

# Milford Investment Funds

## Statement of Investment Policy & Objectives

Milford Funds Limited - 21 June 2021

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# Part A: The Milford Investment Funds

## Introduction

# 01.

This Statement of Investment Policy and Objectives ('SIPO') is for the Milford Investment Funds ('the Funds').

Each Fund is a separate trust within an overall managed investment scheme under the Financial Markets Conduct Act 2013 ('FMCA').

There are twelve funds in total (each a 'Fund'):

### Multi-Asset Funds

1. Milford Conservative Fund ('Conservative Fund')
2. Milford Diversified Income Fund ('Diversified Income Fund')
3. Milford Balanced Fund ('Balanced Fund')
4. Milford Active Growth Fund ('Active Growth Fund')
5. Milford Australian Absolute Growth Fund ('Australian Absolute Growth Fund')
6. Milford Aggressive Fund ('Aggressive Fund')

### Cash and Fixed Income Funds

7. Milford Cash Fund ('Cash Fund')
8. Milford Trans-Tasman Bond Fund ('Trans-Tasman Bond Fund')
9. Milford Global Corporate Bond Fund ('Global Corporate Bond Fund')

### Equity Funds

10. Milford Global Equity Fund ('Global Equity Fund')
11. Milford Trans-Tasman Equity Fund ('Trans-Tasman Equity Fund')
12. Milford Dynamic Fund ('Dynamic Fund').

The Funds are all unit trust funds managed by Milford Funds Limited ('Milford', the 'Manager', 'we', 'our', or 'us').

The Manager is responsible for administering each Fund and selecting and managing its investments.

The Supervisor of the Funds is Trustees Executors Limited ('Supervisor'), and is responsible for the supervision of the Funds and the Manager in respect of the Funds. The Supervisor is independent of the Manager.

A unit trust is an investment structure where a Supervisor (or a custodian appointed by the Supervisor) holds the assets of the unit trust for the benefit of all investors who hold units in that unit trust. We make the investment management decisions but the assets of the Funds are held separately from, and independent of, us.

Investors receive units in whichever Fund(s) they choose to invest in.

Each Fund is a portfolio investment entity ('PIE') for tax purposes.

# Investment Philosophy

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# 02.

Investment markets are in a state of constant change, therefore we believe clients' interests are best looked after by taking an active approach to investing. This allows us to take advantage of investment opportunities as they arise and manage risk along the way.

The key principles that underpin our philosophy are:

1. We adopt an active portfolio management approach.
2. We take advantage of investment opportunities as they arise and seek to minimise downside risk when markets are less favourable.
3. We seek to manage both growth and risk and will proactively alter our investment strategy if our view of the market, a company's management, or trading conditions changes.
4. We are responsible investors and through active engagement have an ability and capacity to influence company policies and use our voice as an engaged shareholder to drive positive change.
5. We believe in the value of doing our own investment research and are committed to conduct regular company visits.
6. We seek to understand the changes in the local and global economic environments and how these changes are likely to impact the markets in which our clients' assets are invested.
7. We seek to manage risk through appropriate portfolio diversification.

# Investment Strategy Development, Policies and Processes

# 03.

## Overarching Investment Policy

The overarching investment policy is to invest the assets of each Fund:

- a. according to the investment objectives and parameters described in this SIPO; while
- b. complying with:
  - i. all applicable laws; and
  - ii. the requirements of the trust deed for the Funds ('Trust deed'), and disclosure documents.

## Developing and modifying the investment strategies for each Fund

Milford employs finance professionals ('Portfolio Managers') to be responsible for making investment decisions and implementing the investment strategies of the Funds. We empower the Portfolio Managers of each Fund to individually develop investment strategies that best fit the objectives and risk tolerance of each individual Fund.

In developing and amending investment strategies, the Portfolio Managers will, as a minimum, take the following steps:

1. Consider the investment objectives of the Fund
 

The investment objectives of each Fund outline the primary financial goals of the Fund, taking into account the Fund's return objectives and its tolerance for risk, providing the overarching parameters for the investment strategy.
2. Define the asset class makeup of the Fund
 

Given the defined investment objectives and risk tolerance of each Fund, the Portfolio Managers formulate the mix of asset classes, and the diversification of these, that will make up the Fund. The Portfolio Managers define ranges for each asset class, establishing the limits to which they can alter the mix of asset classes within the Fund. Milford's Investment Committee (a committee of the Milford Asset Management Board) must approve the creation of, and changes to, all asset allocation ranges.

As outlined in Part B of this document, Milford provides broad asset allocation ranges for each Fund, enabling Portfolio Managers to take a dynamic and active approach to managing the Funds.

### 3. Consider permitted investments

Portfolio Managers will consider permitted investments for the Funds, which are outlined in Part B of this document. Portfolio Managers may decide to invest in other investments (which are not explicitly stated in the list of permitted assets of each asset class of the SIPO) that Milford considers fall within the parameters of permitted investments and that appropriately reflect the risk profile and performance objective of the Fund. Where necessary, in accordance with the Trust Deed, the Manager will seek the approval of the Supervisor when doing so.

### 4. Consider any need for the selection of external fund managers

We will determine whether we have the expertise and capability internally to manage the entire Fund to the stated objectives and asset mix, or whether a portion of the Fund will be best managed through appointing a specialist external fund manager.

### 5. Consider after taxation returns

In setting the investment strategy, we will consider the tax arrangements that will apply to the Fund to assess the potential after-tax as well as pre-tax returns for the Fund and its investors.

### 6. Consider the use of derivatives (including short selling)

We invest in derivatives to the extent permitted in each Fund, with the intention of reducing our exposure to market risks or increasing our exposure to market positions we believe will improve the performance of our Funds. The ability of each Fund to short sell is outlined in Part B of this document.

# Investment Strategy Development, Policies and Processes

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## 7. Develop a strategy for currency hedging

We believe in active currency management to control risk and add value to our Funds. For each Fund, a neutral investment position is established, based on the risk adjusted return relative to the Fund's objective. We have tactical ranges around this neutral position, within which changes to the hedging position can be made. We may take an active currency position around the neutral position to reflect our view on key drivers for the currency.

## 8. Define the Fund's ability to borrow

Some Funds have the ability to borrow to increase the Fund's exposure to markets when suitable opportunities arise. The ability of each Fund to borrow is outlined in Part B of this document.

