Milford Investment Funds Monthly Review
October 2020

Market and Economic Review

In hindsight, a little exuberance in share markets is easy to identify. The strong August performance of shares, particularly US technology, had all the hallmarks of a 'greed' driven rally. It's still not clear what exactly caused the turnaround, but September performance has been virtually the mirror image with broadly negative returns across share markets.

Milford's investment team recognised the increasing risks and responded in two ways. Firstly, a more cautiously invested stance was taken, with increased levels of cash or protection taken out against market falls. Secondly, there was discipline on the stock selection side where we took profits on some of our recent winners. As a result, although Fund performances in the month are negative, the Funds have managed to hold onto a large portion of the gains seen over the past few months.

The global economic recovery has been enabled by stimulus from governments and central banks, with JP Morgan estimating that fiscal support will add 3.7% to global GDP this year. The 'V' shaped recovery in consumer spending in the face of significant global unemployment is clear evidence of this policy success.

Looking ahead, the path is less clear. Consumer spending has been on goods as opposed to services, and therefore much more likely to be one-off in nature. Services spending (e.g. leisure, travel and dining) will continue to be impaired until we have a widely distributed vaccine for COVID-19. Stimulus checks from governments may be harder to come by, for example the US government has failed to agree to a renewed spending package after the previous one expired at the end of July.

Elections also loom large. In NZ, the outcome appears to be reasonably clear with the current government likely to resume power. In the US though, chances are high that they will have a change in government. Furthermore, the risk of a contested outcome is high – creating an increase in uncertainty that would surely roil global share markets.

The recent pullback in shares means we do have increased conviction in shares that can support their valuations with reasonable and sustainable dividend yields. Given the risks to the global outlook and higher valuations we remain more cautious on international shares. However, with monetary stimulus remaining supportive for asset prices, we remain largely fully invested.

Conservative Fund

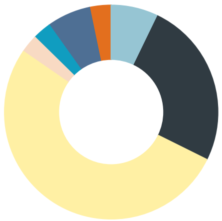
Portfolio Manager: Paul Morris

The Fund's strong recovery from the weakness seen in March paused in September and it was close to flat over the month. While Australasian bonds enjoyed a good month, benefitting from expectations of even more monetary policy stimulus, it was a more difficult month for many of the markets into which the Fund is invested.

Global corporate bonds, global shares and most sectors of the Australasian share market were weaker. There were however some bright spots, notably NZ property shares and utilities, the latter benefitting from news the NZ government was negotiating for a postponement of the Tiwai smelter closure. Given elevated valuations across many share and bond markets the Fund went into the month with a slightly cautious setting, notably holding less shares than its long run neutral. While we have slightly increased this exposure, it remains below neutral as we remain wary of potential volatility around myriad risks; US elections, fading fiscal stimulus, a second wave of COVID-19 infections (already evident in Europe) and a slowdown in the pace of the economic recovery.

Nevertheless, looking ahead over the medium term we remain optimistic that ongoing support from governments and central banks should ultimately underpin the economic recovery and support both bond and share market returns. All the while, there is also the expectation that next year will bring an effective COVID-19 vaccine which would of course further support the recovery.

Actual investment mix [1]



Effective Cash# 7.20%
New Zealand Fixed Interest 25.12%
International Fixed Interest 52.27%
New Zealand Equities 2.74%
Australian Equities 2.80%
International Equities 6.60%
Listed Property 3.24%
Other* 0.03%

The actual cash held by the Fund is 2.89%. 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 return was flat for the month and is also now flat over the past year. Most of the markets in which the Fund invests were lower this month, with declines of between 1% and 4% for NZ shares, Australian shares, global high-yield bonds, and global shares. Positive returns were seen in investment grade corporate bonds in both NZ and Australia as interest rates in those markets fell further.

