MILFORD

Milford Investment Funds Monthly Review
June 2020

Market and Economic Review

May saw share markets continue their strong run, building on the recovery from the March lows.

Around the world countries have been relaxing Covid-19 lockdown restrictions, either due to few cases as in NZ & Australia, or because of political pressure e.g. in the US. This has seen economic activity lift from extremely depressed levels, and we are seeing improvements in many of the economic indicators we follow.

Our Funds participated well in May's rally. We have increased exposure to Australian shares over the month, taking advantage of attractive valuations and an improving economy that is dealing with the Covid-19 crisis relatively well. Australian shares performed strongly in the month, particularly smaller companies with the Dynamic Fund delivering a 9.7% return in May.

Companies continue to raise capital by selling new shares in Australia and NZ. These have provided investment opportunities for the Funds but in May it paid to be more discerning on the deals. The recent Australian Finance Group raising was just one example where we topped up our investment in a company already well known to us and were rewarded with strong subsequent performance.

The Global Fund continued its run of strong performance as its holdings in quality growth companies such as Freee (Japanese accounting software company) and PayPal (global payment technology company) performed well. In a world with limited growth opportunities investors continue to like companies with a strong earnings growth outlook. See the monthly Global Equity Fund commentary for more detail.

Despite the improving global economic activity we are becoming more wary of the outlook. Share market performance has run ahead of economic recoveries in the short term leaving many share markets elevated in the face of a potential second wave of the virus. In the medium term, global unemployment will remain persistently high and government support packages are focused on the short term. This will impair economic growth and company earnings. In addition, increasing US-China tensions in recent weeks add to the potential issues for investors to navigate.

Given the strong run in markets we are selectively looking to reduce exposure to those companies whose valuations have exceeded our expectations.

Milford Investment Funds Monthly Review as at 31 May 2020

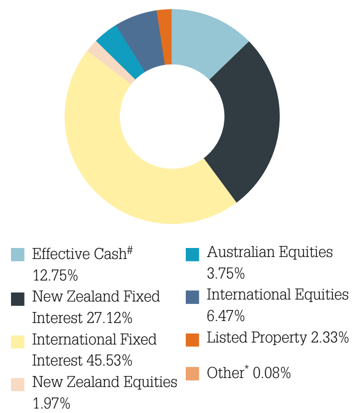
Conservative Fund
Portfolio Manager: Paul Morris

The Fund posted a strong return of 1.5% in the month, further recovering from the weakness in March. It is now up 4.4% over 1-year. It benefitted from a strong month for both shares and bonds, specifically corporate bonds which is the predominant bond exposure.

Cognisant of a conservative risk profile and with elevated economic uncertainty, the Fund came into the month with a very cautious setting. However, on increasing confidence that the more pessimistic economic forecasts were less likely to be realised, we did add back some bond and share exposure. The increase in shares was focused in Australia where a better than expected fiscal position, and improving economic outlook coming out of lockdown, was supportive for many sectors which had lagged. The increase in bonds remained in better credit rated bonds which are closer to central bank support.

All that said, we reiterate the overall Fund setting remains defensive; more cash, fewer bonds (especially lower-rated bonds) and shares than the long run neutral. Irrespective of this still lower market exposure the Fund succeeded in keeping up with the broad market strength by identifying outperfoming bonds and shares. Looking forward, given the now more expensive market valuations and a broad range of economic scenarios the bar remains high to add any further to the Fund’s risk settings. The focus will instead be on active management of the existing holdings to identify optimal bond and shareholdings.

Actual investment mix [1]



The actual cash held by the Fund is 5.56%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

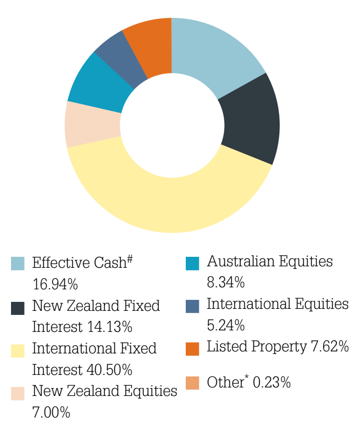
Diversified Income Fund
Portfolio Manager: David Lewis

The Fund was up by 1.6% in May. We were reasonably happy with this result given the Fund's lower risk positioning. Market gains this month were solid across most asset classes, with gains in share markets in May driven by higher growth in cyclical parts of the market, rather than more defensive dividend-oriented companies.