## 9. Define any requirement to pay distributions

If the Fund is required to pay distributions, we look to pay a sustainable proportion of the yield generated by the Fund to unitholders. In general, this will be set such that the annual distribution paid is consistent with 50% to 100% of income, less an allowance for tax. The planned frequency and level of distributions for each Fund is proposed by the Portfolio Manager and is approved by our Investment Committee. Any changes to these ranges must also be approved by the Investment Committee.

## 10. Consider all of our other investment policies

The investment policies summarised below are also considered in developing and modifying our investment strategy for a Fund.

Note that in the case of a new Fund, it may not always be possible to invest within the parameters described in this SIPO while the Fund is being established. In such cases, we will consult with the Supervisor on suitable temporary parameters to apply during an agreed establishment period.

## Liquidity and Cash Flow Management

The Funds should have sufficient liquidity to meet ongoing short-term operational requirements, for example but not limited to:

- i. settlement of securities purchased
- ii. settlement of derivatives including foreign currency hedges
- iii. Fund distributions; and
- iv. any fund withdrawals, with reference to disclosure provided to clients regarding timelines of redemption payments.

We may from time to time dictate liquidity requirements relating to Funds.

## Counterparty Risk Policy

Counterparty exposure is defined as parties with whom we have a trading or banking relationship with (not just a security investment).

Exposure to a given counterparty is considered for each Fund by aggregating the following:

- Current accounts
- Term deposits
- Derivative exposures
- Securities exposure
- Allowance for intraday custodial flows
- Any other relevant exposure

Exposure limits are determined with reference to the lower of the credit ratings provided by S&P and Moody's.

## Asset Concentration Policy

This policy is to ensure that the concentration risk, both by security and investment class, within the Funds is appropriate for the risk profile of those Funds. Asset class limits for the Funds are set out in Part B of this document.

### **Trade Execution and Trade Allocation Policy**

This policy and our compliance procedures and controls ensure that we are able to act in the best interests of all our investors through equitable trade allocation and execution practices. All equity trading activity is conducted through our Central Dealing Desk, which optimises execution of trades for the Funds in the markets we operate in and supports compliant trading practices through a central point of control.

Trades are allocated so as to avoid one Fund receiving a preferred trade allocation over another Fund. All trades require an appropriate rationale and are implemented in accordance with documented procedures. Our trading system produces regular reports on trade allocations and executions which are monitored.

### **Soft Dollar Policy**

This policy sets out Milford's approach to soft dollar arrangements with certain brokers in order to extract better value from the brokerage Funds currently pay on share trades. Soft dollars are earned by the Funds trading Australian and Global shares and are used to purchase research that directly assists our investment decision-making process. Soft dollars cannot be used for management or corporate-related expenses or for research which will solely benefit a Fund that did not generate the soft dollars.

### **Sustainable Investment Policy**

Milford integrates environmental, social and governance (ESG) considerations as part of the investment process, exercises proxy voting rights wherever possible and engages with companies on ESG issues where appropriate. For more information please see [www.milfordasset.com/new-to-investing/our-investment-approach](http://www.milfordasset.com/new-to-investing/our-investment-approach).

### **Unit Pricing and Valuation Policy**

As a key operating principle, we require that unit prices and valuations be calculated by an independent external party with agreed appropriate methodologies and controls in place. Our unit pricing and valuation policy accordingly adopts the matching unit pricing and asset valuation policies of our administration manager, MMC Limited ('MMC').

Portfolio valuations are derived by applying local and international closing market prices to each security held by a Fund. MMC's pricing methodology delivers updated unit prices for the close of business each day.

### **External Manager Policy**

This policy sets out the criteria for monitoring external fund managers. All external funds across all asset classes that Milford invests in need to meet the requirements of the policy.

For all external funds, limits are established and monitored with respect to maximum allowable exposure and other criteria under this policy.

## Investment Process

Milford’s Investment Team follows the process outlined on this page in developing and finalising investment decisions. Milford’s investment process involves conducting our own proprietary research. We undertake analysis of the macro-economic environment as well as a fundamental analysis of the industries and individual entities within our investment universe.

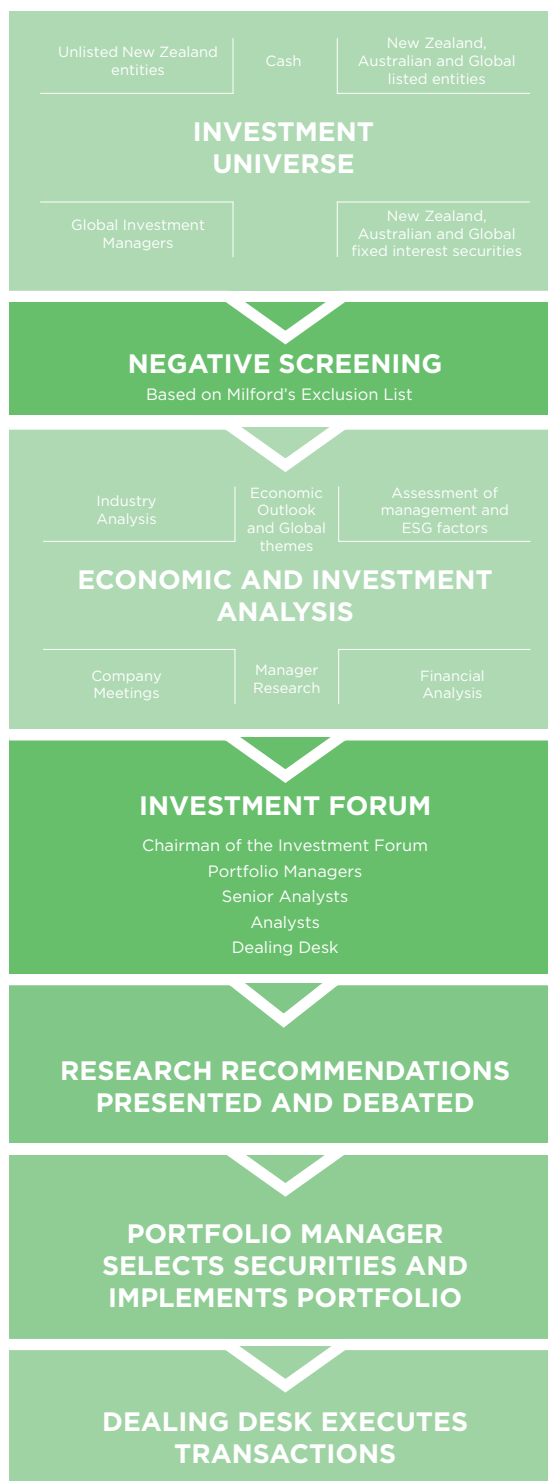
Our macro-economic analysis, via the monitoring and analysis of economic data, aims to identify changes to the prospects of particular asset classes and industries, including the direction of interest rates.

