

# Global Corporate Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 August 2019



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**David Lewis**  
Co-Portfolio Manager

Increased geopolitical risks in a slowing global growth backdrop have pushed market interest rates lower again. Further escalation of the US-China tariff war, increased hard Brexit risk and Hong Kong protests were some of the developments benefiting the relative safety of government bonds in August. This also supported corporate bonds and the Fund returned 1.1% in the month.

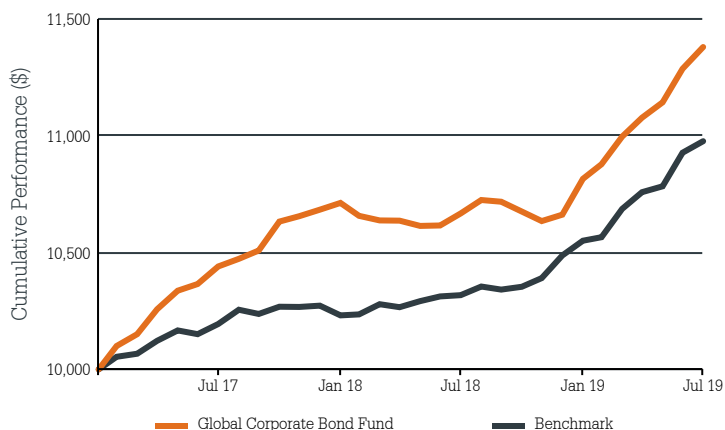
Corporate bonds did however underperform government bonds as their yields fell by less. The underperformance was more pronounced for bonds of lower credit rated companies, illustrated by better returns from investment grade rated bonds compared to high yield. The Fund's lower exposure to high yield was a notable contributor to its 0.4% extra return compared to the benchmark in the month. We believe such positioning remains prudent given myriad known risks and a slowdown in company earnings growth in the context of generally still elevated debt levels.

Looking forward, supportive central bank policy action should underpin Fund returns but as that is now expected by markets, bond valuations do appear somewhat stretched. We have therefore slightly reduced interest rate exposure (to just less than the benchmark) and anticipate Fund returns will moderate. We also note the Fund's quarterly distributions will be reduced to reflect lower market bond yields. Milford has sent additional details to clients invested in the Fund.

To view Milford's September 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>	Protect capital and generate a positive NZD-hedged return that exceeds the relevant benchmark over a minimum of three years
<b>Description</b>	Primarily invests in global corporate 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>	\$576.6 M
<b>Yield <sup>2</sup></b>	2.53%
<b>Average Credit Rating</b>	BBB+
<b>Duration</b>	2.96 years
<b>Rating Categories</b>	Inv. Grade 83% / High Yield 10% / Unrated 2%
<b>Inception Date</b>	1 February 2017
<b>Current Distribution</b>	0.45 cents per unit (Quarterly)
<b>Benchmark</b>	Bloomberg Barclays Global Corporate 3-5 Year Total Return Index Value Hedged USD (100% NZD-hedged)
<b>Base Fund Fee <sup>3</sup></b>	0.85%
<b>Performance Fee</b>	Not applicable
<b>Total Fund Fees <sup>4</sup></b>	0.85%
<b>Risk Indicator</b>	<div style="display: flex; justify-content: space-between;"> <span>Lower risk</span> <span>Higher risk</span> </div> <div style="text-align: center;"> <p>1   <b>2</b>   3   4   5   6   7</p> </div> <div style="display: flex; justify-content: space-between;"> <span>Potentially lower returns</span> <span>Potentially higher returns</span> </div>

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

Unit Price: \$1.0705

	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)	1.14%	3.29%	7.32%	-	-	5.63%
After Tax 10.50%	1.02%	2.94%	6.52%	-	-	5.02%
After Tax 17.50%	0.94%	2.70%	5.99%	-	-	4.62%
After Tax 28.00%	0.82%	2.34%	5.20%	-	-	4.02%
Benchmark	0.76%	2.56%	6.81%	-	-	3.98%

## Top Fixed Interest Holdings

Holdings	% of Fund's NAV
AT&T 3.45% 2023	2.45%
ING Group 1.45% 2024	2.32%
Dell Float 2023	2.31%
Sprint Spectrum 4.738% 2025	2.28%
Seagate 4.75% 2025	2.10%
McDonald's 3% 2024	2.04%
Downer Group 4.50% 2022	1.96%
QBE 6.75% 2044	1.82%
Aroundtown 4.5% 2025	1.56%
RBLN 2.75% 2024	1.48%
Macquarie Group 3.189% 2023	1.42%
Apple 3.7% 2022	1.31%
Bank of America Float 2024	1.30%
ESB Group 1.125% 2030	1.29%
BNZ 0.375% 2024	1.24%
Verizon Float 2023	1.23%
Sydney Airport 3.76% 2020	1.23%
Optus 3.25% 2023	1.22%
Bank Of China 3% 2020	1.22%
HCA 4.75% 2023	1.20%

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

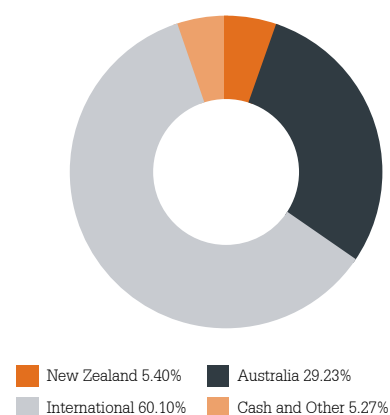
## Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	5.27%	5.00%
New Zealand Fixed Interest	5.51%	0%
International Fixed Interest	89.22%	95.00%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	0.00%	0%

## Sector Exposure

Allocation	Weight %
Financials	41.26%
Communication Services	11.40%
Information Technology	10.09%
Real Estate	8.21%
Consumer Discretionary	6.93%
Industrials	6.64%
Materials	3.86%
Utilities	2.58%
Other Sectors	3.76%
Cash and Other	5.27%

## 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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