The Fund remained very active this month, especially in our Australian shareholdings where exposure was increased from 10% to 15%. While we are feeling more upbeat about the economic outlook in Australia, the Fund's additional investments in Australia have been predominantly in strong, stable companies that we believe will be more resilient to a likely slow economic recovery, or additional risks from the virus. Examples include Woolworths and Coles supermarkets, Wesfarmers (owner of Bunnings) and Telstra. These offer reasonable dividend yields (3-5%) and medium-term growth, relative to their risk. They also provide an important replacement in terms of portfolio income for our holdings in property companies, where we see structural and cyclical risks in retail and office segments. Thus, the Fund's exposure to property shares (8% currently) remains much lower than had been typical over recent years (15-20%). Our property holdings are largely in sectors we consider more stable medium term such as supermarket and childcare landlords, with smaller opportunistic allocations to other companies.

In fixed income this month, the Fund continued to actively invest in new issues including Woolworths, Spark and UBS, where valuations remain attractive compared to cash. In terms of strategy, May was an encouraging month regarding the virus as economic and social 'reopening' occurred in many parts of the world, alongside generally manageable 'second waves'. Given this, and with monetary and fiscal policy support still flowing strongly, we feel more positive about the outlook. This has been reflected in Fund positioning with total shares now at 28% and fixed income at 55% (from 21% and 39% in February, for example). Having said that, we still believe a reasonably cautious approach is warranted from here. This is due to market valuations that are becoming more elevated, set alongside a number of key uncertainties including the virus itself, geopolitics, and the medium-term strength of the economic recovery.

Consistent with the Fund's low-to-medium risk profile, our strategy looking ahead is still to tread carefully; focusing our current investments on higher quality, more resilient companies, albeit these may not deliver the highest returns in the event of positive economic and virus news.



The actual cash held by the Fund is 9.18%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

*Other includes currency derivatives used to manage foreign exchange risk.

[1] The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Balanced Fund

Portfolio Manager: Mark Riggall

The rebound in risky assets continued in May with strong performances from both shares and corporate bonds. This helped the Fund deliver a 3.3% return in the month, taking the 1-year return to 6.4%. The Fund has remained on a defensive footing during May, but some key changes helped performance in a month where it was important to be in the right assets.

On the income side, the Fund increased its exposure to global corporate bonds. These are supported by monetary authorities and still offer a return that looks attractive compared to government bonds. The Global Corporate Bond Fund delivered a 1.1% return in the month. On the equity side, higher conviction in the recovery of the Australian economy and better relative value meant the Fund could increase its exposure to Australian shares, both large and small cap. Australian shares performed well in the month with the Dynamic Fund delivering a 10% return. The Global Equity Fund has been performing well lately so the increase in Australian shares was offset by a reduction in global shares late in the month to lock in some of those gains. The Fund also reduced foreign currency exposure, aiding performance as the NZ dollar appreciated.

Looking ahead, we believe share markets are too optimistic on the outlook and valuations are becoming stretched. Increasing geopolitical risks and chance of a second wave of the virus mean the Fund retains its cautious stance with a reduced exposure to shares in general.

Actual investment mix [1]

The actual cash held by the Fund is 10.90%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Active Growth Fund

Portfolio Manager: Jonathan Windust

The Fund rose 4.3% in May and benefitted from the continued recovery in share and fixed interest markets. The NZ, Australian and global share markets ending up 3.3%, 4.4% and 4.7% respectively. Share markets reacted positively to the potential for economies to reopen and benefitted from investors looking to put cash to work. We were pleased with the Fund's performance which was generally in line with share markets despite retaining a relatively defensive positioning with high levels of cash. Performance was aided by good company selection and a rebound in credit markets.

Key positives during the month included Australian gold companies, Northern Star (+15.7%) and Evolution Mining (+19.4%) which benefitted from the rise in the gold price. Gold is seen as a beneficiary of the large amount of liquidity being added by central banks which may devalue traditional monetary investments. The Fund's US home improvement store investments Lowe's (+24.4%) and Home Depot (+13.0%) also rose strongly. These stores reported very strong sales and have been a beneficiary of stay at home policies. The stores were deemed essential services and allowed to remain open during lock down and have benefitted from strong demand as consumers look to spend on their homes and gardens.