Our fundamental analysis aims to identify the best opportunities within identified asset classes and industries for investment. We aim to meet with a large number of companies each year across a wide range of industries to discuss with management their prospects.

When considering individual companies, we seek to understand key value drivers for bond and share investments including; the company’s competitive position and industry structure, the strength of its balance sheet, the quality and sustainability of earnings as well as the board and senior management, and ESG factors.

Milford’s Investment Forum meetings bring together all of our research where investment ideas are formally presented and debated for potential implementation by the Portfolio Managers. The Investment Forum aims to promote collaboration on investment decisions and leverage the extensive industry experience and knowledge, both in New Zealand and overseas, held amongst the team. The Portfolio Managers are responsible for final selection of the securities to include within a portfolio.

Within the investment strategy formulated for each Fund in accordance with the steps outlined in section 3 above, Portfolio Managers make individual





investment decisions by following a process that includes the elements described below.

### **1. Tactical Asset Allocation and Rebalancing**

We empower Portfolio Managers of individual Funds with the autonomy to make tactical asset allocation decisions within the asset allocation ranges outlined for each Fund. Portfolio Managers make these investment decisions on an active and continuous basis to improve the risk-adjusted returns of the Funds.

We do not automatically rebalance asset classes to targets. However, Portfolio Managers actively review positions in light of asset class targets and targets are periodically reviewed as part of the SIPO review process (see Section 7).

We actively monitor the Funds to ensure that investment authority limits are not breached. In cases where these limits are breached, we will take action to rebalance the Fund's portfolio in line with the authorised asset ranges.

### **2. Investment Research and Execution**

The core investment process is outlined on the previous page. This process leverages Milford's expertise and industry knowledge to maximise the opportunities for the success of the Funds.

### **3. Stress Testing**

Stress testing of all investment portfolios will be undertaken no later than every three years unless there is a major market movement. These tests simulate how the investment makeup of each Fund will respond to a series of unfavourable market scenarios.

The outcomes of these tests are used as inputs to the development and refinement of investment strategies and tactical investment decisions.

### **4. Investment Policies**

In making investment decisions, Portfolio Managers ensure all such decisions are in compliance with these investment policies. See Section 3 above for a summary of these policies.

Please contact us should you wish to view any of the policies outlined in this document in full.

## Conflicts of Interest

This section sets out information about conflicts of interest that could reasonably be expected to materially influence our investment decisions in our role as Manager of the Funds.

### Background

Milford is a wholly owned subsidiary of Milford Asset Management Limited ('Milford Asset Management').

Directors of Milford may also be directors of Milford Asset Management. All staff involved with the Funds are employed and remunerated by either Milford Asset Management or Milford Australia (Pty) Limited. These relationships have the potential to create an inherent conflict of interest.

Milford group companies provide the people and the infrastructure to Milford in order for Milford to carry out the investment management on its own accord, as manager of the Funds.

### Funds affected

All Funds are affected by this potential conflict of interest.

### How conflicts may or could materially influence our investment decisions

Milford, as manager of the Funds, has an incentive to invest into other Milford funds ahead of funds managed by external fund managers or investment managers. When a Fund is invested in other Milford Funds, the relevant Fund will be fully rebated for any management fees charged by that other Milford fund (to ensure there is no 'double-dipping' of management fees by us).

However, those rebates do not extend to any performance fees charged (if any) by that other Milford fund.

### Management of conflicts of interest

The FMCA imposes the following statutory controls on conflicts of interest:

1. A transaction that provides for a related party benefit to be given may only be entered into by Milford if the transaction(s) is notified to the Supervisor and:
  - a. we certify the benefit is 'permitted' on the basis that the benefit is:
    - i. on arm's length terms;
    - ii. on terms that were less favourable terms to the related party; or
    - iii. another type of benefit permitted under the FMCA and the Financial Markets Conduct Regulations 2014; or
  - b. we obtain the Supervisor's consent to the transaction(s).
2. As Manager of the Funds, we are subject to various statutory duties in the performance of our duties as manager, including the requirement to act honestly and in the best interests of investors.
3. Where we contract out functions to other parties, our liability for the performance of those functions is not affected and we must take reasonable steps to ensure the persons to whom we contract those functions perform them in the same manner and are subject to the same duties and restrictions as if we were performing them directly. These include the statutory duties referred to above. We must also monitor the performance of the parties that carry out contracted functions.

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4. We, as Manager of the Funds, must comply with a professional standard of care and must exercise the care, diligence and skill that a prudent person engaged in the profession would exercise in the same circumstance. The same professional standard also applies to all our Funds' external fund managers.
  5. Milford Asset Management and its subsidiaries ('Milford Group') have established an Employee Trading Policy. To avoid any personal conflict, other than in very limited circumstances, employees can only invest in Milford products and employees are not permitted, under any circumstances, to take an investment opportunity away from investors.

#### **Code of Conduct and Directors' Code of Ethics**

Milford Group has a Code of Conduct that all employees are expected to follow. This includes a requirement to avoid conflicts of interest and disclose and discuss with management where any actual or potential conflicts may arise or have arisen.

Milford Asset Management has a Directors' Code of Ethics that sets out the expectations on the directors of Milford Asset Management group entities, including directors' requirements to avoid actual or potential conflicts of interest and how they should deal with them.

#### **Conflicts of Interest and Gifts policy**

Milford Group's conflicts of interest and gifts policy sets out what a conflict of interest is, how to identify a conflict and how to avoid or manage it. It also details the Milford Group's gifts policy.

The Milford Group's approach to conflicts of interests is to consider each potential conflict on its own merits and then to:

- recognise the conflict;
- discuss with management;
- assess the impact of the potential conflict;
- avoid (if possible) or manage the conflict; and
- disclose the conflict.

Any conflict of interest is also recorded in a central database for conflicts of interest and reviewed on a regular basis.

We have in place a process with the Supervisor for identifying, notifying and certifying or obtaining consent for related party transactions as required by the FMCA.

# Investment Governance and Monitoring

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# 06.

