Milford Investment Funds
Monthly Review September 2022

Patience is a virtue

August was a volatile month with global share prices moving sharply higher, and then lower as the month progressed. As we wrote last month, we were sceptical of the recent strength in share markets and have maintained a cautious position in our funds, reducing exposure even further during August. For this reason, monthly fund returns are only modestly negative despite significantly weaker share and bond markets.

Whilst the outlook remains challenging, we continue to find good quality companies with reasonable outlooks and attractive valuations. Owning these companies has helped us outperform broader share markets, even if these companies' shares will continue to be buffeted by broader market volatility.

Last month, strong performance of safe (even slightly boring) companies boosted returns. Companies such as Contact Energy (+3.0%) and Spark (+6.3%) in NZ helped anchor portfolios against broader volatility. Elsewhere, strong monthly returns of natural gas companies such as Cheniere (+7.3%) and Santos (+9.7%) helped offset weakness in some of the growth orientated parts of the market.

Corporate bond prices were offering some attractive returns in June. Since then, strong performance has diminished the near-term outlook. We are also wary that low government bond yields have yet to reflect the reality of persistently higher inflation and held less exposure to interest rates as a result. With corporate bond issuance picking up over the next few weeks we are in a good position to add to our positions at attractive levels.

The outlook is highly uncertain. In the short term, headline inflation looks to be moderating and economic growth is holding up reasonably well. But slow growth in China and a building cost-of-energy crisis in Europe is adding to the broader global headwinds facing both consumers and businesses. Rising wages will also likely threaten corporate profitability over the next year. September usually heralds some market volatility; our funds are in a strong position to benefit from this due to their large cash holdings. We continue to look for opportunities to put this cash to work in company shares or bonds at more attractive valuations over the next few months.

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Conservative Fund

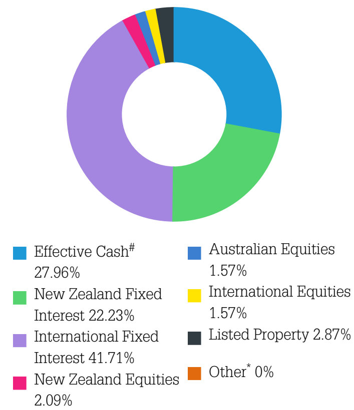
Portfolio Manager: Mark Riggall

The Fund returned -0.5% in the month with a one-year return of -5.6%. Weakness in global bond markets was once again the key performance drag on the Fund, although the Fund has held on to a large portion of the gains since June. Better global economic growth recently means investors are expecting central banks to have to raise interest rates further to combat inflation.

The Fund has a much-reduced exposure to bonds, helping cushion against these falls. The good news is that bonds have now largely made these adjustments and forward-looking returns look healthier. Share markets were volatile in August too, with global shares ending the month down 3.5%. The Fund has also held a much-reduced exposure to shares (around 8%) compared to normal (18%) and the types of shares have been more defensive. In August, strong performance from key holdings Contact Energy (+3.0%) and Spark (+6.3%) also helped Fund returns.

The outlook remains uncertain, economic growth has been resilient but a cost of energy crisis in Europe and an impaired Chinese economy threatens the momentum. With a lot of cash in the Fund (now earning over 3% interest thanks to higher bank rates), this provides plenty of dry powder to deploy if September heralds further market volatility (as it can often do).

Actual investment mix[1]



The actual cash held by the Fund is 15.97%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

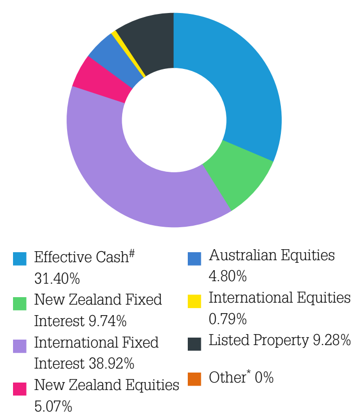
Diversified Income Fund

Portfolio Manager: Paul Morris

The recovery in bonds and shares stalled during August but thanks to cautious positioning the Fund return was close to flat over the month. Economic demand is proving more resilient to higher interest rates, underpinning central bank rhetoric that tighter monetary policy is needed to return inflation to target. This repriced higher the expected path of central bank cash rates which weighed on bonds. It has also increased the risk of a recession which when combined with higher market interest rates has proven a headwind for many shares, leading to very mixed performance across the Fund's holdings. Property shares were a notable weak spot, negatively impacted by higher interest rates, while global shares were generally lower. There were however many pockets of resilience, including positive contributions from Australian energy company Santos (+9.7%) on higher gas prices, Spark New Zealand (6.3%) post results outlining higher shareholder distributions, and UK bank Barclays (+6.1%) which is benefitting from higher rates.