The Fund was active during the month and generally added to share investments as we became more comfortable that the virus was under control in NZ and Australia. In Australia we added to our holdings in insurance company IAG and supermarket company Woolworths. We believe that both of these companies have good management and strong competitive positions that will enable them to deliver solid returns through a combination of dividends and earnings growth. In NZ we added building company Fletcher Building. Whilst we believe Fletcher Building may remain under pressure in the short term we believe that this was fully reflected in its share price. We remain cautious on global markets where valuations have increased despite still high virus numbers.

In the short term markets are likely to remain volatile given the very uncertain impact of the coronavirus on economies, company earnings and valuations. However, the medium-term impact on company earnings and valuations is lower with many companies' earnings likely to rebound strongly and some even benefitting. On balance the Fund remains cautious given the uncertain environment and recent rise in share market valuations. The Fund has a lower than average allocation to shares of around 70%, however, we remain excited that this market will provide great opportunities for active management gains.

Please note this Fund is closed to new investors.

The actual cash held by the Fund is 7.01%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

†Includes unlisted equity holdings of 0.22% ‡Includes unlisted equity holdings of 1.49% *Other includes currency derivatives used to manage foreign exchange risk.
[1]The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Australian Absolute Growth Fund

Portfolio Manager: William Curtayne & Wayne Gentle

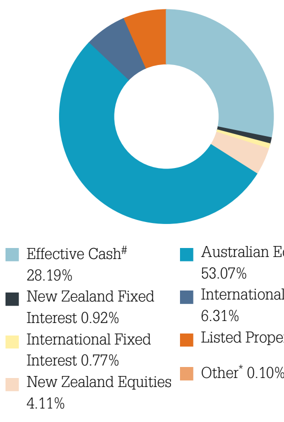
Equity markets continued to recover in May helping the Fund produce a return of 3.2% for the month. The Fund is now pleasingly within 5% of its all-time high achieved in February. This compares favourably to the ASX 200 Index which remains 19% below its all-time high after its very sharp fall in March.

Once again, our six gold mining companies led performance with Evolution Mining (+19.4%) and Saracen Mineral (+17.7%) delivering the highest return. The continued fall in Covid-19 infections in Australia and the reopening economy helped several of our domestic focused cyclical companies. Bus and tourism operator Sealink rallied 16.6% as the market anticipated a strong domestic tourism environment later this year. Retirement community developer Lifestyle Communities increased 26% as encouraging data on housing market activity emerged.

In the final week of the month we saw an aggressive bounce in bank shares, which the market was largely shunning due to concerns over bad debts and possible capital raisings. As the economy improves, bad debts may be less severe, reducing the likelihood of capital raisings.

Defensive businesses such as Woolworths and CSL were sold by many market participants to buy banks and other equities perceived to produce greater returns in an economic recovery. We used this as an opportunity to add to Woolworths and CSL as share prices were close to 20% below their February highs.

Actual investment mix [1]



The actual cash held by the Fund is 18.96%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

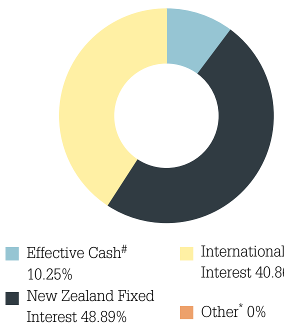
Trans-Tasman Bond Fund

Portfolio Manager: Paul Morris

Central bank intervention has reduced volatility in Australasian government bonds with yields generally close to unchanged over the month. This has improved liquidity in Australasian corporate bonds, giving investors confidence to accept smaller credit spreads (the extra interest of corporate bonds over government bonds). Australasian credit spreads also benefitted from investor optimism for a better economic outlook and strong performance from offshore corporate bonds. It all combined to deliver a strong 1.0% Fund return in May, 0.2% more than the benchmark.

The contributors to benchmark outperformance included (i) a larger NZ dollar interest rate exposure (on which we took profit before yields rose later in the month), (ii) a further recovery and the Fund's retention of several of the corporate bonds which had lagged the initial leg of the price recovery in April and (iii) participation in the reopened new issue market which allowed access to new bonds at a discount to existing (including Woolworths, Credit Suisse and Australian state owned Air Services).