The responsible oversight body for approving and ensuring adherence to the SIPO is the Investment Committee. The Investment Committee meets regularly and senior members of the Investment and Business teams attend the Investment Committee meetings.

The objective of the Investment Committee is to assist the Milford Board to discharge its responsibilities in relation to investment oversight including the Funds' portfolio structures, performance and risk.

An investment performance report containing the key performance considerations (listed below) is presented to the Investment Committee at each of their meetings. Performance is analysed as per the following time periods: one month, one quarter, six months, one year, three years, five years and since inception (both absolute and per annum). More frequent or specific reporting occurs if the Investment Committee or the Milford Board believes this is appropriate given specific market or Fund developments.

Key considerations are as follows:

- a. relative investment performance of Funds to their benchmarks and appropriate peers (funds with similar objectives and risk-return profiles);
- b. fund attribution – reasons for under/over performance, relative to performance benchmarks;
- c. market experience – performance of the Fund relative to expectations in the actual market and economic environment;
- d. risk-adjusted performance – whether there is sufficient added value to justify additional risk;
- e. portfolio structure and risk – includes but not limited to risk-return ratios, liquidity, concentration, counterparty risk, turnover, appropriateness of benchmarks and the SIPO;
- f. consistency with all stated restrictions, the SIPO and mandate guidelines including compliance with applicable laws and regulations;
- g. the relevant investment process and conduct;
- h. that appropriate stress testing has been undertaken in relation to the performance of investment strategies; and
- i. the way the Funds are managed and invested is in accordance with all product disclosures and Fund risk is accurately disclosed.

# SIPO Compliance and Review

# 07.

The following procedures are in place in regard to monitoring compliance with this SIPO:

- 1 All SIPO related policies (including hedging policy) investment parameters, restrictions and ranges are monitored as appropriate by the Investment Committee.
- 2 Where possible these parameters, restrictions and ranges are built into our investment management system compliance module to provide pre and post trade monitoring and beginning of day warnings and alerts. Trade alerts need approval to be overridden.
- 3 Where parameters, restrictions and ranges cannot be built into the investment system, a member of our Operations Team (separate from the Investment Team) prepares a daily report, which is reviewed.
- 4 A report of the SIPO parameters, restrictions and ranges is prepared as at each month end and reviewed quarterly by the Investment Committee.

The Supervisor has reviewed this SIPO and any material amendments are made in consultation with the Supervisor and approved by the Investment Committee.

We will give the Supervisor prior notice of any changes to the SIPO in accordance with the Trust Deed and the FMCA.

The SIPO is updated when any changes to a Fund are made that affect its existing objectives and parameters. A standing agenda item is in place at every Investment Committee meeting to assess the ongoing accuracy of the information included within the SIPO and ensure that its existing objectives or parameters continually remain up to date.

The SIPO is updated based on any relevant changes to factors impacting a Fund. Such changes might include, but are not limited to new permitted investments, asset classes or investment policy changes, and any fundamental changes in the market environment or to any Fund's investment objectives.

The Manager performs an annual review of the SIPO.

This annual review includes, but is not limited to, the following considerations:

- legal and regulatory changes;
- market practice; and
- Portfolio Manager recommendations and product considerations (including any overarching changes to investment philosophy and process or the investment environment).

The review also considers the appropriateness of asset class ranges and all investment policies.

Key stakeholders (being the Supervisor and the Investment Committee) formally review any recommended change to the SIPO from this review and provide written consent.

A summary of how changes can be made to the SIPO for each Fund, including whether investors will be notified of those changes and how investors can otherwise obtain information about those changes can be found in the Product Disclosure Statement.

To view the full range of regulatory and product disclosure details for any of our Funds you can go to [www.milfordasset.com/forms-documents](http://www.milfordasset.com/forms-documents).

Alternatively, you can go directly to the Disclose Register, an online register maintained by the Registrar of Financial Service Providers which holds the offer documents for all financial products, including the current version of this document, at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

## Part B: Fund Specific Objectives and Parameters

This section provides information that is specific to each of our Funds. The benchmark asset allocation represents the mix of assets we intend to invest in, under typical market conditions in the relevant Fund. This may also be referred to as a target investment mix in this document (and in any PDS or Fund Update). It also contains target investment ranges for each asset class for each Fund.

To respond to market conditions and opportunities, Milford will actively alter the asset mix of its Funds on an ongoing basis, potentially to the full limits of the SIPO ranges.

### Description of Permitted Assets in each Asset Class

The asset classes that each Fund can invest in are outlined in the table below. A description of the permitted assets within each of the permitted asset classes is provided in the table below.

### Description of Permitted Assets in each Asset Class

Asset Class*	Description of Permitted Assets
Cash and Cash Equivalents	Cash at bank.
New Zealand Fixed Interest	New Zealand dollar denominated fixed interest securities, loans, futures, options, credit default swaps, interest rate swaps, term deposits and other yield bearing investments.
International Fixed Interest	Non-New Zealand dollar denominated fixed interest securities, loans, futures, options, credit default swaps, interest rate swaps, term deposits and other yield bearing non-New Zealand dollar denominated investments.
Australasian Equities	New Zealand and Australian based equity and equity-like listed and unlisted securities including ordinary, preference and partly paid shares, convertible securities, warrants, exchange-traded funds (ETFs), futures and options.
International Equities	Equity and equity-like listed and unlisted securities including ordinary, preference and partly paid shares, convertible securities, warrants, exchange-traded funds (ETFs), futures and options - based outside of Australia and New Zealand.
Listed Property	Equity and equity-like listed securities in companies operating primarily in the property sector including ordinary, preference and partly paid shares, convertible securities, warrants, exchange-traded funds (ETFs), futures and options.
Unlisted Property	Unlisted equity and equity-like securities in companies operating primarily in the property sector including ordinary, preference and partly paid shares, convertible securities, warrants and options.
Commodities	Equity-like listed securities in commodities including futures and options.
Other	Other investments that do not meet the criteria of the above categories, as determined by Milford and agreed with the Supervisor.

\*Please note: Any derivatives that alter the asset class exposure will be included at their notional value. All other derivatives will be reported at their market value. The permitted assets in each class mentioned above can extend to investments in pooled or unitised funds. Derivatives can be used across asset classes. These may alter reported Cash and Cash Equivalents.

