

# Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 October 2019



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**David Lewis**  
Co-Portfolio Manager

Australasian bond prices fell in October on diminished expectations for further cash rate cuts in Australia and New Zealand. That was a return headwind for the Fund and it fell 0.3% in the month. While disappointing, this was in line with the benchmark return and still represents a 6.9% 1-year return.

The Fund remains primarily exposed to corporate bonds which generally outperformed government bonds, albeit to a lesser extent than seen offshore. Given improved valuations we have retained the recently increased exposure to government/local authority bonds (close to benchmark weighting).

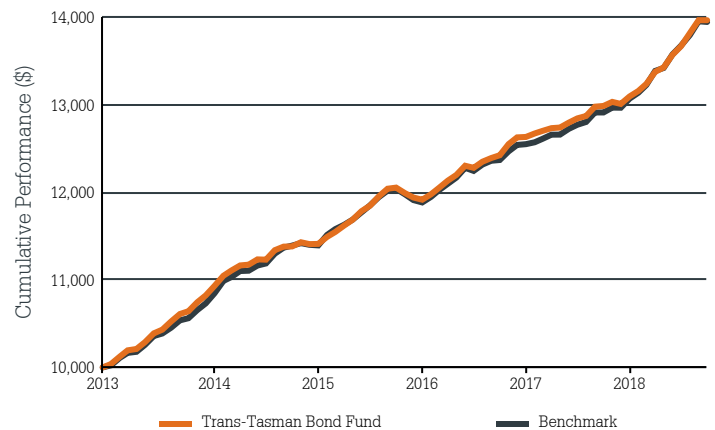
We were active in the primary market, participating in new bonds from Argosy Property, Origin Energy, Vicinity Property, Coles Group and Verizon (the US telco). Against this we reduced offshore US dollar and Euro bond holdings further, taking profit in holdings in OBE, Asciano and National Australia Bank.

Looking forward, inflation remains below central bank targets so monetary policy should remain supportive for returns. Post the recent rise in market interest rates, near term returns may improve (but we reiterate that they may be lower than over the past year) and the Fund holds close to benchmark interest rate duration. The improved risk backdrop should also be conducive for corporate bonds to continue to outperform government bonds, albeit we note some elevated valuations.

To view Milford's November 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>	\$622.6 M
<b>Yield <sup>2</sup></b>	2.21%
<b>Average Credit Rating</b>	A
<b>Duration</b>	3.44 years
<b>Rating Categories</b>	Inv. Grade 84% / High Yield 2% / Unrated 6%
<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 31 October 2019<sup>5</sup>

Unit Price: \$1.1722

	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)	-0.27%	0.80%	6.86%	5.12%	5.32%	5.76%
After Tax 10.50%	-0.24%	0.71%	6.12%	4.57%	4.76%	5.14%
After Tax 17.50%	-0.22%	0.66%	5.63%	4.21%	4.38%	4.73%
After Tax 28.00%	-0.20%	0.58%	4.90%	3.66%	3.81%	4.12%
Benchmark	-0.27%	0.82%	7.25%	5.10%	5.47%	5.73%

## Top Fixed Interest Holdings

Holdings	% of Fund's NAV
NZLGFA 1.5% 2029	2.85%
ANZ Bank 3.03% 2024	2.70%
ANZ Bank Float 2024	2.42%
Westpac 2.22% 2024	2.23%
Housing NZ 3.36% 2025	2.15%
John Deere 1.75% 2024	2.15%
ING Group 1.45% 2024	2.14%
ASB Bank 1.83% 2024	2.01%
NZ Government Bond 3% 2024	1.85%
Spark New Zealand 3.37% 2024	1.71%
BNZ 3.648% 2023	1.54%
Property for Industry 4.59% 2024	1.51%
Argosy Property 2.9% 2026	1.47%
Sumitomo Mitsui 2.09% 2024	1.47%
Suncorp-Metway 3% 2023	1.46%
Vector 3.45% 2025	1.45%
Optus 3.25% 2023	1.43%
Downer Group 3.7% 2026	1.40%
Westpac Float 2024	1.39%
Sun Group Finance 4.9% 2021	1.39%

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

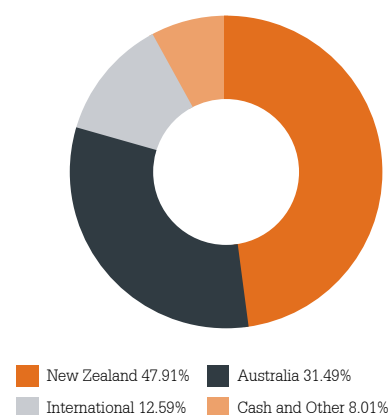
## Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	8.01%	3.00%
New Zealand Fixed Interest	48.66%	48.50%
International Fixed Interest	43.33%	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	33.28%
Government	14.76%
Real Estate	11.96%
Industrials	11.68%
Utilities	10.24%
Communication Services	6.08%
Energy	2.05%
Consumer Discretionary	1.34%
Other Sectors	0.60%
Cash and Other	8.01%

## 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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