Within our share portfolio, we saw strong performance this month from two larger holdings - Australian toll road owner Transurban (+4.8%, benefitting from easing in the Victorian lockdown) and Contact Energy (+6.4% on news that the government was negotiating a deal for the Tiwai aluminium smelter to remain for a further 3-5 years). Several of the Fund's holdings in Australian listed property companies also performed well including Arena (childcare landlord, +7.2%) and Mirvac (diversified landlord and developer, +3.3%). At the weaker end was a2 Milk (-17.5%), a smaller holding at 0.5% of the Fund. The Fund added new shareholdings in Fisher & Paykel Healthcare, following share price weakness, and global miner BHP, which offers a solid balance sheet and an alternate source of income (~5% dividend yield) compared to other exposures in the Fund.

In fixed income, the notable addition this month was a new hybrid debt issue from Australian retail landlord Scentre Group. Retail property is a difficult sector in the pandemic, but this instrument ranks senior to ordinary shareholders and we feel the 5% yield is attractive for the risk. The Fund has taken a meaningful exposure (1.9% holding). Looking ahead, we have moderate concerns around the election and fiscal support negotiations in the US, and the virus situation in Europe. These all present key risks to the outlook. However, we believe that a gradual ongoing economic recovery, supported by central banks and a potential vaccine, is the most likely outcome as we look into the first half of 2021. This, alongside moderately supportive valuations in most shares in the Fund (including attractiveness compared to very low bond yields), supports the current higher level of equity exposure (41%) relative to recent years.

Effective Cash# 4.89%
New Zealand Fixed Interest 10.57%
International Fixed Interest 43.81%
New Zealand Equities 10.22%
Australian Equities 10.43%
International Equities 8.64%
Listed Property 11.44%
Other* 0%

The actual cash held by the Fund is 2.64%. 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

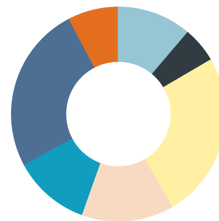
Portfolio Manager: Mark Riggall

The Fund returned -0.1% in September, bringing the 1-year return to 5.8%. After the exuberance of August, US share markets slumped in September, led by technology stocks. This dragged other global share markets lower too but the impact on the Australian and NZ share markets, where the Fund is largely invested, was more muted. Although the exact cause of the sell-off is hard to identify, peaking economic growth, lower fiscal stimulus and the looming US election are all reasons for investors to be more cautious.

The Balanced Fund navigated the sell-off in a number of ways. Firstly, the underlying Funds had been taking profits on stocks that had been performing well and investing the proceeds in less expensive income stocks. Secondly, the Balanced Fund itself had reduced exposure to global (particularly US) shares, recognising that valuations and risks had been rising in August. Thirdly, the Fund increased its foreign currency exposure as the NZ dollar tends to fall when global shares fall. In the long term, low interest rates will continue to support asset prices, particularly those that can deliver sustainable incomes from coupons or dividends.

Accordingly, the Fund has been increasing exposure to the Income Fund over the month. Growth assets (shares) are likely to continue to be volatile as the outlook remains uncertain. The easy gains for the global economy are behind us and persistent unemployment, and potentially reduced appetite for government support, will weigh on growth going forward. The Fund remains cautious towards global shares within the context of an otherwise fully invested Fund.

Actual investment mix [1]



- Effective Cash# 11.23%
- New Zealand Fixed Interest 5.34%
- International Fixed Interest 25.11%
- New Zealand Equities† 13.76%
- Australian Equities 11.63%
- International Equities 25.15%
- Listed Property 7.78%
- Other* 0%

The actual cash held by the Fund is 5.51%. 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

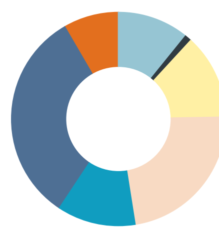
Portfolio Manager: Jonathan Windust

The Fund fell 0.6% in September as share markets gave back some of their recent strong gains. Share price falls were greatest in the US and in the technology sector where prices and valuations had risen sharply.