## Short-selling, Borrowing, use of Derivatives and use of Currency Hedging

		Ability to short-sell (1)	Ability to borrow cash (2)	Ability to use derivatives (3)	Foreign Currency Exposure			
					Neutral exposure	Exposure range		
						Min	Max	
<b>Multi-Asset Funds</b>								
PIE	Conservative	Yes	No	Yes	0%	-10%	10%	
	Diversified Income	Yes	No	Yes	0%	-10%	20%	
	Balanced	Yes	No	Yes	13%	-10%	50%	
	Active Growth	Yes	25%	Yes	16%	-10%	50%	
	Australian Absolute Growth	Yes	No	Yes	0%	-30%	30%	
	Aggressive	Yes	10%	Yes	24.5%	-10%	70%	
	<b>Cash and Fixed Income Funds</b>							
	Cash	Yes	Yes	Yes	0%	-3%	3%	
	Trans-Tasman Bond	Yes	No	Yes	0%	-5%	5%	
	Global Corporate Bond	Yes	No	Yes	0%	-10%	10%	
<b>Equity Funds</b>								
Global Equity	Yes	25%	Yes	50%	0%	100%		
Trans-Tasman Equity	Yes	No	Yes	0%	-10%	10%		
Dynamic	No	No	Yes	0%	-10%	10%		

- Short selling refers to the ability of funds to borrow and short sell individual shares and bonds. This is limited to 25% of the Fund's net asset value and is subject to the Fund's relevant SIPO ranges or limits.
- Where a value is listed, it indicates the maximum permissible borrowing of the Fund, in terms of the Fund's net asset value. While some funds are not allowed to borrow, they may invest into other funds that have the right to borrow. Borrowing will be typically used to cover a funding shortfall rather than to leverage the Fund. It does not include the use of derivatives.
- Derivatives may also be used to obtain long or short exposure to shares and bonds. This is subject to the Fund's relevant SIPO ranges or limits.

## Target Investment Mix and Ranges

Asset Classes	Cash and Cash Equivalents			New Zealand Fixed Interest			International Fixed Interest			Australasian Equities			International Equities			
	Funds	Target	Min	Max	Target	Min	Max	Target	Min	Max	Target	Min	Max	Target	Min	Max
<b>Multi-Asset Funds</b>																
Conservative	7%	0%	100%	25%	0%	100%	50%	0%	100%	4%	0%	25%	9%	0%	25%	
Diversified Income	5%	0%	60%	10%	0%	80%	45%	0%	80%	16.5%	0%	50%	5%	0%	30%	
Balanced	8%	0%	75%	6%	0%	65%	25%	0%	40%	25%	0%	40%	29%	0%	50%	
Active Growth	6%	0%	70%	2%	0%	70%	14%	-10%	50%	38%	10%	100%	40%	0%	60%	
Australian Absolute Growth	7.5%	0%	100%	10%	0%	30%	0%	0%	30%	80%	0%	100%	2.5%	0%	30%	
Aggressive	5%	-10%	30%	0%	-10%	30%	0%	-10%	30%	25%	0%	50%	70%	50%	100%	
<b>Cash and Fixed Income Funds</b>																
Cash	20%	0%	100%	80%	0%	100%	0%	0%	25%	0%	0%	0%	0%	0%	0%	
Trans-Tasman Bond	3%	0%	50%	48.5%	20%	80%	48.5%	20%	80%	0%	0%	10%	0%	0%	10%	
Global Corporate Bond	5%	0%	50%	0%	0%	20%	95%	30%	100%	0%	0%	10%	0%	0%	10%	
<b>Equity Funds</b>																
Global Equity	5%	0%	30%	0%	-5%	25%	0%	-5%	25%	0%	0%	20%	95%	80%	100%	
Trans-Tasman Equity	5%	0%	30%	0%	0%	30%	0%	0%	30%	95%	70%	100%	0%	0%	0%	
Dynamic	10%	0%	60%	0%	0%	30%	0%	0%	30%	90%	40%	100%	0%	0%	20%	



## Target Investment Mix and Ranges

Asset Classes	Listed Property (1)			Unlisted Property			Commodities			Other			
	Funds	Target	Min	Max	Target	Min	Max	Target	Min	Max	Target	Min	Max
PIE	<b>Multi-Asset Funds</b>												
	Conservative	5%	0%	25%	0%	0%	10%	0%	-2%	2%	0%	-20%	20%
	Diversified Income	18.5%	0%	30%	0%	0%	10%	0%	-2%	2%	0%	-10%	10%
	Balanced	7%	0%	20%	0%	0%	7%	0%	-10%	10%	0%	-10%	10%
	Active Growth	0%	0%	20%	0%	0%	15%	0%	-10%	10%	0%	-20%	20%
	Australian Absolute Growth	0%	0%	50%	0%	0%	10%	0%	0%	10%	0%	-20%	20%
	Aggressive	0%	-10%	20%	0%	0%	10%	0%	-10%	10%	0%	-20%	20%
	<b>Cash and Fixed Income Funds</b>												
	Cash	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-20%	20%
	Trans-Tasman Bond	0%	0%	10%	0%	0%	10%	0%	0%	0%	0%	-20%	20%
	Global Corporate Bond	0%	0%	10%	0%	0%	10%	0%	0%	0%	0%	-20%	20%
	<b>Equity Funds</b>												
	Global Equity	0%	-10%	20%	0%	0%	10%	0%	-10%	10%	0%	-20%	20%
	Trans-Tasman Equity	0%	-10%	20%	0%	0%	10%	0%	0%	0%	0%	-20%	20%
	Dynamic	0%	-10%	20%	0%	0%	10%	0%	0%	10%	0%	-20%	20%

Targets indicate what are expected to apply over the course of an economic cycle and should be considered as general only. Milford is an active manager and may at times deploy investment strategies that differ (within the allowable minimum and maximum bounds) materially from the above targets.

1. Any target for Listed Property is based on a specific decision to hold listed property as against incidental exposure from investing in equity markets.

