

Trans-Tasman Bond Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 September 2020



Portfolio Managers



Paul Morris
Portfolio Manager



Ian Robertson
Co-Portfolio Manager

The Fund posted a strong return of 0.5% in September, supported by another rise in bond prices (fall in yields). Australasian bonds outperformed offshore peers driven by yet another increase in expectations for further monetary policy stimulus. In NZ this centred on the possibility of a negative Official Cash Rate and larger central bank bond buying. In Australia the Reserve Bank increased its bank funding programme which provided more support for bonds, but the market is also anticipating a lower cash rate, albeit for it to remain positive.

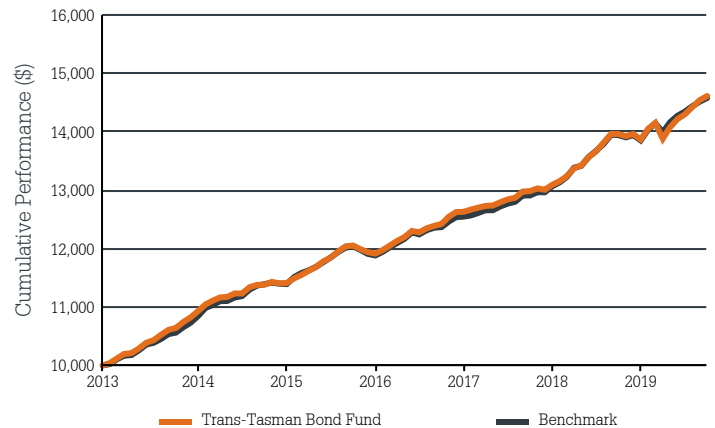
The Fund had further increased its interest rate exposure early in the month and was therefore positioned to benefit from this fall in yields. That contributed to a small outperformance relative to its benchmark. An above neutral exposure to NZ corporate bond credit spreads (the extra yield of corporate bonds over governments) also helped, as did exposure to Australasian issuers' offshore bonds, irrespective of some offshore weakness. During September the Fund added senior bonds from Commonwealth Bank of Australia, Housing NZ, SGSPAA (Australian utility) but also attractively priced subordinated bonds from Scentre (Australian property) and Ausnet (Australian utility).

Looking forward, given the move lower in bond yields we plan to trim the Fund's above neutral interest rate exposure into any further strength. Lower prevailing market yields may moderate returns, but we believe policy support should continue to prevent any material price weakness.

To view Milford's October 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)	\$817.4 M
Yield ²	1.50%
Average Credit Rating	A
Duration	4.29 years
Rating Categories	Inv. Grade 88% / High Yield 3% / Unrated 3%
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 30 September 2020⁵

Unit Price: \$1.2115

	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)	0.48%	2.19%	4.65%	5.56%	5.12%	5.71%
After Tax 10.50%	0.43%	1.97%	4.17%	4.97%	4.58%	5.10%
After Tax 17.50%	0.40%	1.83%	3.85%	4.58%	4.22%	4.70%
After Tax 28.00%	0.35%	1.61%	3.37%	3.99%	3.68%	4.09%
Benchmark	0.43%	1.64%	4.57%	5.64%	5.06%	5.68%

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
NZLGFA 1.5% 2029	3.06%
Housing NZ 3.36% 2025	2.59%
NZLGFA 3.5% 2033	2.51%
Westpac 2.22% 2024	2.40%
ING Group 1.45% 2024	2.11%
Transpower 1.735% 2025	2.09%
ASB Bank 1.83% 2024	2.06%
ANZ Bank Float 2024	1.98%
Macquarie Group Float 2025	1.88%
NZ Government Bond 4.5% 2027	1.75%
Ausgrid Finance 1.814% 2027	1.72%
Woolworths 1.85% 2025	1.65%
NZ Government Bond 3% 2024	1.51%
Vector 3.45% 2025	1.44%
NAB Float 2024	1.36%
CBA Float 2030	1.35%
Sumitomo Mitsui Float 2022	1.35%
IBRD 0.625% 2027	1.34%
SGSP 1.843% 2028	1.34%
Spark New Zealand 3.37% 2024	1.33%

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

Current Asset Allocation

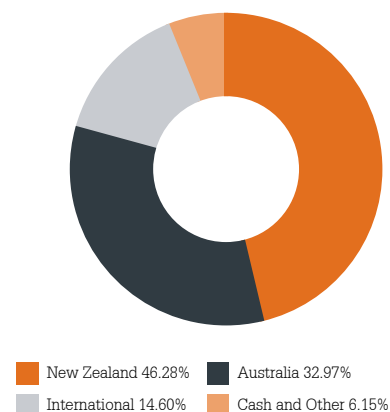
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	5.65%	3.00%
New Zealand Fixed Interest	46.28%	48.50%
International Fixed Interest	47.57%	48.50%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	0.00%	0%
Other	0.50%	0%

The actual cash held by the Fund is 0.46%. 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	33.10%
Government	21.56%
Utilities	13.10%
Real Estate	9.59%
Industrials	7.53%
Communication Services	4.71%
Consumer Staples	3.56%
Consumer Discretionary	1.22%
Other Sectors	-0.52%
Cash and Other	6.15%

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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