Looking forward, central bank support should underpin moderate Fund returns but given an uncertain backdrop it is prudent to retain a cautious exposure to lower rated bonds. We have moved interest rate exposure closer to neutral. Near term, on any material increase in government bond yields we may add interest exposure as central banks are likely to control short and medium term government bonds yields to their desired level.



The actual cash held by the Fund is 1.94%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

*Other includes currency derivatives used to manage foreign exchange risk.

[1] The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Global Corporate Bond Fund

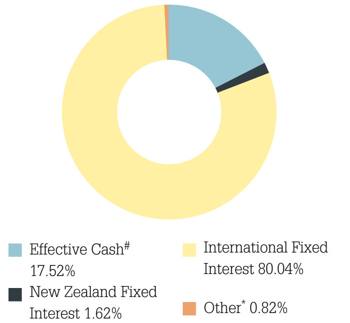
Portfolio Manager: Paul Morris

An improved risk backdrop has supported investor demand for corporate bonds. Helped by the start of US Federal Reserve corporate bond buying, this demand more than absorbed record new bond supply. The result was a further recovery in prices from March's weakness, contributing to a strong 1.1% Fund return in May (3.9% over 1-year).

Given the broad range of economic outcomes the Fund retained its cautious setting. To benefit from incredible central bank support, exposure to investment grade bonds (IG) was increased to be overweight relative to the benchmark, but with a focus on picking companies with strong balance sheets. This benefit relative to benchmark was however more than offset by an underweight allocation to high-yield bonds (HY) as HY posted considerable outperformance to reverse much of the price falls seen in the early stages of the crisis.

Looking forward, noting the now more expensive HY valuations (both absolute and versus IG), we believe it remains prudent in the context of the Fund's absolute and relative return objectives to remain wary of the more heavily indebted issuers in HY and their lower resilience to the eventual earnings fallout from the crisis. We therefore retain the cautious setting. We have moved interest rate exposure close to neutral, mindful that in the near term central banks can control short and medium term government bonds yields to their desired level.

Actual investment mix [1]



The actual cash held by the Fund is 3.34%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

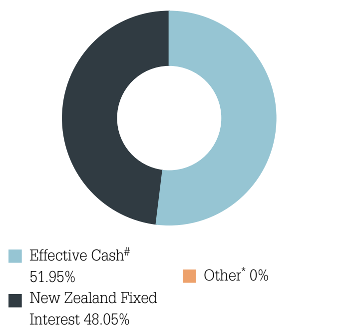
Cash Fund

Portfolio Manager: Paul Morris

During the month the Reserve Bank of New Zealand (RBNZ) indicated very strongly that its Official Cash Rate (OCR) will not go negative at least until end of March 2021.

Thereafter however a negative OCR remains a real possibility. If a negative OCR was realised that might see parts of the Fund’s current investible universe of instruments trading at negative interest rates, however, we would note that the vast majority of the Fund’s current holdings and investible universe at that time would likely still have a positive interest rate (as illustrated by experience offshore even at a reasonably negative OCR).

All that is some way off and for now we continue to focus on deploying the Fund into the optimal mix of instruments to deliver its return objective while maintaining liquidity and focusing on diversification and higher credit quality exposures.



The actual cash held by the Fund is 51.95%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

*Other includes currency derivatives used to manage foreign exchange risk.

[1]The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Global Equity Fund

Portfolio Manager: Felix Fok

Global Equity gained 6.4% in May and is up 16.2% in the last year. Longer term, the Fund is up 31.7% in the past 3 years.

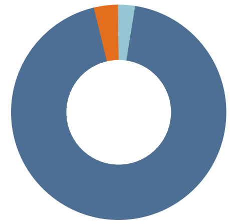
Key positive contributors included PayPal (+26.0%), for the second month in a row. PayPal is well positioned as Covid-19 accelerates the shift to electronic payments and e-commerce, and away from brick-and-mortar retailing. Still, with the shares having appreciated strongly, the Fund trimmed the position.

Japanese business software company Freee (+39.3%) continued its strong run since its IPO in December 2019. Freee is looking to expand into serving medium-sized businesses as it broadens its cloud-based software solutions beyond accounting and human resourcing for small businesses and the self-employed.