## Target Growth – Defensive Investment Mix and Range Limits

	Asset Classes	Growth Assets (1)			Income Assets (2)			Total Unlisted Equities	Net long position (3)(5)	Gross exposure (4)(5)
		Target	Min	Max	Target	Min	Max	Max	Max	Max
PIE	<b>Multi-Asset Funds</b>									
	Conservative	18%	0%	25%	82%	75%	100%	5%	110%	175%
	Diversified Income	40%	0%	50%	60%	50%	100%	5%	110%	175%
	Balanced	61%	25%	75%	39%	25%	75%	5%	110%	175%
	Active Growth	78%	20%	100%	22%	0%	80%	12%	125%	175%
	Australian Absolute Growth	82.5%	0%	100%	17.5%	0%	100%	10%	100%	150%
	Aggressive	95%	70%	110%	5%	-10%	30%	5%	110%	125%
	<b>Cash and Fixed Income Funds</b>									
	Cash	0%	0%	0%	100%	100%	100%	0%	110%	175%
	Trans-Tasman Bond	0%	0%	10%	100%	90%	100%	5%	110%	175%
	Global Corporate Bond	0%	0%	10%	100%	90%	100%	5%	110%	175%
	<b>Equity Funds</b>									
	Global Equity	95%	70%	100%	5%	0%	30%	5%	125%	125%
	Trans-Tasman Equity	95%	70%	100%	5%	0%	30%	5%	110%	110%
	Dynamic	90%	40%	100%	10%	0%	60%	5%	110%	110%

Targets indicate what are expected to apply over the course of an economic cycle and should be considered as general only. Milford is an active manager and may at times deploy investment strategies that differ (within the allowable minimum and maximum bounds) materially from the above targets.

1. Growth Assets are defined as Australasian Equities, International Equities, Listed Property, Unlisted Property and Commodities.
2. Income Assets are defined as Cash and Cash Equivalents, New Zealand Fixed Interest, International Fixed Interest and Other.
3. The net long position reflects total long exposures (positions which benefit from a rise in security value) less total short exposures (positions which benefit from a decline in security value). Net long position can exceed 100% through the use of derivatives, or through the ability to borrow cash.
4. The gross exposure reflects gross long positions plus gross short positions. Any maximum gross exposure limit above 125% is in place for hedging flexibility and does not represent the typical gross exposure of the Fund.
5. For net and gross exposure referenced in these footnotes 3 and 4, the notional value of investments used solely for interest rate, duration and currency hedging purposes are not included. These are accounted for based on their market value.

## Schedule 1.

# Milford Conservative Fund

# 01.

### Fund objective and description

The Milford Conservative Fund's objective is to provide moderate returns and protect capital after the base fund fee\* but before tax over the minimum recommended investment timeframe.

It is a diversified fund that primarily invests in fixed interest securities, with a moderate allocation to equities. While conservative in nature, the Fund may experience short term negative returns, particularly in times of heightened volatility.

### Minimum recommended investment timeframe

Three years.

### Relevant benchmark

A relevant benchmark is not applicable to the Milford Conservative Fund.

There are no performance fees payable in relation to the Milford Conservative Fund.

### Relevant market index

Asset Class	Benchmark Index	Benchmark Asset Allocation
Cash and Cash Equivalents	S&P/NZX Call Rate Deposit Total Return Index	5.25%
New Zealand Fixed Interest	S&P/NZX Investment Grade Corporate Bond Total Return Index	22.5%
International Fixed Interest	S&P/ASX Corporate Bond 0+ Total Return Index (100% NZD-hedged)	23%
	Bloomberg Barclays Global Corporate 3-5 Year Total Return Index Value Hedged USD (100% NZD-hedged)	16.25%
International Equities	5% x S&P/NZX Call Rate Deposit Total Return Index + 95% x MSCI World Index with net dividends reinvested (100% NZD-hedged)	8%
Investment in underlying multi-asset fund via Milford Income Wholesale Fund	Milford Diversified Income Fund's Market Index**	25%

\* The base fund fee covers:

- costs such as investment management, supervisor, custodial, fund accounting, audit and legal costs and is paid monthly. These fees are deducted from, and are reflected in, the Fund unit price; and
- estimated underlying external fund charges, where applicable.

\*\* Please see the Compilation of Market Index Constituents for further information on the Milford Diversified Income Fund's Market Index. This can be found at [www.milfordasset.com/forms-documents](http://www.milfordasset.com/forms-documents).

## Schedule 2.

# Milford Diversified Income Fund

# 02.

### Fund objective and description

The Milford Diversified Income Fund's objective is to provide income and capital growth, after the base fund fee\* but before tax and before the performance fee over the minimum recommended investment timeframe.

It is a diversified fund that primarily invests in fixed interest and equity income-generating securities.

### Minimum recommended investment timeframe

Four years.

### Relevant benchmark

The New Zealand Official Cash Rate plus 2.5% per annum (after the base fund fee but before tax and before the performance fee).

This benchmark is used to assess the payment of performance fees.

### Relevant market index

Asset Class	Benchmark Index	Benchmark Asset Allocation
Cash and Cash Equivalents	S&P/NZX Call Rate Deposit Total Return Index	5%
New Zealand Fixed Interest	S&P/NZX Investment Grade Corporate Bond Total Return Index	10%
International Fixed Interest	S&P/ASX Corporate Bond 0+ Total Return Index (100% NZD-hedged)	10%
	ICE BofA 1-5 Year BB US High Yield Total Return Index (100% NZD-hedged)	20%
	Bloomberg Barclays Global Aggregate Corporate 1-5 Year Total Return Index hedged USD (100% NZD-hedged)	15%
Australasian Equities	S&P/NZX 50 Gross Index with Imputation Credits	3%
	S&P/NZX All Utilities (Sector) Gross Index with Imputation Credits	3.5%
	S&P/ASX 200 Utilities Industry Group GICS Level 2 Accumulation Index (100% NZD-hedged)	5%
	S&P/ASX 200 Industrials Accumulation Index (100% NZD-hedged)	5%
International Equities	S&P Global Infrastructure USD-hedged Net Total Return Index (100% NZD-hedged)	5%
Listed Property	S&P/NZX All Real Estate (Industry Group) Gross Index with Imputation Credits	3.5%
	S&P/ASX 200 A-REIT Accumulation Index (100% NZD-hedged)	10%
	S&P Global REIT AUD-hedged Net Total Return Index (100% NZD-hedged)	5%

\* The base fund fee covers:

- costs such as investment management, supervisor, custodial, fund accounting, audit and legal costs and is paid monthly. These fees are deducted from, and are reflected in, the Fund unit price; and
- estimated underlying external fund charges, where applicable.

## Schedule 3.

## Milford Balanced Fund

## 03.

**Fund objective and description**

The Milford Balanced Fund's objective is to provide capital growth after the base fund fee\* but before tax and before the performance fee over the minimum recommended investment timeframe.

It is a diversified fund that primarily invests in equities, with a significant allocation to fixed interest securities.

