MILFORD

Milford Investment Funds Monthly Review
September 2020

Market and Economic Review

Milford's Funds recorded another strong month of performance driven by higher share prices – most notably in the US. Large technology companies continued their strong trend in August, but Milford's investment team has been looking to identify and invest in companies that might benefit as the global economy starts to recover.

Milford's Global Equity Fund delivered returns of 5.4% in the month, helped by performances of companies such as Visa (up 11.5%) and Mastercard (up 16.1%). Global consumer spending has surged since May, driven by pent up demand for goods. Electronic payment companies capture a significant slice of this spending, even if it is done online. Salesforce.com (up 39.9%), reported good results as corporates continue to embrace digital transformation (i.e. move more of their activities online).

Recent investments in Spanish airport operator Aena were rewarded as the stock rallied 13.4% in August as investors begin to look beyond the current malaise in global travel. Australia saw companies report results in August and investors rewarded the more growth orientated small cap companies, helping the Dynamic Fund return 6.6%. In Australia, investors were looking to buy companies that might benefit from a reopening, Collins Foods Group (owner of KFC franchises) was up 9.3% in the month.

In NZ too, Milford's funds benefitted from exposure to recovery stocks in August. Two examples are Summerset (+11.0%) retirement villages due to their exposure to the strong NZ housing market and Vista Group's (+43.0%) exposure to climbing global cinema attendance. Global government bond markets broadly fell in August reflecting increased inflation expectations from investors. Our bond funds delivered positive returns though due to their larger exposure to corporate bonds, which outperformed government bonds. NZ government bonds outperformed global and Australian bonds due to further accommodative monetary policy from the Reserve Bank of New Zealand.

As we look ahead, there are signs that we are becoming more adept at managing the COVID-19 pandemic. Progress on a vaccine plus more effective testing and management strategies should improve the outlook for some businesses that have struggled over the past six months. Whilst uncertainty remains high, we look for signs of a sustainable economic recovery and companies that will benefit from this.

Conservative Fund

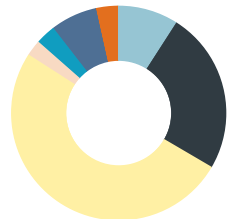
Portfolio Manager: Paul Morris

The Fund posted another strong month, returning 1.1%, with bonds and shares both contributing positively. Shares were supported by better than expected second quarter results, and the improving economic backdrop.

There was notable performance from the Fund's global shares which are weighted towards growth shares with many setting new record highs. There was also strong performance from its Australian property shares, while NZ utilities recovered from the news of the Tiwai smelter closure. Global government bond markets were weaker, but the Fund's exposure remains more towards corporate bonds which outperformed, recovering more of March's weakness. NZ bonds also materially outperformed thanks to a very supportive Reserve Bank of New Zealand. During the month we slightly increased exposure to shares as our confidence in the economic recovery has incrementally improved.

We do however remain wary that bond and share valuations are no longer cheap. Therefore, given the Fund's conservative risk profile and myriad prevailing uncertainties we have continued to hold a slightly cautions Fund setting, fewer shares than the long run neutral. That said, we reiterate previous commentary that there remain opportunities to find attractively priced shares which should deliver reasonable but lower risk returns and allow the Fund to keep up with the broader market. Moreover, we believe that given the extent of monetary and fiscal policy support there is still room for further, albeit more modest, gains from corporate bonds.

Actual investment mix [1]



The actual cash held by the Fund is 5.82%. 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

August was a solid month with the Fund rising by 1.5%. Returns were positive across key asset classes, led by Australian shares (+2.8%). That said, gains in Australian shares fell far behind those in global share market (+6.3%), technology shares in particular (+10.6%).

