

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 August 2019



Portfolio Managers



Paul Morris
Portfolio Manager



David Lewis
Co-Portfolio Manager

Global market interest rates (represented by bond yields) fell again in August as increased geopolitical risks (most notably the US-China tariff war) heightened concern for the global growth and inflation outlooks. Australasian bond yields fell in sympathy, even as both Australasian central banks separately suggested a near term pause to further rate cuts, to measure the impact of recent actions. These falling interest rates benefited the Fund's close to neutral interest rate exposure, supporting a return of 1.1% in August.

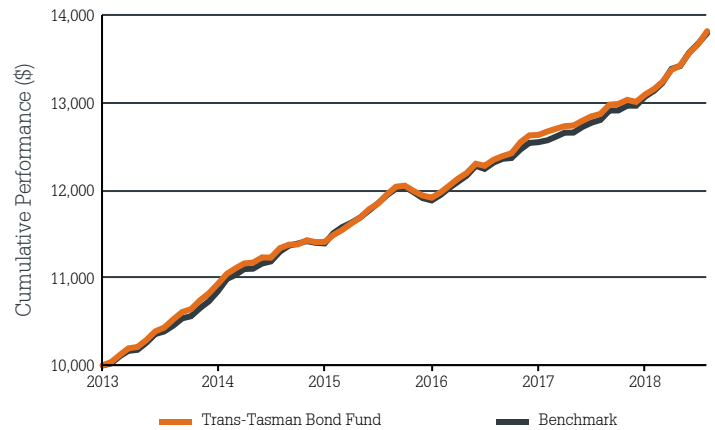
The Fund is still primarily exposed to corporate bonds. August saw a partial hand back of recent outperformance over government/local authority bonds which was a small headwind relative to the benchmark (which has a larger local authority exposure). Irrespective of likely further central bank support, due to elevated valuations and the uncertain economic backdrop, the Fund's exposure is focussed on lower risk corporate bonds. Interest rate exposure is close to neutral but was reduced a little as markets already price significantly lower interest rates.

Looking forward, returns may be underpinned by supportive monetary policy and strong investor demand, but they should moderate. We 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.

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)	\$606.4 M
Yield ²	2.10%
Average Credit Rating	A
Duration	3.15 years
Rating Categories	Inv. Grade 90% / High Yield 2% / Unrated 5%
Inception Date	2 December 2013
Current Distribution	0.45 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 ⁴	0.65%
Performance Fee	Not applicable
Total Fund Fees ⁴	0.65%
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 August 2019⁵

Unit Price: \$1.1799

	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%	2.91%	7.60%	5.07%	5.65%	5.98%
After Tax 10.50%	0.96%	2.60%	6.78%	4.53%	5.04%	5.34%
After Tax 17.50%	0.88%	2.39%	6.24%	4.17%	4.64%	4.91%
After Tax 28.00%	0.77%	2.08%	5.42%	3.63%	4.04%	4.28%
Benchmark	1.15%	2.78%	8.06%	5.10%	5.77%	5.96%

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
NZ Govt. Inflation Indexed 2% 2025	3.40%
Westpac 2.22% 2024	3.06%
ANZ Bank 3.03% 2024	2.83%
ANZ Bank Float 2024	2.47%
BNZ 3.648% 2023	2.31%
ING Group 1.45% 2024	2.20%
ASB Bank 1.83% 2024	2.07%
NZLGFA 1.5% 2029	1.96%
Spark New Zealand 3.37% 2024	1.76%
Westpac 3.72% 2023	1.71%
Suncorp-Metway 3% 2023	1.52%
Vector 3.45% 2025	1.50%
Downer Group 3.7% 2026	1.47%
Optus 3.25% 2023	1.47%
Sun Group Finance 4.9% 2021	1.42%
Macquarie Group Float 2022	1.42%
Westpac Float 2024	1.42%
Auckland Council 3.17% 2023	1.42%
Christchurch City 3.58% 2024	1.40%
Transurban Finance 4.125% 2026	1.40%

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

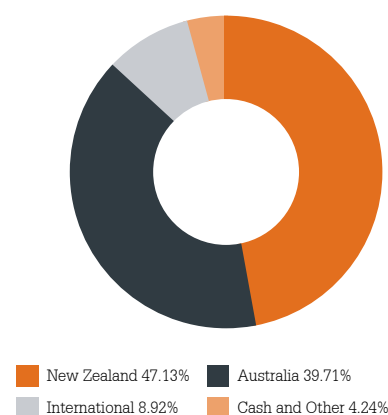
Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	4.24%	3.00%
New Zealand Fixed Interest	46.97%	48.50%
International Fixed Interest	48.79%	48.50%
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	40.88%
Utilities	11.66%
Government	10.78%
Real Estate	10.73%
Industrials	10.37%
Communication Services	6.95%
Energy	1.90%
Consumer Discretionary	1.67%
Other Sectors	0.82%
Cash and Other	4.24%

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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