Key positive company investments during the month included Contact Energy (+6.4%) and US construction materials company Martin Marietta (+16.0%). Contact benefitted from the Labour party's announcement to provide support to keep the Tiwai Point smelter, NZ's largest electricity user, operating for another 3 to 5 years. Martin Marietta benefitted from a strong US housing market and the potential for increased government spending on infrastructure. A key addition to the portfolio was a fixed income investment in Scentre Group, the owner of Westfield shopping malls in New Zealand and Australia. The issue has a fixed yield of 5.1% which we believe is very attractive given its well-positioned premium shopping mall portfolio. The Fund sold NZ dollar and increased exposure to the US dollar during the month, reflecting the aggressive policy of our Reserve Bank in terms of bond buying and potentially negative rates. Low rates make NZ much less attractive to foreign investors reducing demand for the NZ dollar.

The short-term outlook for shares remains uncertain with rising virus cases, potentially reduced government support, elections, BREXIT and historically high valuations. The main positives remain very strong stimulus measures and very low interest rates which create demand for shares as investors look for a return. A vaccine would be a positive for economies although some companies that have benefitted from the virus and working from home may see headwinds. On balance we expect shares to outperform over the medium-term but remain volatile given the high level of uncertainty. The strategy of the Fund is to remain active and invest in a combination of reasonably priced growth companies and companies which offer value and attractive yields.

Please note this Fund is closed to new investors.



- Effective Cash# 10.81%
- New Zealand Fixed Interest 1.01%
- International Fixed Interest 12.89%
- New Zealand Equities‡ 22.80%
- Australian Equities 11.79%
- International Equities 32.32%
- Listed Property 8.38%
- Other* 0%

The actual cash held by the Fund is 6.11%. 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 0.23% ‡Includes unlisted equity holdings of 1.71% *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

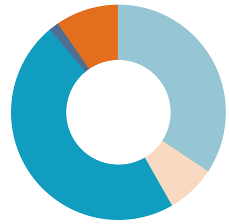
Portfolio Manager: William Curtayne & Wayne Gentle

The Fund largely held ground in September with a 0.1% decline as the ASX 200 fell 3.6%. The Fund's positioning in higher quality companies with valuation support insulated the portfolio from substantial losses over the month.

Sealink was the strongest performer (+18.3%) on anticipation of further contract wins in its transport business. We also expect their ferry and accommodation services to do well as Australian's travel locally this summer. Our largest detractor was Woolworths (-7.0%) which pulled back after strong recent gains. We took the opportunity to increase our position into this decline. Woolworths has a very stable business, and we anticipate it can generate close to 10% annual returns over the coming years.

We enter an interesting period until the end of the year where the outcome of various events will largely determine the fortunes of the equity markets. These events include fiscal stimulus packages, developments on COVID-19 vaccines and the outcome of the US presidential election. Positive outcomes will likely see the underperforming cyclical sectors such as REITs and financials outperform, while negative outcomes will likely see general market weakness and outperformance from defensive stocks such as supermarkets and healthcare. Our portfolio is positioned towards higher quality defensive holdings with some contrarian cyclical investments that would perform strongly on positive fiscal and vaccine developments.

Actual investment mix [1]



Effective Cash# 34.33%
New Zealand Equities 7.43%
Australian Equities 47.11%
International Equities 1.48%
Listed Property 9.65%
Other* 0%

The actual cash held by the Fund is 25.11%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

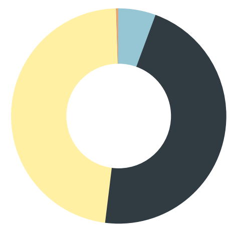
Trans-Tasman Bond Fund

Portfolio Manager: Paul Morris

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.



Effective Cash# 5.65%
New Zealand Fixed Interest 46.28%
International Fixed Interest 47.57%
Other* 0.50%

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).

*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

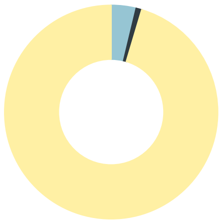
Portfolio Manager: Paul Morris

The Fund's strong recovery since the March sell-off paused in September as it fell 0.5%. The US elections, fading global fiscal stimulus, and a second COVID-19 wave (notably in Europe) saw global corporate bond demand wane, even as bond issuance remained elevated. This resulted in underperformance relative to global (low risk) government bonds. The weakness was more pronounced in high-yield (HY) bonds than in investment grade (IG) bonds.