The global technology sector has now risen by 33% year-to-date, compared to declines of 8% for global high-dividend paying companies, and 9% for global property companies. Technology has always been a sector outside of the Fund's focus - reflecting the typical lack of dividends and higher-risks involved with many business models. This lack of exposure to technology and other high-growth companies is a key difference compared to other diversified funds. Looking ahead, we believe the gap in returns between more dividend-oriented companies and 'growth' companies will eventually close. However, timing this is difficult especially in light of structural changes being reinforced by the Coronavirus. A successful vaccine, would be one catalyst likely to improve the relative performance of dividend-oriented shares. In terms of positioning this month, we added to share holdings in US railways, NZ electricity companies (Contact and Meridian) after earlier declines and select property companies. Positions were reduced across several corporate bonds in the banking sector.

The Fund's fixed income holdings fell slightly in August to 54%, while our exposure to shares rose to 39% from 35%. The share allocation has been generally rising since April, reflecting reduced risks in key areas including the virus, economic policy support, and employment; and attractive medium-term valuations for many stocks in our sectors of focus.

The actual cash held by the Fund is 5.79%. 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 2.3% in August, bringing the 1-year return to 6.6%. Large US technology stocks continue to perform well, and these companies have been a significant contribution to returns in the past few months. Considering this performance, exposure to US companies has been steadily reduced, although they remain a key part of the portfolio.

Local share markets were muted at a headline level, but company results reported in August saw diverging fortunes for Australian businesses with small (higher growth) company shares handsomely outperforming large ones - a benefit to the Fund via the Dynamic Fund. In NZ we saw a resurgence in companies that benefit from a re-opening of the economy, for example Summerset (a key beneficiary of a strong housing market) and Vista Group (recovering as cinema audiences rebound). Although global government bond markets fell in August, the Fund's increased exposure to corporate bonds delivered positive returns for the income portfolio.

Looking ahead, a key question is the strength and sustainability of the global economic recovery and finding attractively valued companies that may benefit from that. This is a change from the past few months where companies that benefit from social distancing and working from home have been standout winners. The Fund has been increasing its investments in shares, but these are relatively defensive in nature - with interest rates low, any company with an attractive and sustainable dividend yield should be more sought after going forward.

Actual investment mix [1]

- Effective Cash[#] 15.50%
- New Zealand Fixed Interest 5.75%
- International Fixed Interest 24.44%
- New Zealand Equities[†] 12.78%
- Australian Equities 11.79%
- International Equities 21.58%
- Listed Property 7.93%
- Other[*] 0.23%

[#] The actual cash held by the Fund is 5.90%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Active Growth Fund

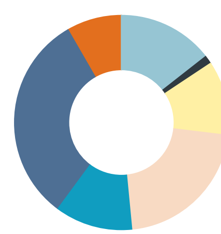
Portfolio Manager: Jonathan Windust

The Fund rose 3.1% in August benefitting from the performance of share markets and in particular global shares which were up 6.3%. Shares continue to benefit from strong stimulus from central banks and governments and as investors look for an alternative to very low returns on cash. Strong retail investor demand for high growth shares boosted valuations to very high levels.

Key positives during the month were US software company Salesforce (+39.9%) and Chinese company Alibaba (+14.3%). Salesforce rose following a strong result with revenue rising 29.9%, illustrating strong demand for its products despite an uncertain environment. Alibaba rose following its result where it reported a 34% increase in sales driven by strong eCommerce sales. We believe Alibaba remains well positioned to continue to grow and is reasonably valued. The Fund focus has started to move away from the short-term growth winners to shares that have been left behind and will rebound from an eventual vaccine and recovery in economic activity. A key addition during the month was Spanish airport owner Aena, which has a focus on short-hall traffic, a strong balance sheet and a very attractive valuation that could rebound strongly as investors start to look forward into a post-COVID world.

The short-term outlook for shares is tricky with tailwinds of government stimulus and low interest rates but headwinds of an uncertain economic outlook and valuations that in some cases have started to become extreme. This backdrop may see shares continue to grind higher as investors look to put money to work and chase market returns but it does leave markets susceptible to pull backs. The strategy of the Fund is to remain active and invest in a combination of growth companies which we believe are reasonably priced, and more attractively valued companies including those which offer attractive dividends. The Fund remains on the cautious side given the uncertain environment and the recent rise in share market valuations; however, we remain excited about the opportunities for active management gains.