Thankfully we went into the month with cautious positioning. Aggregate share exposure remained significantly lower than its long run neutral as we feared shares could resume their sell-off if interest rates start to rise again and/or if the earnings (economic) outlook deteriorates. On early month market strength we further reduced share exposure. Our exposure to bonds is closer to long run neutral but we have been actively selling more expensive holdings and buying better value new issues, e.g. a new subordinated bond from UK bank Lloyds which yields close to 9.5% in NZ Dollar equivalent terms. Importantly, to help mitigate the interest rate risk we will still focus on shorter-dated bonds where the impact of higher market interest rates is lower, and we managed to reduce interest rate exposure further during the month before market interest rates jumped.

Looking forward, we reiterate that the outlook for medium-term returns has improved given the higher interest rate environment. The caveat remains that near-term volatility is likely to remain elevated and risks remain for a continuation of this renewed bond and share market weakness. Active management and our ongoing cautious positioning should enable us to best navigate these risks.



The actual cash held by the Fund is 9.94%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

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

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

Balanced Fund

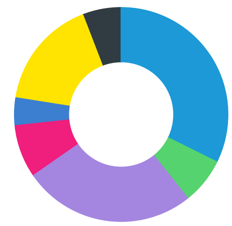
Portfolio Manager: Mark Riggall

The Fund returned -0.1% in the month with a one-year return of -3.9%. A volatile month saw global shares reverse a mid-month rally to close the month down 3.5%. Bond markets were also weak as investors expect central banks to have to raise rates more aggressively to combat inflation. We had been sceptical of the rally in shares and have held a much-reduced position (35-40%) in shares compared to usual (60%). Our stock selection has also been more defensive which has helped us weather market volatility.

In August, large fund holdings in Contact and Spark paid off with performance of 3.0% and 6.3% respectively from these stocks. We had increased exposure to corporate bonds in June at attractive levels. These have performed well over the last 2 months so we have reduced exposure again in anticipation of better opportunities to add exposure as corporates come back to the market after their summer break. In currencies, the Fund has held increased exposure to US dollars this year, helping boost performance as the NZ dollar has depreciated.

Looking ahead, there are a number of key concerns, but primarily the European consumer and the impact of higher global wage growth on company margins and profits. This keeps us cautious, although markets are now starting to reflect these risks. With that in mind, we will be looking to use any market weakness to add back to exposure in bonds and shares.

Actual investment mix[1]



- Effective Cash# 32.32%
- New Zealand Fixed Interest 6.97%
- International Fixed Interest 26.04%
- New Zealand Equities† 7.98%
- Australian Equities 4.18%
- International Equities 16.63%
- Listed Property 5.88%
- Other* 0%

The actual cash held by the Fund is 12.45%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

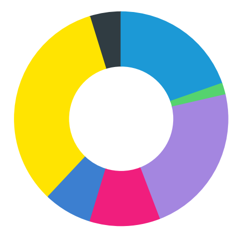
Active Growth Fund

Portfolio Manager: Jonathan Windust

The Fund returned -0.4% in August with negative returns from both bond and share markets. New Zealand and Australian share market indices rose 1.0% and 1.2% in contrast to the global share market index which fell 3.5%. Global share markets and bond markets came under pressure as longer-term interest rates rose. Interest rates rose in response to continued high inflation and talk from central banks around the globe that they would continue to act aggressively to control inflation even if growth is slowing. New Zealand and Australian shares performed well following generally robust earnings reports from major companies which reported during the month. The Fund performed well compared to the markets it invests in given more cautious positioning and a lower weight in shares.

Key company performance in the month included Australian materials company IGO (+21.7%), US energy company EOG Resources (+9.1%), New Zealand telco Spark (+6.3%) and UK bank Barclays (+6.1%). IGO is benefitting from strong demand and prices for Lithium and Nickel which are used in batteries for electric vehicles. Spark benefitted from a solid result and the attractive price it received for its mobile phone towers. The proceeds from the tower sale will allow Spark to return funds to shareholders and invest for future growth. Barclays was aided by a good result and rising interest rates which allow it to generate higher returns in the future.