The Fund retained a small underweight in HY versus benchmark, mindful of this uncertain backdrop but offsetting this relative benefit was an overweight exposure to the performance of IG credit spreads (the extra yield of corporate bonds over governments) which were also weak. The result was small underperformance versus benchmark.

During September we added selectively from new subordinated bond issuance from Virgin Money UK bank, Scentre Group (Australian property) and Ausnet (Australian utility). In certain cases, we believe subordinated bonds of high-quality companies can offer attractive extra return versus that company's senior ranking debt but also versus the senior debt of many more highly indebted companies. We again used these new issue opportunities to switch out of more expensive holdings, especially higher-rated issuers where valuations are less attractive. Looking forward, volatility may remain elevated over coming months, but the extent of monetary and fiscal policy support should enable moderate medium-term corporate bond returns.

Actual investment mix [1]



The actual cash held by the Fund is 0.27%. 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

Short dated NZ dollar bank bills, a reflection of interbank funding levels, remained close to unchanged over the month but expectations remain elevated for a negative Official Cash Rate (OCR) next year.

In September the Reserve Bank of New Zealand (RBNZ) reiterated this possibility. It also outlined the likelihood of a bank funding for lending programme which could be available before year end. This all forms part of the RBNZ's efforts to bring market and retail interest rates lower. In previous commentary we outlined an expectation that even under a negative OCR, the Fund should be able to deliver a positive return. We would caveat this expectation with the fact that it remains dependent on myriad factors not limited to (i) the extent the OCR could go negative and (ii) the impact the still developing RBNZ policy actions have on the yields available from the Fund's investible universe.

For now, however, recent developments have not changed the portfolio management of the Fund which remains focussed on maintaining a low risk strategy, built on a diversified portfolio of cash, short-dated debt securities and term deposits, to protect capital. We believe this still remains an attractive, tax efficient (as a PIE vehicle), liquid (meaning investors have access to fund on request unlike term deposits) and low-risk alternative to bank term deposits.

The actual cash held by the Fund is 20.56%. 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

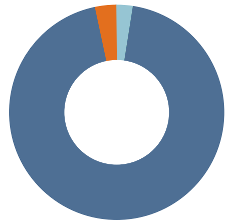
The Fund fell 0.6% in a down month for global share markets; the Fund outperformed the market index by 1.5%.

Key positive contributors included US aggregates company Martin Marietta (+16.0% in local currency). Despite having been a laggard, Martin is in the portfolio as a quality cyclical company that could benefit from infrastructure spending. Currently, US election odds point to a likely Democratic win which could lead to more significant fiscal spending.

Japanese 'Xero look-a-like' Freee (+35.9%) continues to exceed our expectations and has now almost quadrupled since its listing last December. Despite the disruption of the global pandemic, accounting software user growth has been strong, and the company continues to execute well. Another strong performer was French luxury goods company Kering (+10.3%), owner of brands like Gucci, Bottega Veneta and Saint Laurent. COVID-19 was the perfect storm for this sector with air travel, and therefore tourist purchases, impaired. The Fund increased its position earlier this year in anticipation of recovery.

Detractors from performance included aircraft engine maker Safran (-13.0%). While Kering and Safran are both recovery plays, the former has the benefit of online shopping as a sales channel. Unfortunately, the recovery in air travel seems delayed. Alphabet (-10.1%), parent company of Google, fell on profit taking and concerns over upcoming US antitrust investigation. The Fund has slightly moderated its position in Alphabet, as well as technology companies more broadly. The economic backdrop remains uncertain. The portfolio remains focussed on our key investment themes and dominant companies.

