

# Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 September 2019



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**David Lewis**  
Co-Portfolio Manager

Irrespective of ongoing expectations for further cash rate cuts, Australasian market interest rates moved higher in September. This may be in part due to neither the Australian nor New Zealand central bank cutting their cash rates in September, however as that was generally anticipated it was more likely a case of following a move higher in offshore market interest rates (although US and European benchmark rates were cut).

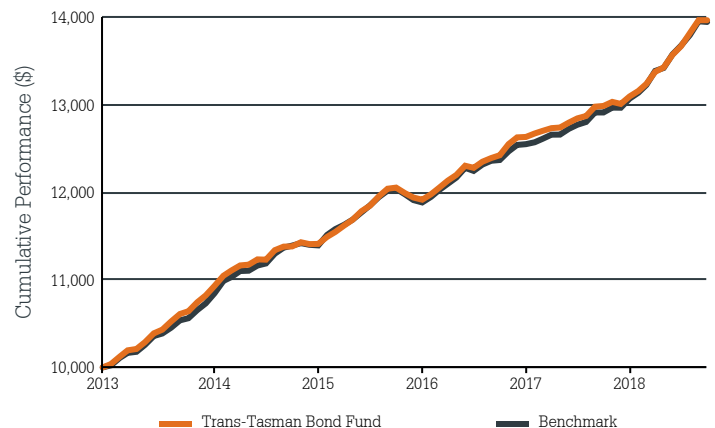
The Fund's return was partially protected from this move as we reduced interest rate exposure to less than its benchmark/neutral, albeit this limited the Fund to a flat return for the month (slightly more than the benchmark). The Fund remains primarily exposed to corporate bonds which outperformed government/local authority bonds over the month. That was a benefit for performance relative to the benchmark which has a larger exposure to the latter, however, improved valuations meant we subsequently increased government/local authority exposure (although this is still below benchmark).

Considering the rise in market interest rates and our expectation for further rate cuts we have increased interest rate exposure back to neutral. Elevated valuations and an uncertain economic backdrop mean exposure is to lower risk bonds, with holdings of offshore bonds of Australasian issuers below long run neutral. Looking forward, supportive monetary policy should underpin returns but they may be lower than those seen over the last year.

To view Milford's October 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>	\$602.6 M
<b>Yield <sup>2</sup></b>	2.19%
<b>Average Credit Rating</b>	A
<b>Duration</b>	3.36 years
<b>Rating Categories</b>	Inv. Grade 88% / High Yield 2% / Unrated 4%
<b>Inception Date</b>	2 December 2013
<b>Current Distribution</b>	0.45 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>3</sup></b>	0.65%
<b>Performance Fee</b>	Not applicable
<b>Total Fund Fees <sup>4</sup></b>	0.65%
<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 30 September 2019<sup>5</sup>

Unit Price: \$1.1754

	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)	0.00%	2.18%	7.54%	5.03%	5.58%	5.89%
After Tax 10.50%	0.00%	1.94%	6.72%	4.49%	4.99%	5.26%
After Tax 17.50%	0.00%	1.79%	6.18%	4.14%	4.59%	4.84%
After Tax 28.00%	0.00%	1.56%	5.38%	3.60%	4.00%	4.22%
Benchmark	-0.06%	1.98%	8.00%	5.02%	5.71%	5.87%

## Top Fixed Interest Holdings

Holdings	% of Fund's NAV
ANZ Bank 3.03% 2024	2.80%
ANZ Bank Float 2024	2.50%
Westpac 2.22% 2024	2.31%
NZLGFA 1.5% 2029	2.28%
Housing NZ 3.36% 2025	2.24%
John Deere 1.75% 2024	2.23%
ING Group 1.45% 2024	2.23%
ASB Bank 1.83% 2024	2.08%
NZGB 3% 2029	1.97%
Spark New Zealand 3.37% 2024	1.78%
BNZ 3.648% 2023	1.60%
Suncorp-Metway 3% 2023	1.52%
Vector 3.45% 2025	1.51%
Optus 3.25% 2023	1.48%
Downer Group 3.7% 2026	1.48%
Housing NZ 3.42% 2028	1.45%
Sun Group Finance 4.9% 2021	1.44%
Westpac Float 2024	1.44%
Macquarie Group Float 2022	1.43%
Auckland Council 3.17% 2023	1.43%

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

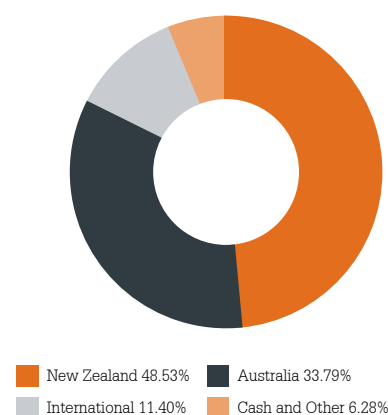
## Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	6.28%	3.00%
New Zealand Fixed Interest	48.62%	48.50%
International Fixed Interest	45.10%	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	35.91%
Government	14.77%
Industrials	12.79%
Utilities	11.05%
Real Estate	9.81%
Communication Services	6.47%
Consumer Discretionary	1.38%
Energy	1.36%
Other Sectors	0.18%
Cash and Other	6.28%

## 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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