The short-term outlook for shares remains uncertain with headwinds of higher inflation and higher interest rates which are likely to slow medium-term company growth prospects. Last month's share market valuations, in aggregate, are around long run averages. However they vary significantly by style, with growth company valuations above average as investors remain optimistic about this sector. This variation in valuation provides the opportunity for active management gains over time. Given the uncertain environment the Fund remains more defensively positioned than typical with a lower weight towards shares. The Fund has increased its holdings in company bonds (fixed income) which we believe reflect the high levels of market uncertainty. The Fund remains active to isolate those companies which we believe have strong risk-adjusted return prospects.



- Effective Cash# 19.65%
- New Zealand Fixed Interest 1.76%
- International Fixed Interest 22.78%
- New Zealand Equities‡ 10.49%
- Australian Equities 7.31%
- International Equities 33.23%
- Listed Property 4.78%
- Other* 0%

The actual cash held by the Fund is 10.75%. 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 0.12% ‡Includes unlisted equity holdings of 0.52% *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

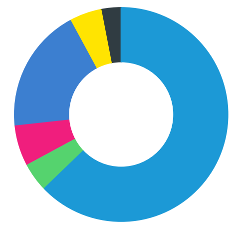
Portfolio Manager: William Curtayne & Wayne Gentle

The Fund produced a small 0.3% gain in August and is up 2.2% for the calendar year. Equity markets were strong earlier in the month before pulling back sharply late in the month following Fed Reserve Chairman Jerome Powell's speech at the Jackson Hole central bankers' symposium.

Most of our holdings reported their full year results over the month with most reporting reasonable earnings and some having strong gains, such as IPH (+11.7%) and Webjet (+7.2%). Energy companies also performed strongly as they reported strong cash flows and energy prices rallied again. TPG declined 15.6% after a poor result but it was fortunately a small position in the Fund. We sold nearly our entire positions in supermarkets Woolworths and Coles as they become overvalued which was fortunate as the companies pulled back sharply after reporting a more uncertain outlook than the market expected. As their share prices declined, we began to buy back into these companies again with a focus on Woolworths rather than Coles due to its better cost outlook.

Overall ASX industrials future earnings expectations were revised down 3% over the month which is the largest negative revision since COVID-19 hit in March 2020, although -3% is not a terrible number, in the context of market fears it could have been worse. We think there is substantial earnings risk ahead for many industries and companies which is why the Fund remains positioned in quality and defensive companies with a more certain earnings outlook and maintains a significant cash position. As earnings decline this will create a great opportunity to invest our cash and profit from the eventual recovery.

Actual investment mix[1]



The actual cash held by the Fund is 37.00%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Aggressive Fund

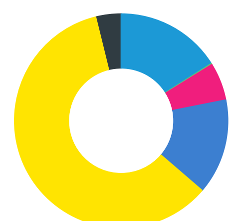
Portfolio Manager: Stephen Johnston

The Fund fell 1.6% in August. After a promising start to the month, we saw a global sell-off in share markets, following a speech from Jerome Powell, the Chair of the US Federal Reserve, where he made it clear he is committed to getting inflation under control, despite signs that economic growth is slowing.

In our international portfolio, commodity related names outperformed despite weakness seen in the price of oil and other commodities. The top contributor in August was energy company Shell (+6.1%). One of the attractions of Shell is their commitment to carbon reduction. Encouragingly, Shell has made large investments in renewable energy including wind, solar and hydrogen as well as vehicle charging infrastructure. US healthcare insurer Elevance Health (+1.7%) was another standout, proving its defensive qualities in a tough month for shares. Other highlights included financial giant Charles Schwab (+3.1%) a key beneficiary of higher interest rates and Cheniere Energy (+7.3%) one of the largest LNG producers in the world benefitting from high natural gas prices.

Underperformers in August were semiconductor company Analog Devices (-11.4%) on concerns of slower demand ahead and pharmaceutical company Bristol Myers (-8.6%) on a mixed data readout from a next generation anticoagulant drug trial. We continue to remain positive on both companies over the medium term.