Actual investment mix [1]



The actual cash held by the Fund is 2.99%. 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

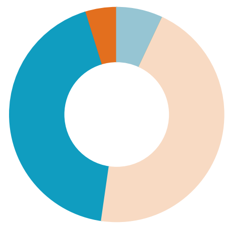
Portfolio Manager: Sam Trethewey & Wayne Gentle

The Fund declined 2.5% in September compared to a 1.6% fall for the NZX 50 index and a 3.4% fall for the ASX 200 index. In Australia profit taking occurred across the market after a strong performance during the August reporting season. In NZ, weak returns from large caps a2 Milk and Fisher & Paykel Healthcare led the Fund and index lower. a2 Milk (-17.5%) provided a weak trading update that highlighted a downturn in sales via the daigou channel. The company outlined to investors that they believe the issue is short term and indicated that direct sales in China continue to grow strongly and brand health metrics remain strong.

We dialled back the Fund's holding in a2 Milk following an earlier trading update in April. Fisher & Paykel Healthcare (-9.7%) transitioned from the ASX small cap indices into the ASX 100 mid-month. This resulted in selling pressure as it was large weight within the small cap index. Over coming months, we expect the stock will trade in line with global COVID-19 case numbers and hospitalisation rates. Looking to the medium term, Fisher & Paykel has the opportunity to convert the current usage of its products for the treatment of COVID-19 to a wider usage for other respiratory illnesses.

Standout performers included mortgage broker Australian Finance Group (+19.6%), travel software developer Serko (+22.6%), and toll road operator Transurban (+4.8%). These stocks were sought after by investors to provide exposure to the reopening of local economies after lockdowns. During the month we added to Spark on weakness and switched some of our exposure in the healthcare sector from CSL to Fisher & Paykel Healthcare.

Irrespective of short-term market performance, long-term returns will be heavily influenced by our stock selection. That is our ability to position the Fund in companies that can sustain earnings growth at above average rates and avoid where we see stretched balance sheets, earnings or valuation risk.



The actual cash held by the Fund is 8.31%. 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

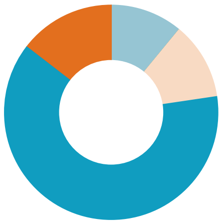
Portfolio Manager: William Curtayne & Michael Higgins

The Dynamic Fund held up well through September delivering a largely flat return of -0.1%, while the S&P/ASX Small Ordinaries benchmark declined 2.8%. We are pleased at the continued outperformance of the Fund since the severe sell-off in February and March (6.8% since March 23rd).

This month, performance was led by SeaLink (+18.3%) as it continues to win key transit contracts, having secured routes in SA, QLD, WA and Singapore over the past quarter. The upcoming tender pipeline also looks promising with the planned privatisation of key routes in NSW & VIC. HUB24 (+14.7%) continued its strong recent performance, as it benefits from the structural migration away from the major banks and AMP, towards more nimble independent wealth management groups. Detractors included payments provider EML Payments (-16.4%) and Fisher & Paykel Healthcare (-9.7%). We retain a positive view on both companies.

We enter the final quarter of the year with a balanced portfolio given the wide array of outcomes which will largely determine the direction of equity markets. These events include fiscal stimulus packages, developments on vaccines and the outcome of the US presidential election. In many cases, small capitalisation companies exposed to the domestic economy are the best placed to take advantage of investment opportunities in this environment.

Actual investment mix [1]



The actual cash held by the Fund is 10.40%. 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)	22/10/2020
Diversified Income Fund	1.1 cents (Quarterly)	19/11/2020
Trans-Tasman Bond Fund	0.45 cents (Quarterly)	17/12/2020
Global Corporate Bond Fund	0.45 cents (Quarterly)	17/12/2020
Trans-Tasman Equity Fund	1.5 cents (Biannually)	18/03/2021