Please note this Fund is closed to new investors.



- Effective Cash[#] 14.44%
- New Zealand Fixed Interest 1.25%
- International Fixed Interest 11.23%
- New Zealand Equities[‡] 21.55%
- Australian Equities 11.64%
- International Equities 31.54%
- Listed Property 8.32%
- Other[*] 0.03%

[#] The actual cash held by the Fund is 7.33%. 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 0.24% [‡] Includes unlisted equity holdings of 1.69% [*] 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

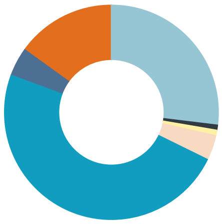
Portfolio Manager: William Curtayne & Wayne Gentle

The Fund returned 0.8% in August as equity markets continued to recover from the March sell-off. The bulk of our portfolio reported full year earnings over the month which saw some significant price moves and revealed some opportunities.

Our strongest results were from Charter Hall Group (+18.9%), Corporate Travel Management (+83.2%), Sealink Travel Group (+12.8%) and Bapcor (+13.7%). These businesses are exposed to the domestic economy and have recovered from the COVID-19 economic lockdowns faster than expected. Our weakest performances were from our gold miners which pulled back with the gold price, justifying our decision to trim our holdings last month. We also had weaker results from Insurance Australia Group (IAG) and Telstra. We sold our holding in Telstra as our thesis of an improving competitive environment looks unlikely following aggressive comments from Optus. We increased our position in IAG slightly as we think it offers attractive value and COVID-19 impacts are not as severe as the market is implying.

With the possibility of encouraging vaccine developments before the year's end, we have added some businesses that are likely to benefit from positive vaccine developments. These include CSL, Sydney Airport, Corporate Travel Management, property companies and some banks. As a result, our equity exposure continues to increase but we retain a balanced portfolio focussed on higher quality companies with strong balance sheets.

Actual investment mix [1]



The actual cash held by the Fund is 15.62%. 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 another strong month of performance on an absolute (+0.8%) and relative (0.3% more than benchmark) basis. Absolute return was supported by a rise in New Zealand bond prices (yields lower) in response to a dovish Reserve Bank of New Zealand.

NZ corporate bonds, where the Fund's NZ exposure is focussed, also notably outperformed government bonds again as investors search for yield. Australian bond market performance was however mixed; government bond prices were mostly lower (yields higher) but the negative impact to the Fund was offset by our exposure to corporate bonds which outperformed. Performance relative to the benchmark was driven by factors including more NZ and less Australian interest rate exposure than the benchmark, a larger exposure to corporate bond credit margins (the extra yield of corporate bonds over governments) and further performance from holdings in Australasian issuers' offshore bonds. Active management was very evident in August as the new issue market reopened in force. The Fund participated in deals from the likes of Goodman Property, ANZ Bank, Coles Group, Transpower and Investore, against which it sold more expensive holdings.

Looking forward, now even lower prevailing market yields may moderate returns, but policy support should prevent material price weakness. Indeed, while interest rate exposure is now closer to benchmark, we remain positioned for a further fall in NZ dollar interest rates.

The actual cash held by the Fund is 3.64%. 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.

Global Corporate Bond Fund

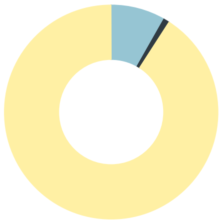
Portfolio Manager: Paul Morris

Thanks to the ongoing outperformance of corporate bonds, the Fund overcame rising global government bond yields (falling prices) to post a return of 0.7% in August.

