

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 June 2019



Portfolio Managers



Paul Morris
Portfolio Manager



David Lewis
Co-Portfolio Manager

In June the Reserve Bank of Australia cut its cash rate to a new low, indicating likely further cuts. The Reserve Bank of New Zealand left its cash rate unchanged but noted lower rates may be needed, even after May's cut. Further supported by stronger offshore bond markets, Australasian bonds rallied (market interest rates fell), benefiting the Fund's close to benchmark interest rate exposure.

The Fund is primarily invested in Australasian corporate bonds which slightly outperformed similar maturity government bonds. These factors combined to generate a Fund return of 0.7% in June, in line with the Fund's benchmark. Irrespective of central bank support, elevated valuations and an uncertain economic backdrop mean that while the Fund is close to fully invested, its focus is on lower risk bonds.

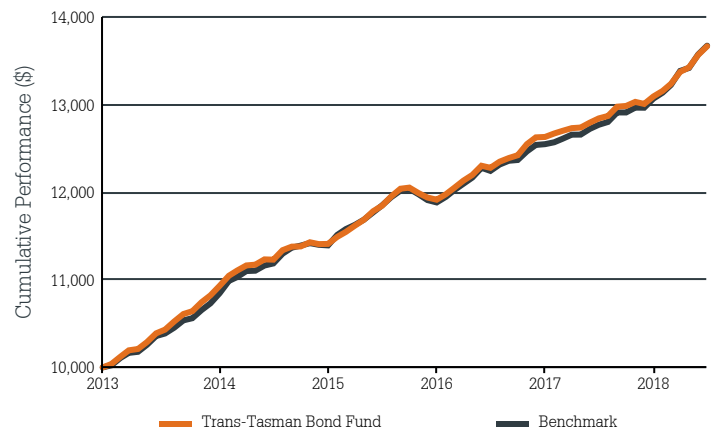
Exposure to offshore bonds of Australasian issuers increased due to an improved (central bank supported) return outlook, albeit it remains below the long-run neutral. Near-term returns should be underpinned by supportive monetary policy and insufficient new issues to satisfy investor demand.

For now, the Fund retains close to benchmark interest rate exposure. We continue to find active management opportunities to add to returns and participated in new issues from Barclays Bank and Mercury. Coming months may see a moderation in returns as markets are already pricing significant rate cuts.

To view Milford's July 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)	\$482.1 M
Yield ²	2.66%
Average Credit Rating	A-
Duration	3.29 years
Rating Categories	Inv. Grade 87% / High Yield 2% / 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 30 June 2019⁵

Unit Price: \$1.1548

	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)	0.72%	2.19%	6.41%	4.88%	5.55%	5.76%
After Tax 10.50%	0.64%	1.95%	5.72%	4.36%	4.96%	5.14%
After Tax 17.50%	0.59%	1.80%	5.26%	4.02%	4.56%	4.73%
After Tax 28.00%	0.52%	1.57%	4.58%	3.50%	3.97%	4.12%
Benchmark	0.73%	2.15%	7.07%	4.89%	5.65%	5.77%

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
NZ Govt. Inflation Indexed 2% 2025	3.46%
ANZ Bank 3.03% 2024	3.02%
BNZ 3.648% 2023	2.83%
Spark New Zealand 3.37% 2024	2.17%
Transpower 2.73% 2024	1.97%
NAB Float 2024	1.88%
Vector 3.45% 2025	1.83%
Suncorp-Metway 3% 2023	1.83%
Auckland Council 3.17% 2023	1.74%
Westpac Float 2024	1.74%
Macquarie Group Float 2022	1.74%
Christchurch City 3.58% 2024	1.71%
SGSP (Australia) 3.3% 2023	1.61%
ANZ 2.8% 2019	1.56%
Mercury 3.6% 2049	1.56%
Heartland Bank 3.55% 2024	1.49%
Westpac Float 2024	1.44%
NAB 0.25% 2024	1.41%
Standard Chartered 2.9% 2025	1.39%
Housing NZ 2.247% 2026	1.38%

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

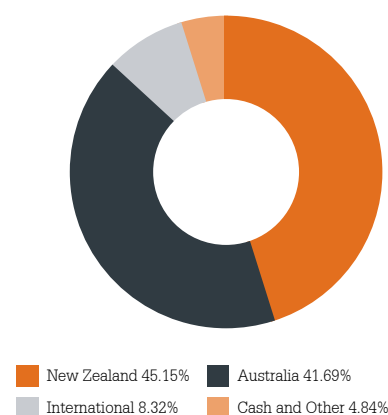
Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	4.24%	3.00%
New Zealand Fixed Interest	44.62%	48.50%
International Fixed Interest	50.54%	48.50%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	0.60%	0%

Sector Exposure

Allocation	Weight %
Financials	39.18%
Utilities	13.69%
Real Estate	10.66%
Government	8.95%
Industrials	8.83%
Communication Services	7.63%
Consumer Discretionary	2.28%
Energy	1.31%
Other Sectors	2.63%
Cash and Other	4.84%

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.

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