

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 January 2020



Portfolio Managers



Paul Morris
Portfolio Manager



David Lewis
Co-Portfolio Manager

An improving Australasian growth outlook has been offset by global developments, notably coronavirus. Market interest rates fell, reversing December's move higher, as central banks may need to cut interest rates. The increase in bond prices underpinned a strong Fund return of 1.3% in January.

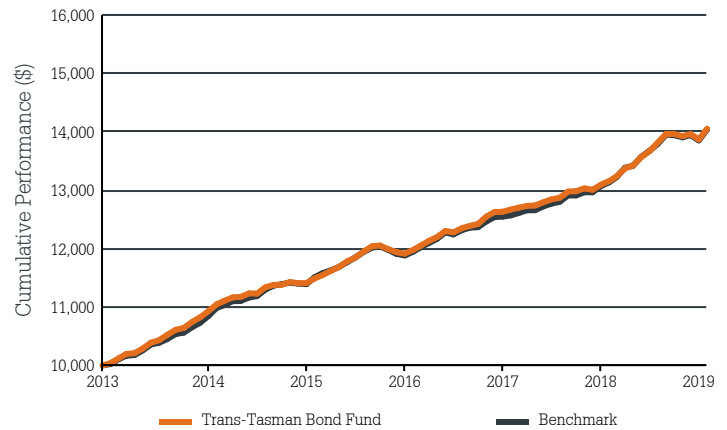
After lagging offshore corporate bond outperformance over governments in late 2019, Australasian corporate bonds proved resilient to weakness offshore in January. They generally matched or outperformed government/local authority bonds, especially in New Zealand where likely increased government/government related issuance is a headwind versus potentially a more balanced supply/demand outlook for corporate bonds.

We are constructive on Australasian senior bank bonds and participated in new issues from ANZ, NAB, Westpac and BNZ, plus a new Dexu (Australian property) bond. Some Australasian corporate bonds may be moderately attractive compared to offshore bonds (where Fund exposure remains below long run levels) but valuations are historically expensive. This limits the valuation buffer against myriad economic risks. Therefore lower rated and subordinated bond exposures remain below long run averages. Interest rate exposure is slightly more than benchmark/neutral but put options should help reduce the negative impact from a move higher in interest rates.

To view Milford's February 2020 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)	\$713.2 M
Yield ²	2.11%
Average Credit Rating	A
Duration	3.43 years
Rating Categories	Inv. Grade 85% / High Yield 1% / Unrated 6%
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 ³	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 January 2020⁵

Unit Price: \$1.1784

	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)	1.33%	0.92%	6.82%	5.48%	4.93%	5.67%
After Tax 10.50%	1.19%	0.82%	6.08%	4.89%	4.41%	5.06%
After Tax 17.50%	1.10%	0.76%	5.60%	4.50%	4.06%	4.66%
After Tax 28.00%	0.96%	0.66%	4.87%	3.92%	3.54%	4.06%
Benchmark	1.35%	0.96%	6.88%	5.53%	5.02%	5.66%

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
NZLGFA 1.5% 2029	3.18%
ASB Bank 1.83% 2024	2.96%
BNZ 2.16% 2025	2.54%
ANZ Bank 3.03% 2024	2.37%
ANZ Bank Float 2024	2.15%
ANZ Bank 1.6743% 2025	1.96%
Westpac 2.22% 2024	1.90%
Housing NZ 3.36% 2025	1.84%
John Deere 1.75% 2024	1.84%
ING Group 1.45% 2024	1.83%
Spark New Zealand 3.37% 2024	1.49%
Sumitomo Mitsui Float 2022	1.48%
NAB Float 2024	1.48%
NAB 1.675% 2025	1.45%
Bank Of China 2.4% 2020	1.41%
BNZ 3.648% 2023	1.33%
Synlait Milk 3.83% 2024	1.32%
Property for Industry 4.59% 2024	1.31%
Housing NZ 2.247% 2026	1.31%
Vector 3.45% 2025	1.26%

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

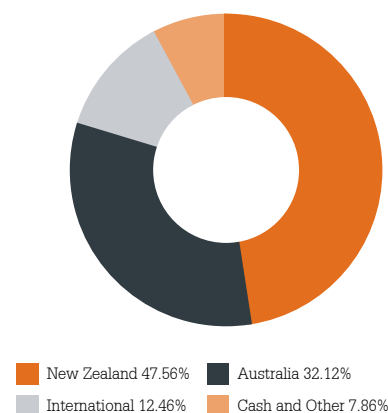
Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	6.63%	3.00%
New Zealand Fixed Interest	48.21%	48.50%
International Fixed Interest	43.93%	48.50%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	1.23%	0%

Sector Exposure

Allocation	Weight %
Financials	42.77%
Government	13.21%
Industrials	9.94%
Real Estate	9.26%
Utilities	8.03%
Communication Services	5.46%
Consumer Staples	1.94%
Consumer Discretionary	1.12%
Other Sectors	0.41%
Cash and Other	7.86%

Region 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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