The outperformance of corporate bonds was notable in short to medium maturity investment grade (IG) bonds, where the Fund's exposure is more focused, but also in lower rated (riskier) high-yield (HY). We remain underweight in the latter versus benchmark, due to its higher leverage in what remains an uncertain economic backdrop. Irrespective of this, we were able to deliver a slightly above benchmark return through retaining more sensitivity to the outperformance of corporate bonds over governments relative to the benchmark, investing in subordinated bonds of IG rated issuers (which performed well), and reducing the Fund's exposure to rising government bond yields. The Fund was active in the new issue market, including participating in bonds from Google, Barclays Bank and Vodafone. We used these opportunities to switch out of more expensive holdings, especially higher rated corporate issuers where valuations are less attractive.

The recent strength in corporate bonds has seen many sectors regain the bulk of their COVID crisis underperformance versus government bonds, albeit more directly impacted sectors continue to lag. Nonetheless, given the extent of monetary and fiscal policy support we believe there is still room for further, but more modest, outperformance.

Actual investment mix [1]



Effective Cash# 8.24%
New Zealand Fixed Interest 0.89%
International Fixed Interest 90.82%
Other* 0.05%

The actual cash held by the Fund is 4.99%. 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, may be close to unchanged in August but that does not reflect that the interest rate market is now starting to price in a real probability of a negative Official Cash Rate (OCR) next year. This expectation is due to August's Reserve Bank of New Zealand (RBNZ) Monetary Policy Statement being unambiguous in outlining the RBNZ's wish to bring market and retail interest rates lower.

We would however reiterate previous commentary that even if there was to be a negative OCR, the Fund should still be able to deliver a positive and low risk return. Indeed, the RBNZ were clear to state that they do not anticipate retail rates going negative. In the future that should therefore allow the Fund sufficient alternatives to continue to deliver a positive return.

These 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 remains an attractive, tax efficient, liquid and low risk alternative to bank term deposits.

Effective Cash# 23.13%
New Zealand Fixed Interest 76.87%
Other* 0%

The actual cash held by the Fund is 23.13%. 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

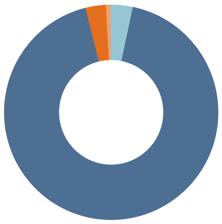
The Fund rose 5.4%, but lagged the market by 0.2% in a very strong month.

Key positive contributors included Apple (+21.7%) for the second month in a row. The company will launch a 5G iPhone later this year and has overcome COVID-19 disruptions. Salesforce (+39.9%), known for its customer relationship management (CRM) software and corporate solutions for sales, service and marketing functions, reported sales up 19% YoY (ex. acquisitions), highlighting the need by companies to modernize and go digital. It traded up 26% the day following its results, no small feat for a company with a market capitalisation of over US$200bn. Elsewhere, Alibaba (+14.3%) climbed following strong results, driven by online shopping. Investors also took positively to its plans to list payments and financial services arm Ant Financials this year.

Detractors from performance included American Water Works (-3.7%), provider of water-related services in North America, and US telecommunication tower play American Tower (-4.7%). These companies are essential infrastructure and not impacted by the pandemic. Nonetheless, the Fund trimmed these yield names to fund stronger ideas as well as reduce exposure to interest rates.

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 3.81%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

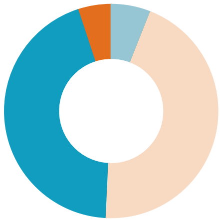
Trans-Tasman Equity Fund

Portfolio Manager: Sam Trethewey & Wayne Gentle

August performance was 3.3% compared to a 1.8% return for the NZX 50 index and a 2.8% return for the ASX 200 index. Earnings season was the key focus for investors over the month. In NZ low expectations saw almost all stocks that reported push higher. Australian results were more mixed, with preservation of cash and reduced guidance commentary due to COVID notable features.