Closer to home, Australasian markets outperformed in August. Strong performers included Australian miner IGO (+21.7%), a key supplier of both lithium and nickel which are essential as the world transitions to electric vehicles and renewable energy. BHP Group (+5.0%) and Santos (+9.7%) also had a solid month. In the New Zealand market, Infratil (+8.0%) outperformed and after a challenging period, a2 Milk (+24.8%) soared, on strong full year results as infant formula sales recovered. Looking ahead, we remain cautious for now and are holding higher levels of cash until we see a sustained decline in inflation.



The actual cash held by the Fund is 13.21%. 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.

Trans-Tasman Bond Fund

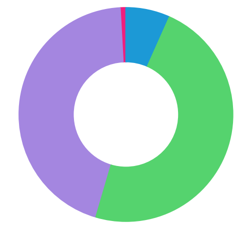
Portfolio Manager: Travis Murdoch

The Fund returned -1.3% in the month which was 0.3% ahead of its benchmark. Negative absolute returns were primarily driven by increased expectations for higher interest rates, and this pushed bond prices lower. In August the Reserve Banks of New Zealand and Australia both raised their cash rates by a further 0.5 percentage points, and both expect to tighten policy further over the coming months.

The Fund went into the month with slightly below neutral interest rate exposure and further reduced this, notably in NZ Dollars, early in the month. This provided some cushion from the negative impact of higher market interest rates and benefitted performance relative to benchmark. Performance versus the benchmark was also supported by trading activity. Over the month the Fund reduced its exposure to corporate bond credit spreads (the extra yield available from corporate bonds relative to government bonds) through (i) selling holdings which had outperformed but (ii) also participating in attractive new issues, including a new issue from UK bank Natwest Markets (in Austraian Dollars). Notably, the Fund now has near zero exposure to foreign currency bonds, where we see greater risk of underperformance.

Looking ahead, we remain wary that near-term risks remain skewed towards higher interest rates and higher volatility in credit spreads. Therefore the Fund has a below neutral exposure to interest rates. Its exposure to credit spreads is focused in lower volatility NZ Dollar exposures. Medium term, post these near-term risks, we think the higher interest rate environment should underpin attractive returns.

Actual investment mix[1]



The actual cash held by the Fund is 5.86%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

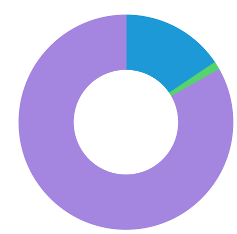
Global Corporate Bond Fund

Portfolio Manager: Travis Murdoch

The Fund returned -2.2% in the month, which was marginally behind its benchmark. Negative absolute returns were primarily driven by increased expectations for higher interest rates (which pushed bond prices lower) as relatively resilient economic data supported central bank rhetoric for tighter monetary conditions. Members of the US Federal Reserve and European Central Bank were particularly vocal in communicating their commitment to further tightening monetary policy to lower inflation.

Relative to benchmark the Fund saw some benefit from a below neutral exposure to interest rates. Although the Fund remains open minded to attractively priced new issues, e.g. participating in UK building society Nationwide's senior Euro bond, this has been more than offset by reducing holdings in Seagate (hard drive manufacturer), Ardagh Packaging, Crown Castle (US telecommunication towers), T Mobile (US telco), and National Australia Bank. While government bonds may remain under pressure from expectations of higher central bank rates, we are wary that corporate bonds could further underperform as corporate earnings wane on slower economic growth and increased supply of new issuance. Thus far this progressively lower corporate bond exposure has not led to outperformance versus benchmark, but we think the cautious approach is warranted for now.

As alluded to above, we maintain a cautious outlook over the near term amidst expectations for further volatility and uncertain economic growth and inflation. As noted above, the Fund increased its underweight to corporate bonds versus its benchmark. We continue to see risks skewed towards higher interest rates and hence the Fund maintains a below neutral exposure to interest rates predominantly via US Dollars.



The actual cash held by the Fund is 11.73%. 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.

