

Global Corporate Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 September 2019



Portfolio Managers



Paul Morris
Portfolio Manager



David Lewis
Co-Portfolio Manager

The inexorable rise in global bond prices took a breather in September as market interest rates rose. This was irrespective of US and European rate cuts (the European Central Bank also restarted its bond buying). The negative return impact from higher market interest rates was partially mitigated by a reduction in the Fund's interest rate exposure, but it still limited September's return to just 0.03% (albeit 0.15% more than the benchmark).

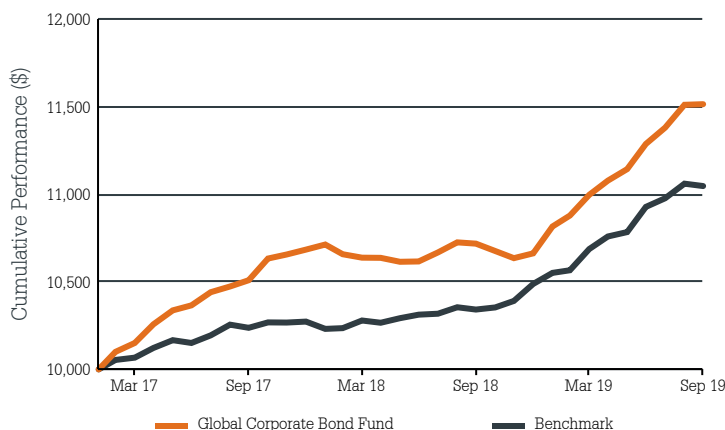
Demand for the extra interest from corporate bonds over government bonds, in what is likely to remain a low interest rate environment, is supportive but in September was partially offset by high new bond supply. Near term, as market interest rates settle and new bond issuance slows, corporate bonds should outperform governments, supporting moderate Fund returns. We reiterate that these are likely to be lower than over the past year.

We remain wary of myriad known risks; geopolitical tensions (tariff wars), a further slowdown in company earnings growth in a weakening economic backdrop and generally still elevated company leverage (debt levels) globally. Therefore we retain our preference for investment grade rated bonds over below investment grade (high yield). Market interest rates are now closer to fair value so we have added back some interest rate exposure, but this is less than its benchmark/neutral because markets are already pricing significantly lower interest rates.

To view Milford's October 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	Protect capital and generate a positive NZD-hedged return that exceeds the relevant benchmark over a minimum of three years
Description	Primarily invests in global corporate fixed interest securities
Target Allocation	100% Income Assets / 0% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	\$604.3 M
Yield ²	2.73%
Average Credit Rating	BBB+
Duration	3.19 years
Rating Categories	Inv. Grade 80% / High Yield 14% / Unrated 1%
Inception Date	1 February 2017
Current Distribution	0.45 cents per unit (Quarterly)
Benchmark	Bloomberg Barclays Global Corporate 3-5 Year Total Return Index Value Hedged USD (100% NZD-hedged)
Base Fund Fee ³	0.85%
Performance Fee	Not applicable
Total Fund Fees ⁴	0.85%
Risk Indicator	<div style="display: flex; justify-content: space-between;"> Lower risk Higher risk </div> <div style="text-align: center;"> 1 2 3 4 5 6 7 </div> <div style="display: flex; justify-content: space-between;"> Potentially lower returns Potentially higher returns </div>

Investment Performance after fees as at 30 September 2019⁵

Unit Price: \$1.0663

	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)	0.03%	2.01%	7.42%	-	-	5.46%
After Tax 10.50%	0.03%	1.80%	6.61%	-	-	4.87%
After Tax 17.50%	0.03%	1.66%	6.07%	-	-	4.48%
After Tax 28.00%	0.02%	1.44%	5.27%	-	-	3.90%
Benchmark	-0.12%	1.09%	6.81%	-	-	3.81%

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
AT&T 3.45% 2023	2.32%
John Deere 1.75% 2024	2.22%
Sprint Spectrum 4.738% 2025	2.16%
Kerry Group 0.625% 2029	2.16%
Seagate 4.75% 2025	2.01%
McDonald's 3% 2024	1.96%
Downer Group 4.50% 2022	1.85%
QBE 6.75% 2044	1.76%
Societe Generale 4.875% 2024	1.67%
Aroundtown 4.5% 2025	1.66%
HCA 4.75% 2023	1.44%
Commonwealth Bank 0.5% 2029	1.44%
RBLN 2.75% 2024	1.42%
Macquarie Group 3.189% 2023	1.36%
Goodman 1.375% 2025	1.36%
Rabobank 0.75% 2023	1.33%
Danaher Corp 0.45% 2028	1.30%
Apple 3.7% 2022	1.26%
ING Group 1.45% 2024	1.24%
Bank of America Float 2024	1.23%

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

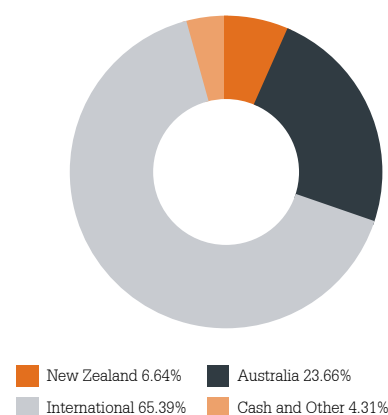
Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	4.02%	5.00%
New Zealand Fixed Interest	5.34%	0%
International Fixed Interest	90.35%	95.00%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	0.29%	0%

Sector Exposure

Allocation	Weight %
Financials	40.99%
Communication Services	10.71%
Information Technology	9.69%
Real Estate	7.72%
Industrials	6.97%
Consumer Discretionary	6.72%
Consumer Staples	4.40%
Materials	3.96%
Other Sectors	4.53%
Cash and Other	4.31%

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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