Detractors from performance included emerging market blue chip Taiwan Semiconductor Manufacturing Company (TSMC, -5.3%). This leading global contract manufacturer of high-end computer chips is caught-up in US-China trade tensions. During the month, the US outlined stricter export restrictions relating to Chinese technology companies, some of which are customers of TSMC. More broadly, Chinese companies listed on US exchanges also came under pressure late in the month due to trade tensions, which hurt KFC franchisee Yum China (-4.4%).

The economic backdrop remains challenging notwithstanding signs of recovery off depressed levels. We expect volatility in the short term given uncertainty on the breadth, depth and duration of the disruption. The portfolio remains focused on our key investment themes and dominant companies.

Actual investment mix [1]



Effective Cash# 2.54%
Listed Property 3.60%
Other* 0.21%
International Equities 93.65%

The actual cash held by the Fund is 3.37%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Trans-Tasman Equity Fund

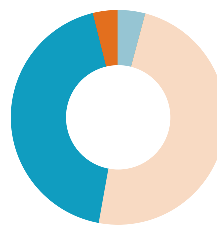
Portfolio Manager: Sam Trethewey & Wayne Gentle

May performance was 4.4% compared to a 3.3% return for the NZX 50 Gross Index and a 4.4% return for the ASX 200 Accumulation Index. The month saw a continuation of the April rally across both markets, there was a risk-on sentiment supported by easing of lockdown measures.

The Fund's performance continues to be driven by stock selection. Standout contributors this month included payment provider AfterPay (+52.0%), property investment manager Charter Hall (+26.7%) and Mainfreight (+9.0%). AfterPay indicated it continues to grow rapidly in the US. The company now has 5 million US customers and it added 1 million new customers over the Covid-19 lockdown period as online shopping grew at pace. Chinese tech giant Tencent also purchased a 5% stake in the business. Mainfreight delivered a strong result with earnings growth of 10% compared to the prior year. The company continues to win market share across most markets offsetting any macro weakness. On the outlook, CEO Don Braid indicated that trading in May was tracking ahead of the prior year after a tough April but was cautious of the strength continuing.

Covid-19 liquidity driven capital raisings continued, and the Fund participated in several transactions. This included the Comvita capital raise. The stock has been a significant underperformer in recent years due to extremely poor management and unfavourable honey harvests. The capital raising provided an opportunity to reset the business for growth, it is now up to the new management team to execute. Other changes included adding to Fletcher Building on weakness and to our property exposures after a period of significant under performance from the sector.

We expect the local equity markets to remain volatile in the coming months. Across both Australia and NZ we have seen real time measures of economic activity indicate week-on-week improvements across most sectors through May and daily new Covid-19 cases are negligible. Investor focus is likely to shift towards how sustained the rebound in activity is. However irrespective of short-term market performance, long-term returns will be more influenced by our ability to position the Fund in companies that can sustain earnings growth at above average rates. We have retained our bias towards quality growth exposures (like a2 Milk, CSL and Mainfreight) and defensive exposures with strong balance sheets (like Spark). We continue to avoid companies where we see stretched balance sheets, earnings or valuation risk.



Effective Cash# 4.16%
Listed Property 3.91%
New Zealand Equities 48.66%
Other* 0%
Australian Equities 43.27%

The actual cash held by the Fund is 5.96%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

*Other includes currency derivatives used to manage foreign exchange risk.

[1] The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Dynamic Fund

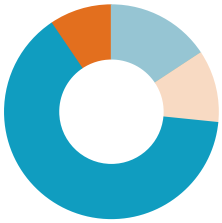
Portfolio Manager: William Curtayne & Michael Higgins

The S&P/ASX Small Ordinaries rallied strongly in May, up 10.8% taking the rally since the market low on 23 March to an incredible 45.9%. The Fund returned 9.7% for the month, and 9.4% for the latest year versus the benchmark performance of -1.7%. We were pleased our stock picking kept us within reach this month given our overall defensive positioning.