Cash Fund

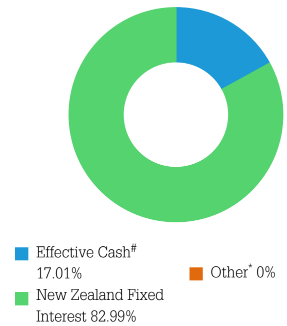
Portfolio Manager: Travis Murdoch & Katlyn Parker

The Reserve Bank of New Zealand (RBNZ) Monetary Policy Review in August saw the Official Cash Rate increased by 0.5 percentage points to 3.0 percent. Short-dated NZ Dollar bank bills, a reflection of interbank funding levels, continued their move higher throughout the month and the market is attaching a strong probability of the RBNZ to raise the OCR by another 0.5 percentage points at the upcoming October meeting.

Looking forward, this should continue to benefit the Fund by increasing the interest rates into which it can progressively reinvest maturing holdings. Our base case remains for higher interest rates from here albeit it remains to be seen if current market expectations will be fully realised if inflation moderates and/or growth slows.

The portfolio management of the Fund remains focused on maintaining its low-risk strategy which is built on a diversified portfolio of cash, short-dated debt securities and term deposits, so as to protect capital.

Actual investment mix[1]



The actual cash held by the Fund is 17.01%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Global Equity Fund

Portfolio Manager: Felix Fok

The Fund slipped 3.6% in August. Over three years, the Fund is up 27.8% (cumulative and net of fees) compared to the market index which is up 30.7%.

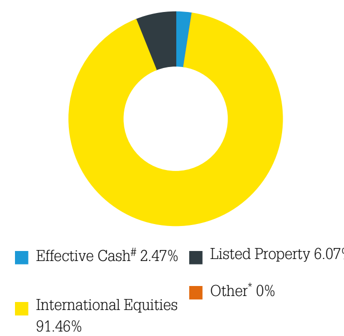
Positive contributors included US energy company EOG Resources (+9.1%, local currency). EOG outperformed its energy peers in the month and benefitted from higher prices for natural gas, driven by electricity demand and worries over supplies into Europe this winter. EOG has one of the lowest operating costs in the US and is an industry leader in emissions intensity.

Tencent (+6.6%) traded higher after a perfect storm of Covid lockdowns, a deflating property market, and stricter regulations on media companies in China. Management is actively cutting costs and realising the returns on prior investments. These actions are likely to provide support for the shares.

Decliners included ASML (-12.5%). The strategically important semiconductor sector has seen increasing political pressure due to US-China tensions. While ASML is technologically supreme with solid demand, we acknowledge this risk and are managing the overall exposure to this sector.

Microsoft (-6.7%) had a weaker month as interest rates rebounded. Microsoft sells broadly to the world economy across industries, and business activity is slowing. However, the growing trend in using data and software will continue.

The Fund focuses on the medium-term opportunity by concentrating on strong, profitable 'Future Leaders'. The Fund is actively upgrading the portfolio, considering the opportunity afforded by the market volatility.



The actual cash held by the Fund is 2.16%. 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.

Trans-Tasman Equity Fund

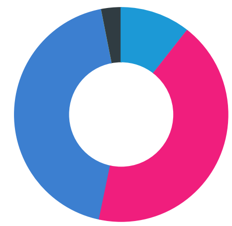
Portfolio Manager: Sam Trethewey

The Fund performed strongly in August returning 1.5%. This compares to a 0.9% increase in the NZX50 and a 1.2% increase in the ASX200 following a robust earnings season over the month. Generally, the results indicated a reasonable level of resilience in the performance of our portfolio holdings despite the softening economic conditions. Elsewhere in the market, there was obvious weakness in retail earnings while the strength was surprising within NZ housing market exposures Summerset and Fletcher Building.

Fund performance was led by our holding in Infratil (+8.0%) and lithium miner IGO (+21.7%). Infratil had another positive catalyst come to fruition via its holding in Longroad Energy, a US based renewable electricity development business. Longroad raised capital at an impressive valuation and consequently the market repriced Infratil's holding in the business higher. Elsewhere we added to a2 Milk (+24.8%) prior to their FY22 results. Our analysis prior to the result indicated previous headwinds faced by the business were turning and the result confirmed this to be the case. We also increased holdings in Australian fuel refiner and retailer Ampol and Spark following the sale of its tower business.

Looking ahead, we were pleased with the outlook for many of our portfolio holdings following the August earnings season. We will continue to watch the local economic situation closely as the path for interest rates and earnings continues to evolve, in particular the labour and housing markets, and adjust the Fund as necessary. The Fund remains defensively positioned, away from areas of high earnings uncertainty or stretched valuations. Cash is elevated at present however that puts us in a position to take advantage of stock opportunities as they occur.