**Minimum recommended investment timeframe**

Five years.

**Relevant benchmark**

A relevant benchmark is not applicable to the Milford Balanced Fund.

The Milford Balanced Fund does not directly charge a performance fee, but it may invest in related Milford funds that have performance fees.

**Relevant market index**

Asset Class	Benchmark Index	Benchmark Asset Allocation
Cash and Cash Equivalents	S&P/NZX Call Rate Deposit Total Return Index	5%
New Zealand Fixed Interest	S&P/NZX Investment Grade Corporate Bond Total Return Index	2%
International Fixed Interest	S&P/ASX Corporate Bond 0+ Total Return Index (100% NZD-hedged)	2%
	Bloomberg Barclays Global Corporate 3-5 Year Total Return Index Value Hedged USD (100% NZD-hedged)	4%
Australasian Equities	S&P/NZX 50 Gross Index with Imputation Credits	7%
	S&P/ASX 200 Total Return Index (100% NZD-hedged)	3%
	S&P/ASX Small Ordinaries Total Return Index (100% NZD-hedged)	4%
International Equities	MSCI World Index with net dividends reinvested (50% NZD-hedged)	23%
Investment in underlying multi-asset fund via: Milford Income Wholesale Fund Milford Active Growth Fund	Milford Diversified Income Fund's Market Index**	40%
	Milford Active Growth Fund's Market Index**	10%

\* The base fund fee covers:

- costs such as investment management, supervisor, custodial, fund accounting, audit and legal costs and is paid monthly. These fees are deducted from, and are reflected in, the Fund unit price; and
- estimated underlying external fund charges, where applicable.

\*\* Please see the Compilation of Market Index Constituents for further information on the Milford Diversified Income Fund and the Milford Active Growth Fund's Market Indices. This can be found at [www.milfordasset.com/forms-documents](http://www.milfordasset.com/forms-documents).

## Schedule 4.

## Milford Active Growth Fund

04.

**Fund objective and description**

The Milford Active Growth Fund's objective is to provide annual returns of 10% after the base fund fee\* but before tax and before the performance fee, over the minimum recommended investment timeframe.

It is a diversified fund that primarily invests in equities, with a moderate allocation to fixed interest securities.

**Minimum recommended investment timeframe**

Seven years.

**Relevant benchmark**

Positive annual returns of 10% (after the base fund fee but before tax and before the performance fee).

This benchmark is used to assess the payment of performance fees.

**Relevant market index**

Asset Class	Benchmark Index	Benchmark Asset Allocation
Cash and Cash Equivalents	S&P/NZX Call Rate Deposit Total Return Index	6%
New Zealand Fixed Interest	S&P/NZX Investment Grade Corporate Bond Total Return Index	2%
International Fixed Interest	S&P/ASX Corporate Bond 0+ Total Return Index (100% NZD-hedged)	4%
	Bloomberg Barclays Global Corporate 3-5 Year Total Return Index Value Hedged USD (100% NZD-hedged)	10%
Australasian Equities	S&P/NZX 50 Gross Index with Imputation Credits	20%
	S&P/ASX 200 Total Return Index (100% NZD-hedged)	10%
	S&P/ASX Small Ordinaries Total Return Index (100% NZD hedged)	8%
International Equities	MSCI World Index with net dividends reinvested (60% NZD-hedged)	40%

\* The base fund fee covers:

- costs such as investment management, supervisor, custodial, fund accounting, audit and legal costs and is paid monthly. These fees are deducted from, and are reflected in, the Fund unit price; and
- estimated underlying external fund charges, where applicable.

**Schedule 5.****Milford Australian Absolute Growth Fund 05.****Fund objective and description**

The Milford Australian Absolute Growth Fund targets an absolute return with an annualised return objective of 5% above the New Zealand Official Cash Rate while seeking to protect capital after the base fund fee\* but before tax and before the performance fee, over rolling three year periods.

It is a diversified fund that primarily invests in Australasian equities, complemented by selective exposure to international equities and cash.

**Minimum recommended investment timeframe**

Seven years.

**Relevant benchmark**

The New Zealand Official Cash Rate plus 5% per annum (after the base fund fee but before tax and before the performance fee).

This benchmark is used to assess the payment of performance fees.

**Relevant market index**

Asset Class	Benchmark Index	Benchmark Asset Allocation
Cash and Cash Equivalents	S&P/NZX Call Rate Deposit Total Return Index	7.5%
New Zealand Fixed Interest	S&P/NZX Investment Grade Corporate Bond Total Return Index	10%
Australasian Equities	S&P/ASX 200 Total Return Index (100% NZD-hedged)	45%
	S&P/ASX Small Ordinaries Total Return Index (100% NZD-hedged)	27.5%
	S&P/NZX 50 Gross Index with Imputation Credits	7.5%
International Equities	MSCI World Index with net dividends reinvested (100% NZD-hedged)	2.5%

\* The base fund fee covers:

- costs such as investment management, supervisor, custodial, fund accounting, audit and legal costs and is paid monthly. These fees are deducted from, and are reflected in, the Fund unit price; and
- estimated underlying external fund charges, where applicable.

## Schedule 6.

## Milford Aggressive Fund

06.

**Fund objective and description**

The Milford Aggressive Fund's objective is to maximise capital growth after the base fund fee\* but before tax and before the performance fee over the minimum recommended investment timeframe.

The Fund primarily invests in international equities, with a moderate allocation to Australasian equities.

**Minimum recommended investment timeframe**

Ten years.

**Relevant benchmark**

A relevant benchmark is not applicable to the Milford Aggressive Fund.

The Milford Aggressive Fund does not directly charge a performance fee, but it may invest in related Milford funds that have performance fees.

**Relevant market index**

Asset Class	Benchmark Index	Benchmark Asset Allocation
Cash and Cash Equivalents	S&P/NZX Call Rate Deposit Total Return Index	5%
Australasian Equities	S&P/NZX 50 Gross Index with Imputation Credits	5%
	S&P/ASX 200 Total Return Index (100% NZD-hedged)	15%
	S&P/ASX Small Ordinaries Total Return Index (100% NZD-hedged)	5%
International Equities	MSCI World Index with net dividends reinvested (65% NZD-hedged)	70%

\* The base fund fee covers:

- costs such as investment management, supervisor, custodial, fund accounting, audit and legal costs and is paid monthly. These fees are deducted from, and are reflected in, the Fund unit price; and
- estimated underlying external fund charges, where applicable.



