



Milford Unit Trust PIE Funds  
Milford Trans-Tasman Fund  
Fund update for the quarter ended 30 September 2016

# Fund Update

This fund update was first made  
publicly available on 25 October 2016.

## What is the purpose of this update?

This document tells you how the Milford Trans-Tasman Fund ('Fund') has performed and what fees were charged. The document will help you to compare the fund with other funds.

Milford Funds Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

## Description of this fund

The Fund's objective is to provide capital growth after management and administration charges 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.

|                           |                |
|---------------------------|----------------|
| Total value of the fund   | \$258,177,353  |
| The date the fund started | 1 October 2007 |

# What are the risks of investing?

## Risk indicator for the Milford Trans-Tasman Fund



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at [www.sorted.org.nz/tools/investor-kickstarter](http://www.sorted.org.nz/tools/investor-kickstarter).

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 30 September 2016. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates. See Note 1 at the end of this Fund Update.

See the Product Disclosure Statement ('PDS') for more information about the risks associated with investing in this fund.

## How has the fund performed?

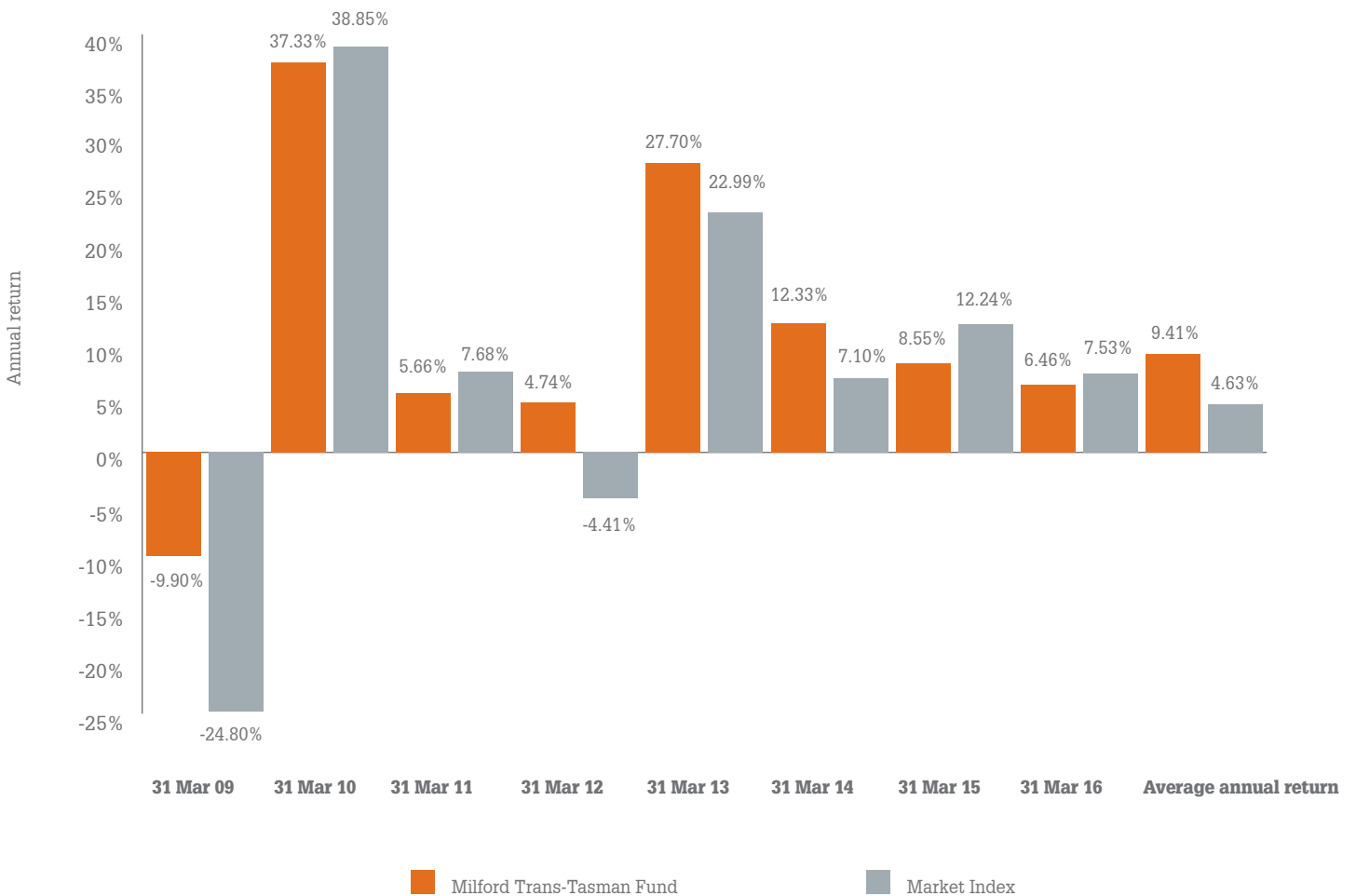
|  | Average over past 5 years | Past year |
|--|---------------------------|-----------|
| <b>Annual return</b><br>(after deductions for charges and tax)                   | 14.84%                    | 18.36%    |
| <b>Annual return</b><br>(after deductions for charges but before tax)            | 16.15%                    | 19.80%    |
| <b>Market index annual return</b><br>(reflects no deduction for charges and tax) | 12.90%                    | 20.37%    |

