



## Changes to the Global Equity Fund

We would like to inform you of upcoming changes to the Milford Global Equity Fund. We are simplifying the Fund's structure and lowering the ongoing base fund fee from **1 October 2018**. You do not need to do anything, but the forthcoming changes are material and we want to give you time to review your investment, given these changes.

### **New benchmark**

The Fund's benchmark will change to the MSCI World Index (50% hedged to New Zealand dollar). A share market index benchmark (rather than the current absolute return benchmark) is consistent with the typical global equity funds in the New Zealand managed funds' market. While the change to a relative benchmark has the potential for higher returns over time, it also increases the potential for greater fluctuations in the unit price over the short to medium term.

From 1 October, the hurdle (or target) rate for the performance fee will change to this new benchmark, as opposed to the current benchmark of the NZ Official Cash Rate + 5%.

If you are seeking a purely absolute return style of investing, we have alternative investment options that you may be interested in. You can visit [www.milfordasset.com/what-we-offer/investment-funds](http://www.milfordasset.com/what-we-offer/investment-funds) for further information.

### **Reduced base fund fee**

The ongoing base fund fee (excluding performance fee, but including all fund operating costs) will reduce to a single Milford fee of 1.40%. Currently, the estimated ongoing base fund fee is c.1.50% - 1.55%, made-up of the Milford fee plus external manager and exchange traded fund (ETF) costs. From 1 October, the external manager and ETF costs will be paid for by Milford. This change provides certainty to clients on the total base fund fee.

### **Investment strategy**

Milford will continue to employ a combination of in-house managed investments (direct stocks and ETFs); and external specialist managers. Currently, the Fund invests approximately one-third in each of these categories. From 1 October, this will change to the following approximate weightings:

Direct stocks	50-55%	External managers	15-20%
ETFs	20-25%	Cash	5% (0-30%)

Direct stocks have been a core contributor to the Fund's performance, while external specialists and ETFs allow us to gain access to areas of the market that require additional expertise. This includes healthcare or emerging markets or sectors and regions we may not be able to access directly.

If you have any questions on any of the above, please contact our Investor Services Team on 0800 662 345 or [info@milfordasset.com](mailto:info@milfordasset.com) or alternatively speak with your financial adviser.