Once again, performance was led by gold mining companies Saracen and Evolution which rallied 17.7% and 19.4% respectively. As Australia's active Covid-19 cases continue to decline, companies exposed to the reopening of the economy led a strong recovery. Our exposure to domestic cyclical companies such as retirement community developer Lifestyle Communities (+26.0%), transit and tourism operator SeaLink (+16.6%) and car parts distributor Bapcor (+17.2%) led the recovery. We were particularly pleased with Sealink and Bapcor after materially increasing our positions during the recent sell off. EML Payments (+29.5%) also rebounded strongly as shopping malls reopened.

We are encouraged by Australia's response to Covid-19 and the reopening of the economy. While it will take time to return to pre-Covid levels, we think there are areas of opportunity across domestic cyclicals. In many cases, small capitalisation companies are the best place to gain this exposure. Volatility in the months ahead will deliver increased opportunities to generate outperformance.

Actual investment mix [1]



The actual cash held by the Fund is 15.82%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Upcoming Distributions	Target	Payment Date
Conservative Fund	0.5 cents (Quarterly)	16/07/2020
Diversified Income Fund	1.1 cents (Quarterly)	20/08/2020
Trans-Tasman Bond Fund	0.45 cents (Quarterly)	18/06/2020
Global Corporate Bond Fund	0.45 cents (Quarterly)	18/06/2020
Trans-Tasman Equity Fund	1.5 cents (Biannually)	17/09/2020

*Other includes currency derivatives used to manage foreign exchange risk.

[1] The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Milford Investment Funds Monthly Review as at 31 May 2020

Fund Performance

	Past month	1 year	3 years (p.a.)	5 years (p.a.)	Since Fund inception (p.a.)	Unit price $	Fund size $
Multi-Asset Funds							
Conservative Fund*	1.47%	4.36%	5.23%	—	6.08%	1.1717	439.7 M
Diversified Income Fund*	1.62%	1.86%	5.85%	7.66%	10.50%	1.7227	2,226.4 M
Balanced Fund	3.32%	6.45%	7.06%	7.14%	9.44%	2.4092	768.3 M
Active Growth Fund#	4.29%	5.74%	8.94%	8.71%	11.92%	3.8849	1,153.5 M
Australian Absolute Growth Fund	3.19%	6.68%	—	—	5.78%	1.1312	190.2 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	0.99%	4.79%	4.94%	4.82%	5.57%	1.1877	746.9 M
Global Corporate Bond Fund*^	1.06%	3.94%	3.86%	—	4.53%	1.0635	726.6 M
Cash Fund	0.02%	1.43%	—	—	1.57%	1.0197	144.6 M
Equity Funds							
Global Equity Fund†	6.44%	16.16%	9.62%	7.08%	8.73%	1.7995	778.3 M
Trans-Tasman Equity Fund*	4.39%	8.18%	13.19%	12.01%	11.11%	3.0823	442.3 M
Dynamic Fund	9.67%	9.41%	11.62%	8.80%	11.71%	2.0695	311.3 M

For details of how investment performance is calculated, and returns at each PIR please see www.milfordasset.com/funds-performance/view-performance#tab-performance.
Performance figures are after total Fund charges have been deducted and at 0% PIR.
Please note past performance is not a guarantee of future returns.
Inception dates for the Funds: Active Growth Fund: 1 October 2007, Trans-Tasman Equity Fund: 1 October 2007, Balanced Fund: 1 April 2010, Diversified Income Fund: 1 April 2010, Global Equity Fund: 12 April 2013, Dynamic Fund: 1 October 2013, Trans-Tasman Bond Fund: 2 December 2013, Conservative Fund: 1 September 2015, Global Corporate Bond Fund: 1 February 2017, Australian Absolute Growth Fund: 1 March 2018, Cash Fund: 1 March 2019.
*Performance figures include the reinvestment of the Funds' distribution.
^Returns prior to 1 March 2018 are from when the Fund was previously offered to wholesale investors only and have been adjusted for current Fund charges.
†Returns prior to 1 October 2018 are from when the Fund was structured to achieve an absolute return.
#The Active Growth Fund is closed to new investors.