Actual investment mix[1]



- Effective Cash# 10.62%
- New Zealand Equities 42.65%
- Australian Equities 43.62%
- Listed Property 3.11%
- Other* 0%

The actual cash held by the Fund is 11.33%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

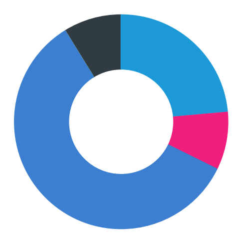
Dynamic Fund

Portfolio Manager: William Curtayne & Michael Higgins

The Fund returned 1.7% for the month, outperforming the S&P/ASX Small Ordinaries benchmark by 1.1%. Reporting season was the focus over the month, with nearly all portfolio companies presenting financial results.

Overall, we were pleased with our stock picking in what was a mixed season for small caps. Performance was led by global patent attorney IPH which rallied (+11.7%) following the acquisition of leading Canadian firm Smart & Biggar. Diversified miner IGO rallied (+21.7%) following one of the better quarterlies of reporting season. Fuel retailer Viva Energy Group (+12.0%), indicated total volumes had rebounded nicely in line with the domestic reopening. Detractors included Collins Foods (-5.1%) which drifted on no obvious news and Evolution Mining (-7.8%) weakened on soft gold prices and inflation pressures. There was a broad degree of caution in company outlook statements, and somewhat unsurprisingly, a lack of future earnings guidance.

In our view, economic and behavioural impacts of rate rises will start to emerge over the coming quarters. We enter the back end of the year with a diversified portfolio given the wide array of outcomes. As we await more comfort on the economic outlook, we continue to build out a long shopping list of growth businesses to add to the portfolio once they reach more compelling valuations in the coming months.



- Effective Cash# 23.59%
- New Zealand Equities 8.70%
- Australian Equities 58.90%
- Listed Property 8.81%
- Other* 0%

The actual cash held by the Fund is 25.13%. 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.

Fund Performance

	Past month	1 year	3 years (p.a.)	5 years (p.a.)	Since Fund inception (p.a.)	Unit price $	Fund size $
Multi-Asset Funds							
Conservative Fund*	-0.47%	-5.61%	1.18%	3.45%	4.50%	1.1591	582.2 M
Diversified Income Fund*	-0.13%	-2.28%	2.98%	5.58%	9.53%	1.8252	2,829.8 M
Balanced Fund	-0.06%	-3.87%	6.14%	7.47%	9.15%	2.8451	1,646.9 M
Active Growth Fund	-0.38%	-6.27%	7.51%	9.29%	11.65%	4.8047	2,679.2 M
Australian Absolute Growth Fund	0.31%	2.17%	9.55%	—	9.41%	1.4910	590.3 M
Aggressive Fund	-1.57%	-10.35%	—	—	-4.13%	.9492	918.6 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	-1.25%	-7.51%	-1.05%	1.77%	3.51%	1.0918	1,159.5 M
Global Corporate Bond Fund*^	-2.22%	-8.72%	-0.67%	1.49%	2.19%	.9971	415.4 M
Cash Fund	0.25%	1.34%	0.92%	—	1.08%	1.0384	283.7 M
Equity Funds							
Global Equity Fund†	-3.55%	-14.20%	8.53%	8.96%	8.46%	2.1169	381.7 M
Trans-Tasman Equity Fund*	1.53%	-9.84%	7.58%	10.73%	10.86%	3.6950	739.6 M
Dynamic Fund#	1.71%	-11.54%	9.52%	12.15%	12.05%	2.7234	670.6 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, Aggressive Fund: 21 June 2021.
*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.
#Closed to new investment

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)	0.96%	-11.62%	3.25%	9.13%	11.87%
S&P/ASX 200 Accumulation Index (AUD)	1.18%	-3.43%	5.51%	8.13%	8.53%
S&P/ASX 200 Accumulation Index (NZD)	1.68%	3.99%	7.14%	8.34%	8.51%
MSCI World Index (local currency)*	-3.46%	-11.27%	9.71%	8.82%	9.38%
MSCI World Index (NZD)*	-2%	-2.5%	9.8%	11.26%	9.34%
S&P/NZX 90-Day Bank Bill Rate	0.22%	1.19%	0.82%	1.27%	1.6%
Bloomberg Barclays Global Agg. Bond (USD-Hedged)	-2.61%	-9.99%	-2.16%	0.88%	1.67%
S&P/NZX NZ Government Bond Index	-3.09%	-10.42%	-3.97%	0.38%	1.24%