Standout performers for the Fund were cinema software developer Vista Group (+43.0%) and Charter Hall (+18.9%). Vista Group generated positive cash flow over a highly disrupted six-month period. This demonstrated that their software is mission-critical for cinemas. The Charter Hall result illustrated limited impact of COVID-19 on its underlying property funds. a2 Milk was an exception (-10.8%). Market expectations increased ahead of the result, the market expected the company to exceed guidance provided in an April trading update. This did not eventuate with the company delivering a broadly in line result, we reduced some of our holding into share price strength prior to the result. Elsewhere in the month we took advantage of second lockdown weakness to add to our holdings in Mainfreight and Infratil and added Sydney Airport to the Fund via an equity raising.

The range of outcomes for company earnings in the year ahead remains very wide. While the local reporting season provided some comfort to investors regarding current performance, the medium-term outlook of many companies will still be determined by the impact of COVID-19, in both a health and economic sense, over the coming year. Irrespective of short-term 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 an above average rates (like a2 Milk, Xero and Fisher & Paykel) and avoid where we see stretched balance sheets, earnings or valuation risk.



The actual cash held by the Fund is 7.48%. 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

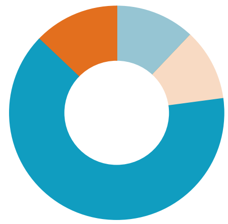
Portfolio Manager: William Curtayne & Michael Higgins

The Australian Small Ordinaries Index rallied strongly in August, up 7.2%. Pleasingly, the Fund was able to keep up, delivering 6.6% for the month and 10% for the year. Since the market low recorded on March 23rd, the Fund has now rallied an incredible 57.6%, 2.6% ahead of the benchmark.

Performance was led by independent investment platform HUB24 (+21.3%) which closed FY20 with $17.2bn in Funds Under Administration, up 14% for the quarter and 34% on the previous period. HUB24 is a beneficiary of the structural migration away from the major banks and AMP towards more nimble independent wealth management groups. Sports gaming company PointsBet rallied strongly (+117.9%) after signing a 5-year media agreement with NBCUniversal. The deal creates an excellent foundation to grow sports gaming in the US. Detractors included gold miners Saracen Minerals (-13.0%) and Gold Road Resources (-15.0%). While our recent performance has been strong, the market remains volatile.

We remain mindful that we are in a period of elevated uncertainty with a broad range of potential market moving scenarios in play. Our portfolio is well balanced consisting of reasonably priced companies with good growth prospects irrespective of the cycle and a number of “vaccine winners”, which should perform strongly on any vaccine development before year end.

Actual investment mix [1]



The actual cash held by the Fund is 11.51%. 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)	17/09/2020
Global Corporate Bond Fund	0.45 cents (Quarterly)	17/09/2020
Trans-Tasman Equity Fund	1.5 cents (Biannually)	17/09/2020

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

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

Milford Investment Funds Monthly Review as at 31 August 2020

Fund Performance

	Past month	1 year	3 years (p.a.)	5 years (p.a.)	Since Fund inception (p.a.)	Unit price $	Fund size $
Multi-Asset Funds							
Conservative Fund*	1.14%	4.11%	5.99%	6.46%	6.46%	1.2058	459.1 M
Diversified Income Fund*	1.54%	0.88%	6.61%	8.56%	10.62%	1.7740	2,333.7 M
Balanced Fund	2.30%	6.57%	8.51%	8.70%	9.78%	2.5440	882.0 M
Active Growth Fund#	3.11%	8.31%	10.76%	10.69%	12.37%	4.2079	1,271.8 M
Australian Absolute Growth Fund	0.84%	3.24%	—	—	6.73%	1.1730	215.2 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	0.82%	4.15%	5.48%	5.03%	5.70%	1.2102	803.1 M
Global Corporate Bond Fund*^	0.68%	4.03%	4.56%	—	5.18%	1.0948	764.0 M
Cash Fund	0.04%	1.03%	—	—	1.36%	1.0206	131.4 M
Equity Funds							
Global Equity Fund†	5.43%	19.82%	12.91%	9.12%	9.90%	1.9890	831.8 M
Trans-Tasman Equity Fund*	3.26%	11.60%	14.25%	14.82%	11.69%	3.3834	519.7 M
Dynamic Fund	6.62%	10.02%	14.11%	12.50%	12.87%	2.2847	379.0 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)	1.82%	11.77%	16.27%	17.37%	16.14%
S&P/ASX 200 Accumulation Index (AUD)	2.83%	-5.08%	6.10%	7.47%	6.83%
S&P/ASX 200 Accumulation Index (NZD)	4.53%	-2.73%	5.68%	6.97%	6.05%
MSCI World Index (local currency)*	6.27%	14.39%	9.74%	10.17%	10.39%
MSCI World Index (NZD)*	5.14%	8.98%	11.96%	8.99%	11.78%
S&P/NZX 90-Day Bank Bill Rate	0.03%	0.95%	1.62%	1.94%	2.34%
Bloomberg Barclays Global Aggregate Bond (USD-Hedged)	-0.72%	3.28%	4.83%	4.37%	4.38%
S&P/NZX NZ Government Bond Index	0.81%	4.45%	6.33%	5.16%	5.71%