## Schedule 7.

## Milford Cash Fund

07.

**Fund objective and description**

The Milford Cash Fund's objective is to target a return above the New Zealand Official Cash Rate, after the base fund fee\* but before tax.

Primarily invests in New Zealand cash, short-dated debt securities and term deposits.

**Minimum recommended investment timeframe**

There is no minimum recommended investment timeframe.

**Relevant benchmark**

New Zealand Official Cash Rate.

There are no performance fees payable in relation to the Milford Cash Fund.

**Relevant market index**

Asset Class	Benchmark Index	Benchmark Asset Allocation
Cash & Cash Equivalents	S&P/NZX Call Rate Deposit Total Return Index	100%

\* The base fund fee covers:

- costs such as investment management, supervisor, custodial, fund accounting, audit and legal costs and is paid monthly. These fees are deducted from, and are reflected in, the Fund unit price; and
- estimated underlying external fund charges, where applicable.

## Schedule 8.

# Milford Trans-Tasman Bond Fund

# 08.

### Fund objective and description

The Milford Trans-Tasman Bond Fund's objective is to generate a positive, low volatility return after the base fund fee\* but before tax that exceeds the relevant benchmark over the minimum recommended investment timeframe.

Primarily invests in trans-Tasman fixed interest securities.

### Minimum recommended investment timeframe

Three years.

### Relevant benchmark

50% S&P/NZX Investment Grade Corporate Bond Total Return Index and 50% S&P/ASX Corporate Bond O+ Total Return Index (100% NZD-hedged).

There are no performance fees payable in relation to the Milford Trans-Tasman Bond Fund.

### Relevant market index

Asset Class	Benchmark Index	Benchmark Asset Allocation
New Zealand Fixed Interest	S&P/NZX Investment Grade Corporate Bond Total Return Index	50%
International Fixed Interest	S&P/ASX Corporate Bond O+ Total Return Index (100% NZD-hedged)	50%

\* The base fund fee covers:

- costs such as investment management, supervisor, custodial, fund accounting, audit and legal costs and is paid monthly. These fees are deducted from, and are reflected in, the Fund unit price; and
- estimated underlying external fund charges, where applicable.

**Schedule 9.****Milford Global Corporate Bond Fund****09.****Fund objective and description**

The Milford Global Corporate Bond Fund's objective is to protect capital and generate a positive NZD-hedged return after the base fund fee\* but before tax that exceeds the relevant benchmark over the minimum recommended investment timeframe.

Primarily invests in global corporate fixed interest securities.

**Minimum recommended investment timeframe**

Three years.

**Relevant benchmark**

Bloomberg Barclays Global Corporate 3-5 Year Total Return Index Value Hedged USD (100% NZD-hedged).

There are no performance fees payable in relation to the Milford Global Corporate Bond Fund.

**Relevant market index**

<b>Asset Class</b>	<b>Benchmark Index</b>	<b>Benchmark Asset Allocation</b>
International Fixed Interest	Bloomberg Barclays Global Corporate 3-5 Year Total Return Index Value Hedged USD (100% NZD-hedged)	100%

\* The base fund fee covers:

- costs such as investment management, supervisor, custodial, fund accounting, audit and legal costs and is paid monthly. These fees are deducted from, and are reflected in, the Fund unit price; and
- estimated underlying external fund charges, where applicable.

## Schedule 10.

## Milford Global Equity Fund

## 10.

**Fund objective and description**

The Milford Global Equity Fund's objective is to provide capital growth after the base fund fee\* but before tax and before the performance fee, by out-performing the relevant share market index over the minimum recommended investment timeframe.

It primarily invests in international equities.

**Minimum recommended investment timeframe**

Eight years.

**Relevant benchmark**

The Fund's performance benchmark is the MSCI World Index with net dividends reinvested (50% NZD-hedged).

This benchmark is used to assess the payment of performance fees.

**Relevant market index**

Asset Class	Benchmark Index	Benchmark Asset Allocation
International Equities	MSCI World Index with net dividends reinvested (50% NZD-hedged)	100%

\* The base fund fee covers:

- costs such as investment management, supervisor, custodial, fund accounting, audit and legal costs and is paid monthly. These fees are deducted from, and are reflected in, the Fund unit price; and
- estimated underlying external fund charges, where applicable.

**Schedule 11.****Milford Trans-Tasman Equity Fund****11.****Fund objective and description**

The Milford Trans-Tasman Equity Fund's objective is to provide capital growth after the base fund fee\* but before tax and before the performance fee, by out-performing a mix of two relevant share market indices over the minimum recommended investment timeframe.

It primarily invests in Australasian equities.

**Minimum recommended investment timeframe**

Eight years.

**Relevant benchmark**

The Fund's performance benchmark is a mix of 50% S&P/ASX 200 Total Return Index (100% NZD-hedged) and 50% S&P/NZX 50 Gross Index.

This benchmark is used to assess the payment of performance fees.

**Relevant market index**

Asset Class	Benchmark Index	Benchmark Asset Allocation
Australasian Equities	S&P/NZX 50 Gross Index with Imputation Credits	50%
	S&P/ASX 200 Total Return Index (100% NZD-hedged)	50%

\* The base fund fee covers:

- costs such as investment management, supervisor, custodial, fund accounting, audit and legal costs and is paid monthly. These fees are deducted from, and are reflected in, the Fund unit price; and
- estimated underlying external fund charges, where applicable.

**Schedule 12.**

**Milford Dynamic Fund**

**12.**

**Fund objective and description**

The Milford Dynamic Fund’s objective is to provide capital growth after the base fund fee\* but before tax and before the performance fee, by out-performing the relevant share market index over the minimum recommended investment timeframe.

It primarily invests in small to mid-cap Australasian equities.

**Minimum recommended investment timeframe**

Eight years.

**Relevant benchmark**

The Fund’s performance benchmark is the S&P/ASX Small Ordinaries Total Return Index (100% NZD-hedged). This benchmark is used to assess the payment of performance fees.

**Relevant market index**

Asset Class	Benchmark Index	Benchmark Asset Allocation
Australasian Equities	S&P/ASX Small Ordinaries Total Return Index (100% NZD-hedged)	100%

\* The base fund fee covers:

- costs such as investment management, supervisor, custodial, fund accounting, audit and legal costs and is paid monthly. These fees are deducted from, and are reflected in, the Fund unit price; and
- estimated underlying external fund charges, where applicable.











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