We are required to disclose an appropriate market index as comparison. The market index return is before tax and fees. The objective of the Fund is to provide capital growth after management and administration charges but before tax and before the performance fee, by out-performing a mix of two relevant share market indices. Therefore, the Fund's investment strategy will be designed to achieve this.

For more information on the market index, please refer to the Statement of Investment Policy and Objectives for the Milford Unit Trust PIE Funds, which can be found at [www.milfordasset.com/documents](http://www.milfordasset.com/documents) or on the offer register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).

# How has the fund performed?

## Annual Return Graph



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 30 September 2016.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

**Important:** This does not tell you how the fund will perform in the future.

## What fees are investors charged?

Investors in the Fund are charged fund charges. In the year to 31 March 2016 these were:

|   | <b>% of net asset value</b> |
|---|-----------------------------|
| <b>Total fund charges</b>   | 1.17%                       |
| <i>which are made up of:</i>  |                             |
| <b>Total management and administration charges</b>                  | 1.05%                       |
| <i>including:</i>   |                             |
| Manager's basic fee <sup>2</sup>                                    | 1.01%                       |
| Other management and administration charges (estimate) <sup>3</sup> | 0.04%                       |
| <b>Total performance-based fees</b>                                 | 0.12%                       |

Milford is unable to determine the fund charges charged by some non-related underlying funds within the 'other management and administration charges' so these charges have been estimated. It is not expected that these charges will be material. See Note 3 at the end of this Fund Update.

See the PDS for more information about the basis on which performance fees are charged.

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds) although these are not currently charged. See the PDS for the Milford Unit Trust PIE Funds on the offer register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) for more information about those fees.

## Example of how this applies to an investor

Small differences in fees and charges can have a big impact on your investment over the long term.

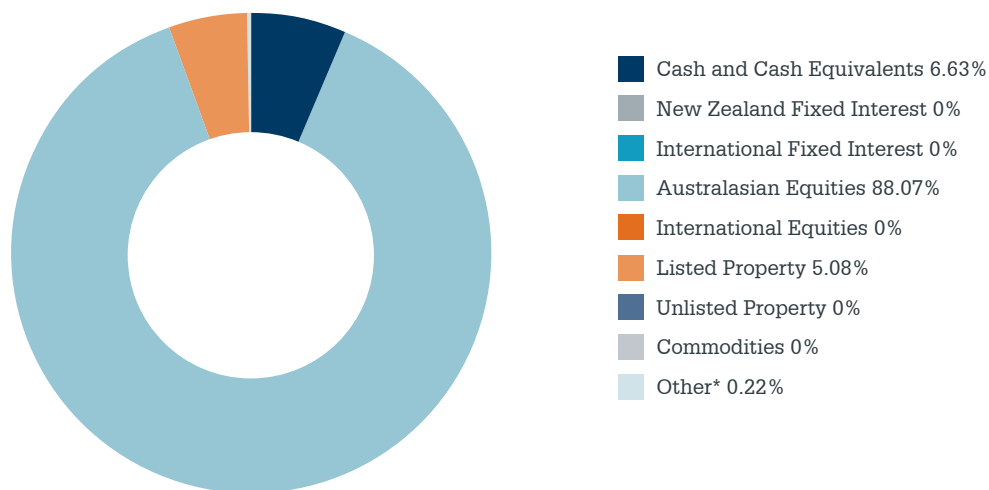
Joshua had \$10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year,

Joshua received a return after fund charges were deducted of \$1,836 (that is 18.36% of his initial \$10,000). Joshua did not have to pay other charges. This gives Joshua a total return after tax of \$1,836 for the year.