*With net dividends reinvested

Upcoming Distributions

Fund	Target	Payment Date
Conservative Fund	0.5 cents (Quarterly)	20/10/2022
Diversified Income Fund	1.1 cents (Quarterly)	17/11/2022
Trans-Tasman Bond Fund	0.45 cents (Quarterly)	15/09/2022
Global Corporate Bond Fund	0.45 cents (Quarterly)	15/09/2022
Trans-Tasman Equity Fund	1.5 cents (Biannually)	15/09/2022

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

Multi-Asset Funds

Conservative Fund	Diversified Income Fund	Balanced Fund
NZLGFA 1.5% 2026 1.31%	NZGBI 2% 2025 3.24%	Contact Energy 2.30%
NZLGFA 2.25% 2024 1.21%	Contact Energy 2.25%	NZGBI 2% 2025 1.32%
NZGBI 2% 2025 1.19%	Goodman 1.64%	HCA Holdings 1.15%
NZLGFA 4.5% 2027 0.92%	Getlink 1.47%	Elevance Health 0.99%
Genesis 5.66% 2027 0.85%	Telstra 1.22%	Santos 0.95%
NZLGFA 2.25% 2031 0.85%	Transurban 1.16%	Boston Scientific 0.94%
NZLGFA 2.25% 2028 0.82%	Scentre Group 5.125% 2080 1.11%	Charter Hall Retail 0.86%
Monash University 4.05% 2029 0.82%	Santos 1.10%	Spark 0.85%
Contact Energy 0.74%	Charter Hall Retail 1.03%	Goodman 0.83%
IAG 5.32% 2038 0.69%	Origin Energy 1.02%	Natwest 0.82%

Active Growth Fund	Australian Absolute Growth Fund	Aggressive Fund
Contact Energy 3.73%	Telstra 4.84%	Elevance Health 2.82%
Shell 2.60%	CSL 4.64%	Boston Scientific 2.67%
JPMorgan 2.48%	Contact Energy 4.01%	Shell 2.48%
CRH 2.29%	Santos 3.38%	Bristol-Myers Squibb 2.18%
Virgin Money 2.05%	Suncorp Group 2.52%	Aon 2.06%
HCA Holdings 1.81%	Shell 2.07%	Alphabet 1.94%
NatWest 5.125% Perpetual 1.63%	Ampol 2.05%	Intuit 1.85%
Boston Scientific 1.59%	HCA Holdings 1.94%	Charles Schwab 1.83%
Natwest 1.59%	Nearmap 1.89%	Microsoft 1.81%
Charter Hall Retail 1.48%	Woodside Energy Group 1.79%	Danaher 1.78%

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)

Cash and Fixed Income Funds

Trans-Tasman Bond Fund	Global Corporate Bond Fund	Cash Fund
NZLGFA 1.5% 2026 3.13%	John Deere 1.75% 2024 2.57%	Westpac 45 Day WND 17.12%
NZLGFA 2.25% 2024 2.91%	Becton Dickinson Euro 0.334% 2028 2.56%	Auckland Airport CD 2022 5.26%
NZLGFA 4.5% 2027 2.20%	CSL 3.85% 2027 2.35%	ASB 1.99% 2022 4.25%
NZLGFA 2.25% 2031 2.03%	JPMorgan 1.578% 2027 2.32%	Fonterra CD 2022 4.20%
NZLGFA 2.25% 2028 1.98%	AT&T 1.65% 2028 2.21%	SBS CD 2022 3.86%
Monash University 4.05% 2029 1.96%	RBLN 2.75% 2024 2.02%	Heartland CD 2022 3.52%
Genesis 5.66% 2027 1.70%	HCA 5.875% 2026 2.01%	Auckland Airport CD 2022 3.52%
Housing NZ 3.36% 2025 1.56%	Asciano 4.75% 2028 1.87%	Fonterra CD 2022 3.50%
Spark 4.37% 2028 1.45%	Magallanes 3.755% 2027 1.87%	ASB 3.485% 2022 2.83%
NZLGFA 1.5% 2029 1.44%	DR Horton 2.6% 2025 1.87%	Port of Tauranga CD 2022 2.82%

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).