*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 30 September 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*	0.22%	4.14%	5.98%	6.47%	6.40%	1.2083	477.8 M
Diversified Income Fund*	0.03%	0.19%	6.60%	8.51%	10.53%	1.7737	2,333.6 M
Balanced Fund	-0.07%	5.79%	8.29%	8.83%	9.69%	2.5411	902.0 M
Active Growth Fund#	-0.58%	6.70%	10.11%	10.58%	12.24%	4.1810	1,274.9 M
Australian Absolute Growth Fund	-0.06%	1.95%	—	—	6.49%	1.1721	218.9 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	0.48%	4.65%	5.56%	5.12%	5.71%	1.2115	817.4 M
Global Corporate Bond Fund*^	-0.45%	3.53%	4.29%	—	4.93%	1.0854	771.9 M
Cash Fund	0.04%	0.93%	—	—	1.32%	1.0210	126.2 M
Equity Funds							
Global Equity Fund†	-0.56%	18.56%	12.31%	9.42%	9.71%	1.9776	836.7 M
Trans-Tasman Equity Fund*	-2.51%	7.29%	13.20%	14.62%	11.40%	3.2809	537.2 M
Dynamic Fund	-0.11%	8.21%	12.85%	12.47%	12.69%	2.2816	389.2 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)	-1.41%	8.26%	15.02%	17.18%	15.13%
S&P/ASX 200 Accumulation Index (AUD)	-3.66%	-10.21%	4.80%	7.31%	5.93%
S&P/ASX 200 Accumulation Index (NZD)	-4.55%	-9.50%	4.78%	7.04%	5.41%
MSCI World Index (local currency)*	-2.89%	8.55%	7.85%	10.32%	9.35%
MSCI World Index (NZD)*	-1.27%	4.74%	11.00%	9.75%	11.98%
S&P/NZX 90-Day Bank Bill Rate	0.02%	0.87%	1.57%	1.90%	2.31%
Bloomberg Barclays Global Aggregate Bond (USD-Hedged)	0.37%	4.14%	5.12%	4.32%	4.32%
S&P/NZX NZ Government Bond Index	0.86%	5.42%	6.62%	5.31%	5.82%

*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
NZLGFA 1.5% 2029 1.45%	Contact Energy 2.58%	Spark New Zealand 2.19%	Spark New Zealand 4.17%	Woolworths 6.36%
Scentre Group 5.125% 2080 1.36%	Spark New Zealand 2.49%	Fisher & Paykel Healthcare 1.99%	Fisher & Paykel Healthcare 4.10%	CSL 5.94%
Housing NZ 3.36% 2025 1.19%	Transurban Group 1.96%	Contact Energy 1.53%	Summerset Group Holdings 2.61%	National Australia Bank 5.22%
NZLGFA 3.5% 2033 1.15%	Scentre Group 5.125% 2080 1.92%	a2 Milk Company 1.27%	a2 Milk Company 2.29%	Transurban Group 3.73%
Westpac 2.22% 2024 1.10%	Woolworths 1.80%	Amazon 1.14%	Contact Energy 2.06%	BHP Group 3.29%
CBA Float 2030 1.10%	Goodman Group 1.56%	Scentre Group 5.125% 2080 1.13%	Dr Horton 1.97%	Spark New Zealand 3.13%
AusNet Float 2080 0.98%	Coles Group 1.41%	Microsoft Corp 1.11%	Scentre Group 5.125% 2080 1.64%	ANZ Banking Group 3.11%
ING Group 1.45% 2024 0.97%	NZLGFA 1.5% 2026 1.35%	Transurban Group 1.08%	Charter Hall Retail 1.64%	Mirvac Group 2.87%
Transpower 1.735% 2025 0.96%	Meridian Energy 1.32%	Woolworths 1.06%	EBOS Group 1.61%	Charter Hall Retail 2.43%
ASB Bank 1.83% 2024 0.94%	Mirvac Group 1.19%	Alphabet 1.01%	Microsoft Corp 1.58%	IAG 2.27%