# What does the Fund invest in?

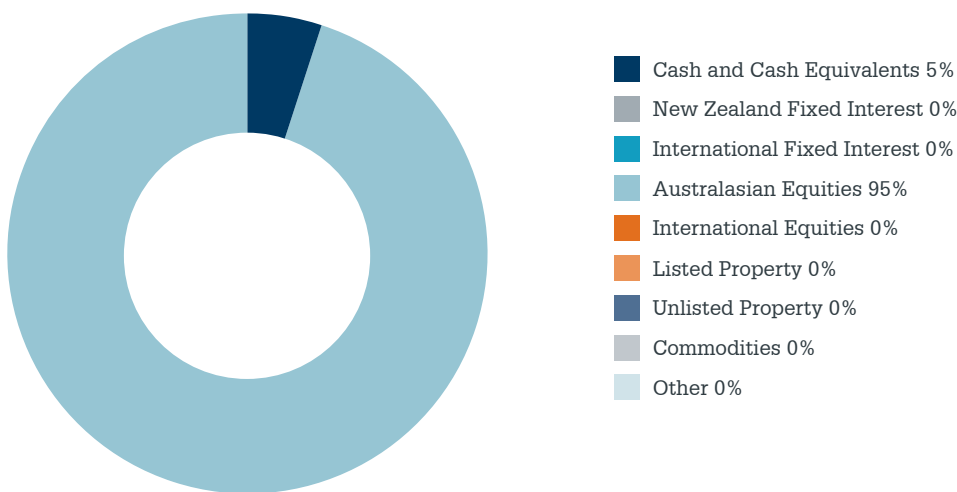
This shows the types of assets that the Fund invests in.

## Actual investment mix



\* may include swaps, currency contracts and sundry items.

## Target investment mix<sup>4</sup>



## Currency hedging

The Fund's foreign currency exposure is actively managed, with the neutral currency exposure being 50%.

## What does the Fund invest in?

### Top 10 Investments

| Name                                  | % of fund net assets | Type                      | Country     | Credit rating (if applicable) |
|---------------------------------------|----------------------|---------------------------|-------------|-------------------------------|
| 1 Fletcher Building Ltd               | 7.89%                | Australasian equities     | New Zealand |                               |
| 2 Spark New Zealand Ltd               | 5.06%                | Australasian equities     | New Zealand |                               |
| 3 Fisher & Paykel Healthcare Ltd      | 5.03%                | Australasian equities     | New Zealand |                               |
| 4 NZD Cash Current Account (NAB Bank) | 4.81%                | Cash and cash equivalents | New Zealand |                               |
| 5 Auckland International Airport Ltd  | 4.27%                | Australasian equities     | New Zealand |                               |
| 6 Z Energy Ltd                        | 4.13%                | Australasian equities     | New Zealand |                               |
| 7 Contact Energy Ltd                  | 3.10%                | Australasian equities     | New Zealand |                               |
| 8 Commonwealth Bank of Australia      | 2.92%                | Australasian equities     | Australia   |                               |
| 9 Westpac Banking Corporation         | 2.85%                | Australasian equities     | Australia   |                               |
| 10 Meridian Energy Ltd                | 2.73%                | Australasian equities     | New Zealand |                               |

The total value of the 10 individual assets as a percentage of the net asset value of the Fund is 42.79%.



## Key personnel

| Name          | Current position                        | Time in current position | Previous or other current* position   | Time in previous or other current position |
|---------------|---|--------------------------|---|--|
| Brian Gaynor  | Portfolio Manager<br>Executive Director | 13 years                 | Director and Chairman of the Manager Selection Committee at the Guardian of the NZ Superannuation Fund, New Zealand | 2 years                                    |
| Wayne Gentle  | Portfolio Manager                       | 2 months                 | Deputy Head of Australian Equities, Colonial First State Global Asset Management, Australia                         | 8 years, 6 months                          |
| Sam Tretheway | Portfolio Manager                       | 1 years, 5 months        | Senior Analyst at Milford Asset Management, New Zealand   | 1 year, 4 months                           |

## Further information

You can also obtain this information, the PDS for the Milford Unit Trust PIE Funds and some additional information from the offer register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).

Have any questions? If so, please visit [www.milfordasset.com](http://www.milfordasset.com) or phone 0800 662 345.

## Notes

1. The risk indicator has been calculated on the basis of five years of historic fund returns where available, and market index returns where required. Hence, the returns data used may not represent a full investment cycle for the Fund and the risk category may be different if calculated using a longer timeframe. If the period of returns used reflected an environment of unusually low or unusually high volatility, the risk indicator may not reflect the Fund's future volatility.
2. Milford charges a capped management fee that covers normal fund operating costs such as investment management, supervisor, custodial, fund accounting, audit and legal costs. For disclosure requirements, supervisor, audit and legal costs have been removed from the capped management fees to provide the manager's basic fee. These have been included in other management and administration charges.
3. If Milford is unable to determine the external fund charges, these have been estimated from recent financial statements based on the actual costs as a percentage of the average net asset value that were charged for the fund's previous financial year. These are reflected in the prices of the external funds that are used in the calculation of the unit price of the Fund.
4. The target investment mix indicates 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 targets.

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