

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 July 2020



Portfolio Managers



Paul Morris
Portfolio Manager



Ian Robertson
Co-Portfolio Manager

Australasian bond yields fell in July, pushing prices higher, contributing to a strong Fund return of 0.9% over the month. Corporate bonds posted another month of outperformance relative to government/government related bonds. In fact, credit spreads (the extra yield of corporate bonds over government's) of some corporate bond sectors (notably senior bank bonds) are now less than before the COVID-19 crisis, helped by central bank and government policy.

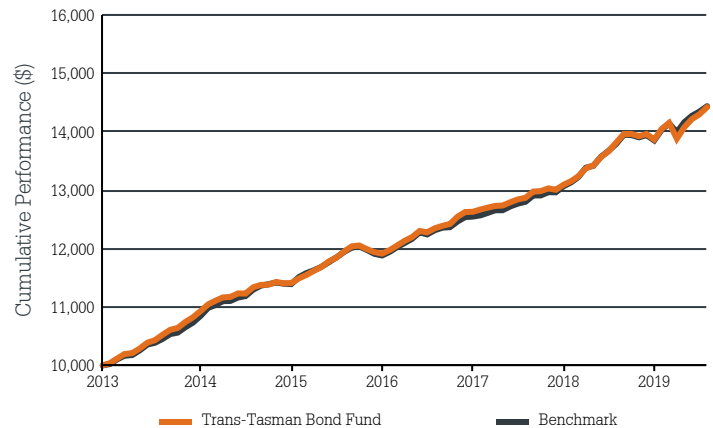
Irrespective of a slightly cautious Fund setting versus its long run history (fewer lower rated bonds, subordinated bonds and offshore bonds of Australasian issuers), the Fund delivered a return 0.2% more than its benchmark. Drivers included a further recovery in many corporate bonds that had lagged the earlier rally, participation in new longer dated NZ and AU government bond issuance which outperformed shorter dated bonds, and strong performance from offshore bonds of Australasian issuers. The Fund also captured value from several new corporate bond issues which performed well, including Amcor (packaging), UBS (Swiss bank) and Port of Brisbane.

Looking forward, recent price appreciation and now lower prevailing market yields may mean a moderation of returns, but policy support should prevent any material weakness. Near term, Fund interest rate exposure is close to neutral, but we have kept exposure to long dated Australasian bonds in anticipation of further outperformance, albeit this is approaching our target.

To view Milford's August 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

Objective¹	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)	\$776.3 M
Yield²	1.46%
Average Credit Rating	A
Duration	3.92 years
Rating Categories	Inv. Grade 88% / High Yield 1% / Unrated 4%
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 Fee³	0.65%
Performance Fee	Not applicable
Total Fund Fees⁴	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 July 2020⁵

Unit Price: \$1.2003

	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)	0.87%	2.45%	4.41%	5.31%	4.93%	5.65%
After Tax 10.50%	0.78%	2.19%	3.94%	4.75%	4.40%	5.04%
After Tax 17.50%	0.72%	2.02%	3.63%	4.37%	4.05%	4.64%
After Tax 28.00%	0.63%	1.76%	3.16%	3.81%	3.53%	4.04%
Benchmark	0.65%	1.94%	4.68%	5.44%	5.03%	5.67%

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
NZLGFA 1.5% 2029	3.13%
Housing NZ 3.36% 2025	2.69%
NZLGFA 3.5% 2033	2.54%
Westpac 2.22% 2024	2.50%
ANZ Bank 3.03% 2024	2.25%
Commonwealth of Australia 1.75% 2051	2.22%
ING Group 1.45% 2024	2.21%
ASB Bank 1.83% 2024	2.16%
ANZ Bank Float 2024	2.07%
Macquarie Group Float 2025	1.96%
Ausgrid Finance 1.814% 2027	1.81%
Woolworths 1.85% 2025	1.70%
Vector 3.45% 2025	1.49%
NAB Float 2024	1.42%
Sumitomo Mitsui Float 2022	1.40%
Spark New Zealand 3.37% 2024	1.40%
NZ Government Bond 1.75% 2041	1.38%
NZLGFA 1.5% 2026	1.34%
UBS Float 2025	1.27%
Housing NZ 2.247% 2026	1.27%

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

Current Asset Allocation

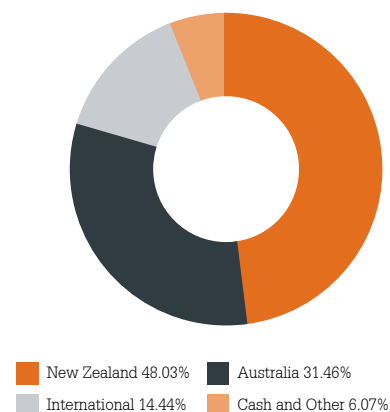
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	6.07%	3.00%
New Zealand Fixed Interest	47.71%	48.50%
International Fixed Interest	46.22%	48.50%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	0.00%	0%

The actual cash held by the Fund is 0.56%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Sector Exposure

Allocation	Weight %
Financials	34.30%
Government	23.12%
Utilities	9.91%
Industrials	8.58%
Real Estate	6.82%
Communication Services	5.88%
Consumer Staples	2.89%
Consumer Discretionary	1.28%
Other Sectors	1.15%
Cash and Other	6.07%

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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