Manager



David Lewis
Co-Portfolio Manager

Global and Australasian bonds were stronger in May, supporting a strong return of 1.1% in the month. The breakdown in US-China trade talks, renewed hard Brexit risk and weaker economic data supported the safe haven of bonds.

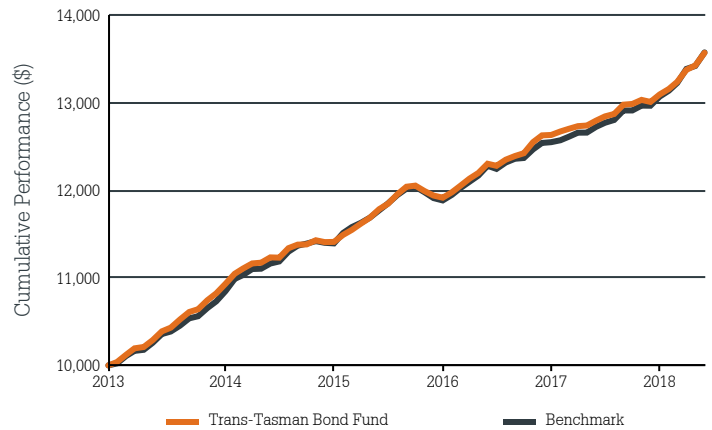
Market interest rates fell on expectations central banks may need to cut their cash rates in order to offset increased risks to growth and inflation. Australasian bonds benefited further from (i) the Reserve Bank of New Zealand cash rate cut and (ii) the Reserve Bank of Australia signalling a high probability of a June rate cut. The Fund remains primarily invested in corporate bonds. Australasian corporate bonds generally kept up with the strength in government and local authority bonds. There was however some underperformance in offshore corporate bonds, but the Fund is still holding a smaller exposure here than its long run neutral.

We continue to switch out of expensive bond holdings into better value opportunities, including this month's new issues from Vector and National Australia Bank. The Fund's focus remains on lower risk bonds with a preference for Australasian over offshore. Looking forward, the coming months are likely to see a moderation in returns as the market is already pricing significant rate cuts. That said, Fund returns should be underpinned by supportive monetary policy in addition to reasonable supply and demand.

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	Positive, low volatility return that exceeds the relevant benchmark over a minimum of three years
Description	Primarily invests in trans-Tasman fixed interest securities
Target Allocation	100% Income Assets / 0% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	\$471.6 M
Yield ²	2.65%
Average Credit Rating	A
Duration	3.19 years
Rating Categories	Inv. Grade 89% / High Yield 1% / Unrated 6%
Inception Date	2 December 2013
Current Distribution	0.75 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 Fee ³	0.75%
Performance Fee	Not applicable
Total Fund Fees ⁴	0.75%
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: \$1.154

	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)	1.07%	2.51%	6.05%	4.82%	5.48%	5.71%
After Tax 10.50%	0.96%	2.24%	5.40%	4.30%	4.90%	5.10%
After Tax 17.50%	0.88%	2.07%	4.97%	3.96%	4.51%	4.69%
After Tax 28.00%	0.77%	1.80%	4.33%	3.45%	3.93%	4.09%
Benchmark	1.15%	2.64%	6.68%	4.87%	5.55%	5.72%

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
NZ Govt. Inflation Indexed 2% 2025	3.53%
ASB Bank 6.65% 2024	2.76%
ANZ Bank 3.03% 2024	2.41%
Spark New Zealand 3.37% 2024	2.20%
BNZ 3.648% 2023	2.12%
Transpower 2.73% 2024	2.00%
NAB Float 2024	1.95%
Suncorp-Metway 3% 2023	1.89%
VCTNZ 3.45% 2025	1.85%
Westpac Float 2024	1.81%
Auckland Council 3.17% 2023	1.80%
Christchurch City 3.58% 2024	1.73%
SGSP (Australia) 3.3% 2023	1.67%
ANZ 2.8% 2019	1.59%
Heartland Bank 3.55% 2024	1.51%
Westpac Float 2024	1.49%
NAB 0.25% 2024	1.44%
Housing NZ 2.247% 2026	1.40%
Lonsdale Finance 3.9% 2025	1.38%
ANZ Bank Float 2022	1.37%

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

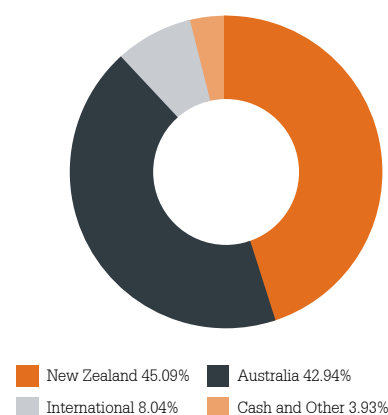
Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	3.93%	3.00%
New Zealand Fixed Interest	46.45%	48.50%
International Fixed Interest	49.62%	48.50%
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	39.52%
Utilities	13.11%
Real Estate	10.52%
Industrials	9.57%
Government	9.22%
Communication Services	7.79%
Consumer Discretionary	2.34%
Energy	1.34%
Other Sectors	2.66%
Cash and Other	3.93%

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

