

# Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 July 2019



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**David Lewis**  
Co-Portfolio Manager

Australasian bond markets continue to benefit from falling market interest rates. That benefited the Fund's close to neutral interest rate exposure (similar to its benchmark's), supporting a return of 1.1% in July.

Expectations remain for global and local Australasian central bank monetary stimulus which drove another leg higher in bond prices. The Fund remains primarily exposed to corporate bonds which outperformed government and local authority bonds, in part due to their higher interest rates as investors hunt for yield. Combined with active management and bond selection, it resulted in a Fund return 0.2% higher than the benchmark.

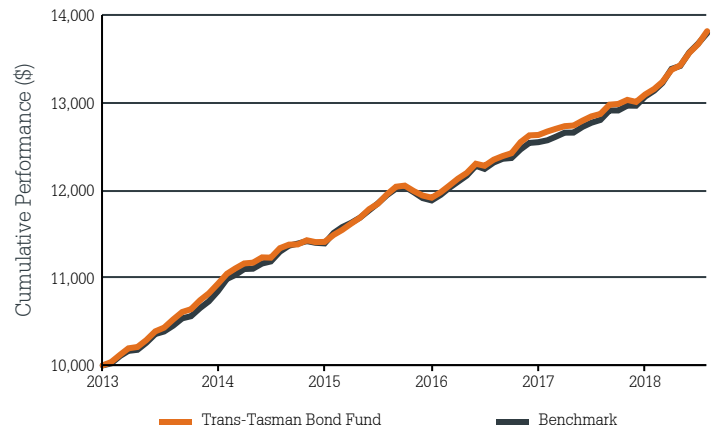
Irrespective of central bank support, elevated valuations and an uncertain economic backdrop mean that while the Fund is close to fully invested, its focus remains on lower risk bonds. Exposure to offshore bonds of Australasian issuers was increased further given an improved (central bank supported) return outlook but remains below the long run neutral. The Fund retains close to benchmark interest rate exposure.

We continue to find active management opportunities, switching expensive holdings to better value alternatives. The coming months may see a moderation in returns as markets already price lower interest rates, however, near term returns should be underpinned by supportive monetary policy and strong investor demand.

To view Milford's August 2019 Market and Economic Review please see [milfordasset.com/fact-sheet](http://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

<b>Objective <sup>1</sup></b>	Positive, low volatility return that exceeds the relevant benchmark over a minimum of three years
<b>Description</b>	Primarily invests in trans-Tasman fixed interest securities
<b>Target Allocation</b>	100% Income Assets / 0% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$583.1 M
<b>Yield <sup>2</sup></b>	2.50%
<b>Average Credit Rating</b>	A-
<b>Duration</b>	3.46 years
<b>Rating Categories</b>	Inv. Grade 88% / High Yield 2% / Unrated 5%
<b>Inception Date</b>	2 December 2013
<b>Current Distribution</b>	0.75 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>4</sup></b>	0.75%
<b>Performance Fee</b>	Not applicable
<b>Total Fund Fees <sup>4</sup></b>	0.75%
<b>Risk Indicator</b>	<div style="display: flex; justify-content: space-between;"> <span>Lower risk</span> <span>Higher risk</span> </div> <div style="display: flex; justify-content: center; align-items: center; gap: 10px;"> <span>1</span> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">2</span> <span>3</span> <span>4</span> <span>5</span> <span>6</span> <span>7</span> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <span>Potentially lower returns</span> <span>Potentially higher returns</span> </div>

Investment Performance after fees as at 31 July 2019<sup>5</sup>

Unit Price: \$1.1674

	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)	1.09%	2.91%	7.34%	4.95%	5.59%	5.87%
After Tax 10.50%	0.98%	2.60%	6.55%	4.42%	4.99%	5.24%
After Tax 17.50%	0.90%	2.40%	6.02%	4.07%	4.60%	4.83%
After Tax 28.00%	0.78%	2.09%	5.24%	3.55%	4.00%	4.20%
Benchmark	0.88%	2.79%	7.74%	4.91%	5.70%	5.84%

## Top Fixed Interest Holdings

Holdings	% of Fund's NAV
NZ Govt. Inflation Indexed 2% 2025	3.45%
Westpac 2.22% 2024	3.12%
ANZ Bank 3.03% 2024	2.89%
NAB Float 2024	2.85%
Transpower 2.73% 2024	2.80%
BNZ 3.648% 2023	2.37%
Spark New Zealand 3.37% 2024	1.82%
Westpac 3.72% 2023	1.76%
Vector 3.45% 2025	1.54%
Suncorp-Metway 3% 2023	1.53%
Optus 3.25% 2023	1.50%
Downer Group 3.7% 2026	1.45%
Westpac Float 2024	1.45%
Auckland Council 3.17% 2023	1.45%
Macquarie Group Float 2022	1.44%
Sun Group Finance 4.9% 2021	1.44%
Christchurch City 3.58% 2024	1.43%
Sydney Airport 3.76% 2020	1.39%
Auckland Council 2.013% 2025	1.38%
Transurban Finance 4.125% 2026	1.37%

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

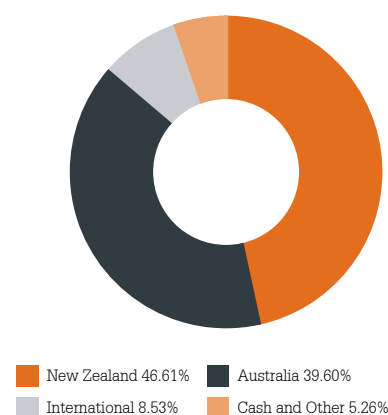
## Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	4.67%	3.00%
New Zealand Fixed Interest	46.16%	48.50%
International Fixed Interest	48.58%	48.50%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	0.59%	0%

## Sector Exposure

Allocation	Weight %
Financials	39.28%
Utilities	12.75%
Real Estate	10.86%
Industrials	10.48%
Government	9.03%
Communication Services	7.15%
Energy	1.94%
Consumer Discretionary	1.70%
Other Sectors	1.55%
Cash and Other	5.26%

## 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](http://milfordasset.com/fact-sheet) for more information about the data published within this document.

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