Equity Funds

Global Equity Fund	Trans-Tasman Equity Fund	Dynamic Fund
Microsoft 4.57%	CSL 5.86%	Contact Energy 4.40%
Alphabet 4.28%	Infratil 4.95%	IPH 4.01%
Costco 3.49%	Spark 4.34%	Collins Foods 3.99%
Mastercard 2.81%	EBOS Group 4.02%	oOh!media 3.06%
EOG Resources 2.59%	Fisher & Paykel 3.99%	Carsales.Com 2.96%
SBA Comms. 2.48%	Contact Energy 3.78%	Waypoint REIT 2.96%
Aon 2.47%	CBA 3.72%	Viva Energy Group 2.84%
Elevance Health 2.38%	BHP 3.69%	Resmed 2.77%
Amazon 2.25%	Mainfreight 3.16%	Macquarie Telecom Group 2.27%
Danaher 2.18%	Auckland Airport 3.12%	GQG Partners 2.24%

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 $40.2 million invested across our Investment Funds as at the end of August 2022.

Michael Luke
Investment Analyst

Investment Highlight: Infratil

An active infrastructure investor

Infratil is an infrastructure investor with a significant portfolio of investments in digital infrastructure, renewables, healthcare, and transport. These are defensive sectors supported by long-term growth trends such as growing data usage, global decarbonisation and an increase in the ageing population. Current investments include renewable developments, data centres, diagnostic imaging, and more locally Vodafone, Wellington Airport and Manawa Energy (formerly Trustpower).

Infratil and their manager Morrison & Co have a strong track record of identifying these trends early and creating value through active management. This is evident with Infratil delivering an impressive shareholder return of over 18% per year since listing on the NZX in 1994.

Infratil has been a core holding across our NZ equity funds since 2019 where we participated in a capital raise by Infratil to fund the acquisition of Vodafone and we have subsequently increased our holdings. Infratil has been a strong performer since then with their share price increasing from $4.35 to above $9.00 today. This has been driven by their investments in renewable energy and Canberra Data Centres in particular.

Renewable Energy

Infratil was an early investor in renewables with their first investment being a minority stake in Trustpower back in 1994. Infratil went on to acquire control of Trustpower which continued to develop renewable energy in New Zealand and then in Australia.

In 2016 Trustpower spun out their wind generation and development projects into a new listed company called Tilt Renewables. Tilt was valued at about $600 million after being demerged and it has continued to develop renewables in both New Zealand and Australia. Growing demand for renewables and the quality of Tilt's development pipeline saw the company acquired in 2021 for $3.1bn resulting in significant gains for Tilt shareholders including Infratil with a 65.5% stake.

Infratil went on to build renewable development platforms in North America in 2016 (Longroad) and more recently in Europe and Asia. Infratil has invested a net US$112m in Longroad since 2016 which recently sold a minority stake valuing Infratil's investment at US$800m.

Both Tilt & Longroad are illustrative of Infratil's expertise in renewables. Today Infratil has become a global leader in renewables with a 20GW development pipeline across 4 continents and 26 countries. To put that in context, New Zealand has c.10GW of installed generation capacity.

Canberra Data Centres

In 2016 Infratil acquired a 48% shareholding in Canberra Data Centres for A$392m which builds highly secure datacentres for customers including the Australian government. At the time the business had ~30MW of data centre capacity which is expected to grow to 268MW in 2023 with Infratil's shareholding now valued at A$2.9bn. This has been driven by global themes of growing cloud adoption and data sovereignty, where countries including Australia and New Zealand have elected to keep important data onshore.

Vodafone has also been a successful investment for Infratil to date with Vodafone recently announcing the sale of their mobile towers for $1.7 billion. The transaction returns 80% of Infratil's initial investment in Vodafone, while the mobile towers only contributed 10% of Vodafone's earnings.

Outlook from here

In our view Infratil has an attractive portfolio of investments that had been underappreciated by the market prior to recent transactions. Long term success will be dependent on Infratil's managers ability to continue to identify emerging trends for new investments and actively manage their portfolio including divesting assets where the outlook changes.