Key Market Indices

	Past month	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)
S&P/NZX 50 Gross Index (with imputation credits)	3.33%	8.40%	14.75%	14.50%	14.72%
S&P/ASX 200 Accumulation Index (AUD)	4.36%	-6.70%	4.35%	4.27%	6.73%
S&P/ASX 200 Accumulation Index (NZD)	5.35%	-5.92%	5.11%	4.18%	4.99%
MSCI World Index (local currency)*	4.72%	6.86%	6.09%	6.03%	8.56%
MSCI World Index (NZD)*	4.44%	12.42%	10.84%	8.82%	11.55%
S&P/NZX 90-Day Bank Bill Rate	0.03%	1.33%	1.76%	2.10%	2.42%
Bloomberg Barclays Global Aggregate Bond (USD-Hedged)	0.28%	7.02%	4.87%	4.08%	4.05%
S&P/NZX NZ Government Bond Index	0.18%	7.38%	6.00%	5.54%	5.01%

*With net dividends reinvested

Top Security Holdings (as a percentage of the Fund's Net Asset Value)

Multi-Asset Funds

Conservative Fund	Diversified Income Fund	Balanced Fund	Active Growth Fund	Australian Absolute Growth Fund
Bank Of China 2.4% 2020 1.84%	Transurban Group 2.09%	Spark New Zealand 1.62%	a2 Milk Company 3.77%	Woolworths 7.21%
NZLGFA 1.5% 2029 1.49%	Spark New Zealand 1.99%	a2 Milk Company 1.58%	Spark New Zealand 3.30%	Newmont Mining 4.61%
Housing NZ 3.36% 2025 1.31%	NZ Government Bond 2.75% 2025 1.59%	Fisher & Paykel Healthcare 1.30%	Fisher & Paykel Healthcare 3.20%	Telstra Corp 4.46%
Westpac 2.22% 2024 1.15%	United States Treasury 0% 2020 1.44%	Alphabet 1.25%	Contact Energy 2.55%	National Australia Bank 3.88%
John Deere 1.75% 2024 1.15%	NZLGFA 1.5% 2026 1.43%	Microsoft Corp 1.25%	Commonwealth of Australia 5.5% 2023 2.15%	CSL 3.45%
ASB Bank 1.83% 2024 1.14%	Contact Energy 1.41%	Contact Energy 1.17%	Microsoft Corp 1.67%	IAG 3.18%
ANZ Bank 3.03% 2024 1.03%	Mirvac Group 1.29%	Amazon 1.14%	Summerset Group Holdings 1.66%	Transurban Group 3.16%
NZLGFA 1.5% 2026 0.98%	Woolworths 1.25%	Transurban Group 1.00%	Alphabet 1.59%	Evolution Mining 2.95%
ANZ Bank Float 2024 0.94%	Mirvac Group 3.625% 2027 1.18%	Apple 0.95%	Charter Hall Retail 1.35%	Newcrest Mining 2.49%
ING Group 1.45% 2024 0.91%	JPMorgan 1.09% 2027 1.15%	Woolworths 0.89%	Visa 1.31%	BHP Group 2.43%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon) rate, maturity year, size of fund holding (as % of total portfolio).

Cash and Fixed Income Funds

Trans-Tasman Bond Fund	Global Corporate Bond Fund	Cash Fund
NZLGFA 1.5% 2029 3.25%	Seagate 4.75% 2025 1.92%	NZLGFA 0% 2020 6.91%
Housing NZ 3.36% 2025 2.82%	Kerry Group 0.625% 2029 1.77%	Housing NZ 0% 2020 4.35%
Westpac 2.22% 2024 2.60%	Danaher Corp 0.45% 2028 1.74%	NZ Government 0% 2020 2.77%
ANZ Bank 3.03% 2024 2.32%	McDonald's 3% 2024 1.62%	NZ Government 0% 2020 2.42%
ASB Bank 1.83% 2024 2.22%	Dell 5.85% 2025 1.50%	Kiwibank 1.05% 2020 2.14%
ANZ Bank Float 2024 2.12%	John Deere 1.75% 2024 1.49%	Westpac 32 Day CMD 2020 2.12%
Macquarie Group Float 2025 2.01%	FBG Finance 3.25% 2022 1.46%	ANZ 1.44% 2020 2.08%
ING Group 1.45% 2024 1.82%	Nordea Bank 0.5% 2027 1.38%	Westpac 1.3% 2020 2.08%
John Deere 1.75% 2024 1.81%	Sprint Spectrum 4.738% 2025 1.31%	NZ Treasury CD 2020 2.08%
NZLGFA 3.5% 2033 1.80%	Vodafone Group 4.2% 2027 1.30%	SBS Bank CD 2020 2.08%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon) rate, maturity year, size of fund holding (as % of total portfolio).