*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 1.46%	Spark New Zealand 2.20%	Spark New Zealand 1.95%	Spark New Zealand 3.82%	CSL 6.09%
Housing NZ 3.36% 2025 1.20%	Contact Energy 2.09%	Fisher & Paykel Healthcare 1.81%	Fisher & Paykel Healthcare 3.77%	Woolworths 6.01%
NZLGFA 3.5% 2033 1.15%	Woolworths 1.97%	a2 Milk Company 1.31%	Summerset Group Holdings 2.36%	National Australia Bank 5.69%
Westpac 2.22% 2024 1.12%	Transurban Group 1.91%	Contact Energy 1.27%	a2 Milk Company 2.12%	Transurban Group 4.18%
ASB Bank 1.83% 2024 1.10%	Goodman Group 1.61%	Alphabet 1.20%	Contact Energy 1.94%	BHP Group 4.15%
ING Group 1.45% 2024 0.99%	NZLGFA 1.5% 2026 1.35%	Apple 1.20%	Newmont Mining 1.85%	Mirvac Group 3.94%
ANZ 1.2% 2020 0.98%	Mirvac Group 1.19%	Amazon 1.19%	Alphabet 1.82%	ANZ Banking Group 3.67%
Transpower 1.735% 2025 0.97%	Wesfarmers 1.18%	Microsoft Corp 1.18%	Dr Horton 1.78%	Newmont Mining 3.37%
NZLGFA 1.5% 2026 0.94%	GPT Group 1.04%	Woolworths 1.13%	Charter Hall Retail 1.70%	GPT Group 2.89%
ANZ Bank Float 2024 0.93%	Telstra Corp 1.03%	Transurban Group 1.06%	Lowe's Companies Inc 1.63%	IAG 2.73%

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 3.08%	Seagate 4.091% 2029 1.82%	Westpac 32 Day CMD 2020 8.82%
Housing NZ 3.36% 2025 2.62%	Kerry Group 0.625% 2029 1.75%	ANZ 1.21% 2020 5.11%
NZLGFA 3.5% 2033 2.52%	Danaher Corp 0.45% 2028 1.68%	Housing NZ 0% 2020 4.79%
Westpac 2.22% 2024 2.44%	McDonald's 3% 2024 1.58%	ANZ 1.44% 2020 3.81%
ING Group 1.45% 2024 2.16%	Crown Castle 2.25% 2031 1.49%	ANZ 1.2% 2020 3.81%
Transpower 1.735% 2025 2.12%	John Deere 1.75% 2024 1.48%	Contact CD 2020 3.81%
ASB Bank 1.83% 2024 2.09%	Bank of America 1.898% 2031 1.46%	NZ Treasury 0% 2020 3.81%
ANZ Bank Float 2024 2.03%	Alphabet Inc 0.8% 2027 1.36%	Christchurch City 0% 2020 3.80%
Macquarie Group Float 2025 1.93%	Nordea Bank 0.5% 2027 1.32%	Auckland Airport CD 2020 3.80%
NZ Government Bond 4.5% 2027 1.77%	Aroundtown 4.5% 2025 1.31%	ANZ 1.2% 2020 3.05%