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 3.06%	Seagate 4.091% 2029 1.87%	Westpac 32 Day CMD 2020 9.19%
Housing NZ 3.36% 2025 2.59%	Kerry Group 0.625% 2029 1.75%	ANZ 1.21% 2020 5.32%
NZLGFA 3.5% 2033 2.51%	Danaher Corp 0.45% 2028 1.66%	Housing NZ 0% 2020 4.99%
Westpac 2.22% 2024 2.40%	Scentre Group 5.125% 2080 1.61%	ANZ 1.2% 2020 3.97%
ING Group 1.45% 2024 2.11%	McDonald's 3% 2024 1.56%	ANZ 1.15% 2020 3.96%
Transpower 1.735% 2025 2.09%	Crown Castle 2.25% 2031 1.50%	Christchurch City 0% 2020 3.96%
ASB Bank 1.83% 2024 2.06%	Bank of America 1.898% 2031 1.47%	Auckland Airport CD 2020 3.96%
ANZ Bank Float 2024 1.98%	John Deere 1.75% 2024 1.46%	Contact CD 2020 3.96%
Macquarie Group Float 2025 1.88%	Masco 2% 2030 1.37%	Port of Tauranga CD 2020 3.96%
NZ Government Bond 4.5% 2027 1.75%	Alphabet Inc 0.8% 2027 1.37%	ANZ 1.2% 2020 3.18%

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
Amazon 4.27%	Fisher & Paykel Healthcare 8.81%	Sealink Travel Group 4.37%
Microsoft Corp 3.73%	a2 Milk Company 6.01%	HUB24 4.37%
Alphabet 3.65%	CSL 4.98%	Collins Foods 4.07%
Alibaba Group 3.10%	Xero 3.80%	Bapcor 3.93%
Paypal Holdings 2.95%	Mainfreight 3.58%	IPH 3.45%
Apple 2.93%	Spark New Zealand 3.49%	Evolution Mining 3.26%
Danaher 2.59%	BHP Group 3.22%	EQT Holdings 2.97%
Transunion 2.51%	Infratil 3.07%	Fisher & Paykel Healthcare 2.92%
Thermo Fisher Scientific 2.51%	Auckland Airport 2.97%	EML Payments 2.89%
S&P Global 2.38%	Ryman Healthcare 2.77%	Lifestyle Communities 2.76%

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 $28.2 million invested across our Investment Funds as at the end of September 2020.

David Rigby
Senior Analyst

Investment Highlight - James Hardie Industries

James Hardie is the global leader in fiber cement exteriors for stand-alone homes. Since pioneering the material in Australia in the early 2000s, the company has been on a remarkable run of growth – especially in the US where performance and cost advantages have enabled it's products to gradually displace more established Wood, Brick and Vinyl siding. Last year, around one in five of the 900,000 new single-family homes built in the US were clad in Hardies.

But the story has not always been so positive. Our more experienced clients will remember Hardies from its days selling asbestos-based products in the 1950s to 1980s, as well as its attempts in the mid 2000's to avoid responsibility for the ensuing health crisis. The company is also one of those taken to court in NZ for products, sold from the 1980s to 2000s, that may have contributed to leaky homes. In our view, Hardies had badly breached its social license to operate.

Thankfully, a lot has changed since then; including a 2012 Australian High Court finding against former directors and, in 2007, the establishment of a company-funded trust that has paid out over A$1.6bn in compensation to asbestos victims (with an estimated A$1.4bn still to come).

By 2014, internal change had been sufficiently widespread and meaningful for us to take another look – and we found many essentials of a sound long term investment, including:

1. Fiber cement being a potentially disruptive material with clear competitive advantage
2. A track record of product innovation and potential to keep taking market share long term
3. Clear market demand, growing scale benefits and pricing power
4. The prospect of sustainably high returns on invested capital

The process of corporate rejuvenation continued in 2019 with the appointment of Jack Truong as CEO. An inaugural Social Responsibility report was published, management compensation hurdles were increased (twice), new systems and investment for employee safety and environmental mitigation were introduced, and customer focus was brought to the fore.

Of course, risks remain. Low interest rates and pent up demand have contributed to a US housing boom that will eventually fade, and Hardies' first steps into Europe haven't been as smooth as hoped. However, the initial shares we bought in 2014 for A$13.68/share now trade at over A$34 each. The market appears to agree with our positive view on the outlook for the new James Hardie.

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