Top Security Holdings (as a percentage of the Fund's Net Asset Value)

Equity Funds

Global Equity Fund	Trans-Tasman Equity Fund	Dynamic Fund
Alphabet 4.29%	a2 Milk Company 9.38%	Evolution Mining 5.51%
Microsoft Corp 4.23%	Fisher & Paykel Healthcare 8.45%	Saracen Mineral Holdings 4.69%
Amazon 4.09%	CSL 6.07%	Sealink Travel Group 3.34%
Apple 3.59%	Mainfreight 3.70%	Collins Foods 3.23%
Paypal Holdings 3.00%	Xero 3.64%	Bapcor 2.94%
S&P Global 2.83%	Spark New Zealand 3.29%	EML Payments 2.91%
Transunion 2.70%	Transurban Group 2.94%	EQT Holdings 2.88%
Visa 2.52%	BHP Group 2.85%	IPH 2.86%
Mastercard 2.40%	Ryman Healthcare 2.71%	HUB24 2.82%
ASML Holding 2.37%	Infratil 2.63%	Lifestyle Communities 2.35%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon) rate, maturity year, size of fund holding (as % of total portfolio).

Milford and Milford staff have approximately $27.1 million invested across our Investment Funds as at the end of May 2020.

Frances Sweetman
Senior Analyst

Investment Highlight - Sky TV

In the relentless pursuit of superior returns it can be easy to forget the primary role of equity markets, which is to provide capital to businesses that need it. We have been served a heavy reminder in the past two months, which has seen over $2bn sought by New Zealand listed companies as a direct result of the Covid-19 outbreak.

Equity raisings can provide excellent opportunities to deliver strong returns. Companies generally need capital when risk is highest, for example in a downturn, or for new and unproven growth opportunities. To reflect this risk, and to ensure the capital can be successfully raised, new shares are often issued at healthy discounts. For those able to assess and price the risk, rewards can be handsome. This is illustrated in the table below, which outlines the capital raised by New Zealand companies since the Covid-19 outbreak.

Company	Date of raise	Amount Required	Share price 29th Feb 20	Issue price*	Share price 31st May 20**
Kathmandu	1st April 20	$207m	$2.13	$0.50	$1.04
Auckland Airport	6th April 20	$1,200m	$7.87	$4.66	$6.50
Vista Group	16th April 20	$65m	$3.01	$1.05	$1.50
Investore Property	29th April 20	$100m	$1.76	$1.65	$1.73
Z Energy	11th May 20	$350m	$4.06	$2.90	$2.82
Sky TV	21st May 20	$157m	$0.29	$0.12	$0.15

*Placement price. **Lower share prices post capital raise partially reflect the higher number of shares on issue
Source: Iress, company data

Our Funds participated in all these raises on behalf of their investors to varying extents depending on the investment team's assessment of the risk and reward on offer. In some cases, the risk / reward was clear. For example, Kathmandu: we have good visibility of their product, brand and markets, an outlook that we could forecast and a management team we rate highly. The offer price was well below our assessment of value. In other cases the risk / reward was less clear, for example, Sky TV.

Sky TV has been losing subscribers to new streaming alternatives for a number of years. While at first glance the Covid-19 outbreak could appear positive for the business, as we were forced to stay at home, the cancellation of live sport has led to a loss of sports subscriptions, advertising revenue and sales to pubs and clubs. The outlook remains unclear. While Sky TV's own streaming service can compete with global players like Netflix and Disney+, it is significantly cheaper than the Sky satellite service and so not a profitable substitute when the cost of premium content continues to rise. It is yet to be seen how much revenue lost through the suspension of live sport returns as sport gradually resumes.

However, we are of the view that there can be role for an aggregator of local and international content if it is done well. The new CEO Martin Stewart has a strategy to provide content to every household in New Zealand, however they may want to consume it, at a variety of different price points. This has enough merit to warrant the provision of capital required for the business to survive. As illustrated in the table above, this has also provided a 25% return for our investors (at the share price when writing), an attractive return for the risk, in our view.

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