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
Apple 4.63%	Fisher & Paykel Healthcare 9.50%	HUB24 4.24%
Amazon 4.38%	a2 Milk Company 6.76%	Bapcor 4.05%
Alphabet 4.07%	CSL 5.37%	Collins Foods 3.92%
Microsoft Corp 3.97%	Xero 4.05%	Evolution Mining 3.83%
Alibaba Group 2.92%	Mainfreight 3.94%	Sealink Travel Group 3.78%
Paypal Holdings 2.86%	Spark New Zealand 3.28%	Saracen Mineral Holdings 3.07%
Home Depot 2.42%	BHP Group 3.11%	EQT Holdings 3.00%
Danaher 2.36%	Infratil 3.03%	EML Payments 2.90%
S&P Global 2.33%	Auckland Airport 2.79%	Seven Group Holdings 2.83%
Transunion 2.31%	Summerset Group Holdings 2.65%	IPH 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 $28.6 million invested across our Investment Funds as at the end of August 2020.

Katlyn Parker
Investment Analyst

Investment Highlight - Kerry Group

From a humble Irish dairy farm to a global food supplier

Kerry Group is a major international food corporation headquartered in Ireland. The company is a global leading supplier of flavours and ingredients to food, beverage and pharmaceutical industries, as well as a supplier of own and customer-branded food products to retailers in the UK, and Irish and select international markets.

What is exceptional to note with Kerry Group is its humble beginnings as a private dairy farm in southwest Ireland before becoming a dairy co-operative in 1974 with the aim of manufacturing milk protein for export to the US. Kerry started out as the smallest of Ireland's six major agricultural co-ops in 1974 with sales of €29m. However, the co-op understood that to grow and develop it would need to diversify from solely dairy into more value-added products and to do so the corporate structure would need to be changed. In 1986, Kerry Group became the first public company in Ireland to be formed from a co-operative. The transformation of Kerry Group is something its NZ peer Fonterra has struggled with.

Kerry Group has had tremendous success since listing through both organic growth and strategic acquisitions around the world. Kerry now operates in 150+ countries, employs around 26,000 staff and has 148 manufacturing locations globally. In 2019 Kerry generated revenue of €7.2bn from its two core divisions: Taste & Nutrition & Consumer Foods.

In the Taste & Nutrition division (which accounts for >80% of total revenue), Kerry manufacturers and distributes a portfolio of over 15,000 ingredients. Kerry also works with their key customers to develop solutions for existing products (e.g. improve a recipe) and create new products. This collaboration has built long standing client relationships which provides the company with a competitive advantage in a highly fragmented industry. The Consumer Foods segment accounts for a smaller proportion of overall revenue (sub 20%) but with Kerry having their own branded products as well as customer branded chilled or frozen food products, it gives the company additional insights into the Taste & Nutrition market.

We first invested in Kerry Group's bonds in September 2019. Bond investment analysis is not dissimilar to that of share investments, although its focus is through a different lens. As well as ensuring investments have robust business profiles, bond investors have additional emphasis on cash flow and balance sheets to ensure interest payments can be serviced and funding refinanced in due course. Kerry's leading market position, strong balance sheet, solid cashflow generation, in addition to its geographic and product diversification were all contributory factors that attracted us to invest in the company's debt. Kerry Group's bonds also qualify for purchase by the European Central Bank's asset purchase programmes which provides a further level of support for its bond prices.

Kerry Group is just one example of the many corporate borrowers we invest in globally and Australasia across our fixed income and diversified funds. This breadth of opportunity available outside of New Zealand opens up a broad universe of opportunities to deliver both improved fund diversification and risk return.

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